



Renewable, efficient, innovative: shaping 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 aggregate 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
-  Plan
-  VERBUND
-  Emphasis

VERBUND
Annual Report 2014

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Report of the Executive Board

Dear Shareholders,

Due to the continued weakness in the economy, demand for electricity declined in most European countries. Subsidies for new renewable energy, low prices for coal and CO₂ and overcapacities led to wholesale electricity prices falling even further and put pressure on the entire arena of conventional, unsubsidised electricity generation. The situation is particularly precarious for gas power plants.

We therefore implemented numerous measures in financial year 2014 to ensure the good performance of our Group. In doing so, we consistently followed our EcoExcellence standard, which is how we create added value for our stakeholders by providing top services in all business areas.

Greater efficiency, lower costs An important step in the past financial year was the restructuring of electricity generated from thermal power. The Neudorf/Werndorf II oil-fired district heating plant was closed and decommissioning measures for the Dürnröhr hard coal power plant are currently being implemented. The Mellach hard coal power plant will be used to supply the city of Graz with district heating as contracted until 2020. Due to a temporary injunction, the Mellach combined cycle gas turbine power plant must be kept available as an additional reserve in the event of outages. In October 2014, we signed the agreements on the sale of the French Pont-sur-Sambre and Toul CCGTs as well as the wind power plants in Bulgaria. Those transactions are expected to close in the first quarter of 2015. We also finalised the withdrawal from our Italian equity interest in Sorgenia. That transaction is expected to close in the first half of 2015. This brings us closer to our goal of CO₂-free electricity generation and will reduce future cash outflows arising from unprofitable plants.

We again streamlined our investment programme in 2014. The majority of investments flows into expanding Austria's regulated high-voltage grid. We are also investing in increasing the efficiency of existing plants and finalising ongoing hydropower and wind power plant projects. Our internal programme to reduce costs and increase efficiency, which has been underway for two years, will save us a total of more than €130m by the end of 2015.

Using energy-related services for a customer-focussed future In 2014, we not only implemented a market initiative for private as well as business customers; we also began offering new services on the basis of renewable energy, and now supply affordable and innovative solutions to our growing number of private electricity and gas customers. Examples of these are the VERBUND Eco packages and our plusGas product range, a new service that has been providing customers with climate-neutral gas since the fourth quarter of 2014. In addition, we are developing innovative, energy-related services for the industrial and commercial segments such as the VERBUND Power Pool and the virtual power plant. Starting in 2015, VERBUND GETEC Energiecontracting GmbH, a joint venture with GETEC heat & power AG, will be creating a customised energy supply concept of particular value for industrial operations with high energy use.

We are also continuing our activities with Smatrics in the area of electromobility. Together, we are also partners in "Green eMotion," Europe's largest research and development project, and we are working on cross-border electromobility solutions.

In order to offer new services in Germany, we formed AQUANTO GmbH, a joint venture with German energy group EnBW. This will allow us to tap into new areas of business for our Group and to focus on Austria and Germany. We intend for those to become a key pillar of our business model in the future due to their promising earnings potential.

Green bond issued successfully Yet another sign that we are on the right track is the successful issue of our first green bond, which plays a pioneering role in the German-speaking regions. VERBUND succeeded in November 2014 in placing a corporate bond with a volume of €500m and a term of ten years on the capital market at an interest rate of 1.5%. The issue was oversubscribed three-fold. The bond issue was in particularly high demand from investors focusing on the environment and social responsibility, who accounted for two-thirds of the subscribers. The issue proceeds will be used exclusively to finance and refinance energy efficiency measures and projects in the area of renewable energy in both Austria and Germany.

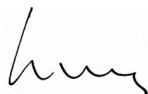
Income trend impacted by non-recurring effects The income trend in financial year 2014 was impacted by non-recurring effects. The changed energy market parameters and an adjustment of the WACC to the lower interest level led to impairment losses and reversals of impairment losses. Additional non-recurring effects resulted from the sale of the French Pont-sur-Sambre and Toul CCGTs and from the restructuring in the thermal area. By contrast, earnings in 2013 had received a very significant boost from the sale of our Turkish activities and the concurrent purchase of hydropower plants in Germany. The operating business was particularly impacted in 2014 by the further decline in electricity sales prices and a lower water supply compared with the previous year. EBITDA therefore decreased by a total of €492.6m to €808.8m, and the Group result declined by €453.5m to €126.1m. EBITDA after adjustment for non-recurring effects decreased by €270.0m to €889.6m, and the adjusted Group result fell by €168.2 to €216.0m.

Dividend and outlook At the Annual General Meeting on 22 April 2015 we will propose a dividend of €0.29 per share for financial year 2014 in line with our dividend policy. The payout ratio for 2014 will thus amount to 46.7% based on the adjusted Group result. For financial year 2015, we are also planning a payout ratio of around 50% of the Group result after adjustment for non-recurring effects. On the basis of average own generation from hydropower, we expect EBITDA of approximately €770m and a Group result of approximately €180m for financial year 2015.

Let's work together to shape a successful future for VERBUND!



Dipl.-Ing. Wolfgang Anzengruber



Dr. Johann Sereinig



Dr. Peter F. Kollmann



Dr. Günther Rabensteiner

Report of the Supervisory Board

In financial year 2014, the difficult economic climate continued to impact VERBUND, Austria's leading utility. However, thanks to comprehensive restructuring and cost reduction measures as well as a good 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 generate satisfactory earnings under these conditions. The Supervisory Board actively monitored and supported these positive developments.

Discharge of 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 five plenary meetings. The overall attendance rate of all Supervisory Board members was 92%. In addition, the Chairman had regular contact with all members of the Supervisory Board on important matters so that all members were always involved. The Executive Board provided the Supervisory Board with regular and comprehensive real-time information, verbal and written, on all relevant questions relating to the Group's performance and its position and strategy, and those of significant 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 the Group's structure and strategy, and monitored the Executive Board's management activities continuously based on its extensive reporting. Supervision took place in open and constructive meetings between the Executive Board and the Supervisory Board and revealed no grounds for criticism. In addition, the Chairman of the Supervisory Board met regularly with the members of the Executive Board, particularly the Chairman.

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 relates to the Group's restructuring measures, particularly concerning thermal power plants. By selling the gas power plants in France as well as Sorgenia in Italy, we largely succeeded in relieving ourselves of burdensome international commitments. Other key topics were the formation of two joint ventures in the New Solutions segment, the successful issue of the first green bond in the German-speaking region and the extension of a syndicated credit facility. The Supervisory Board also dealt intensively with the compliance management system.

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, particularly of its organisation and procedures. The evaluation consisted of an extensive questionnaire completed by all members and discussed among the Supervisory Board at its subsequent meeting without the participation of the Executive Board. In addition, the Supervisory Board again thoroughly addressed possible conflicts of interest. No conflicts were identified that would require any measures to be undertaken. As provided for in the Code of Corporate Governance, meetings were held as needed, including meetings in which the Executive Board did not participate. The Supervisory Board's Working Committee met twice during the year under review, above all to plan plenary meetings.

The Audit Committee – which is an independent offshoot of the Working Committee – met four times. It dealt above all with the semi-annual financial statements and preparation of the resolution to approve the annual financial statements as well as the appointment of the auditor and examination 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 and performed the duties stipulated by the rules of procedure. The General and Remuneration Committee convened six times and discussed the target agreements and the variable remuneration of the Executive Board as well as current topics of emphasis. The Nomination Committee did not meet. The composition of the Supervisory Board changed as follows in the reporting year: Mag. Dr. Martin Krajcsir was elected to the Supervisory Board by the Annual General Meeting of 9 April 2014 to replace Dr. Gabriele Payr, who resigned her position. Ing. Siegfried Wolf left the Supervisory Board as at 30 June 2014. Further information about the composition, operation and meetings of the Supervisory Board and its committees and 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 2014, were audited by Deloitte Audit Wirtschaftsprüfungs GmbH and issued with 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 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 2014 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 (Aktengesetz, 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.

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 2014. The Supervisory Board would also like to thank the Group's shareholders, customers and business associates for their trust.

Vienna, March 2015



Dr. Gilbert Frizberg
Chairman of the Supervisory Board

Strategy

VERBUND's vision is to "energise the future with clean electricity and innovative solutions". To support this vision, we regularly review our Group strategy and adapt it to changing conditions. To achieve this goal, we at VERBUND follow the strategic principles laid out below.

Strategic principles

Our corporate activities focus on acting cost-effectively and profitably as well as ensuring financial stability and sustainability.

Investments in research and development form the basis for our future business models.

We are adding energy-related applications and services to our value chain to promote the efficient use of energy by responsible individuals.

Markets	Electricity generation	Electricity transmission	Energy trading, sales and services
Austria and Germany are our most important markets.	Hydropower and wind power are our most important energy generation technologies. We invest exclusively in CO ₂ -free generation technologies. Our target is for our electricity generation to be 100% CO ₂ -free by 2020.	We secure the electricity supply in Austria with our high-performance transmission grid. We are committed to the national Network Development Plan.	Our electricity trading activities serve primarily to secure and market our own generation. Innovative green electricity and flexibility products enhance the value of our electricity. We are developing new customer-oriented commercial products and are expanding our services. Our customers receive clean electricity together with other energy-related products and innovative solutions to promote the efficient use of energy.

Investor relations

International capital market environment

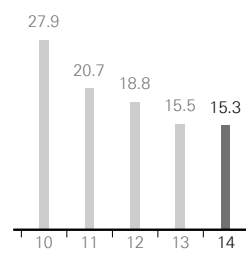
In 2014, the stock markets were shaped by varying economic trends across the globe, uncertainty regarding central bank policy and political crises. In Europe, economic output fell below expectations. Moreover, the Ukraine-Russia crisis had a damaging effect on economic performance in some sectors and countries and put massive pressure on stock markets. In the USA, the economic trend was relatively robust, for which reason the US stock markets were among the winners in 2014. The US Dow Jones Industrial stock index performed impressively again in 2014, showing a recent increase of 7.5%. The trend on the Eurostoxx 50 was far less dramatic. The index gained only 1.2% over the course of 2014 to end the year at 3,146.43 points. Thus as opposed to the DJI, the Eurostoxx 50 was well away from the highs generated in 2000 and 2007. Performance of the Japanese Nikkei 225 stock index likewise remained far below its historical highs. However, in 2014 the index made significant gains (+7.1%) to reach a level of 17,450.77 points at year-end. The trends on the stock indices in the emerging markets were extremely varied in 2014, with strong growth in the Asian stock markets contrasting with losses in Eastern Europe and South America. The Vienna stock exchange started the year well, with the ATX reaching its annual high of 2,729.07 points in mid-January 2014. Concerns about the global economic trend and the Ukraine-Russia crisis led to a volatile, downward price trend, cumulating in an annual low of 2,032.13 points in mid-October 2014. Thanks to a countertrend in the following weeks, the year-end level amounted to 2,160.08 points. All in all, the ATX lost 15.2% in 2014.

Upcoming dates:
 Annual General Meeting:
 22 April 2015
 Ex-dividend date:
 29 April 2015
 Dividend payment date:
 12 May 2015
 Results for quarter
 1/2015: 6 May 2015

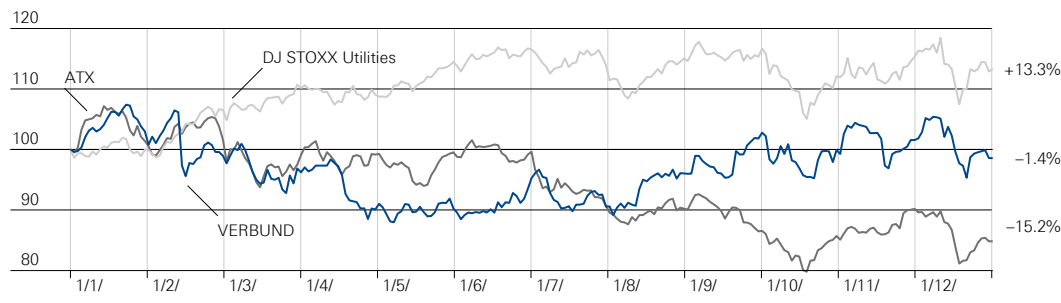
VERBUND shares

Performance of VERBUND shares was extremely volatile in 2014. After a brief upward trend at the beginning of the year, there was a significant price adjustment following publication of the earnings projections in February 2014 and the ex-dividend date in mid-April 2014. The declines were more than compensated for in August and September of the past financial year thanks to positive reports from analysts. In the fourth quarter of 2014, the shares experienced fluctuating sideways movement. VERBUND shares closed at €15.3 on 31 December 2014, down 1.4% from 31 December 2013. By contrast, the DJ STOXX Utilities industry index registered a rise of 13.3%, due above all to the good performance of regulated utilities and Spanish utilities.

Closing prices
 VERBUND shares €/share



VERBUND share price: relative performance 2014



Shares: key figures

	Unit	2013	2014	Change
Share price high	€	19.9	16.7	-16.4%
Share price low	€	14.3	13.7	-4.5%
Closing price	€	15.5	15.3	-1.4%
Performance	%	-17.3	-1.4	-
Market capitalisation	€m	5,390.2	5,313.7	-1.4%
ATX weighting	%	2.6	3.2	-
Value of shares traded	€m	1,844.7	1,160.4	-37.1%
Shares traded per day	Shares	456,952	312,922	-31.5%

Activities of VERBUND's investor relations team

Active, open communication with investors, analysts and individual shareholders during road shows, conference calls and in one-on-one conversations is important to us. The VERBUND investor relations team conducted road shows in Europe and the USA in 2014 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.

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

Coverage by 18 renowned Austrian and international investment banks ensures the visibility of VERBUND shares in the capital markets. The following investment banks covered our Group as at 31 December 2014:

Berenberg Bank (*Lawson Steele*)
 Citigroup (*Sofia Savvantidou*)
 Commerzbank (*Tanja Markloff*)
 Credit Suisse (*Vincent Gilles*)
 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 (*Peter Crampton*)
 Mainfirst (*Andreas Thielen*)
 Morgan Stanley (*Anne Azzola Lim*)
 Raiffeisen Centrobank (*Teresa Schinwald*)
 Raymond James (*Emmanuel Retif*)
 Société Générale (*Lueder Schumacher*)
 UBS (*Patrick Hummel*)
 Warburg Research (*Stephan Wulf*)

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Group management report

Group

The Group management report relates 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 operating environment for the European electricity sector remained extremely challenging in 2014. Europe has still not succeeded in overcoming the debt crisis. Demand for electricity declined in the wake of the continued weak economic trend. The weak economic environment in Europe and the rest of the world led to decreasing prices for primary energy. These developments in combination with continuing overcapacities in the European electricity market – particularly due to the massive subsidisation of electricity generation from new renewables – led to wholesale electricity prices continuing to drop in 2014.

We are shaping the future in a difficult market climate.

The European electricity market is currently at a turning point. The transition of electricity generation to a predominantly supply-dependent system for renewable energy generation calls for a redesign of the market.

General economic environment

Economy remains weak

Global economic growth did not demonstrate much momentum in 2014. Economic recovery faltered in the eurozone in particular. The economy in the emerging markets also showed little movement compared with historic trends. Furthermore, geopolitical tensions (Ukraine, Russia, the Middle East) acted to slow economic activity. According to forecasts published by the International Monetary Fund (IMF) in January 2015, real economic growth is calculated to have risen slightly (by 1.8%) in industrial countries in 2014 after an increase of 1.3% in 2013. Although the eurozone has overcome the recession, economic output showed little momentum with a rise of 0.8% in 2014 according to forecasts (2013: -0.5%). Germany remained the growth driver with an increase of 1.5% in GDP. By contrast, weaker exports caused the Austrian economy to lose momentum, with expansion of only 0.3% in 2014 according to estimates by the Austrian Institute of Economic Research (WIFO). In France and Italy, unsolved structural problems slowed growth markedly, while the peripheral countries made gains thanks to reforms.

Energy market environment

Mild weather conditions and weak economy push down energy demand

In 2014, energy consumption in Austria was well below that of the previous year. The primary reasons for this were the milder weather conditions compared with the previous year and the weak economy.

By contrast with the unusual cold spell at the beginning of 2013, the start of 2014 saw temperatures that were above average. No unusual temperature trends were registered in the summer, while the rest of the year again proved to be much warmer than usual. Total heating degree days decreased by 19.2% in 2014. This indicator is generally used as a temperature-independent indication for the use of heating energy.

Natural gas consumption decreased by 9.4% in 2014. The use of natural gas in power plants, which had already dropped sharply in 2013, continued to see heavy declines. Demand for gas was also negatively impacted by the considerably warmer weather compared with the previous year as well as the weak performance of industrial production.

Hard coal consumption decreased due to the decline of approximately one-third in the use of coal in power plants. Mineral oil consumption likewise registered a decrease in 2014. Demand for fuels was stable on the whole, with lower sales of extra light heating oil contributing in particular to the overall trend.

Renewables maintained their share in total energy consumption. Although hydropower saw a supply-related decline, the new renewable energy sources – especially wind power and solar power – were able to sustain their upward trend.

Electricity consumption declines, dependency on imports rises

According to figures from E-Control, electricity consumption in Austria decreased by 1.1% in 2014. The decline was particularly substantial among industrial operations, where production declines in a number of industrial sectors with high electricity use led to reduced consumption. Among private households, the mild winter was the main factor contributing to lower electricity consumption.

Due to the lower water supply compared with the previous year, hydropower plants supplied 3.4% less electricity in 2014. In addition, utilisation of thermal power plants decreased by 16.5% in this period due to market conditions.

“Other generation” recorded a 13.7% rise. 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 4.0% in Austria in 2014. The decline in generation was offset by a significant increase in net imports (+27.6%).

Oil prices fall back

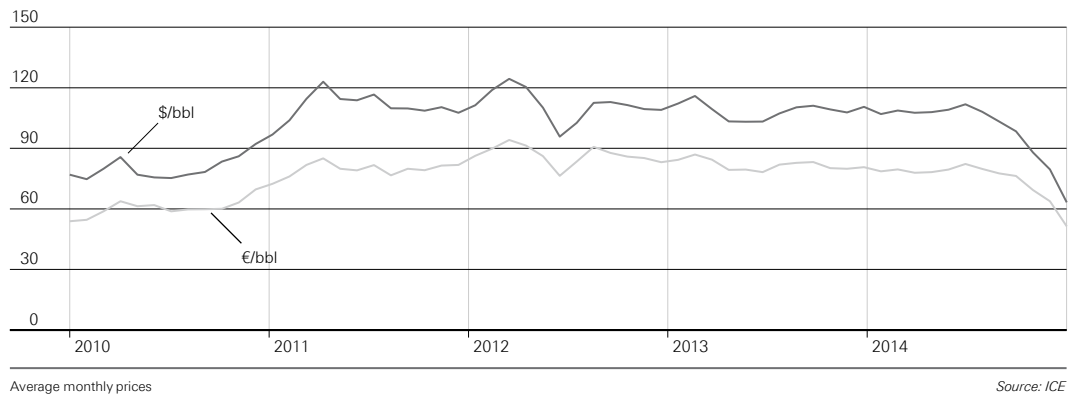
The average price for one barrel of Brent crude oil (front month) was \$99.4/bbl in 2014 compared with \$108.7/bbl a year earlier. This represents a decrease of 8.5%.

The price of oil fluctuated in a range of between \$105/bbl and \$111/bbl from the beginning of January to the end of May 2014. Reports on the economic trend in key economies, drilling disruptions in Libya and the Ukraine conflict led to upward and downward movement in the listings during this period.

In June 2014, listings increased to somewhat over \$115/bbl due to unplanned disruptions in oil production among a number of OPEC producers and unrest in Iraq. Prices declined steadily thereafter, the chief reason being the abundant supply of oil and only modest demand. US production increased, and US oil imports decreased sharply as a result. Added to this was the fact that oil production was not scaled back in Iraq.

The downward trend accelerated after the economic data signalled a further slowdown in economic momentum. The OPEC decision in November 2014 to keep production levels constant was responsible in particular for the price drop. At the end of 2014, one barrel of Brent crude (front month) was quoted at only \$57.3/bbl, the lowest figure since mid-2009.

Crude oil price performance (Brent front month)

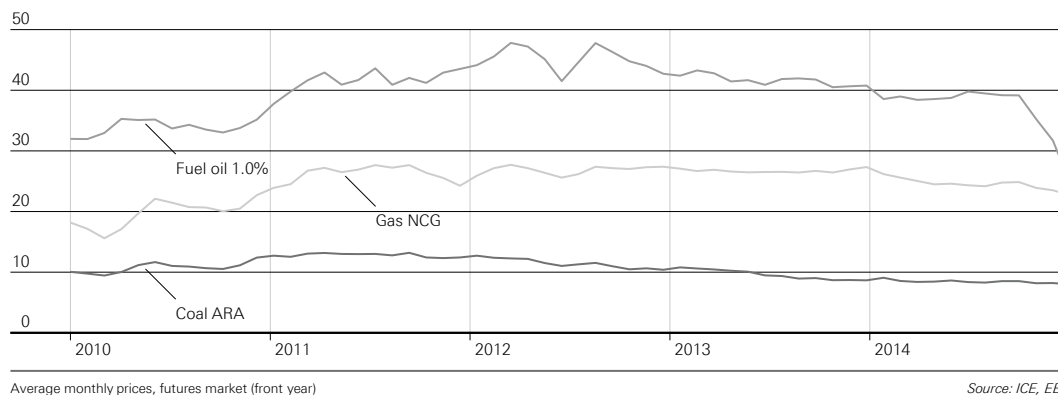


Gas and coal also see price declines

In gas trading, the collapse in demand resulting from the weather situation and reduced utilisation of gas power plants led to significant price reactions. The spot price in the European NCG trading point decreased by €6.0/MWh on average in 2014 to €21.1/MWh. With regard to futures market gas products, the Ukraine conflict resulted in a risk premium being established. However, at €24.6/MWh, the NCG front year was nonetheless €2.2/MWh less expensive on average than in 2013.

Prices for coal deliveries in the ARA region (Amsterdam, Rotterdam, Antwerp) continued on their downward trend from the previous year. Coal prices were down 7.6% in the spot market in 2014 and 12.0% in the futures market year-on-year (ARA front year; both on a euro basis). The global coal market is currently experiencing an oversupply.

Coal, oil and gas price performance €/MWh thermal



Political and regulatory framework at a European level

EU agrees on energy and climate package for 2030

On 24 October 2014, heads of state and government approved a new EU energy and climate policy for the period from 2020 to 2030. The package involves the following objectives: a binding EU target for reducing greenhouse gases by at least 40% (1990 base year), a renewable energy target at EU level in the amount of at least 27% of energy consumption and an energy efficiency target of at least 27%, which can be raised at a later time to 30% (the European Commission's original proposal). A new governance system will monitor future achievement of the targets.

Reinforcement of EU emissions trading

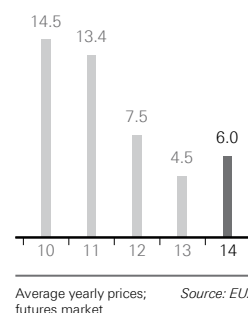
The EU emission trading system is not fulfilling its purpose of promoting low-emission technologies due to the persistently low level of prices for CO₂ emission rights. The reason for this is the current oversupply of emission rights.

To reduce the oversupply, the European Commission has submitted a proposal for a "market stability reserve" that would have an automated mechanism designed to gradually transfer excess CO₂ emission rights to a reserve starting in 2021, and then put them back into the market in the event of a shortage.

Reform of the Renewable Energy Sources Act in Germany

The amendments to the Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz, EEG) in Germany in 2014 represented a further advancement in the primary legal instrument for promoting the use of renewable energy. The changes were necessary due to the rapid development of renewable energy, especially the rise in allocations under the Renewable Energy Sources Act and increasing challenges to the stability of the power grid and the security of supply. The new Renewable Energy Sources Act focuses on cost-efficient technologies in order to lower the cost of additional development. Existing oversubsidisation will be scaled back, subsidies for new installations will be gradually lowered, and exceptions to the allocations under the Renewable Energy Sources Act will also be reduced. Specific quantity targets ("expansion corridors") have been established for the annual build-up of each renewable energy technology to enable better planning of the expansion of renewable energy. To improve the integration of renewable energy into the electricity market, operators of major new

CO₂-emission rights prices €/t CO₂



installations in future be obliged to directly market the electricity they generate themselves. This obligation will be introduced gradually to allow all market operators to make the necessary preparations.

Water charges/ECJ proceedings

The complaint brought against Germany by the European Commission to comply with the Water Framework Directive in terms of cost obligations relating to water services was rejected by the European Court of Justice. The decision firmly established that the Directive does not stipulate that a price must be put on measures such as the removal, damming, storage, treatment, or distribution of surface or ground water. Based on that decision, the Republic of Austria (which was admonished by the European Commission in the same matter) can assume that the default action will not be pursued further.

New legal framework for the energy sector in Austria

Energy efficiency package adopted

The energy efficiency package of the federal government was adopted by Parliament by a majority of two-thirds in the second attempt in July 2014. The cornerstones of the law are: an annual savings obligation for energy suppliers of 0.6% of sales registered in the previous year and a requirement for large companies to conduct energy audits. The legislation additionally stipulates that a quota of at least 40% must be reached in energy efficiency measures for households. The savings obligation for the energy sector (which involves a total savings target of 159 PJ over the entire period) can be adjusted each year by the minister of the economy depending on the changes made to the government targets. The supplier obligation will take effect on 1 January 2015.

Massive regulatory intervention is causing the European electricity market to move away from the principle of competition.

Preparations for a national water management plan

In order to implement the European Water Framework Directive, all member states, including Austria, are required to draft and implement national water management plans. National Water Plan I (2009–2015) is in the final phase of implementation. The Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management (BMLFUW) has begun preparations for National Water Plan II, which will take effect in 2016 with the intensive involvement of the federal states.

National Water Plan I has focused firstly on creating passability in priority bodies of water, whereby costs have risen massively from the original estimates due to the increase in the legal and technical requirements applicable to fish ladders (as much as 2.5-times). Current studies relating to Austria indicate that total generation by run-of-river power plants in Austria will decrease by approximately 300 GWh/a solely on the basis of the leading flow allocation. A second focus of National Water Plan I and the coming National Water Plan II is the adaptation of the residual water budget which could lead to additional generation losses of around 1,500 GWh/a for all Austrian run-of-river power plants. The latter is due above all to the very high standards required by the “Ecology” quality objective ordinance (Qualitätsziel-Verordnung Ökologie, QZVO-Ö).

National Water Plan II contains the following new items: specifications for creating passability, for residual water and for pressure surges and drops as well as possible new requirements concerning fish protection/fish bypasses. However, these specifications must be based on clear consideration of energy and environmental policy targets and a comprehensible cost-benefit ratio with regard to possible interventions as well as comprehensive scientific research that takes the companies involved into account. National Water Plan II will focus in particular on the possible requirements for pressure surges and drops. When strictly interpreted, the use of (pumped) storage power plants will be restricted, which will lead to notable losses in peak capacity, flexibility and balancing energy. This could lead to the occurrence of massive disadvantages in terms of energy and economic policy.

Finance

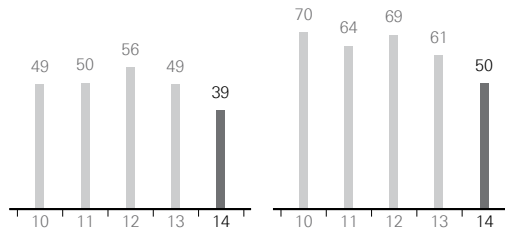
Factors affecting the result

Wholesale prices for electricity

In 2013, VERBUND already entered into contracts for the majority of its own generation for 2014 in the futures market. At an average of €39.1/MWh for base load and €49.7/MWh for peak load, electricity wholesale prices were below the previous year's levels by 20.7% and 18.4% respectively. The weak economy, lower prices for coal and CO₂ emission rights, overcapacities in the European electricity market and higher generation from renewable energy due to the construction of new plants exerted enormous pressure on the futures market. For immediate deliveries (spot market), wholesale trading prices for electricity were also well below the prior-year level in 2014. Prices for base load decreased by an average of 13.3% to €32.8/MWh and prices for peak load fell by 15.8% to €41.0/MWh.

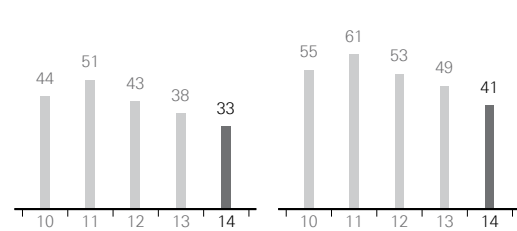
Futures prices €/MWh

Front Year Base Front Year Peak



Spot market prices €/MWh

Spot Base Spot Peak



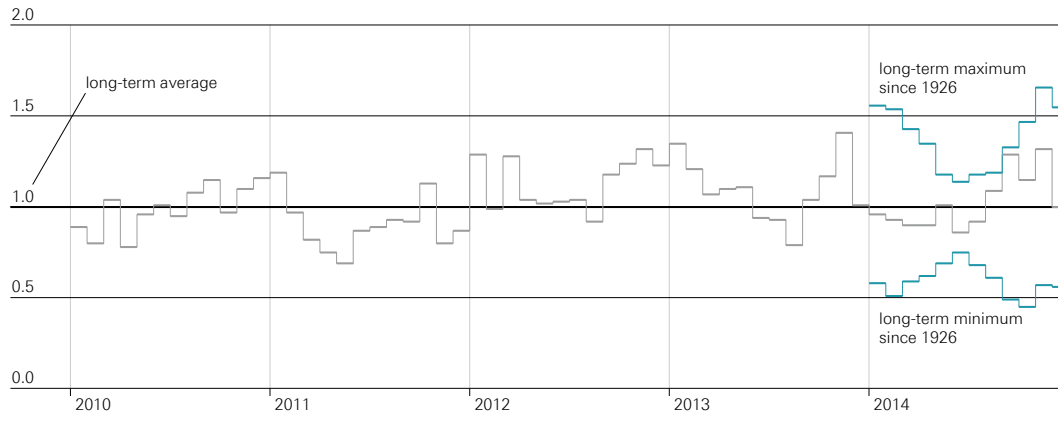
Futures prices traded in the year before supply. The years stated are the respective years of supply. Average prices.

Source: EEX, EPEX Spot

Water supply performance

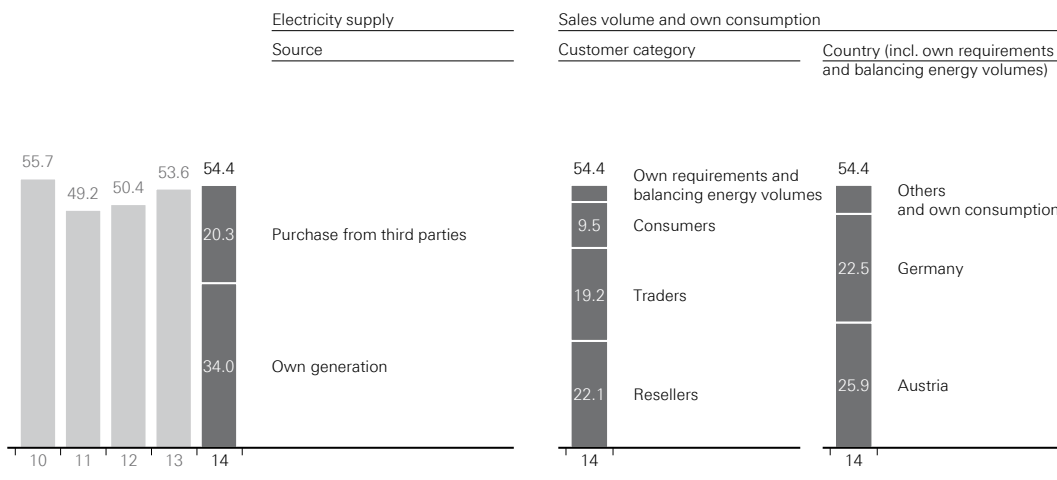
Water supply in the rivers is of particular significance for VERBUND since around 90% of its electricity is produced using hydropower. The water supply is measured by means of a hydro coefficient. The value of 1.00 stands for the long-term average. Although water supply levels were low in the first half of the year, the levels were well above average in the second half. At 1.02, the hydro coefficient for run-of-river and pondage power plants was 2% above the long-term average but 5 percentage points below the previous year's level. The hydro coefficients for the individual quarters were as follows: quarter 1: 0.93; quarter 2: 0.93; quarter 3: 1.10; quarter 4: 1.16.

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 34,030 GWh, VERBUND's own generation was 1,509 GWh lower than in the previous year. Generation from hydropower rose by 245 GWh in 2014. The increase is predominantly attributable to the hydropower plant shares acquired in Germany in April 2013 and to higher generation from annual storage power plants. The increase of 12.1% in generation of the annual storage power plants resulted from higher water flows, a lowering of the water level and increased pumped storage operations. At 1.02, the hydro coefficient for run-of-river power plants was 2% above the long-term average, but 5 percentage points below the previous year's level. Wind power and photovoltaic installations generated

246 GWh of additional electricity in 2014. The increase was due firstly to the commissioning of new wind power plants in Austria in 2014 and secondly to the fact that the wind power plants commissioned in 2013 in Romania and Germany were at our full disposal in 2014. In contrast, generation from thermal power fell by 2,000 GWh owing to unfavourable market conditions. The Mellach CCGT generated only 105 GWh in 2014 (2013: 394 GWh). Generation from VERBUND's other thermal power plants in Austria fell by 578 GWh. The two thermal power plants in France produced a total of 1,133 GWh less electricity than in the previous year prior to their deconsolidation.

Electricity purchased from third parties for trading and sales increased by 1,927 GWh. Electricity purchased from third parties for grid losses and balancing energy increased by 352 GWh, above all due to increased congestion management.

Group electricity supply	GWh		
	2013	2014	Change
Hydropower ¹	30,943	31,188	0.8%
Wind/solar power	565	811	43.5%
Thermal power	4,031	2,031	-49.6%
Own generation	35,539	34,030	-4.2%
Electricity purchased for trade	14,874	16,801	13.0%
Electricity purchased for grid loss and balancing energy volumes	3,175	3,527	11.1%
Electricity supply	53,589	54,359	1.4%

¹ Including purchase rights

Electricity sales volume increased slightly in 2014, rising by 547 GWh compared with the previous year. Electricity volumes delivered to consumers declined by 608 GWh. The increase in volumes supplied to domestic consumers (+240 GWh) was not able to compensate for the competition-related declines in volumes delivered to international consumers (-848 GWh). Sales to resellers rose by 504 GWh. Deliveries to domestic resellers increased by 685 GWh while sales to international resellers declined by 181 GWh based on competition. Electricity deliveries to trading firms increased by 649 GWh compared with the previous year. The increase in own use by 258 GWh was due to higher utilisation of the pumped storage power plants in reverse operation.

Group electricity sales volume and own use			GWh
	2013	2014	Change
Consumers	10,093	9,485	-6.0%
Resellers	21,601	22,105	2.3%
Traders	18,583	19,232	3.5%
Group sales	50,276	50,823	1.1%
Own consumption	2,685	2,943	9.6%
Balancing energy volume	627	593	-5.5%
Total electricity sales volume and own use	53,589	54,359	1.4%

In 2014, approximately 51% of the electricity sold by VERBUND went to the Austrian market. The German market was the focus of international trading and distribution activities and accounted for 90% of all volumes sold abroad.

Electricity sales volume by country			GWh
	2013	2014	Change
Austria	24,722	25,891	4.7%
Germany	22,433	22,491	0.3%
France	2,252	1,541	-31.6%
Romania	286	451	57.7%
Italy	284	118	-58.5%
Other	300	331	10.3%
Group electricity sales volume	50,276	50,823	1.1%

New accounting standards

Effective 1 January 2014, IFRS 11 "Joint Arrangements" replaced the previous rules under IAS 31 "Interests in Joint Ventures". As a result of the new rules, the equity interest in Ennskraftwerke Aktiengesellschaft must now be classified as a joint operation. The interest in Ennskraftwerke Aktiengesellschaft is therefore no longer accounted for under the equity method. Instead, VERBUND's interest in the assets and liabilities and/or income and expenses are included in the consolidated financial statements using the proportionate method. The new standard was applied retroactively as at 1 January 2013. Further details and adjustments for the reporting period and the previous year are presented in the notes to the consolidated financial statements.

Discontinued operations

The two French combined cycle gas turbine power plants in Pont-sur-Sambre and Toul, including the intangible assets and/or other receivables (closely) associated with the CCGTs, have been classified as "held for sale" since 11 December 2013. Since, contrary to expectations at 31 December 2013, the sale is not taking place by way of an asset deal but via a share deal, it is no longer only the operating result attributable to the two combined cycle gas turbine power plants in Pont-sur-Sambre and Toul that must be presented separately from continuing operations. Rather, the result attributable to Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. up until the deconsolidation of the two companies on

13 October 2014 must be reported under profit/loss from discontinued operations. Profit/loss after tax from discontinued operations amounted to €25.1m (2013: €-364.2m).

Financial performance

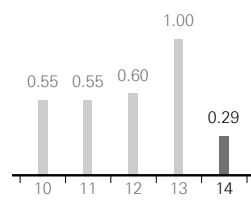
Although the result attributable to the French combined cycle gas turbine power plants must be presented separately from continuing operations, the analysis of financial performance refers to the combined result from the Group's continuing and discontinued operations.

Result	€m		
	2013	2014	Change
EBITDA	1,301.4	808.8	-37.9%
Adjusted EBITDA	1,159.6	889.6	-23.3%
Operating result	148.3	384.4	159.2%
Group result	579.6	126.1	-78.2%
Adjusted Group result	384.2	216.0	-43.8%
Earnings per share	1.67	0.36	-78.4%
(Proposed) dividend per share in €	1.00	0.29	-71.0%

Income trend

The income trend in financial year 2014 was massively impacted by non-recurring effects, as was also the case in 2013. The non-recurring effects in 2014 related in particular to effects from impairment tests, effects associated with the sale of 100% of the shares in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. and effects associated with the restructuring of the thermal area. The result after adjustment for non-recurring effects was impacted in particular by lower sales prices and a decrease in the water supply compared with the previous year. EBITDA after adjustment for non-recurring effects therefore decreased by €270.0m to €889.6m, and the adjusted Group result fell by €168.2 to €216.0m. Reported EBITDA decreased by a total of €492.6m to €808.8m, and the reported Group result declined by €453.5m to €126.1m.

Dividend per share €



Dividend

A dividend of €0.29 per share for financial year 2014 will be proposed to the Annual General Meeting on 22 April 2015. The dividend is based on a payout ratio of approximately 50% (2014: 46.7%) of the Group result after adjustment for non-recurring effects. The payout ratio for 2014 will amount to 79.9% based on the reported Group result. In 2013, a dividend of €1.00 per share was paid out to shareholders (basic dividend of €0.55; special dividend of €0.45); the payout ratio was 59.9%.

Revenue	€m		
	2013	2014	Change
Electricity revenue	2,720.6	2,427.4	– 10.8%
Grid revenue	382.6	305.8	– 20.1%
Other revenue	163.3	101.6	– 37.8%
Revenue	3,266.5	2,834.8	– 13.2%

Electricity revenue

VERBUND's electricity revenue decreased by 10.8% to €2,427.4m in 2014 compared with the previous year. Electricity sales volume rose by 1.1% or 547 GWh. The decline in electricity revenue is attributable to a decrease in the average sales prices attained due to the decline in wholesale electricity prices. Average sales prices decreased from €48.1/MWh to €39.1/MWh.

Grid revenue

External grid revenue decreased by 20.1% in 2014 to €305.8m. The decline can be explained above all by the decrease in national grid revenue due to lower tariff revenue as well as reversals of provisions in 2013. The provisions recognised in previous years to comply with the System Charges Order (Systemnutzungsentgelte-Verordnung, SNE-VO) and the System Usage Rates Directive (Systemnutzungstarife-Verordnung, SNT-VO) were adjusted in 2013, which led to a reversal of the provisions in some cases. The reversals of provisions had a positive impact in 2013.

Other revenue and other operating income

Other revenue decreased by €61.7m to €101.6m. The decline can be attributed to lower revenue from gas deliveries/gas trading as well as lower revenue from the sale of green electricity certificates for the generation of electricity from wind power in Romania. Other operating income decreased by €184.1m to €55.7m. This significant decrease was due in particular to a non-recurring effect arising from the repurchase of 60% of the electricity supply commitment from the Zemm/Ziller (Tyrol) storage power plant group accounted for in financial year 2013 following the asset swap with E.ON. In 2013, the positive effect resulting from this amounted to €166.6m.

Expenses	€m		
	2013	2014	Change
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	1,306.5	1,283.1	- 1.8%
Fuel expenses and other usage-dependent expenses	204.6	149.1	-27.1%
Personnel expenses	371.4	361.6	-2.6%
Depreciation of property, plant and equipment and amortisation of intangible assets	359.8	392.9	9.2%
Other operating expenses	331.4	280.2	- 15.4%

Expenses for electricity, grid, gas and emission rights purchases

Expenses for electricity, grid, gas and emission rights purchases fell by 1.8% to €1,283.1m. The purchase of electricity from third parties for trading and sales as well as for grid losses and balancing energy increased by a total of 2,280 GWh. This increase in quantity was mostly compensated by reduced purchase prices as well as lower reimbursements of expenses for purchase rights. Expenses for electricity purchases thus increased by €3.8m compared with 2013. Expenses for grid purchases increased by €10.4m and those for gas purchases decreased by €38.4m. The natural gas supply agreement for the Mellach CCGT has had to be recognised at fair value through profit or loss since quarter 3/2012. In 2014, the resulting effect on profit was €+2.1m (2013: €-5.1m).

Use of fuels

Fuel and other usage-dependent expenses fell by 27.1% to €149.1m. The decrease can be mainly attributed to the considerably lower use of thermal power plants due to market conditions. However, expenses increased as a result of the write-down of coal inventories due to current measurement and the adjustment of the provision for expected losses in connection with a district heating supply commitment.

Personnel expenses

Personnel expenses fell by €9.8m to €361.6m. Expenses for current employees decreased by €3.7m in financial year 2014, in particular due to personnel cutbacks made in connection with the programme to reduce costs and increase efficiency. Expenses for severance payments and pensions decreased by €6.0m. The decline was primarily attributable to the fact that expenses in financial year 2013 had included non-recurring effects in the amount of €28.4m (provisions based on the programme to reduce costs and increase efficiency for employees entering partial retirement). This was counteracted in 2014 by the initial allocations to social plan measures relating to the restructuring of the thermal area (€-21.8m).

Amortisation and depreciation

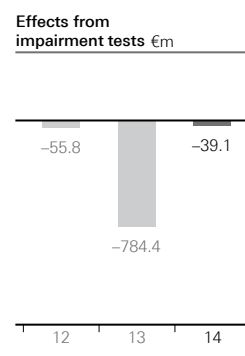
Amortisation of intangible assets and depreciation of property, plant and equipment rose by €33.2m to €392.9m. The majority of the increase resulted from the acquisition of equity interests in Bavarian hydropower plants as part of the asset swap with E.ON in quarter 2/2013 as well as the wind farms in Romania, Germany and Austria that were commissioned in 2013 and 2014. Suspension of depreciation and amortisation related to discontinued operations had a counteracting effect.

Other operating expenses

Other operating expenses decreased by €51.2m to €280.2m. The decline resulted in particular from lower hydropower maintenance costs, the reversal of a provision relating to the Töging power plant, the fact that the prior year had included expenses associated with the flood occurring in quarter 2/2013 and the adjustment of a provision for an onerous lease for a gas storage facility. This was offset by expenses associated with a verdict issued by the ICC International Court of Arbitration on the natural gas supply agreement between Pont-sur-Sambre Power S.A.S. and ENI S.p.A., which was cancelled in 2012.

Effects from impairment tests

The changed energy market parameters and an adjustment of the WACC to the lower interest rate levels led to impairment losses (€-181.1m) and reversals of impairment losses (€142.0m) in financial year 2014. The effects resulted mainly from impairment losses on wind farms in Romania (€-155.7m) and Bulgaria (€-7.1m) and the Dürnrohr hard coal power plant (€-8.9m) as well as reversals of impairment losses for the combined cycle gas turbine power plants in Mellach (€11.7m), Pont-sur-Sambre (€13.1m) and Toul (€3.7m), plus individual run-of-river power plants (€113.4m). The effects from impairment tests conducted in the previous year (€-784.4m) related in particular to the impairment of the Mellach, Pont-sur-Sambre and Toul combined cycle gas turbine power plants. Further details on the impairment tests are presented in the notes to the consolidated financial statements.



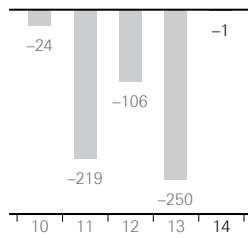
Operating result

As a consequence of the above developments, the operating result increased by €236.2m to €384.4m. The operating result before effects from impairment tests declined by €509.2m to €423.5m.

Financial result before effects from impairment tests and business acquisitions

	2013	2014	Change
Result from interests accounted for using the equity method	-216.3	33.0	-
Other result from equity interests	4.2	-2.9	-169.0%
Interest income	32.6	37.4	14.7%
Interest expenses	-188.2	-276.2	46.8%
Other financial result	22.7	-15.0	-166.1%
Financial result before effects from impairment tests and business acquisitions	-344.9	-223.7	-35.1%

Equity result - foreign €m



under the equity method

Result from interests accounted for using the equity method

Result from interests accounted for using the equity method increased by €249.3m to €33.0m. The contribution from foreign interests increased by €249.2m to €-1.2m. This can be predominantly attributed to the Italian entity Sorgenia S.p.A. The contribution of Sorgenia S.p.A. to the result from interests accounted for using the equity method was €0m in 2014 (2013: -230.7m). The equity interest was classified as held for sale effective 11 December 2013 and deconsolidated effective 18 December 2014. The contribution of Shkodra Region Beteiligungsholding amounted to €-1.2m in 2014 (2013: €-20.2m). Income from domestic interests accounted for using the equity method totalled €34.3m (2013: €34.1m). The majority of this related to the earnings contribution from KELAG which was €33.9m (2013: €34.0m).

Other result from equity interests

Other result from equity interests fell by €7.1m compared with 2013 to €-2.9m. In the 2014 reporting period, €-12.9m of effects on profit or loss were recognised as a result of reclassification adjustments from other comprehensive income as part of the deconsolidation of the equity interest held in Sorgenia S.p.A. (Group). By contrast, disposal of the 50.1% equity interest in POWEO Outre-mer Solaire S.A.S. (Group) classified as “held for sale” led to recognition of income in the amount of €2.5m. In the previous year, effects on profit or loss of €-4.1m resulting from reclassification adjustments from other comprehensive income were recognised as part of the disposal of the held-for-sale interest in STEWEAG-STEG GmbH.

Interest income and expenses

Interest income increased by €4.8m compared with 2013 to €37.4m. Interest expenses rose by €88.1m to €276.2m. Loans taken out to finance the French combined cycle gas turbine power plants were repaid early based on contractual obligations in connection with the sale of 100% of the shares in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. The interest expenses incurred ahead of schedule due to the early loan repayment amounted to €68.5m. Elimination of the losses attributable to other former partners of VERBUND Thermal Power GmbH & Co KG represented another negative factor. Lower interest on other liabilities from electricity supply commitments had a counteracting effect. This can be attributed in particular to the repurchase of 60% of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group as part of an asset swap with E.ON in 2013. Another positive effect arose from the decline in interest rates for bonds due to repayments.

Other financial result

Other financial result deteriorated by €37.6m in 2014 to €-15.0m. This was primarily due to the measurement of interest hedging transactions in the amount of €-14.2m (2013: €+4.4m), the measurement of an obligation to return an interest (see Notes for details) in the amount of €-18.6m (2013: €+4.7m) and the year-on-year decrease in foreign exchange gains (€-10.8m). Positive measurement effects were registered in connection with the reduction of VERBUND’s share in the power plant joint venture on the Inn River to 10% (€+17.1m).

Effects from impairment tests on the financial result

Impairment losses amounted to €-13.3m (2013: €-463.3m) and resulted from the impairment of Shkodra Region Beteiligungsholding GmbH (€-9.4m) and Energie AG Oberösterreich (€-3.9m). The impairment tests conducted in the previous year related above all to Sorgenia S.p.A. (Group) and Energie AG Oberösterreich. Further details on the impairment tests are presented in the notes to the consolidated financial statements.

Effects from business acquisitions

Effects from business acquisitions totalled €0.0m in financial year 2014. The effects in 2013 in the amount of €+1,184.4m resulted from the asset swap relating to the equity interest in EnerjiSA in Turkey and the acquisition of hydropower plant shares in Germany.

Financial result

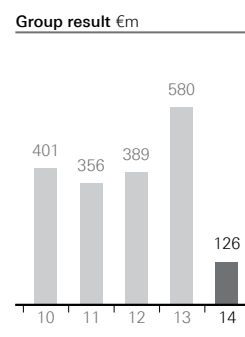
Financial result consequently fell by €613.1m from €376.2m to €-237.0m. Financial result before effects from impairment tests and from business acquisitions increased by €121.2m to €-223.7m.

Taxes on income

Income taxes changed from €+120.9m to €+33.1m. Expenses for current income taxes increased by €16.0m to €81.1m. Deferred taxes changed from €+186.0m to €+114.2m. The income from deferred taxes recognised in the 2014 reporting period was associated above all with the sale of Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. and resulted mainly from the termination of debt consolidation and the early repayment of loans. In the previous year, income from deferred taxes resulted primarily from the opportunity to use loss carryforwards arising from the liquidation of VERBUND Italia S.p.A.

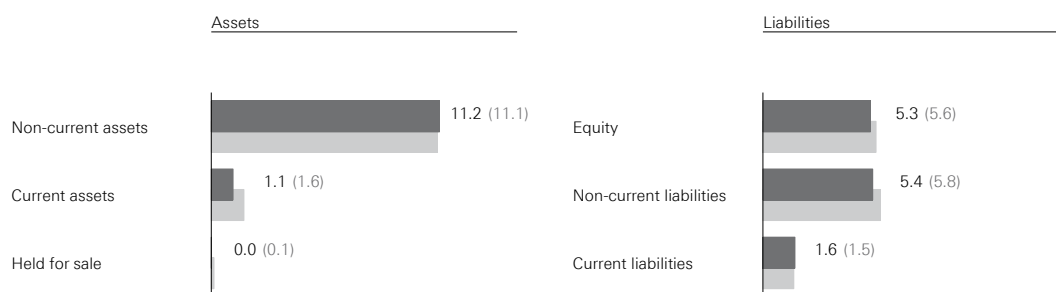
Group result

Profit for the period was €180.5m, with the share in profit of non-controlling interests in Group companies accounting for €54.4m of that figure. VERBUND's Group result therefore amounted to €126.1m. This represents a decrease of 78.2% compared with the previous year. Earnings per share amounted to €0.36 (2013: €1.67) for 347,415,686 shares. Group result after adjustment for non-recurring effects was €216.0m, representing a year-on-year decline of 43.8%.



Financial position

Balance sheet €bn



Figures in brackets are previous year's figures.

Consolidated balance sheet (short version)

	2013		2014		Change
		Percent		Percent	
Non-current assets	11,092.1	86%	11,166.6	91%	0.7%
Current assets	1,603.9	12%	1,070.7	9%	-33.2%
Non-current assets held for sale	137.5	1%	10.0	0%	-92.7%
Total assets	12,833.4	100%	12,247.3	100%	-4.6%
Equity	5,552.9	43%	5,280.5	43%	-4.9%
Non-current liabilities	5,766.0	45%	5,394.2	44%	-6.4%
Current liabilities	1,514.5	12%	1,572.5	13%	3.8%
Total liabilities	12,833.4	100%	12,247.3	100%	-4.6%

Assets

VERBUND's assets decreased by 4.6% in 2014. With respect to property, plant and equipment, additions of €412.3m were offset by depreciation of €385.6m. The most important additions related to capital expenditure for the Reißeck II/Carinthia pumped storage power plant (€81.7m) as well as the conversion of reversion rights for a run-of-river power plant on the Bavarian Inn River to contingent reversion rights that had to be recognised as subsequent cost (€52.0m). Impairment tests were also conducted on property, plant and equipment, which - after deducting any directly related investment grants or contributions to building costs - led to reversals of impairment losses in the amount of €125.1m and recognition of impairment losses in the amount of €181.1m. The reversals of impairment losses related to hydropower plants in Germany (+€83.6m) and in Austria (+€29.8m) as well as the Mellach combined cycle gas turbine power plant (+€11.7m). The impairment losses were incurred above all on the wind farms in Romania and Bulgaria (€-162.8m). As a result of the decision to close the Dürnröhr hard coal power plant, the plant was written off in full (€-8.9m).

The slight increase in the carrying amount of equity-accounted interests is almost entirely attributable to recognition of the pro-rata results from KELAG-Kärntner Elektrizitäts AG. The change in non-current assets held for sale concerned the deconsolidation of the equity interests in the French power plant companies Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. as well as reclassification of the assets of HAOS Invest EAD in Bulgaria.

The decrease in current receivables resulted mainly from the reversal of temporary financial investments which were consequently used for scheduled bond repayments.

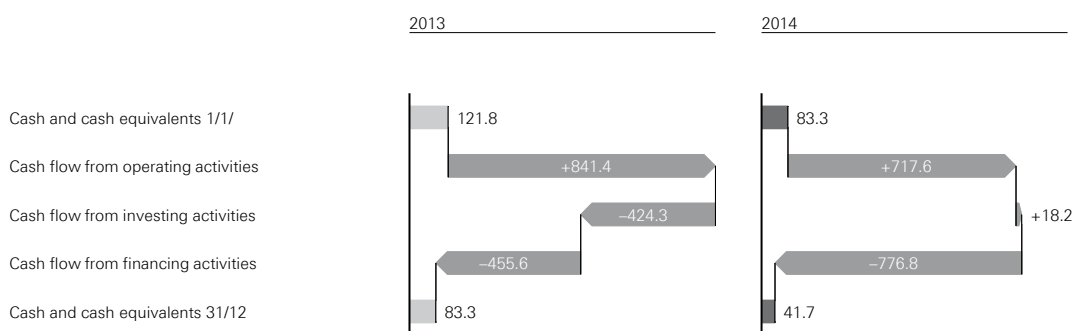
We are streamlining our balance sheet to meet future challenges. This will enable us to take even better advantage of opportunities in the market.

Equity and liabilities

The decrease in equity is mainly attributable to the distribution of the VERBUND AG dividend. Net debt increased by €353.3m to €4,059.6m compared with 31 December 2013. Current and non-current financial liabilities decreased in particular due to repayments of liabilities to banks relating to the French power plant companies that were sold. An increase resulted from new bank borrowing. Scheduled repayments of loans were offset by a comparable amount of new borrowing. The reduction in the interest rate for employee benefits relating to pension and severance payments ("Sozialkapital") led to an increase in the corresponding provisions. The change in provisions for deferred taxes was attributable above all to the deconsolidation of the equity interests in the French power plant companies.

Cash flows

Cash flow statement €m



Cash flow statement (short version)

	2013	2014	Change
Cash flow from operating activities	841.4	717.6	-14.7%
Cash flow from investing activities	-424.3	18.2	-
Cash flow from financing activities	-455.6	-776.8	70.5%
Change in cash and cash equivalents	-38.4	-41.0	6.8%
Cash and cash equivalents at the end of the period	83.3	41.7	-49.9%

Cash flow from operating activities

Cash flow from operating activities amounted to €+717.6m in 2014 and therefore decreased by €123.8m compared with the previous year. The decrease resulted in particular from lower profit contributions (€-269.9m) from the Energy segment and higher net interest payments (€-48m). The decline in income tax payments (€+57.5m) and payments for fuel (€+91.5m) in particular had an offsetting effect on the decline in cash flow from operating activities.

Cash flow from investing activities

Cash flow from investing activities amounted to €+18.2m in 2014 and consequently changed by €+442.5m compared with the previous year. The medium-term investments with banks made in 2013 were repaid in full in 2014 (€+1,072.3m). The discontinuation of cash outflow for interests accounted for using the equity method (€+137.5m) and lower cash outflow from capital expenditure for intangible assets and property, plant and equipment (€+103.7m) continued to positively impact cash flow from investing activities.

This was offset by the discontinuation of payments received from the disposal of the equity-accounted interest in SSG in 2013 (€-270.9m), the discontinuation of payments received from investments of consolidated companies in the previous year (€-382.0m) and higher cash outflow for short-term investments (€-185.2m).

Cash flow from financing activities

Cash flow from financing activities amounted to €-776.8m in 2014, a change of €-321.3m compared with the previous year. The change was due to the early repayment of loans associated with the sale of the power plant companies in France (€-388.7m), higher scheduled repayments of loans and other financial liabilities (€-272.5m) and higher dividend payments (€-112.8m). Increased incurrence of non-current financial liabilities (€+380.1m) and the change in cash inflows and outflows from money market transactions (€+85.7m) had an opposing effect.

Key figures and financial governance

The key figures relating to VERBUND's business activities are net debt/EBITDA and, accordingly, the improvement in free cash flow and specific costs. VERBUND uses ROCE to measure value creation.

Net debt/EBITDA, free cash flow and specific costs

VERBUND has made debt reduction a priority and is aiming to reach a ratio of net debt/EBITDA of <3.0 by 2020. To reach this goal, particular focus is being placed on improving free cash flow.

Net debt/EBITDA amounted to 5.0 in 2014 (2013: 2.8). The reduction in EBITDA was due to the reduction in electricity price levels in 2014, non-recurring effects from the restructuring of the thermal area and the generally difficult market environment. The fact that no positive free cash flow was generated in financial year 2014 resulted in an increase in net debt.

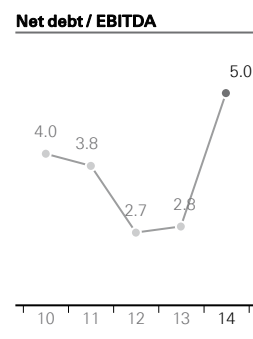
Free cash flow amounted to €-133.6m in 2014 (2013: €546.7m). Operating cash flow declined in comparison with the prior-year reporting period. In addition, the asset swap carried out in 2013 positively impacted cash flow from investing activities. In 2014, a special dividend was distributed for financial year 2013.

Specific costs comprise the Group's marginal costs, fixed costs and capital-related costs. Adjustments are made for any non-recurring effects. This key figure therefore shows the sustained costs. For regulatory reasons, the costs of grid subsidiary APG are not taken into account. Planned net generation quantities are included in the calculation of the specific values. In financial year 2014, specific costs were reduced considerably. By comparison, capital-related costs rose slightly, in particular due to the fact that the Grenzkraftwerke power plants acquired in April 2013 were included in the figures for full-year 2014. However, this was counterbalanced by decreases in fixed costs due to the restructuring and cost reduction measures implemented. Marginal costs also declined.

ROCE

ROCE amounted to 3.2% in 2014 (2013: 4.8%). This figure has replaced EVA[®] as the value-based key figure used by VERBUND until 2014 to manage its business operations. ROCE is an indicator of the profitability of the Group's operating assets. The objective is for this figure to exceed 7.5% by 2020. ROCE is calculated by dividing net operating profit after taxes (NOPAT) by average capital employed.

NOPAT equates to operating profit before financing costs, including result from equity interests net of income tax. In financial year 2014, NOPAT amounted to €304.1m (2013: €462.1m). The decrease in NOPAT was due to the EBITDA effects specified.



Source: VERBUND

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 €9,499.2m in 2014 (2013: €9,724.2m). For that reason, the Group return remained below weighted average cost of capital (WACC) in 2014 (currently 5.5%).

Gearing

Gearing is determined as following:

Interest-bearing net debt (short version)	€m		
	2013	2014	Change
Current and non-current financial liabilities	3,651.6	3,273.6	-10.4%
Current and non-current financial liabilities – closed items on the balance sheet	360.0	431.0	19.7%
Capital attributable to limited partners	2.2	2.3	4.5%
Other interest-bearing debts	1,131.8	1,299.8	14.8%
Financial assets - closed items on the balance sheet	-360.0	-431.0	19.7%
Interest-bearing gross debt	4,785.4	4,575.7	-4.4%
Cash and cash equivalents	-83.2	-41.6	-50.0%
Short-term money market transactions	-145.4	-265.2	82.4%
Securities and loans	-668.7	-119.2	-82.2%
Non-current assets held for sale	-137.5	-9.8	-92.9%
Other	-44.3	-80.3	81.3%
Interest-bearing net debt	3,706.3	4,059.6	9.5%
Gearing in %	66.7%	76.9%	-

Financing

Financing strategy

In today's volatile energy market environment in which planning is difficult, VERBUND bases its financing strategy on three 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 2014, VERBUND had a syndicated credit line in the amount of €500.0m at its disposal that had not been drawn upon. This facility runs until 2021. It was taken out on 15 October 2014 with twelve domestic and international banks. VERBUND also had uncommitted lines of credit amounting to €651.5m at the end of 2014, primarily with Austrian banks. In addition, VERBUND holds cash and cash equivalents with maturities of three to six months.

As at 31 December 2014, VERBUND had invested a total of €265.0m in time deposits and in the money market with a variety of banks. These investments serve to cover the high level of funds needed in 2015, primarily for the repayment of a bond in the amount of €500.0m due in April 2015. As of 31 December 2014, VERBUND had additionally taken out €25.0m over the short term to manage short-term liquidity.

Securing a solid credit rating over the long term

The better a company's credit rating, the easier and more inexpensive it is to access international capital 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 BBB+ with a stable outlook by Standard & Poor's (S&P) and Baa1 with a negative outlook by Moody's. The S&P rating was downgraded to "credit watch negative" in August 2014. This implies that the rating will be reduced by one to two notches within the following ninety days. The rating evaluation was subsequently completed in October 2014 with a downgrade from A- to BBB+. By contrast, Moody's left its rating unchanged at Baa1 in 2014, but it downgraded the outlook from stable to negative in August 2014. 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 flows 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 two key rating ratios: FFO/net debt and RCF/net debt. VERBUND's internal target for the FFO/net debt indicator is a minimum of 30% by 2020.

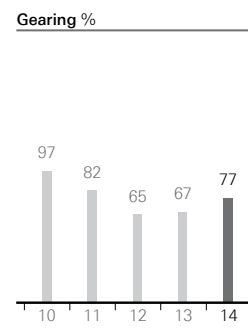
Optimising the capital structure

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. VERBUND has targeted a reduction in gearing to less than 45% by 2020. To this end, VERBUND has implemented numerous measures in recent years. We divested ourselves of non-strategic activities as well as non-controlling interests.

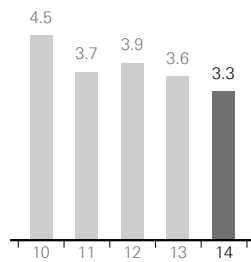
Financing measures

In 2014, 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 €717.6m. To finance its capital expenditure, VERBUND took out the second part of an EIB loan for the Reißeck II power plant at the beginning of the year and issued a benchmark bond in the amount of €500m in November. This green bond has a term of ten years and a fixed coupon of 1.5% per annum.

As at 31/12/2014:
S&P: BBB+/stable
outlook
Moody's: Baa1/negative
outlook



Financial liabilities €bn



Carrying amounts

As at 31 December 2014, VERBUND's borrowing portfolio was composed as follows: 65.6% bonds, 34.4% loans and 0.0% other financial liabilities.

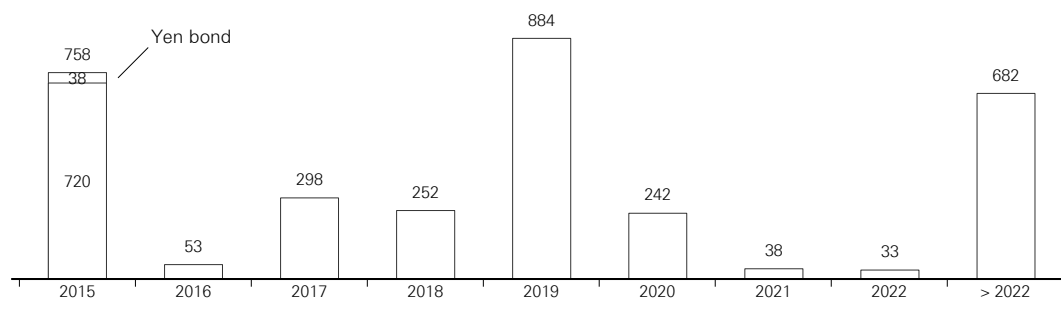
The following key figures refer to purely external financial liabilities, excluding former cross-border leasing transactions, financial guarantees and limited partnership interests. The carrying amount of VERBUND's financial liabilities was €3,273.6m as at 31 December 2014. Of those liabilities, 98.9% were financed in EUR and 1.1% in JPY. A total of 92.2% of these financial liabilities had a fixed interest rate and 7.8% had a variable interest rate. As at 31 December 2014, the duration of all liabilities was 4.4 years and the average term to maturity was 4.7 years. The effective interest rate was 3.84%.

In 2014, VERBUND was again able to take advantage of its strong internal funding options to finance its ongoing investment programme.

Repayments and repayment structure

In 2014, long-term borrowing was repaid in the amount of €979.2m. A total of €758.7m is due in 2015 and €53.4m in 2016. The amounts due in 2015 can be repaid from free cash flow and available liquidity reserves for the most part.

Repayments €m



Human resources

VERBUND's employees make a key contribution to the successful performance of our Group. Their expertise and dedication is what makes the difference, particularly in Austria's currently challenging energy environment for electricity supply.

In 2014, VERBUND employed an average of 3,245 people. To secure our strong market position over the long term, VERBUND is investing in a performance-based, market-oriented remuneration system as well as needs-based advanced training for our highly qualified and dedicated employees.

Key figures – employees

	Unit	2013	2014
Average number of employees	Persons	3,351	3,245
Of which apprentices	Persons	192	193
Proportion of women	Percent	18.4	17.8
New hires	Persons	144	110 ²
Fluctuation rate	Percent	2.6	2.7
Average duration of employment	Years	17.7	17.0
Average age of employees	Years	44.1	44.2
Training per employee ¹	Hours	38.4	29.6

¹ Training per employee: excluding Ennskraft AG

² New hires in 2014 were above all due to hiring at APG and in the area of apprentices and wage earners.

Objectives

Our long-term focus on training and continuing education ensures that our highly qualified employees will retain their level of knowledge. Against the backdrop of the difficult economic situation in the electricity markets and the associated restructuring and personnel reduction measures, it was not possible in 2014 to achieve the high number of advanced training hours attained in previous years.

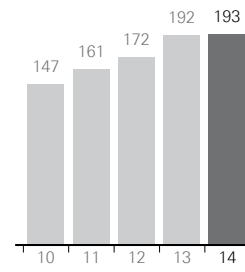
To ensure smooth, sustained industrial operations, we are focussing on continuing our apprenticeship initiative in our apprentice workshops.

VERBUND has set a goal of steadily increasing the proportion of women among its staff. Thus far we have succeeded in gradually raising the proportion of female apprentices. As a result of the inclusion in the consolidated financial statements of Ennskraft AG, which has a very high proportion of male employees, the Group-wide proportion of female employees decreased slightly.

In order to retain our highly trained employees, we foster a working environment of fairness, transparency and dedication. This is one of the necessary prerequisites for ensuring that our employee fluctuation rate remains below 5%. This target is even more significant in light of the personnel cuts implemented.

Another key matter that is of great importance to us is occupational health and safety. Our goal is to keep the accident rate stable at a low level of less than 12 workplace accidents per 1,000 employees.

Number of apprentices



2010–2012 excluding Ennskraft AG,
2013–2014 including Ennskraft AG

Market situation necessitates reorganisation measures

In order to keep our Group fit for the future, the cost savings embarked upon in the previous year continued to be consistently implemented in financial year 2014. The hiring freeze on external staff recruitment and the internal reorganisation programme continued in the year under review. Overall, we were able to streamline the organisational structure in the holding company and in the operating companies. The approved merger of companies and adaptation of organisational forms was implemented.

The personnel measures taken show a significant effect: the number of employees under labour law could be reduced by 170 compared to 2013. Disregarding company acquisitions and proportionate consolidation, the number of employees in 2014 would have been around 550 lower. The trend of declining employee numbers will continue in 2015.

Internal employment market promotes continued employment

We succeeded in making the necessary personnel adjustments in coordination with the employee representatives, while focusing on our social responsibility and giving top priority to continued employment of the employees affected by the restructuring. This was implemented via the internal employment market we created in 2013. The necessary retraining and advanced training in preparation for new positions was implemented in cooperation with the human resources development team. In view of the hiring freeze for external personnel, vacant positions were filled with personnel from the internal employment market in financial year 2014. Positions falling vacant due to natural attrition – especially as a result of retirement – have not been filled, and the tasks covered by these jobs were transferred to other positions.

Social plan implemented consistently

Together with the employee representatives, the social plan negotiated in 2013 was adapted and extended until 2020. This will enable the restructuring course embarked upon and the related personnel reductions to be implemented with as much social responsibility as possible, even beyond 2014. In addition to the legally stipulated part-time retirement models, the social plan allows for additional measures for employees to be implemented such as voluntary severance programmes. Additional internal retraining and advanced training programmes, some of which can be combined with the statutory educational leave options, enable employees to remain with the company in new positions obtained via the internal employment market. In addition, free human resources will be actively managed and deployed for short and medium-term assignments in a “capacity exchange” established specifically for this purpose.

VERBUND consistently implements the reorganisation measures adopted while fulfilling its social responsibility.

Responsibility

In order to maintain VERBUND's attractive employer brand profile, VERBUND again invested in selected employer branding measures in 2014 despite cost reductions and savings measures. For example, efforts centred on displaying a focussed but clear presence on the employment market and continuing to cost-effectively reinforce VERBUND's stable employer brand. As part of our strategic focus in 2014, we placed special emphasis on our participation in TUtheTop, a high-potential programme established by the Vienna University of Technology, and the annual awarding of the VERBUND women's scholarship to three students at the Vienna University of Technology.

Each year, the high-potential programme of Vienna University of Technology gives top students insight into the VERBUND Group and facilitates a personal exchange of information and dialogue with our management and our top experts. The objective of this strategic cooperation is to maintain a long-term network with young talent at Vienna University of Technology. As part of our TUtheTop programme, we offer selected students the opportunity to take a look behind the scenes of our Group over the duration of one academic year.

VERBUND makes a targeted contribution to fostering talented women studying technical subjects by awarding the VERBUND women's scholarship which supports three very committed students for one academic year. For VERBUND, the women's scholarship is a means of enabling the winners to supplement their university education with additional personal and professional training. VERBUND has been awarding the women's scholarship every year since 2009 together with the Career Center of Vienna University of Technology. In addition, the second alumni meeting for the now 16 VERBUND scholarship recipients took place in October 2014.

As in 2013, VERBUND achieved the golden seal in the "energy" category of the Career's Best Recruiters study in 2014, thus maintaining its leading position in the areas of recruiting and employer branding. Achieving this award once again attests not only to the excellent quality of the employer branding initiatives we have carried out thus far, but also illustrates the importance and the added value of sustaining a consistent and uniform presence in the employment market.

Sustainability

In addition to the economic aspects, the decisions made in 2014 to temporarily or permanently shut down thermal power plants in Austria, the sale of the French combined cycle gas turbine power plants and the divestment of non-controlling interests in Italian company Sorgenia had a positive environmental impact: VERBUND was able to markedly reduce its CO₂ footprint.

Greenhouse gas emissions further reduced

We disclose the trends in greenhouse gas emissions each quarter in our internal reports. This data is integrated into our corporate management and has been audited externally since the 2011 reporting year. Due to the Group's high proportion of renewable energy, VERBUND is one of Europe's most climate-friendly energy companies.

Specific greenhouse gas emissions declined to 89 t/GWh in 2014. For 2020, we are aiming to lower this figure to less than 10 t/GWh and for 100% of our own generation to come from renewable energy.

VERBUND is one of the most climate-friendly electricity producers in Europe.

Award received for reporting in Carbon Disclosure Project

Since 2006, we have published our data on greenhouse gas emissions via the Carbon Disclosure Project (CDP), the world's largest climate reporting initiative. The benchmark comparison for German-speaking countries again identifies us as one of the best companies with regard to greenhouse gas emissions, managing potential climate risks and exploiting opportunities, and achieving reduction targets.

In 2014, VERBUND was included in the Performance Leadership Index for the first time and again included in the Carbon Disclosure Leadership Index of the 350 largest companies in the D-A-CH region. We received an award for our outstanding reporting and increased our points to 99 A out of 100 A-E. This makes us the leader and the best company in the energy supply sector in the D-A-CH region, the Austria Country Leader and the ATX index leader.

Combining financial reporting and sustainability reporting

In the world of finance, the integration of non-financial content into financial reporting has been under discussion for some time now. VERBUND has been publishing annual sustainability reports since 2002 and was therefore one of Austria's first companies to publish non-financial information in a separate report.

In 2013, we introduced a new central data collection system for all sustainability figures in order to ensure prompt, auditable data collection. In 2014, the conversion was made to the new G4 generation of the Global Reporting Initiative, which will be required for future sustainability reporting. This will lead to a stronger focus on significant topics. The measures implemented represent the prerequisites for us to be able to bring financial and sustainability reporting more closely together in the near future. Thus

2014 award for reporting
in Carbon Disclosure
Project:
www.cdp.net

VERBUND sustainability
reports:
www.verbund.com
> Responsibility

VERBUND is once again demonstrating that sustainability should not be viewed separately from business operations but should be integrated into corporate processes.

The VERBUND sustainability report received the Austrian Sustainability Reporting Award multiple times in past years. We were pleased to receive this award again in 2014.

Our focus on key sustainability topics forms the basis for the further integration of our reporting structures.

Five years of cooperation with Caritas and Diakonie

Energy poverty and its negative consequences occur most frequently when incomes are very low and standards of living are poor. VERBUND's Electricity Relief Fund in collaboration with Caritas provides assistance quickly, in an unbureaucratic manner and, above all, permanently, by means of three measures: immediate financial assistance to pay outstanding electricity bills and avoid service disruption, professional, on-site energy consulting and a free exchange service for old, inefficient electrical appliances. Since the start of the project, the VERBUND Electricity Relief Fund in collaboration with Caritas has offered assistance in a total volume of €1.3m to some 6,700 individuals in 2,600 households all over Austria, regardless of who their electricity provider is. All in all, around 3,500 MWh of electricity and around 465 tonnes of CO₂ equivalent have been saved after clients had a single energy consulting session and were then evaluated in a second session with scientific support one year later.

To live up to our responsibility to society, in the future we will continue our dedication to fighting energy poverty in Austria by conducting around 350 energy consulting sessions each year and providing support for some 500 households annually.

More than 60,000 people with speech impediments live in Austria. With the aid of the VERBUND Empowerment Fund run by Diakonie, a Protestant humanitarian assistance organisation, help was provided to around 9,000 people during the past five years to enable them to live a considerably more independent life through the use of modern technologies. Between 2009 and 2014, aids and assisting technologies worth €1.2m were purchased for approximately 1,650 people. In addition, 7,350 people were provided with consulting services. We will also continue our collaboration with Diakonie at the same level in the years to come.

First green bond

In November 2014, VERBUND became the first company in the German-speaking region to issue a green bond in the capital market. The bond has a volume of €500m and a term of 10 years. The issue proceeds from the bond will be used solely for the purpose of financing or refinancing energy efficiency measures at hydropower and wind power plants in Austria and Germany. oekom research, a sustainability rating agency, reviewed the sustainability of the projects in terms of their environmentally relevant aspects, stakeholder dialogue, occupational safety in construction and operation and the avoidance of CO₂ emissions and confirmed these project elements by issuing a second party opinion. This type of investment gives investors the additional benefit of investing in forward-looking projects.

The green bond from
VERBUND:
www.verbund.com
> Investor Relations >
Financing > Bonds

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

VERBUND in sustainability indices

In its current company ratings, oekom research gave VERBUND an overall rating of B-, which means that VERBUND is recommended as a “prime investment” for socially responsible investors (SRI). VERBUND is among the ten best companies of 160 utilities evaluated all over the world.

VERBUND is included in the following sustainability indices:

- VÖNIX (VBV Österreichischer Nachhaltigkeitsindex)
- FTSE4Good Europe Index and the Global Index

Certified environmental management systems further expanded

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. In 2014, our environmental management system was expanded again, and the operations department of three of VERBUND’s Austrian wind farms received ISO 14001 certification for the first time. This means that environmental management systems have already been certified at approximately 92% of VERBUND’s sites. All sites are expected to be certified under ISO 14001 by 2020 at the latest.

Corporate Governance Report

The Corporate Governance Report, which is integrated into this annual report, is available on our website at www.verbund.com > Financial Reports.

Key figures – environment

Electricity generation	Unit	2013	2014
Electricity generation (total net)	GWh	35,539	34,030
Proportion of generation from renewable energy (hydropower, wind, solar power and bio mass)	%	88.7	94.0
Direct use of power			
	Unit	2013	2014
Hard coal	t	820,522	648,093
Oil (heavy heating oil)	t	10,156	1,480
Natural gas	1,000 Nm ³	313,067	53,856
Biomass and solid recovered fuels (sewage sludge)	t	12,987	13,433
Electricity (grid purchase)	GWh	2,372	2,777
Greenhouse gas emissions			
	Unit	2013	2014
Total emissions (Scope 1–3 according to Greenhouse Gas Protocol)	kt CO ₂ e	4,203	3,034
Of which Scope 1 (direct emissions)	kt CO ₂ e	2,777	1,750
Of which Scope 2 (indirect emissions)	kt CO ₂ e	985	1,009
Of which Scope 3 (other indirect emissions) ¹	kt CO ₂ e	441	276
Emissions per unit of total electricity generated (Scope 1–3)	t/GWh	118	89
Emissions per unit of total electricity generated (Scope 1: only direct emissions)	t/GWh	78	51
Emissions avoided by generation from renewable energy²			
	Unit	2013	2014
CO ₂	kt	25,523	25,919
Energy efficiency of transmission grid³			
	Unit	2013	2014
Electricity transmitted in APG grid	GWh	43,137	43,957
Grid loss	GWh	595	602
Grid loss as a percentage of total electricity transmitted	%	1.4	1.4
Certified environmental management systems			
	Unit	2013	2014
Percentage of VERBUND sites with ISO 14001 certification ⁴	%	90	92

¹ Key figure now expanded to include emissions from outsourced activities relating to the use of fossil fuels; restated for 2013 for comparison purposes

² Calculation of avoided emissions based on the emissions from a modern hard coal power plant (810 g CO₂e/kWh).

³ APG grid level 1

⁴ Sites of consolidated companies with the exception of solar power plants, wind power installations of less than 20 MW and sites where VERBUND owns <51% and another shareholder is responsible for management; as at 31. December

The key figures for our social welfare activities can be found in the Human resources section of this report.

Innovation, research and development

Increasing digitalisation is enabling new means of access and innovative solutions. Energy providers are moving from a supplier-only model to becoming partners offering innovative, customised solutions. In addition, traditional end consumers are becoming prosumers who generate their own electricity and feed it into the grid. Large power plants will exchange energy with decentral generation units.

Key figures R&D

	Unit	2013	2014
Number of R&D projects	Number	82	71
Total project volume ¹	€m	203.2	131.0
Of which EU projects ¹	€m	125.4	97.5
VERBUND-share total ¹	€m	15.8	17.8
Annual VERBUND expenses	€m	6.1	4.3

¹ Over the entire duration of the projects

Innovation represents a key pillar of corporate development at VERBUND. Firstly, it is the central core which governs the Group's strategic research activities and technology development as well as its environmental and climate agenda. Secondly, innovation in the form of new products and services enables our operating subsidiaries to tap into new markets.

VERBUND is using innovative solutions to shape a clean energy future.

Further information:
www.smatrics.at

Promoting e-mobility in Central Europe

One of the steps necessary for promoting individual electromobility is the establishment of the required charging infrastructure. We at VERBUND have been playing a leading role in this for years. Through the e-mobility provider Austria GmbH & Co KG (known as SMATRICES) founded in the autumn of 2012 together with Siemens, a high-performance charging network has been operating in Austria since mid-2014 already comprising 170 charging stations, about 60 kilometres apart, in all federal states, with additional stations being added every week.

VERBUND coordinates the Central European Green Corridors project, which is subsidised by the European Union and acts to speed up implementation of the charging infrastructure. By the end of 2015, 115 quick charging stations will be set up in Central Europe as part of the project under the leadership of VERBUND. Of those stations, 61 will be located in Austria and the remainder in Germany, Slovenia, Croatia and Slovakia. Our partners in the project are OMV, BMW, Nissan, Renault and VW, to name a few.

We are also working together with Green eMotion, Europe's largest research and development project for electromobility. A review is being conducted to determine which requirements must be fulfilled in the EU to implement comfortable, cross-border e-car traffic. Together we are defining standard, Europe-wide processes and standards by which cross-border IT solutions such as roaming can be developed via the project marketplace.

Clean, small-scale hydropower

VERBUND and its partners have been testing a promising innovation in small-scale hydropower technology for more than two years. This new type of turbine developed in Austria is lubricated entirely using water rather than oil. The developers are now beginning to market the turbine internationally. Engineers and ecologists alike are enthusiastic about the StreamDiver® produced by Kössler GmbH. The machine operates entirely free of high-maintenance sealing systems and environmentally questionable lubricants. This innovation makes it possible to utilise even low heads in addition to being suitable for residual water and weir power plants. The total generation potential is sufficient to meet the electricity needs of more than 100,000 private households in Austria alone.

The research project has been extended until mid-2015 in order to continue observing the long-term wear and tear behaviour of the water-lubricated bearings.

The European Water Framework Directive is of great significance to VERBUND. In this context, VERBUND is researching hydropower plant pressure surges and drops that impact the flora and fauna in and around flowing bodies of water. We are cooperating in this with the University of Natural Resources and Applied Life Sciences in Vienna. The research project aims to use case studies to portray this topic comprehensively for the first time.

We are also supporting efforts to record both historical and recent earthquake activity in Tyrol together with the Central Institution for Meteorology and Geodynamics. This six-year project is geared towards gaining a scientifically sound level of information for the first time and is important for future construction projects and storage installations in Tyrol.

Wind power

VERBUND's wind power plants are already able to supply climate-friendly electricity to more than 270,000 households. To increase the productivity of the plants even further, we are working on an innovative update to the management software to minimise generation losses. For example, we are currently in the process of implementing an analysis tool in order to fully quantify any possible generation losses. This will allow us to identify turbine components that are prone to error so that we can implement countermeasures at an early stage. Wind and turbulence is measured using innovative, nacelle-based laser measuring equipment, which additionally increases efficiency.

Electricity trading: strategies for a changing market environment

The current market conditions of volatile electricity prices in an environment of integrating renewable energy into the market calls for ongoing innovation and adjustments to trading strategies. VERBUND is rising to this challenge by developing the Group's optimisation and forecasting horizon and improving the modelling of electricity pricing processes. In addition, we are working on the development of new products relevant to trading on an ongoing basis.

Further information on
APG projects:
www.apg.at

Power grid: research and innovation for an efficient transmission grid

In line with the trend of past financial years, Austrian Power Grid AG (APG), VERBUND's independent grid subsidiary, continued to work intensively on research and innovation in 2014 so as to be able to deal with the challenges of the future. Four of the total 27 research projects were successfully completed in 2014.

The development of energy market scenarios make up a key focus of the research carried out by APG. By participating in projects such as Grid Tech, e-Highway 2050 and Merit Order for Energy Storage in 2030, APG is steadily accumulating findings on the use of new technology applications and their impact on the grid infrastructure and the market. This forms the basis for targeted grid expansion in connection with the Grid Development Plan.

Another focus of the scientific studies is on grid monitoring and system management. Information is being gathered on how to effectively respond to critical load situations.

Risk and opportunity management

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 projects, and into the management of ongoing business. As a result of a thorough quantitative analysis of risks and opportunities in line with IFRSs, the risk reports can be seamlessly integrated into the value-based management philosophy of VERBUND. Risk reporting is based on two principles: completeness and a clear traceability of interrelationships and changes.

Risk and opportunity management represents a significant part of the management of business processes at VERBUND. Operational implementation is based upon result, inventory, and liquidity parameters. As part of periodic monitoring, we collect information on possible hazards and opportunities, model cause-effect relationships, determine deviations and take the necessary action 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 potential risks and opportunities. The most important decision-making criterion is the expected return on capital invested, taking risk into account. During the implementation phase of projects the risk of unplanned cash flows due to deviations in time, costs or quality is assessed and reported. The measurement includes the entire remaining project runtime and presents possible effects, while considering countermeasures.

The decision to use measurement methods depends mainly on the type of problem and the availability of necessary information. At the level of trading and financing, risk management is primarily focused on the management of market risks which are relevant to VERBUND. These include, for example, trends in wholesale prices for electricity, prices for gas, coal or emission rights, interest and exchange rates. These risks are assessed using customary statistical risk indicators (e.g. VaR). At the generation, transmission, trading, sales, solutions and services levels of value creation, management of operating risks is based mainly on the objective practical knowledge of VERBUND. The measurement and the reporting of opportunities and risks are subject to a continuous improvement process.

Current risk position of VERBUND

The business activities of VERBUND are focussed on the long term and 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. Ratings agencies consider the majority owner, the Republic of Austria, and the integrated business model of VERBUND (generation, grid, trading and sales) to be significant, stabilizing elements, thus protecting the current credit ratings. The current risk situation of VERBUND is largely defined by the freefall in electricity prices as well as the uncertainty in the medium-term performance of European energy supply systems.

Risk management as an integral component of management system

Broad application of risk management principles in business processes

Problem-targeted selection of methods and models

Resource-intensive business model designed for the long term in flux

Price and sales risk – for traditional electricity producers only

Risks in the economic environment and the sector

Limit systems used at the trading, sales and solutions levels of value creation minimise the price risk of the electricity and service business. The economic crisis and misguided regulation have negated the market rules of price formation (e.g. merit order, i.e. utilisation depending on variable production costs, and the spread between base and peak loads).

VERBUND is actively contributing to shaping a sustainable energy future for Central and Western Europe.

Volume risk due to fluctuation in water supply

As the leading power generation company with a dominant proportion 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. Profitability 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. Their earnings contribution depends largely upon the frequency and absolute extent of short-term price fluctuations in the electricity markets.

Political decisions lead to undesirable regulatory developments

The transformation of the European energy system increases external risk factors from politics, the economy, the energy market and the larger society, i.e. risk factors that cannot be directly influenced. Increasing planning uncertainty represents a threat to the European energy market. Business models are being restructured, planned investment decisions suspended and heavy impairment losses are being applied to business assets.

Cyber risks increase

Information and communication systems form the backbone of VERBUND's business activities. VERBUND is addressing the growing risks from cyber space with information security strategies, processes and internal guidelines. On 30 October 2014, VERBUND participated in the European crisis exercise "Cyber Europe 2014" organised by the European Network and Information Security Agency (ENISA) in which over 200 organisations took part along with 400 cyber security experts from 29 European countries. VERBUND places high priority on the security of its control systems. For security reasons, these are operated largely independent of administrative networks.

Climate change selectively impacts water supply

Climate change represents another risk. Over the long term, this can affect both the seasonal and the annual water supply. Natural events such as floods, storms or avalanches could cause an unscheduled outage of electricity generation or transmission facilities as well as consequential damage.

Risks caused by the legal environment

The Federal Energy Efficiency Act stipulates a two-fold system of obligations. On the one hand, large companies such as VERBUND are required to introduce energy audits or certified energy management systems. On the other hand, energy supply companies will also be required to save 0.6% of the electricity sales volume delivered to consumers. The challenge for VERBUND will be to realise 40% of the reductions in the household segment. The savings measures are to be reported to the national energy efficiency monitoring office.

In proceedings against Germany (that were highly relevant for Austria as well), the European Court of Justice pronounced that the use of water for generating electricity did not necessarily represent a water supply service within the meaning of the Water Framework Directive, thus does not have to be priced. However, a revision of the Directive within the framework of the review to be conducted by the EU Commission in 2019 cannot be ruled out.

Energy Efficiency Act stipulates obligations

ECJ rules that the use of water does not constitute a water supply service

Restructuring of the thermal portfolio carried out in 2014 considerably eased the burden on VERBUND's risk position.

Other risk factors

Existing structures are being adapted to VERBUND's modified business model by means of the implementation of socially acceptable measures. Cost-cutting measures can lead to unplanned disruptions in generation, thus negatively impacting the Group result. Restructuring of the thermal portfolio carried out in 2014 considerably eased the burden on the risk position – this is true both for ongoing losses as well as the potential crystallisation of collateral provided. The danger of further impairment losses remains high due to the difficult situation in the energy markets in the medium term.

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. Amending contracts increases the risk of potential countermeasures by the counterparties (e.g. arbitral tribunal regarding Mellach district heating). In accordance with the International Financial Reporting Standards (IFRSs), 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 recognition 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 from a further change in the rating of VERBUND AG on an off-balance sheet cross border leasing transaction.

Transformation of Group is proceeding rapidly

Necessary amendments to delivery and service contracts

Monitoring counterparty risk minimises defaults

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.

Outlook: risks and opportunities for 2015

The planned operating result for 2015 may fluctuate as a result of impairment losses, volume and price risks of own generation and default risks. All else remaining equal, a change in the factors shown below would be reflected as follows (annual power generation priced in as at the 31 December 2014 reporting date):

- +/-1% generation from hydropower plants: €+/-8.3m
- +/-1% generation from wind power: €+/-0.6m
- €+/-1/MWh wholesale electricity prices (hydropower plants and thermal power plants): €+/-8.0m

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. A change of 1% either way in the JPY-EUR exchange rate - all else remaining equal - would be reflected as a €+/-0.4m change in the financial result for 2015.

Sensitivity analysis for
fair values and financial
instruments:
see Notes for details

Outlook

According to experts on the economy, the European economy will grow at a moderate rate in 2015. However, risks to the outlook such as geopolitical tension and the instability of the financial markets still remain.

To improve growth prospects in the eurozone, it is important that the path of reforms chosen is followed consistently and stimulus measures are introduced. In addition, lower crude oil prices and the devaluation of the euro – which increases Europe’s price competitiveness – should provide positive stimuli.

According to the IMF’s forecast, the eurozone economy may grow by only 1.2% in 2015. Economic growth of 1.3% is forecast for Germany. The outlook for the Austrian economy is less optimistic. According to the Austrian Institute of Economic Research (Österreichisches Institut für Wirtschaftsforschung, WIFO), weak economic growth of 0.5% is expected in 2015.

Against this backdrop, prices in the futures market for electricity are decreasing again. On average for 2014, base load prices for deliveries in 2015 quoted at €35.1/MWh are 10.2% below that of the previous year. In 2014, the price for the peak load product fell 10.6% to €44.4/MWh compared to 2013. In this difficult market environment, VERBUND’s strong hydropower base is an absolute competitive advantage despite lower revenue.

Investment plan 2015–2017

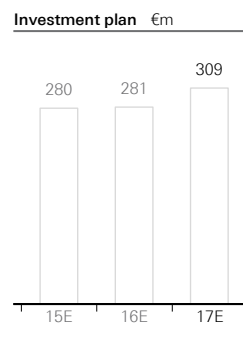
In 2014, VERBUND’s investment plan has once again been adapted to the changing conditions in the European electricity market: €870m will be invested during the 2015–2017 period. Of this total, around €430m will be spent on growth investments and around €440m on maintenance. The majority of the growth investments will go towards expanding the regulated Austrian high-voltage grid (approximately €330m). In addition, we are investing in the efficiency of existing plants and the completion of ongoing hydropower plant and wind power plant projects. The investments will almost exclusively involve our domestic markets of Austria and Germany. In financial year 2015, we plan to invest a total of approximately €280m – of that amount, approximately €140m will be invested in growth and approximately €140m in maintenance.

Dividend policy

We plan to distribute a dividend of €0.29 per share for financial year 2014 in accordance with our dividend policy. The payout ratio for 2014 will thus amount to 46.7% based on the adjusted Group result. For 2015, we are also planning a payout ratio of around 50% of the Group result after adjustment for non-recurring effects.

Earnings projection 2015

The performance of the VERBUND result is significantly affected by the following factors: wholesale prices for electricity, the Group’s own generation from hydropower and further energy industry developments. In accordance with our hedging strategy, we have already contracted around 70% of the planned own generation for 2015 as at 31 December 2014. The price achieved was approximately €4/MWh below the sales price reached in 2014. We are planning with the current market prices for those volumes not yet hedged. On the basis of average own generation from hydropower, we expect EBITDA of approximately €770m and a Group result of approximately €180m for financial year 2015.



Demand for generation and consumption flexibility increases

VERBUND's core markets are Austria and Germany. Even before the energy transition, VERBUND positioned itself as a provider of flexible solutions and green electricity, and is now among the leading providers in these segments.

In the field of green electricity, we have been highly successful with our innovative products:

- H2Ö, electricity from VERBUND's Austrian hydropower plants certified by TÜV SÜD and
- Electricity from VERBUND's German hydropower plants certified by TÜV SÜD.

VERBUND positioned itself early on as a provider of flexible solutions and green electricity and is now a leading provider in these segments.

Therefore, we made an early adjustment to the energy transition. Our customers – municipal utilities, resellers, industrial, commercial and household customers – are already benefiting demonstrably from a sustainable electricity supply. We want to continue to expand our leading role as a supplier of green electricity in Austria and Germany.

Due to the increase in supply-dependent and more volatile electricity generation by expanding new renewable energy sources, the power supply system's need for flexibility and storage is increasing. With our pumped storage power plants, we are extremely well structured both in terms of technology and also the geographic positioning. In addition, we offer a variety of different flexibility products such as balancing energy, virtual storage and asset options to secure supply.

In addition to the growing demand for generation flexibility, the demand for consumption flexibility – demand response – is also increasing. Here we are one of the first Austrian companies who are already offering their customers the opportunity to bundle their flexibility options within the framework of a “power pool” and to market these together.

Energy services create a new market. With our decades of expertise in the energy markets, we develop innovative products tailored to the individual needs of our customers. Examples of this include bundling and optimal marketing of decentralised third-party renewable energy plants, energy consulting or energy efficiency contracting.

This combination of flexible, renewable generation and energy services opens up strategic advantages for the future performance of the company.

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 financial reporting process must be described. VERBUND's internal control system (ICS) includes all measures for ensuring the reliability, effectiveness and profitability of this process, as well as the compliance with external regulations. The risk management system is explained in detail in the section entitled "Risk and opportunity management".

VERBUND corporate
mission statement:
www.verbund.com>
[About us](#)

Organisational framework

VERBUND has responsibilities towards many interest groups as well as towards 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 internal control system and the risk management system, whose effectiveness is monitored by the Supervisory Board's Audit Committee.

Fundamentals of the internal control system

VERBUND's financial reporting process is governed by Group-wide guidelines and requirements. In its practical implementation, the performance, monitoring, and supervision of business transactions are segregated from each other. This is intended to ensure that no single employee acts 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 they entail are systematically analysed and documented, as are checks of the financial reporting process. Documentation of the time schedule for the checks, the flow charts and the process map takes place in 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

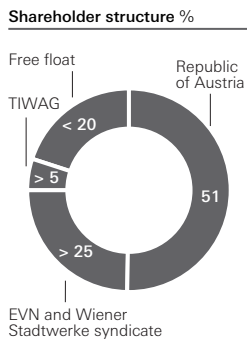
VERBUND's interim and annual reports consolidate information from management accounting, financial management and risk management. All reports are based upon uniform Group-wide rules for preparation and measurement. VERBUND subsidiary APG has been operating in the market since 2012 as an independent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

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 comprised:

170,233,686 no-par value shares (bearer shares category A), equivalent to 49% of share capital; 177,182,000 no-par value 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 also forms the basis for the Company's Articles of Association, 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." VERBUND AG is 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 VERBUND's corporate governance report 2014). 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 new bearer or registered ordinary shares (no-par value 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 value 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 new bearer or registered ordinary shares (no-par value 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 five 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 retiring 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

In a letter dated 6 February 2015, the sale of the 100% other equity interests in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. to KKR Credit Advisors (US) LLC was granted final approval by the competition authorities. The transaction is expected to close in quarter 1/2015. The disposal of the equity interests is not expected to have a material effect on the profit or loss for the period.

Effective 23 February 2015, the sale of the 100% equity interest in Haos Invest EAD to Inwind SpLtd. and/or Inovent Holding AD was granted final approval by the competition authorities. The transaction is expected to close in quarter 1/2015. The disposal of the equity interest is not expected to have a material effect on the profit or loss for the period.

Effective 25 February 2015, the restructuring agreement of Sorgenia S.p.A. (Group) was approved by the supreme court in Milan. The capital increase from the creditor banks and the subsequent sale of the remaining other equity interest in Sorgenia S.p.A (Group) after the capital increase is expected to take place during the first half of 2015. The disposal of the equity interest is not expected to have a material effect on the profit or loss for the period.

Operating segments

Energy

As a result of VERBUND's entry into gas sales to consumers in November 2014, the "Electricity" segment was renamed as the "Energy" segment.

As one of Europe's most climate-friendly energy companies, VERBUND is a pioneer in the decarbonisation of electricity generation. In addition to sustainable electricity generation almost exclusively from hydropower and wind power, VERBUND relies on the trading, sale and transmission of electricity, as well as the sale of climate-neutral gas. The core markets of the Group's business activities are Austria and Germany.

Business performance in the Energy segment

External revenue in the Energy segment fell by 10.3% to €2,366.0m in 2014. In 2014, the Energy segment generated 83.7% of external revenue in the Group. Operating result in this segment decreased by 14.0% to €428.6m. Contributing to this were primarily the still difficult energy market environment and continuing pressure on wholesale prices for electricity in Europe.

Electricity supply

Hydropower. The foundation of our generation portfolio

VERBUND is now among the largest generators of hydroelectricity in Europe. In 2014, 92% of our output was obtained from climate-friendly, renewable hydropower. In connection with electricity generation, hydropower has many advantages: it is renewable, clean, dependable and flexible. Hydropower also represents one of the most cost-effective forms of electricity generation from renewable energy. Unlike the new renewable energy sources, wind and photovoltaic power, large-scale hydropower already manages without financial subsidies. In the challenging market environment that prevails today, VERBUND's strong hydropower base is an absolute competitive advantage.

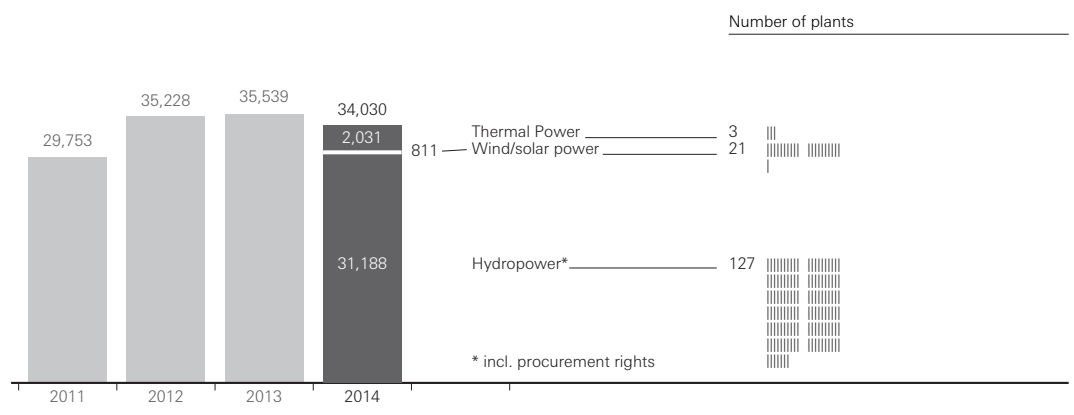
We are shaping the energy transition with hydropower.

In 2014, VERBUND electricity from hydropower came from 94 run-of-river power plants and 21 storage power plants. We also held purchase rights to twelve run-of-river power plants owned by Ennskraftwerke AG. As at 31 December 2014, the maximum electrical capacity (maximum capacity for sustained operations) of electricity generation from hydropower was 7,746 MW. The mean energy capability – the generation potential in one year with average water supply (standard year) – was 28,761 GWh.

In 2014, VERBUND saw further growth in the generation from wind power in Austria. The Hollern II wind farm (15 MW) and Petronell-Carnuntum II (21 MW) wind farms were successfully connected to the grid in quarter 3/2014. We therefore now have 19 wind farms in four countries, with a total capacity of 413 MW. Two photovoltaic farms in Spain (3 MW) complete our renewable generation portfolio.

VERBUND also operates three thermal power plants with maximum electrical capacity amounting to a total of 1,499 MW as at 31 December 2014. Thermal power plants have been particularly affected by the drastic market distortions. The situation of gas power plants is a particularly precarious one. Due to high gas prices and low electricity prices, the ongoing operating costs of gas power plants cannot be covered. VERBUND therefore reacted to these changed circumstances at an early stage. At the start of October 2014, VERBUND reached an agreement with international investor KKR on selling the French Pont-Sur-Sambre and Toul CCGTs. The Neudorf/Werndorf II oil-fired district heating plant was closed, while measures for the closure of the Dürnrrohr hard coal power plant are currently being implemented. The Mellach hard coal power plant will fulfil its contractual obligation to supply district heating to the city of Graz until 2020; the Mellach CCGT must be available as an additional outage reserve as a result of a temporary injunction by the Graz West district court. The background to the temporary injunction is that the court views the closure of the power plant as a potential threat to the district heating supply to Graz. VERBUND will honour its contractual obligations from the district heating agreement with Energie Steiermark Wärme GmbH. From VERBUND's perspective, however, Energie Steiermark has the responsibility to secure the district heating supply to the city of Graz.

Electricity generation GWh



Electricity generation

	Number	Maximum electrical capacity MW	Mean energy capability GWh	2011 GWh	2012 GWh	2013 GWh	2014 GWh
Hydropower ¹	127	7,746	28,761	24,216	30,485	30,943	31,188
Wind/solar power	21	416		127	242	565	811
Thermal power	3	1,499		5,410	4,500	4,031	2,031
Total	151	9,661	28,761	29,753	35,228	35,539	34,030

¹incl. purchase rights

Decreased electricity generation

At 34,030 GWh, VERBUND's own electricity generation in 2014 was 4.2% lower than in the previous year. A total of 31,188 GWh or 92% of the total annual output originated from hydropower plants. In this area, there was an increase of 0.8% compared to 2013.

The run-of-river, pondage and daily storage power plants produced 1.1% less electricity due to water supply. The fact that this decline was not even greater is attributable to the first time full-year impact in 2014 of the power plant interests taken over from E.ON in Germany in April 2013. At 1.02, the hydro coefficient, the measured value for generation from run-of-river and pondage power plants, was 2% above the long-term average, but 5 percentage points below the level of 2013. Annual storage power plants, however, produced 12.1% more electricity than in the previous year. The main reasons for this were higher water inflows, a lowering of the water level and increased pumped storage operations.

At 811 GWh, other renewable energy sources (wind and sun) contributed 43.5% more to power generation. This higher production volume compared to the previous year is attributable on the one hand to the commissioning of new wind power plants in Austria in 2014 and on the other hand to the fact that the wind farms commissioned in Romania and Germany in 2013 were available for use for the full year in 2014.

Compared to 2013, generation from thermal power plants was reduced significantly in 2014 by 49.6%. The reasons for this were a further deterioration in market conditions for our thermal power plants on the one hand and lower capacities on the other.

In addition to own generation, VERBUND purchases electricity from external suppliers to compensate for lower own generation and the additional requirements to fulfil electricity supply agreements. In 2014, VERBUND increased this externally purchased electricity volume by 13.0%.

Electricity supply

	GWh		
	2013	2014	Change
Hydropower ¹	30,943	31,188	0.8%
Wind/solar power	565	811	43.5%
Thermal power	4,031	2,031	-49.6%
Own generation	35,539	34,030	-4.2%
Electricity purchased for trade	14,874	16,801	13.0%
Intragroup	219	171	-22.0%
Electricity supply	50,632	51,002	0.7%

¹ incl. purchase rights

Electricity sales volume

Sales volume up slightly

In 2014, VERBUND sold a total of 51,002 GWh of electricity (including own use). This is 0.7% more than in the previous year. Total electricity volumes supplied to consumers fell by 6.0%, while increases of 0.6% and 3.3% were recorded for sales to resellers and to trading firms, respectively.

In the domestic market in Austria, the volume of electricity supplied by VERBUND increased by 4.0% to 26,070 GWh (incl. own use). In Austria, we were able to expand our competitive position in business with resellers by 1.9%; almost 50% more electricity was delivered to trading firms. In the domestic

consumer segment, VERBUND was able to increase sales volume by 4.2%. Electricity delivered domestically made up 51% of the total sales volume (including own use).

Our export markets were supplied with 24,932 GWh, or 2.4% less electricity. Here we recorded lower sales with business and industrial customers as well as in the business with resellers resulting from the competition. Germany, by far our most important international sales market, accounted for 90% of the volume sold abroad.

Electricity sales volume and own use	GWh		
	2013	2014	Change
Consumers	10,093	9,485	-6.0%
Resellers	19,342	19,462	0.6%
Traders	18,441	19,047	3.3%
Intragroup	896	858	-4.1%
Electricity sales volume	48,772	48,853	0.2%
Own consumption	1,861	2,149	15.5%
Total electricity sales volume and own use	50,632	51,002	0.7%

Electricity sales

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 certified by TÜV SÜD.

Throughout Austria, VERBUND is the most well-known brand in the electricity sector and succeeded in holding its leading position as a supplier of 100% hydropower. The overall satisfaction of our customers across all segments is at a very good level and creates an ideal basis for further expanding our customer base. Our goal is to both secure these highly favourable results for the future as well as achieve further improvements.

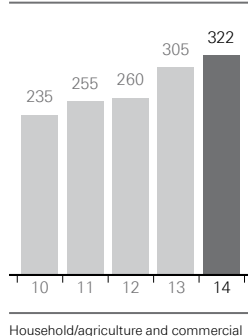
Customer numbers continued to grow in 2014: at the end of the year, 322,000 customers in the household/agriculture and commercial segments were already purchasing VERBUND electricity from 100% Austrian hydropower. We have a market share of around 7% in the household customer segment.

The sales initiative with the attractive new customer offer "4 Months of Free Electricity" conducted in spring and autumn of 2014 and the eye-catching advertising campaign "Thank You Hydropower" are responsible for this success.

The expansion of the commercial customer base <100,000 kWh was promoted both in the spring as well as in the autumn of 2014. As a key incentive to switch suppliers, the public relations effort centred around an attractive price model.

The competitive environment in the business and industrial customer segment in Austria and Germany became more intense in the past financial year. It is clear that many suppliers are focusing on their own domestic markets. Maintaining VERBUND's leading market position of approximately 20% with Austrian industrial customers and expanding market share in Germany is made possible by offering additional services and innovative products. VERBUND has positioned itself as an experienced and dependable service provider for its customers.

Electricity customers k



Green electricity solutions for Germany

At the start of 2014, we set up AQUANTO, a joint venture with EnBW. AQUANTO, with registered offices in Unterföhring near Munich, sells green electricity solutions for B2B customers in Germany. The services offered include the supply of green electricity from certified installations and specific energy efficiency services. The AQUANTO project combines EnBW's sales and distribution competencies with VERBUND's hydropower portfolio.

Gas trading

Climate-neutral gas for all of Austria

In November 2014, VERBUND expanded its attractive household portfolio by adding the climate-neutral "plusGas" product. In doing so, VERBUND became the first energy service provider in all of Austria to offer household customers climate-neutral gas and electricity from 100% Austrian hydropower from a single source. Private customers can heat and cook sustainably using the climate-neutral "plusGas" product. With "plusGas", the emissions resulting from the use of natural gas are offset by the promotion and expansion of renewable energy. This has been officially confirmed by TÜV Nord, a well-known, independent testing agency from Germany. In this way, each new plusGas customer is actively supporting environmental protection. The "plusGas" product name stands for the three pluses: one plus for cost savings, one plus for the environment and one plus for gas and electricity services from a single source, VERBUND.

Energy services

Services for private customers

We have created new, combined services and products to bring us even closer to our customers. One specific example of this is the VERBUND Eco packages. The combination of photovoltaic installation plus storage system, including a heat pump enables household customers to use their self-generated energy simply, efficiently and cost-effectively.

ECO packages:
www.verbund.at
 > Household

Added value for B2B customers

Two additional innovative solutions provide for energy cost reductions and increased energy efficiency for domestic companies. The VERBUND Power Pool is Austria's first virtual large-scale power plant. The first pool was initiated at the start of December 2014. The pool combines individual consumption and generation flexibility and markets it on the balancing energy market. Thus, the flexibility of companies' electricity consumption has become its own product in the electricity market. At the same time, the pool supports grid stability and the security of supply of the power grid.

The companies taking part in the pool can achieve attractive reductions in their energy costs and generate additional revenue by flexibly managing their energy consumption. Revenue is generated simply by being willing to respond with flexibility if needed.

Energy services:
www.verbund.at
 > Business

Developing real-time expertise and competencies in future-oriented areas of business creates promising income potential.

Saving energy in the network

The Power-Pool-solution can be optimally utilised in combination with energy efficiency measures such as the VERBUND-ECO-NET – a new type of energy savings network for up to twelve industrial operations and large-scale consumers. The first of these types of efficiency networks was initiated in the autumn of last year. Eight domestic medium-sized to large companies are on board.

Under the coordination of VERBUND, the companies included in the first Eco-Net will together be able to double or triple their efficiency compared with the industry average in the coming four years. The Eco-Net is based on an initiative by the Fraunhofer Institute. The improvement in energy balance will bring competitive advantages to the participating companies. Not only that, but participation in the Eco-Net fulfils significant prerequisites for becoming certified under the ISO 50001 energy management system.

Electricity trading

Economic hub for the Group

The focal points of our electricity trading are as follows: optimal utilisation of VERBUND power plants, the best possible marketing of the Group's own generation (asset-based trading) and optimal electricity purchasing for sales. We also engage in proprietary trading, which is subject to strict risk guidelines. Through its electricity trading, VERBUND has 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.

Electricity trading is gaining in significance with the progressive integration of European electricity markets and the rise in renewable energy. The energy market is changing constantly and is becoming more dynamic. As a result, both 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. This step is evidence of the trend in the energy markets and stock markets towards increasingly short-term transactions.

As part of electricity trading, we offer a comprehensive range of products and services which are being adapted continuously to meet changing market requirements. These include market access through flexible marketing and hedging offers to forecasting services. One particularly important area involves innovative products designed to meet individual customer requirements. Examples of this include option products, virtual power plants and the direct marketing of renewable energy. VERBUND's 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.

Our customers include primarily European wholesale partners, other energy trading companies, resellers and municipal utilities such as grid and power plant operators.

The area of electricity trading underwent an organisational change or business model adaptation in 2014. The electricity trading company in the VERBUND Group, VERBUND Trading GmbH, previously acted on behalf of and on account of VERBUND AG and conducted electricity trading activities on its behalf. Since 1 September 2014, VERBUND Trading GmbH operates directly in the market and enters into contracts in its own name and for its own account. There is a profit and loss transfer agreement with VERBUND AG.

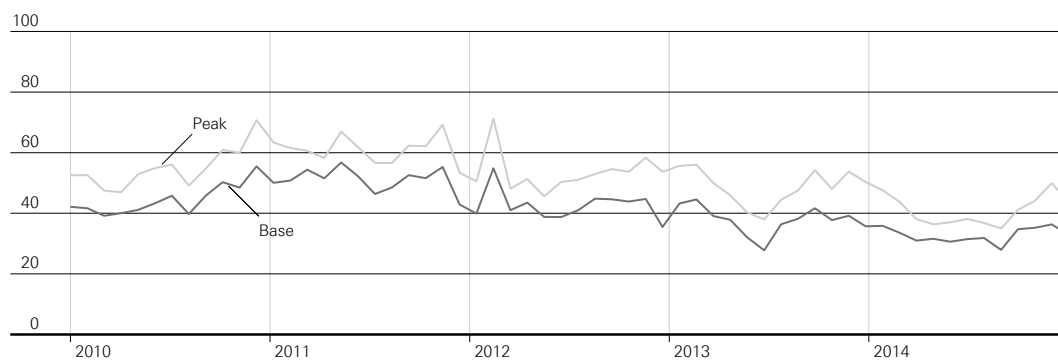
Electricity prices

VERBUND sells most of the electricity generated in futures markets so as to reduce short-term selling and price risks. The price trend in the futures market in 2014 had only a minor influence on revenue during the reporting period. However, it will primarily affect the results of subsequent periods.

Another significant decline in wholesale electricity prices

In the wholesale market for electricity, prices for immediate deliveries (spot market) continued to decline in 2014. The main reasons were lower electricity demand due to the economy and weather, significantly higher feed-in of subsidised electricity from wind and solar power and further price reductions for hard coal. In the spot market at the Paris EPEX Spot electricity exchange, the prices for base-load electricity for the German/Austrian market were €32.8/MWh on average in 2014, approximately 13.3% below those of the previous year. The peak-load prices were €41.0/MWh, 15.8% lower than the average prices of 2013.

Spot market electricity price performance in €/MWh

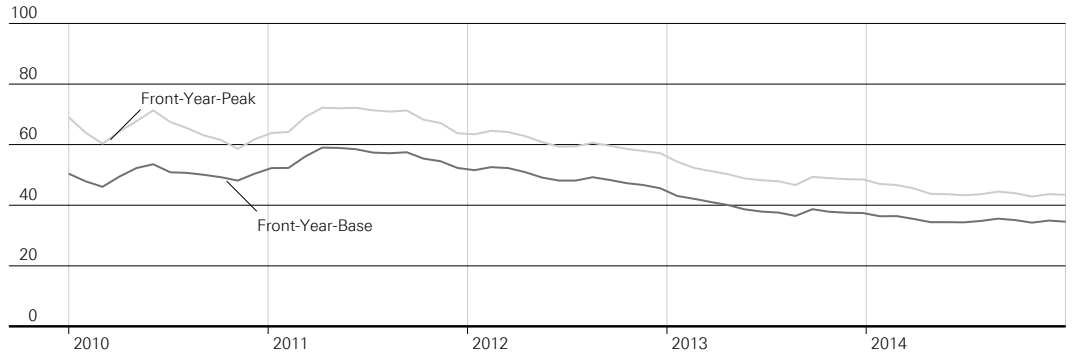


Market region Germany/Austria; monthly average prices

Source: EPEX Spot

In the futures market at the Leipzig EEX electricity exchange in 2014, base-load was traded at an average price of €35.1/MWh for 2015 (front year base) for the German/Austrian market region, and peak-load (front year peak) was traded at €44.4/MWh. In 2013, front year base contracts paid €39.1/MWh on average and front year peak contracts paid €49.7/MWh. Increasing capacities from renewable energy, weak futures market prices for coal and CO₂ emission rights as well as the declining economic outlook put severe pressure on electricity prices.

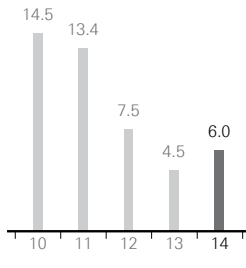
Futures market electricity price performance €/MWh



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

Source: EEX

CO₂-emission rights prices €/t CO₂



Average yearly prices; Source: EUA futures market

Prices for CO₂ emission rights continue to be too low

European emissions trading continues to be characterised by excess supply. Among other things, the influence of the euro crisis in curbing industrial production is evident here. In March 2014, the EU began to reduce these excess emission rights by temporarily holding them back (backloading), which had a supportive effect on prices. The new EU 2030 climate protection goals also had a positive impact and, taken over 2014, compensated for further price reductions.

CO₂ emission rights (EUA – European Union Allowance) with delivery in December 2014 (EUA 14) were traded at an average of €6.0 per tonne CO₂. That is €1.5 more per tonne of CO₂ than paid for the 2013 emission rights.

The EU Commission plans to gradually and permanently reduce the remaining excess supply in the CO₂ market, thus revitalising emissions trading, by introducing a market stability reserve. Climate economists consider these reform efforts to be inadequate and are calling for a fundamental reform of the CO₂ market and the expansion of the emissions trading system to further sectors.

In 2014, certified emission reductions (CERs, credits from emission-reducing measures in developing countries and emerging markets) cost on average only €0.2/t (2013: €0.4/t). CER 14 emission rights could be used only to a limited extent in EU emission trading, and thus demand was low.

Selective expansion in electricity generation

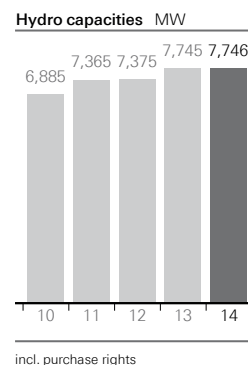
Shaping a CO₂-free future

Wholesale prices remain under pressure from the continued strong expansion of the subsidised new renewables, wind power and photovoltaics, as well as low coal and CO₂ prices along with the low demand for electricity in numerous EU nations due to the economy. Against this backdrop, we adapted our power plant portfolio well in advance by consistently restructuring to the changing conditions. No further investments are being made in carbon-emitting technologies. In the future, our electricity generation will be based exclusively on the use of hydropower and wind power.

Hydropower will always be our DNA

Austria is predestined for the use of hydropower. VERBUND is in a strong position to produce electricity from this clean and flexible energy source and intends to continue expanding it. However, the difficult market environment forces us to slow our rate of growth and to place even greater emphasis than before on efficiency increases within our existing power plants.

In 2014, we were able to continue and conclude the following important projects: during the construction of the Reifseck II pumped storage power plant in Carinthia, leaks were found in the cavern area and the tunnel system and were able to be repaired. However, these measures resulted in a delay in the final completion without exceeding the budget. The new power plant is planned to begin operation at the end of quarter 2/2015 and will increase the turbine capacity of the Malta/Reifseck power plant group by 430 MW to 1,459 MW and the pumping capacity by 430 MW to 855 MW.



VERBUND's strong hydropower base is an absolute competitive advantage.

The programme to increase efficiency at existing power plants proceeded as planned in 2014. The Mayrhofen and Roßhag power plants in Zillertal will be brought up to date by March 2015. After completion of the ongoing modernisation project in the Kaprun-Hauptstufe power plant by the end of 2016, power plant output will be increased by 40 MW. In the Styrian Weinzödl power plant, modernisation of the first generator set has been completed. Modernisation of the second set in 2015 will increase annual added generation by 13.5 GWh. Austria's oldest Danube power plant at Ybbs-Persenbeug/Lower Austria has been undergoing modernisation since 2012. After the work has been completed, mean energy capability will be increased by approximately 77 GWh.

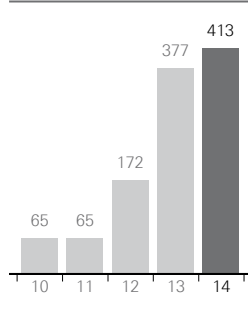
Work on the cross-border joint power plant on the Inn River (GKI) with an annual output of 440 GWh officially began in the summer of 2014. After approval of the competition authorities for transferral of 40% of VERBUND's capital shares to TIWAG has been granted, the new ownership structure is as follows: TIWAG-Tiroler Wasserkraft AG 76%, Engadiner Kraftwerke AG 14% and VERBUND 10%.

There are several projects in the planning stages for technical improvements or expansion of the power plant portfolio. Among these, technical and environmental measures for modernising the Töging power plant on the Inn River are being evaluated. In Zillertal, planning documents for a transfer line for the Tuxbach into the existing Stillup reservoir were submitted to authorities. A design is being prepared for an expansion of the Mayrhofen power plant in line with the implementation of anticipated requirements from the European Water Framework Directive for reducing surges and drops.

The decision of the Austrian Supreme Administrative Court relating to the Stegenwald run-of-river project on the Salzach was available after three years, in quarter 3/2014, rejecting the requested environmental impact statement (EIS) requirement and allowing for a continuation of the approval procedure in the original form in accordance with the relevant laws. Deliberations on the course of further action are ongoing with project partner Salzburg AG. Yet another hurdle has been cleared in the approval procedure for the power plant on the Mur River in Graz. In early September 2014, objections raised by opponents to the project were rejected by the Austrian Supreme Administrative Court.

While implementing the requirements of the European Water Framework Directive, over €100m will also be invested in the coming years in the construction of fishways to ensure the passability of rivers in Austria and Germany, and in ecological structuring measures.

Wind capacities MW



Further expansion of wind power

Following the successful completion of the Hollern II and Petronell-Carnuntum II wind farms in Lower Austria with a total capacity of 36 MW, work is progressing at great speed on the construction of the Bruck-Göttlesbrunn wind farm with a total capacity of 21 MW.

When these plants are completed in 2015, our wind power capacity in Austria will amount to a total of 106 MW. When completed, the VERBUND wind turbines in this region will supply clean electricity generated from wind power for some 70,000 households, thus supplementing our hydropower portfolio.

Restructuring the thermal sector

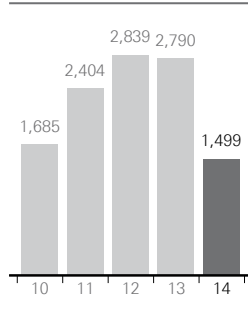
In light of the still difficult energy market environment, the use of thermal power plants declined by around half in 2014 compared to the previous year. The situation demanded rapid restructuring of the thermal power plant sector. To the extent possible under existing agreements, measures were prepared to decommission the power plants that could no longer be operated profitably.

In May 2013, VERBUND therefore filed an application for redress for competition law infringements by EconGas with the Austrian Cartel Court on the basis of the non-market compliant and anti-competitive gas supply agreement. A hearing for oral proceedings was held in November 2014. In the arbitration proceedings initiated by EconGas for payment and a declaratory judgement to uphold the gas supply agreement, VERBUND filed a counterclaim under the aspect of a claim for repayment under the laws of unjust enrichment for the supply by EconGas between May 2011 and May 2013.

Energie Steiermark and VERBUND hold differing legal positions on the interpretation of the district heating supply agreement existing until 2020. Therefore, a temporary injunction was ordered at the request of Energie Steiermark in September 2014 under which VERBUND is required to keep an outage reserve for the Mellach coal-fired plant. At the same time, a request for arbitration was also submitted to clarify the declaration of the supply agreements and the obligation to keep an outage reserve.

At the start of October 2014, VERBUND reached an agreement with international investor KKR on selling the French Pont-Sur-Sambre and Toul CCGTs.

Thermal capacities MW



Grid

Our 3,500 kilometre long transmission grid forms the backbone of Austria's electricity supply. According to the Green Electricity Act (Ökostromgesetz, ÖSG), a total capacity of approximately 3,000 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. Rapid expansion of infrastructure and optimisation measures on the existing grid will be decisive for a successful energy transition.

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

The energy transition can only be made possible by expanding and reinforcing the transmission grid.

Business performance in the grid segment and grid loss energy

In 2014, external revenue in the grid segment declined by 13.7% to €448.9m. This was essentially attributable to declining grid revenue due to lower tariff revenue and the reversal of provisions in the previous year. The provisions recognised in previous years to comply with the System Charges Order (Systemnutzungsentgelte-Verordnung, SNE-VO) and the System Usage Rates Directive (Systemnutzungstarife-Verordnung, SNT-VO) were adjusted in 2013, which led to a reversal of the provisions in some cases. This reversal of provisions had a positive impact in 2013.

There were no negative earnings contributions due to impairment testing in 2014. The operating result in the Grid segment still decreased to €58.0m.

Electricity supply – Grid segment	GWh		
	2013	2014	Change
Electricity purchased for grid loss and control energy volumes	3,175	3,527	11.1%
Intragroup	896	858	-4.1%
Electricity supply	4,071	4,386	7.7%

Electricity sales volume and own use – Grid segment	GWh		
	2013	2014	Change
Resellers	2,259	2,643	17.0%
Traders	142	185	30.8%
Intragroup	219	171	-22.0%
Electricity sales volume	2,619	2,999	14.5%
Own consumption	824	794	-3.7%
Balancing energy volume	627	593	-5.5%
Total electricity sales volume and own use	4,071	4,386	7.7%

2014 tariff review and new system charges for 2015

The following essential key points were defined during the 2014 tariff review:

- A generally fixed return on capital amounting to 6.42% before taxes until 2017
- Discounting the costs of capital for investments

The 2015 System Charges Order (SNE-VO 2015) was published on 17 December 2014. Thus, the overall tariff basis will grow in 2015 by 24.1% to €326.4m.

The fees for system services, which are relevant for suppliers, will increase by 54% in 2015 as a result of significantly higher purchase costs, lower outputs and revisions with retroactive impacts arising from the regulatory account. Grid loss fees showed the opposite trend resulting in a tariff reduction of 26.4% in 2015 due to lower purchase costs from the Austrian grid loss energy purchases by APG and increasing clearing quantities. Variances to actual purchase costs in 2015 will be accumulated through the regulatory account – in the same manner as the system charges – and included in the calculation of tariffs for 2017.

Investments in the Grid segment still at a high level

In 2014, a total of €138.5m was invested in intangible assets and property, plant and equipment. Of this total, €15.6m was attributable to the Kaprun grid area. Additional large investments in grid expansion went towards the installation of the third and fourth systems of the 380 kV Dürnrohr-Sarasdorf line in Lower Austria (€13.8m) as well as the construction of the new Schwarzenbach substation (€11.5m). Under operating investments in existing facilities, APG invested €5.2m in the renovation of secondary facilities, €3.0m in the conversion of the Bisamberg substation in Lower Austria, and €2.8m in the renovation of own use facilities and UPS facilities.

Security of supply

Secure supply without interruptions

No service interruptions affecting consumers were recorded in 2014. The statutory duty of secure grid operation was thus fulfilled without restrictions, despite critical grid situations and incidents. To achieve this level of security, a number of measures in grid expansion, coordinated grid operation, training and continuing education of employees, as well as in the area of research and innovation were necessary.

Implementation of extensive grid expansions, maintenance measures and inspections represented a particular challenge in 2014. Despite far-sighted operational shutdown planning and various temporary solutions for lines, extensive bottleneck management was required in 2014 in order to manage these activities without service interruptions.

For example, during the installation of the third and fourth systems of the 380-kV Dürnrohr-Southeast Vienna line, shutdowns were necessary over a period of several months. In order to still ensure grid security in spite of this, bottleneck management measures (redispatch) had to be undertaken at the power plants.

In addition, due to a high degree of trans-regional loads in the European transmission grid, interventions in the market were necessary to ensure secure grid operation. The sharply declining availability of thermal power plants in Austria – in light of changes in the electricity market – was another significant factor influencing system security. To a large extent, thermal power plants were not available for short-term use during the summer of 2014. In order to be able to request a redispatch in the event of bottlenecks that arose, it was necessary to contractually secure the corresponding

availability of selected generation units for several weeks at an associated cost. Only in this way was it possible to cope with bottlenecks using short-term forecast calculations and in this way to ensure secure grid operations.

In addition, a mudslide near Schladming caused a pole on the 220-kV Tauern-Weißbach line to collapse on 1 August 2014. The resulting outage was managed solely by means of market restrictions due to the low-priced hydraulic generation, use of the quadrature booster in Tauern and the quick resumption of operation on 21 August 2014.

APG is part of European grid security

International cooperation with other transmission system operators (TSO) makes an important contribution to maintaining grid security. This includes, among other efforts, the close cooperation between the 13 transmission system operators who currently make up the TSC (TSO Security Cooperation) initiative, of which APG is also a member. The common goal is to enable the further expansion of renewable energy and to provide the highest possible grid capacity – while maintaining grid security and security of supply – to the electricity market. Shared tools were developed for grid forecast calculation and measurement planning and used for coordinated management of bottlenecks. The Hungarian grid operator MAVIR also joined the initiative in 2014. In addition, a joint venture was set up in 2014, TSCNET Service GmbH, domiciled in Munich.

1.9% more electricity transmitted

The transmission volume at grid level 1 (380-kV and 220-kV grid) increased by 1.9% over the previous year; domestic sales amounted to 31,430 GWh.

Based upon the reported transmission schedules of the Austrian and international market participants, the APG control area imported 46,692 GWh and exported 34,835 GWh in 2014. On balance, this results in an import surplus of 11,857 GWh.

Electricity transmission TWh



We will use a strong grid to shape a secure energy transition.

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

Line construction projects

APG prepares and publishes an annual grid development plan (GDP) based on the long-term strategic planning of the APG 2030 Master Plan and the requirements of the parties entitled to grid access. In this plan, market participants receive information on which transmission infrastructures in APG's grid will be expanded. It contains a list of already approved investments as well as projects that must be implemented within the next three years. The GDP also includes additional grid expansion planning for the next ten years.

The 380-kV Salzburg line represents a major step towards ensuring the long-term security of supply by closing the gap in the 380-kV ring between the St. Peter and Tauern grid hubs. The section of new construction on the Salzburg line between the Salzburg substation and the Tauern grid hub (114 kilometres in length) is currently undergoing the environmental impact assessment (EIA) approval process. In addition, the project includes a 14 kilometre-long 220-kV line for the shortened integration of the 220-kV line coming from Weißenbach into the Pongau substation. The new Wagenham/Upper Austria and Pongau/ Salzburg substations represent a significant improvement of the local security of supply due to additional grid support for the 110-kV distribution network. Only a powerful transmission grid enables the growth of renewable energy in Europe.

The 380-kV "Germany line" from St. Peter to the Isar River represents another important APG line construction project. This project was already approved by the regulatory authority, ECA, in 2011 as a part of the GDP and is one of the top ten projects in the APG 2030 Master Plan. A massive expansion of renewable energy sources is taking place in Northern Europe (especially in Germany) due to the European energy transition. As a result, this creates greater trans-regional loads to the consumption centres and to the Austrian pumped storage power plants (green batteries in the Alps). The loads burden mainly the existing 220-kV interconnectors so that an increased number of (n-1) contingencies occurred. To relieve the strained grid situation, construction of a new 380-kV line from St. Peter to the Isar River is planned as a replacement for the existing 220-kV lines.

Closing the Austrian 380-kV ring and connecting to Germany.

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 introduced 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 seven projects from the APG Master Plan 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 streamlined our strategy and already begun restructuring our investment portfolio in 2012. As part of the restructuring process, the equity interest in Italian Sorgenia is in the process of being sold in its entirety.

VERBUND is aiming to further restructure the equity interest portfolio.

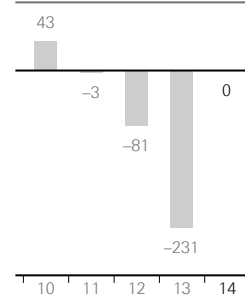
Foreign equity interests

Italy: restructuring and withdrawal

In 2014, the contribution from Sorgenia S.p.A. (Group) to the result from interests accounted for using the equity method was €0.0m (2013: €-230.7m).

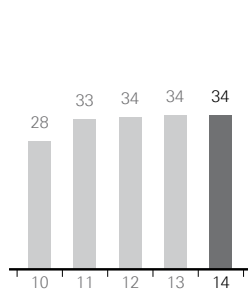
On 23 July 2014, VERBUND, CIR Compagnie Industriali Riunite S.p.A. as majority shareholder and the creditor banks of Sorgenia S.p.A. (Group) signed an agreement on the restructuring of Sorgenia S.p.A. (Group). The main component of the agreement is a restructuring plan to be determined between the banks and Sorgenia S.p.A. (Group) which must be approved by the competent court of law, followed by a capital increase by the creditor banks in the amount of €400m by means of a debt/equity swap. VERBUND did not participate in the capital increase. As a result, VERBUND's share in Sorgenia S.p.A. (Group) is reduced to below 1%. Immediately after the capital increase, VERBUND will sell its interest by way of a share deal and thus terminate its involvement in the Italian electricity market. According to the current schedule, this will take place in the first half of 2015. At the annual general meeting of Sorgenia S.p.A. (Group) in December 2014, VERBUND and CIR Compagnie Industriali Riunite S.p.A. already approved the capital increase by the creditor banks and thus the dilution of the equity interest currently held, subject to approval of the restructuring agreement by the responsible supreme court in Milan, the equity interest in Sorgenia S.p.A. (Group) was therefore deconsolidated effective 18 December 2014.

Equity result - Sorgenia €m



under the equity method

Equity result - KELAG €m



under the equity method

Domestic equity interests

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

KELAG was able to keep its contribution to the result from interests accounted for using the equity method stable at €33.9m (previous year: €34.0m). The dividend attributable to VERBUND was €14.1m. In line with the implementation of the value-based growth strategy based on renewable energy, KELAG acquired two wind farms in Austria in 2014. As at 31 December 2014, VERBUND held a 35.17% equity interest in KELAG.

Vienna, 26 February 2015

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

Income statement

of VERBUND

		€k	
In accordance with IFRSs	Notes	2013 ¹	2014
Revenue		3,178,124	2,825,531
Electricity revenue	1	2,632,505	2,418,110
Grid revenue	2	382,587	305,834
Other revenue	3	163,033	101,587
Other operating income	4	239,589	55,667
Expenses for electricity, grid, gas and certificates purchases	5	-1,305,556	-1,282,832
Fuel expenses and other usage-dependent expenses	6	-121,420	-137,809
Personnel expenses	7	-367,787	-359,322
Amortisation of intangible assets and depreciation of property, plant and equipment	8	-350,196	-392,935
Other operating expenses	9	-307,036	-240,425
Operating result before effects from impairment tests		965,720	467,874
Impairment losses ²	10	-466,073	-181,055
Reversals of impairment losses ²	10	0	125,127
Operating result		499,647	411,947
Result from interests accounted for using the equity method	11	-216,269	33,029
Other result from equity interests	12	4,216	-2,910
Interest income	13	32,583	37,374
Interest expenses	14	-173,556	-196,824
Other financial result	15	20,900	-15,536
Financial result before effects from impairment testing and business acquisitions		-332,126	-144,866
Impairment losses	16	-463,262	-13,264
Effects from business acquisitions	17	1,184,372	0
Financial result		388,984	-158,130
Profit before tax		888,631	253,817
Taxes on income	18	120,869	-98,334
Profit/loss after tax from continuing operations		1,009,500	155,483
Profit/loss after tax from discontinued operations³	19	-364,213	25,062
Profit for the period		645,288	180,545
Attributable to shareholders of VERBUND AG (Group result)		579,638	126,125
Attributable to non-controlling interests		65,650	54,419
Earnings per share in €⁴	20	1.67	0.36

¹ The comparative figures have been adjusted retrospectively in accordance with IFRS 5 and due to the initial application of IFRS 11. // ² The impairment losses and/or reversals of impairment losses have been reduced by the amount of the change in related deferred contributions to building costs and government grants. // ³ Profit/loss after tax from discontinued operations corresponds to the profit/loss after tax attributable to the French equity interests Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. that were classified as "held for sale" until their deconsolidation effective 13 October 2014. // ⁴ Diluted and basic earnings per share correspond to one another..

Statement of comprehensive income

of VERBUND

		€k	
In accordance with IFRSs	Notes	2013 ¹	2014
Profit for the period		645,288	180,545
Remeasurements of the net defined benefit liability	39	–42,235	–130,998
Other comprehensive income from interests accounted for using the equity method		–159	–3,837
Total of items that will not be reclassified subsequently to the income statement		–42,394	–134,835
Differences from currency translation	21	126,918	1,121
Measurements of available-for-sale financial instruments	21	–5,012	26,169
Measurements of cash flow hedges	21	–45,822	31,039
Other comprehensive income from interests accounted for using the equity method	21	47,132	12,978
Total of items that will be reclassified subsequently to the income statement		123,216	71,306
Other comprehensive income before tax		80,822	–63,529
Taxes on income relating to items that will not be reclassified subsequently to the income statement	22	11,223	33,368
Taxes on income relating to items that will be reclassified subsequently to the income statement	22	12,654	–13,237
Other comprehensive income after tax		104,700	–43,398
Total comprehensive income for the period		749,988	137,147
Attributable to shareholders of VERBUND AG (Group result)		688,121	91,660
Attributable to non-controlling interests		61,867	45,487

¹ The comparative figures have been adjusted retrospectively due to the initial application of IFRS 11.

Balance sheet

of VERBUND

€k				
In accordance with IFRSs	Notes	1/1/2013 ¹	31/12/2013 ¹	31/12/2014
Non-current assets		9,807,536	11,092,083	11,166,616
Intangible assets	23	662,487	799,271	796,393
Property, plant and equipment	24	7,452,070	9,465,084	9,436,551
Interests accounted for using the equity method	25	888,075	243,245	260,356
Other equity interests	26, 38	134,582	87,143	102,343
Investments and other receivables	27, 29, 38	670,321	497,339	570,972
Current assets		1,274,046	1,603,867	1,070,730
Inventories	28	129,274	84,876	56,522
Trade receivables and other receivables	29, 38	1,023,020	1,435,647	972,525
Cash and cash equivalents	30, 38	121,752	83,343	41,683
Assets held for sale	31	1,331,759	137,481	9,950
Total assets		12,413,341	12,833,431	12,247,296

€k				
In accordance with IFRSs		1/1/2013 ¹	31/12/2013 ¹	31/12/2014
Equity		5,105,414	5,552,894	5,280,451
Attributable to shareholders of VERBUND AG	32–35	4,464,425	4,947,272	4,689,054
Attributable to non-controlling interests	36	640,989	605,622	591,398
Non-current liabilities		6,062,400	5,765,997	5,394,163
Financial liabilities	37, 38	3,935,301	3,359,528	2,900,494
Provisions	39	666,383	717,179	844,713
Deferred tax liabilities	40	204,075	616,945	486,320
Contributions to building costs and grants	41	649,563	685,105	739,986
Deferred income – cross-border leasing	42	53,598	52,003	50,408
Other liabilities	38, 43	553,481	335,238	372,243
Current liabilities		1,245,526	1,514,540	1,572,520
Financial liabilities	37, 38	385,763	654,240	806,357
Provisions	39	78,835	159,385	193,216
Current tax liabilities	44	37,240	36,150	55,611
Trade payables and other liabilities	38, 45	743,688	664,765	517,337
Liabilities directly associated with assets held for sale	31	0	0	162
Total liabilities		12,413,341	12,833,431	12,247,296

¹ The comparative figures have been adjusted retrospectively due to the initial application of IFRS 11.

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 1/1/2013	347,416	954,327	3,493,407	- 130,486
New accounting standards applied	-	-	7,145	- 1,149
As at 1/1/2013 retrospectively adjusted	347,416	954,327	3,500,552	- 131,634
Profit for the period	-	-	579,637	-
Other comprehensive income	-	-	-	- 27,176
Total comprehensive income for the period	-	-	579,637	- 27,176
Shift between shareholder groups	-	-	241	-
Dividend	-	-	- 208,529	-
Other changes in equity	-	-	1,395	-
As at 31/12/2013	347,416	954,327	3,873,296	- 158,811
As at 1/1/2014	347,416	954,327	3,873,296	- 158,811
Profit for the period	-	-	126,125	-
Other comprehensive income	-	-	-	- 92,107
Total comprehensive income for the period	-	-	126,125	- 92,107
Shift between shareholder groups	-	-	95	- 3,322
Dividend	-	-	- 347,416	-
Other changes in equity	-	-	142	-
As at 31/12/2014	347,416	954,327	3,652,242	- 254,241

							€k
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 shareholders of VERBUND AG	Equity attributable to non-controlling interests	Total equity	
35	26, 27	21			36		
-128,948	6,754	-91,126	7,061	4,458,405	640,989	5,099,394	
0	24	0	0	6,021	0	6,021	
-128,948	6,778	-91,126	7,061	4,464,425	640,989	5,105,414	
-	-	-	-	579,637	65,650	645,288	
125,461	-3,577	12,856	920	108,483	-3,783	104,700	
125,461	-3,577	12,856	920	688,121	61,867	749,988	
-	-	-	-	241	-241	0	
-	-	-	-	-208,529	-96,994	-305,523	
-	-	-	1,620	3,015	0	3,015	
-3,487	3,201	-78,270	9,600	4,947,272	605,622	5,552,894	
-3,487	3,201	-78,270	9,600	4,947,272	605,622	5,552,894	
-	-	-	-	126,125	54,419	180,545	
699	21,041	48,825	-12,923	-34,466	-8,932	-43,398	
699	21,041	48,825	-12,923	91,660	45,487	137,147	
-	-	-	-	-3,228	11,238	8,011	
-	-	-	-	-347,416	-70,917	-418,333	
-	-	-	623	765	-32	733	
-2,788	24,242	-29,445	-2,700	4,689,054	591,398	5,280,451	

Cash flow statement

of VERBUND

		€k	
In accordance with IFRSs	Notes	2013 ¹	2014
Profit for the period		645,288	180,545
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		1,153,172	424,344
Impairment losses on investments (net of reversals of impairment losses)		76,825	13,582
Result from interests accounted for using the equity method (net of dividends received)		629,177	-18,848
Result from the disposal of non-current assets		-7,686	-7,567
Change in non-current provisions and deferred tax liabilities		-279,887	-110,044
Change in contributions to building costs and grants		33,390	54,881
Income from the reversal of deferred income from cross-border leasing transactions		-1,595	-1,595
Other non-cash expenses and income		-1,463,350	-29,725
Subtotal		785,334	505,572
Change in inventories		44,792	28,354
Change in trade receivables and other receivables		-27,425	143,396
Change in trade payables and other liabilities		-27,547	113,243
Change in current provisions and current tax liabilities		66,285	-72,968
Cash flow from operating activities²	46, 50	841,438	717,597

¹The comparative figures have been adjusted retrospectively due to the initial application of IFRS 11. // ² Cash flow from operating activities includes taxes paid on income of €46.3m (previous year: €103.8m), interest paid of €212.8m (previous year: €171.4m), interest received of €29.3m (previous year: €36.1m) and dividends received of €24.9m (previous year: €24.9m).

In accordance with IFRSs	Notes	2013¹	2014
€k			
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		- 564,135	- 460,388
Cash inflow from the disposal of intangible assets and property, plant and equipment		18,013	28,561
Cash outflow from capital expenditure for investments		- 634,301	- 22,100
Cash inflow from the disposal of investments		132,600	592,734
Cash inflow from capital expenditure for subsidiaries	47	382,021	0
Cash outflow from capital expenditure for interests accounted for using the equity method		- 137,500	- 750
Cash inflow from the disposal of interests accounted for using the equity method	48	313,600	0
Cash outflow (previous year: inflow) from the capital expenditure for (previous year: disposal of) current investments		65,447	- 119,823
Cash flow from investing activities	50	- 424,255	18,233
Cash inflow from shifts between shareholder groups		0	5,501
Cash inflow (previous year: outflow) from money market transactions		- 60,547	25,194
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		228,560	590,051
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		- 318,081	- 979,255
Dividends paid	49	- 305,523	- 418,333
Cash flow from financing activities	50	- 455,592	- 776,843
Change in cash and cash equivalents		- 38,409	- 41,013
Cash and cash equivalents as at 1/1		121,752	83,343
Change in cash and cash equivalents		- 38,409	- 41,013
Classification as "held for sale"		0	- 648
Cash and cash equivalents as at 31/12		83,343	41,683

¹ The comparative figures have been adjusted retrospectively due to the initial application of IFRS 11.

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. In addition, VERBUND trades and sells gas to market participants from energy exchanges, traders and households and provides energy-related services. 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 additional requirements of Section 245a(1) UGB were also satisfied. 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 2014 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. The requirements for control are met if VERBUND AG is exposed to variable returns from its investment in the investee and/or is entitled to them and is capable of influencing these returns by means of its power of disposal over the investee. Inclusion in the consolidated financial statements begins when control is achieved and ends when it ceases.

Initial 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.

Investees controlled together with a partner and in which VERBUND has rights to the entity's net assets (joint venture) as well as investees in which VERBUND AG directly or indirectly exercises a significant influence (associates) are accounted for using the equity method. The equity method is a method of consolidation and/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.

In the case of investees that are controlled together with another joint operator, if VERBUND has rights to the assets attributable to the investee as well as obligations for its liabilities (joint operation), VERBUND recognises its share of the assets and liabilities and/or revenue and expenses.

A list of all of VERBUND's subsidiaries, joint ventures and associates is presented in the section entitled "Group structure". The subsidiaries, joint ventures and associates included in VERBUND's consolidated financial statements changed as follows in the 2014 reporting period:

Basis of consolidation

Basis of consolidation

	Consolidation	Accounted for using the equity method
As at 31/12/2013	45	6
Additions from newly formed entities	1	1
Disposals resulting from loss of control or significant influence	-2	-1
Disposals due to liquidation	-1	0
Disposals by means of merger	-5	0
As at 31/12/2014	38	6
Of which domestic companies	14	5
Of which foreign companies	24	1

Additions from newly formed entities relate on the one hand to the formation of VERBUND Solutions GmbH (wholly owned subsidiary of VERBUND AG) effective 5 March 2014, which was subsequently consolidated. On the other hand, AQUANTO GmbH was formed effective 12 March 2014 as a 50:50 joint venture between VERBUND AG and Sales & Solutions GmbH (a subsidiary of the EnBW Group) and included in the consolidated financial statements using equity method accounting. In accordance with VERBUND's accounting policies, the proportionate equity interest is adjusted no later than one quarter following the underlying changes.

Disposals resulting from loss of control relate to the 100% equity interests in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S., which have been recognised as other equity interests since 13 October 2014 (see: Discretionary judgements and key assumptions concerning the future).

Disposals resulting from loss of significant influence relate to the 45.75% equity-accounted interest in Sorgenia S.p.A. (Group), which had been recognised as other equity interest since 18 December 2014 (see: Discretionary judgements and key assumptions concerning the future).

Disposals due to liquidation concern the liquidation of VERBUND Italia S.p.A. in liquidazione which was completed effective 8 October 2014.

Disposals by means of merger include the mergers of VERBUND Beteiligungsholding GmbH, VERBUND International Finance GmbH and VERBUND International GmbH with VERBUND AG. In addition, VERBUND Management Service GmbH was merged with VERBUND Services GmbH (effective 31 December 2013, then still VERBUND Telekom Service GmbH) and VERBUND International Frankreich GmbH was merged with VERBUND Trading GmbH (at 31 December 2013, then still VERBUND Trading AG).

Business acquisitions

There were no business acquisitions in the 2014 reporting period.

In the previous year, VERBUND acquired (additional) Bavarian hydropower plant capacities with an average annual generation of around 2,000 GWh. These Bavarian hydropower plant capacities were 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-Eggfling run-of-river power plants located on German state territory (including a right to purchase 50% of the electricity generated in the power plants). The total consideration transferred comprised the fair value of the 50% equity interest in Enerjisa Enerji A.S. (Group), the fair value of the equity interest previously held in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH, the fair values of receivables and liabilities extinguished as a result of confusion, the repurchase of 60% of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group and a payment of the difference owed by E.ON SE to VERBUND. No contingent consideration was agreed.

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 balance sheet items 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.

The functional currency of all investees recognised using equity method accounting is the euro.

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. Expenses and income are translated at average monthly exchange 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	31/12/2013 ECB foreign exchange reference rate	31/12/2014 ECB foreign exchange reference rate	2013 Average rate	2014 Average rate
Bulgaria ¹	€1 = BGN	1.9558	1.9558	1.9558	1.9558
Romania	€1 = RON	4.4710	4.4828	4.4172	4.4410

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

Accounting policies

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 2014 have been applied.

In the 2014 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 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 10 Consolidated Financial Statements	12/5/2011 (11/12/2012)	1/1/2014	None

Newly applicable or applied accounting standards

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
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, with the resulting transition from recognition using equity-method accounting to inclusion based on the share of assets, liabilities, income and expenses.
IFRS 12	Disclosure of Interests in Other Entities	12/5/2011 (11/12/2012)	1/1/2014	Additional note disclosures
IFRS 10	Consolidated Financial Statements, Joint	28/6/2012 (4/4/2013)	1/1/2014	None
IFRS 12	Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			
IFRS 10	Investment Entities	31/10/2012 (20/11/2013)	1/1/2014	None
IFRS 12				
IAS 27				

The accounting policies for joint ventures, joint operations and jointly controlled assets in IAS 31 as well as those for non-monetary contributions by venturers in SIC 13 were replaced by IFRS 11; IAS 28 was renamed as a result. IFRS 11 eliminates the option of consolidating equity interests in joint ventures proportionately; they must now be recognised using equity method accounting. In addition, joint ventures are more clearly contrasted against 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 does not represent a joint venture, but instead a joint operation. The assets and liabilities of a joint operation as well as its income and expenses must 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 partners 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 interests in companies that are managed jointly with one or more parties – with the exception of one investment – are to be classified as joint ventures and will therefore continue to be accounted for using the equity method.

In accordance with the provisions of IFRS 11, the equity interest in Ennskraftwerke Aktiengesellschaft (equity interest ratio of VERBUND to Energie AG: 50:50) represents a joint operation (see: Discretionary judgements and key assumptions concerning the future). As a consequence, Ennskraftwerke Aktiengesellschaft may no longer be accounted for using the equity method. The proportion of assets and liabilities and/or revenue and expenses attributable to VERBUND is to be included in the consolidated financial statements of VERBUND. The change in accounting policy has been applied retrospectively effective 1 January 2013 in accordance with IAS 8 by adjusting all comparative figures. The adjustments for earlier reporting periods were not determined for cost-benefit reasons. The adjustments determined for the reporting period and the previous year were as follows:

Adjustments to income statement items	€m	
	2013	2014
Revenue	-3.5	-2.8
Operating result	1.2	3.6
Financial result	-1.3	-1.3
Profit for the period	-0.3	1.2
Attributable to shareholders of VERBUND AG (Group result)	-0.3	1.2
Earnings per share in € ¹	0.0	0.0

¹ Diluted and basic earnings per share correspond to one another.

Adjustments to statement of comprehensive income items	€m	
	2013	2014
Profit for the period	-0.3	1.2
Total of items that will not be reclassified subsequently to the income statement	0.6	-2.3
Total of items that will be reclassified subsequently to the income statement	0.0	0.0
Other comprehensive income after tax	0.6	-1.7
Total comprehensive income for the period	0.3	-0.5
Attributable to shareholders of VERBUND AG	0.3	-0.5

Adjustments to balance sheet items	€m		
	1/1/2013	31/12/2013	31/12/2014
Non-current assets	25.6	47.4	21.1
Current assets	0.4	-22.6	5.2
Total assets	26.0	24.8	26.3

Adjustments to balance sheet items	€m		
	1/1/2013	31/12/2013	31/12/2014
Equity	6.0	6.4	5.9
Non-current liabilities	16.1	15.8	17.3
Current liabilities	3.7	2.7	3.1
Total liabilities	26.0	24.8	26.3

The note disclosures regarding equity interests in subsidiaries, joint ventures and associates as well as structured entities were consolidated in IFRS 12 to form a comprehensive standard. The note disclosures previously required under IAS 27, IAS 28 and IAS 31 were extended in particular by the addition of disclosures concerning the significant assumptions and discretionary decisions used for determining the basis of consolidation (see: Discretionary judgements and key assumptions concerning the future). Furthermore, additional information regarding the share of non-controlling interests in the Group's activities and cash flow is to be disclosed. In addition, there are new disclosure requirements for interests in joint arrangements (joint ventures and joint operations) as well as investments in associates (see: Subsidiaries, joint ventures and associates of VERBUND).

New accounting standards not yet applicable or applied

The IASB issued new standards that were not applied by VERBUND in the 2014 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 1	Amendments: Disclosure Initiative	18/12/2014 (expected Q4/2015)	1/1/2016	Greater focus of the Notes on material facts and circumstances
IAS 16 IAS 41	Amendments: Bearer Plants	30/6/2014 (expected Q3/2015)	1/1/2016	None
IAS 16 IAS 38	Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation	12/5/2014 (expected Q3/2015)	1/1/2016	None
IAS 19	Amendments: Defined Benefit Plans: Employee Contributions	21/11/2013 (17/12/2014)	1/1/2016	None
IAS 27	Amendments: Equity Method in Separate Financial Statements	12/8/2014 (expected Q3/2015)	1/1/2016	None
IFRS 9	Financial Instruments	24/7/2014 (expected HY2/2015)	1/1/2018	Currently being examined

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 10 IAS 28	Amendments: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	11/9/2014 (expected Q4/2015)	1/1/2016	In the future, the full gain or loss must be recognised if the assets sold or contributed relate to a business as defined in IFRS 3; therefore, corresponding future transactions can have an impact
IFRS 10 IFRS 12 IAS 28	Amendments: Investment Entities: Applying the Consolidation Exception	18/12/2014 (expected Q4/2014)	1/1/2016	None
IFRS 11	Amendments: Accounting for Acquisitions of Interests in Joint Operations	6/5/2014 (expected Q3/2015)	1/1/2016	If interest in a joint operation representing a business as defined in IFRS 3 is acquired, the acquisition must be recognised in accordance with the principles of IFRS 3; therefore, corresponding future transactions can have an impact
IFRS 14	Regulatory Deferral Accounts	30/1/2014 (to be decided)	1/1/2016	None
IFRS 15	Revenue from Contracts with Customers	28/5/2014 (expected Q2/2015)	1/1/2017	Currently being examined
IFRIC 21	Levies	20/5/2013 (13/6/2014)	1/1/2015	None
Various	Annual Improvements to IFRSs 2010–2012 Cycle	12/12/2013 (17/12/2014)	1/1/2015	None
Various	Annual Improvements to IFRSs 2011–2013 Cycle	12/12/2013 (18/12/2014)	1/1/2015	None
Various	Annual Improvements to IFRSs 2012–2014	25/9/2014 (expected Q3/2015)	1/1/2016	None

¹ Basis: EU Endorsement Status Report dated 4 February 2015

Discontinued operations

The two French Pont-sur-Sambre and Toul combined cycle gas turbine power plants, including intangible assets and/or other receivables (closely) associated with the combined cycle gas turbine power plants, have been classified as “held for sale” since 11 December 2013. Since – contrary to expectations at 31 December 2013 – the sale was carried out not as an asset deal but instead as a share deal (sale of 100% of the shares in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S.), it is not only the operating result attributable to the two combined cycle gas turbine power plants in Pont-sur-Sambre and Toul that is to be presented separately from continuing operations. Rather, the result attributable to both companies, Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S., until they were deconsolidated effective 13 October 2014 (see: Discretionary judgements and key assumptions concerning the future) is to be presented under profit or loss from discontinued operations. The income statement for the previous year was adjusted accordingly:

Adjustments to income statement items	€m
	2013
Interest income	0.0
Interest expenses	14.6
Other financial result	-1.8
Financial result	12.8
Profit before tax	12.8
Taxes on income	0.0
Profit/loss from continuing operations after tax	12.8
Profit/loss from discontinued operations after tax	-12.8

Change in classification

In order to improve the presentation of liabilities, debts exhibiting a small degree of uncertainty (accrued liabilities) were reclassified from other provisions to other liabilities. This resulted in the following adjustments in the reporting and prior periods:

Adjustments to balance sheet items	€m		
	1/1/2013	31/12/2013	31/12/2014
Non-current liabilities	0.0	0.0	0.0
Provisions	-0.5	-0.5	-0.7
Other liabilities	0.5	0.5	0.7
Current liabilities	0.0	0.0	0.0
Provisions	-113.0	-129.6	-118.4
Trade payables and other liabilities	113.0	129.6	118.4

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) must be compared with the fair value of 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 determination of the value of the influencing factors on the 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.

Under IFRS 3, goodwill is not subject to 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.

Purchased intangible assets are measured in accordance with IAS 38 at cost, less straight-line amortisation and any impairment losses 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 2014 reporting period amounted to €4.3m (previous year: €6.1m). 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 in the consolidated financial statements of VERBUND in the reporting period in which they are incurred as either the corresponding recognition criteria have not been met or the amounts are not material. Intangible assets must be tested annually for impairment as long as they are not yet available for use.

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) must 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 2014 reporting period were around 4.1% (previous year: around 4.2%).

Property, plant and equipment

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

Useful life	In years
Residential, office and power plant buildings, other power plant facilities	20 – 50
Hydroplant buildings	75 – 100
Machinery	6 – 75
Electrical installations	5 – 50
Power lines	50
Office and plant equipment	4 – 10

The expected useful life of hydropower plants is determined independently from the terms of water rights permits because it is presumed that these permits will be reissued when they expire. Based on experience, this also applies for those Bavarian run-of-river power plants with existing reversion rights for the benefit of the Free State of Bavaria. The expected useful life of the Jochenstein power plant on the Danube was also determined independently from the existing obligation to return 50% of the interest in Donaukraftwerk Jochenstein AG in the year 2050 (see: Other liabilities). That is to say it is expected that VERBUND will also continue to be the owner and operator of the Jochenstein power plant on the Danube beyond the year 2050.

Total assets leased

If substantially all risks and rewards associated with a leased asset are borne 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 in accordance with 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

Under 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 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 quotes for energy futures are used as prices for the first three years of the planning period. Starting with the seventh year of the planning period, the average forecasts of two 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% (previous year: 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 as impairment and/or reversals of impairment and explained in the notes. If impairment losses or their reversal do not relate to continuing operations, they are presented in profit/loss after tax from discontinued operations and explained in the notes.

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.

Equity interests

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 amounts of the interest are 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 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 techniques (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, 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).

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 or 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. Impairments are recognised in profit or loss.

Trade receivables
and other
receivables

Recoverability of
financial assets

Emission rights

Emission rights held by VERBUND in connection with CO₂ emissions at thermal power plants are accounted for in accordance with the accounting requirements in 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 price quoted on the European Energy Exchange (EEX) – and reversed to profit or loss under fuel expenses as emission rights are consumed, amortised, or sold. CO₂ 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 a corresponding amount in other liabilities. If cover is insufficient, VERBUND recognises an additional provision in the amount of the fair value of the missing 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. Net realisable value 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 the accounting requirements in 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 revenue.

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.

An operating segment 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 operating segment meets the criteria for classification as “held for sale” if this is the case sooner. If an operating segment is classified as a discontinued operation, the comparative information is adjusted in the income statement and statement of comprehensive income as if the operating segment had been classified as a discontinued operation from the beginning of the prior period.

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).

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 by means of 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 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.

Assets “held for sale” and discontinued operations

Financial liabilities

Financial guarantee contracts

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, these pension plan assets were transferred to APK Pensionskasse AG, which has been responsible for them ever since. A contractual trust arrangement (CTA, pension fund) was set up in order to secure the entitlements from the company pension plan for the employees of VERBUND-Innkraftwerke GmbH, Innwerk AG and Grenzkraftwerke GmbH. 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 contractual trust arrangements are recognised as plan assets as defined under IAS 19 and offset with the provision for current pensions and vested pensions.

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; the calculations are based on “AVÖ 2008-P – Actuarial Assumptions for Pension Insurance – Pagler & Pagler”.

Pension plan assets are invested in compliance with the provisions of the Austrian Pension Fund Act (Pensionskassengesetz, PKG) and the corresponding regulations of the Austrian Financial Market Authority (FMA).

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 against the provision for partial retirement.

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. It must be possible to reliably estimate 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 on 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.

Provisions

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 passage of time. An unscheduled repayment of 60% of the obligation was made in 2013 as part of the acquisition of (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 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 the 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 obligations and/or entitlements 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 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, balance sheet cover remains in place. 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 offset.

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.

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 initial 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):

Taxes on income

Income tax rates applicable to subsidiaries

	2013	2014
Austria	25.0	25.0
Bulgaria	10.0	10.0
Germany – partnerships ¹	12.25 – 12.95	12.25 – 12.95
Germany – limited companies ²	27.5 – 28.92	24.23 – 28.08
France	33.33	33.33
Romania	16.0	16.0
Spain ³	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 municipality to another. // ² The corporate income tax rate shown also includes the solidarity surcharge and municipal trade tax. // ³ In Spain there is a staggered tax rate.

Beginning with 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 tax group parent.

The tax group parent 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 entered into 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) under 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 instrument in a cash flow hedge, the unrealised gains or losses from the hedging instrument are initially recognised in other comprehensive income. 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 values are recognised under trade receivables and other receivables; those with negative fair values are recognised under other financial liabilities or trade payables and other liabilities.

Own-use contracts entered into 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 must 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 must be qualified as freestanding derivatives and recognised at fair value through profit or loss.

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) have been entered into to hedge the existing interest rate level or carrying amounts for the long term. Some of these interest rate swaps have been designated as cash flow hedges (see: Derivative financial instruments). Those interest rate swaps that hedge intragroup financing at the subsidiary level are recognised as derivatives in VERBUND's consolidated financial statements (measurement category: financial assets held for trading).

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 have been 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.

The fair value of forward exchange transactions is based on the 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 on 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 finance area

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

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 CO₂ 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 entered into 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 CO₂) 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 (CO₂).

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 CO₂ 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 CO₂ forward contracts 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.

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-scale customers is realised in the same way as revenue from energy trading and grid services; that is, at the performance date. For small-scale customers, 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.

Revenue recognition

Discretionary judgements and key assumptions concerning the future

The preparation of IFRS consolidated financial statements requires discretionary judgements in the evaluation of whether other entities are controlled or jointly managed by VERBUND or whether VERBUND can exert a significant influence on another entity and/or whether an entity represents a joint operation of VERBUND.

Other discretionary judgements relate to 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.

The primary discretionary judgements and key assumptions concerning the future on which the IFRS consolidated financial statements are based are described below:

Loss of control: Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S.

As at 31 December 2014, VERBUND still holds 100% of the shares in the French companies, Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S., both of which operate combined cycle gas turbine power plants in Pont-sur-Sambre and Toul respectively. However, effective 13 October 2014, VERBUND and KKR Credit Advisors (US) LLC signed agreements for the sale of 100% of the shares in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. In these two sale agreements, it was agreed to transfer the economic risk associated with both companies to KKR Credit Advisors (US) LLC when the agreements were signed. In addition, it was agreed that VERBUND would act virtually in trust in the interest of KKR Credit Advisors (US) LLC (for example, with respect to the operating activities or material investment decisions) in the period between the signing of the agreements and the completion of the sale. The transaction will close after it has been approved by competition authorities. VERBUND believes that it is highly probable that approval will be granted and the sales transaction will be completed in quarter 1/2015 (the transaction was approved by competition authorities with a letter dated 6 February 2015; see: Events after the balance sheet date).

Management believes that VERBUND already lost control of the 100% equity interests in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. when the agreements were signed due to the stated circumstances. Therefore, both companies were deconsolidated effective 13 October 2014:

Loss due to loss of control	€m
Fair value of other remaining equity interests ¹	0.0
Fair value of remaining trade receivables and other receivables	100.4
Fair value of other remaining liabilities	-298.6
Fair value of the remaining interest	-198.2

Loss due to loss of control	€m
Carrying amount of deconsolidated assets held for sale	157.0
Carrying amount of deconsolidated liabilities associated with assets held for sale	–20.0
Carrying amount of deconsolidated financial liabilities	–328.6
Carrying amount of deconsolidated other liabilities	–6.1
Carrying amount of deconsolidated net assets	–197.8
Loss due to loss of control¹	–0.4

¹ Since the loss of control, the 100% equity interests in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. have been recognised as other equity interests classified as "held for sale". // ² The loss due to loss of control has been recognised as profit/loss from discontinued operations.

At 31 December 2014, VERBUND still holds a 45.75% interest in the Italian group, Sorgenia S.p.A. (Group), which 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. Due to the difficult market situation, Sorgenia S.p.A. (Group) worked out a comprehensive restructuring and financing plan in reporting period 2014. On 23 July 2014, VERBUND, CIR Compagnie Industriali Riunite S.p.A. and the creditor banks of Sorgenia S.p.A. (Group) signed an agreement on the restructuring of Sorgenia S.p.A. (Group) with the following contents: A €400m capital increase is to be carried out at Sorgenia S.p.A. (Group) as part of an Italian restructuring process ("128 bis Agreement") by means of debt-equity swaps on the part of the creditor banks. VERBUND will not participate in any capital increases at Sorgenia S.p.A. (Group). As a result, VERBUND's interest in Sorgenia S.p.A. (Group) will be reduced to less than 1%. VERBUND will subsequently sell this remaining interest for €1 to the creditor banks.

On 14 November 2014, the creditor banks and Sorgenia S.p.A. (Group) signed the restructuring agreement required to initiate the Italian restructuring process and submitted it to the competent supreme court in Milan. On 18 December 2014, VERBUND and CIR Compagnie Industriali Riunite S.p.A. approved the capital increase from the creditor banks at an annual general meeting of Sorgenia S.p.A. (Group) and therefore also the dilution of the currently held equity interests, subject to approval by the competent supreme court in Milan. VERBUND believes that it is highly probable that approval will be granted (effective 25 February 2014 the approval was granted, see: Events after the balance sheet date) and that VERBUND will sell the remaining other equity interest in Sorgenia S.p.A. (Group) in the first half of 2015.

In the opinion of management, VERBUND lost its significant influence over Sorgenia S.p.A. (Group) as a result of the stated circumstances with the approval of the capital increase. Therefore, the 45.75% equity interest in Sorgenia S.p.A. (Group) classified as "held for sale" was deconsolidated effective 18 December 2014. The deconsolidation had an impact on profit or loss of €–12.9m from the reclassification of accumulated other comprehensive income that was recognised in the other result from equity interests. Since the loss of significant influence, the 45.75% equity interest in Sorgenia S.p.A. (Group) has been recognised under other equity interests held for sale.

Loss of significant influence: Sorgenia S.p.A. (Group)

Joint operation: Ennskraftwerke Aktiengesellschaft

Due to the circumstances and fact that Ennskraftwerke Aktiengesellschaft's operations are solely geared towards supplying both parties with 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 interest in Ennskraftwerke Aktiengesellschaft (equity interest ratio of VERBUND to Energie AG: 50:50) must be classified as a joint operation. As a result, Ennskraftwerke Aktiengesellschaft is being included in the consolidated financial statements with the share of assets and liabilities and/or revenue and expenses attributable to VERBUND. The size of the share is determined based on the relationship of electricity deliveries to both parties. Ennskraftwerke Aktiengesellschaft owns and operates twelve hydropower plants along the Enns and Steyr rivers. The ratio of electricity deliveries to the two parties differs from power plant to power plant. From a cost-benefit perspective, 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.

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 from a reference rate, market risk premium and beta factor using the capital asset pricing model (CAPM). 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 default risk to a greater or lesser extent. The capital market reflects this default risk through different yields for government bonds.

In view of the volatile financial market environment, the development of capital costs (and in particular country risk premiums) is under continuous observation.

There were no business combinations in the reporting period and therefore also no purchase price allocations. In the previous year, (additional) Bavarian hydropower plant capacities (Grenzkraftwerke run-of-river power plant group) were acquired. The key measurement assumptions underlying the determination of fair values in connection with this purchase price allocation were the electricity price forecasts, the development of the clean spark spreads, the discount rate and the expected tariff revenue.

Purchase price allocations

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

Impairment testing of goodwill

Goodwill	€m	
	2013	2014
Grenzkraftwerke run-of-river power plant group	161.1	161.1
Run-of-river power plant group on the Inn River	280.4	280.4
Energy segment ¹	300.0	300.0
VERBUND's goodwill	741.5	741.5

¹The Electricity segment was renamed the Energy segment after VERBUND began selling gas to customers in November 2014.

Impairment testing of goodwill for the Grenzkraftwerke run-of-river power plant group

The acquisition of (additional) Bavarian hydropower plant capacities took place effective 24 April 2013. Goodwill of €161.1m was recognised in connection with the initial 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 (each power plant represents a separate cash-generating unit). Goodwill was allocated to this group of cash-generating units because it is monitored (or managed) by management at this level. The carrying amount of the cash-generating units including goodwill was €2,778.0m (previous year: €2,786.2m).

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 in non-discounted amounts.

The recoverable amount for the Grenzkraftwerke power plant group was determined in the 2014 reporting period and in the previous year 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.

During the two-step impairment test of the Grenzkraftwerke power plant group, a reversal of impairment losses of €83.6m (previous year: impairment loss of €86.8m) on the run-of-river power plants was recognised as at 31 December 2014 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

(accumulated since the initial consolidation date) and the deferred tax liabilities (carried forward) exceeded the goodwill. Thus, the recoverability of the goodwill attributable to the Grenzkraftwerke power plant group was confirmed (as in the previous year).

Since recoverability of goodwill depends directly on the recoverable amount and/or carrying amount of the cash-generating units of the Grenzkraftwerke power plant group, the key measurement 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 goodwill does not exceed the recoverable amount as a result of possible changes in key measurement assumptions.

Impairment testing of goodwill for the Inn River run-of-river power plant group

	31/12/2013	31/12/2014
Group of cash generating units	Run-of-river power plants of the Inn River power plant group ¹ that also each represent a cash-generating unit, plus goodwill ²	Run-of-river power plants of the Inn River power plant group ¹ that also each represent a cash-generating unit, plus goodwill ²
Basis for recoverable amount	Fair value (level 3) less costs of disposal	Fair value (level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	VERBUND Innkraftwerke GmbH budgets (based mainly on near-market data)	VERBUND Innkraftwerke GmbH budgets (based mainly on near-market data)
Volume	Annual output corresponding to the mean energy capability of 1,900 GWh	Annual output corresponding to the mean energy capability of 1,900 GWh
Price	External price forecasts (see: Accounting policies); discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin derived from quoted price; consideration of the water charges based on official notices; estimate of the maintenance costs by the managers responsible; price increase rates for annual expenses of 2.0% to 4.3%	External price forecasts (see: Accounting policies); discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin derived from quoted price; consideration of the water charges based on official notices; estimate of the maintenance costs by the managers responsible; price increase rates for annual expenses of 2.0% to 3.5%

Impairment testing of goodwill for the Inn River run-of-river power plant group

	31/12/2013	31/12/2014
Planning period	Detailed planning phase: 6 years, rough planning phase: 94 years (long-term reinvestment, repair and maintenance cycles for hydropower plants); (theoretical) possible exercise of reversion rights by the Free State of Bavaria was taken into account based on the current generation value of electricity generation	Detailed planning phase: 6 years, rough planning phase: 94 years (long-term reinvestment, repair and maintenance cycles for hydropower plants); (theoretical) possible exercise of reversion rights by the Free State of Bavaria was taken into account based on the current generation value of electricity generation
Key measurement assumptions	Electricity price, discount rate	Electricity price, discount rate
Discount rate	WACC after taxes: 6.25%	WACC after taxes: 5.50%
Carrying amount of the group	€981.0m	€1,020.0m
Recoverable amount exceeds the carrying amount by	€156.9m	€309.2m
Impairment during the period	–	–

¹ The run-of-river power plant group on the Inn River comprises the following run-of-river power plants: Aubach, Feldkirchen, Gars, Jettenbach I, Jettenbach II, Neuötting, Perach, Rosenheim, Stammham, Teufelsbruck, Töging, Wasserburg and Wasserburg Triebwerk. // ² Goodwill in the amount of €580.4m was created as a result of the acquisition of VERBUND Innkraftwerke GmbH on 31 August 2009, €280.4m of which was allocated to the run-of-river power plant group on the Inn River because this portion of goodwill is monitored (and/or managed) at this level by management.

Sensitivity analysis for the Inn River run-of-river power plant group 31/12/2014¹

	Value assigned to the key measurement assumption	Change in value for the recoverable amount to equal the carrying amount
Electricity price ²	€57.7/MWh	– 14.00%
Discount rate	5.50%	+ 0.85 PP

¹ In the sensitivity analysis, one key measurement assumption was changed at a time while the other factors of influence remained constant. However, in reality changes to the key measurement assumptions can also occur simultaneously. // ² The electricity price shown relates to the year 2021. The sensitivity analysis varies the price of electricity constantly over time up to the planning horizon.

Sensitivity analysis for the Inn River run-of-river power plant group 31/12/2013¹

	Value assigned to the key measurement assumption	Change in value for the recoverable amount to equal the carrying amount
Price of electricity ²	€53.8/MWh	– 9.00%
Discount rate	6.25%	+ 0.75 pp

¹ In the sensitivity analysis, one key measurement assumption was changed at a time while the other factors of influence remained constant. However, in reality changes to the key measurement assumptions can also occur simultaneously. // ² The electricity price shown relates to the year 2020. The sensitivity analysis varies the price of electricity constantly over time up to the planning horizon.

Impairment test of goodwill for the Energy segment

	31/12/2014¹
Group of cash-generating units	All hydraulic, thermal, wind power and photovoltaic power plants of VERBUND, plus goodwill ²
Basis for recoverable amount	Fair value (Level 3) less costs of disposal
Valuation technique	Sum-of-the-parts measurement based on a net present value approach (DCF method)
Derivation of cash flow	Budgets of VERBUND (based primarily on near-market data)
Volume	Average expected generation of the respective power plants
Price	External price forecasts (see: Accounting policies) and power plant-specific premiums or discounts (for example, the sale of guarantees of origin)
Planning period	Detailed planning phase: 6 years; rough planning phase: power plant-specific (up to 94 years for hydropower plants)
Key measurement assumptions	Electricity price, clean spark spread, discount rate
Discount rate	WACC after taxes: 5.25 % to 14.25 % depending on the generation technology and location
Carrying amount of the group	€8,947.3m
Impairment during the period ³	–

¹ Until 31 December 2013, the fair value of the Energy segment was determined by means of a market price-oriented method. The starting point was VERBUND's stock exchange price. The fair value of the Energy segment was determined by applying analogy methods that place operating and/or value-based performance figures in relation to VERBUND's overall entity value. At 31 December 2014, the fair value of the Energy segment was determined for the first time using a net present value approach. The fair value of the Energy segment corresponds to the sum of the fair values of VERBUND's hydraulic, thermal, photovoltaic and wind power plants (sum-of-the-parts measurement). In the opinion of VERBUND's management, this alternate approach results in a better measurement of the Energy segment's fair value. The change in the valuation technique had no immediate impact on these consolidated financial statements. If the fair value as at 31 December 2014 had been measured using the method applied in the past, there would also not have been a need to recognise an impairment. // ² Goodwill in the amount of €580.4m was created as a result of the acquisition of VERBUND Innkraftwerke GmbH on 31 August 2009, €300.0m of which was allocated to the Energy segment because this portion of goodwill is monitored (and/or managed) at this level by management. //

³ Management believes the carrying amount of the Energy segment's assets including goodwill will not exceed the recoverable amount as a result of potential changes in the key measurement assumptions.

Impairment testing of power plants

Impairment test – Mellach combined cycle gas turbine power plant

	31/12/2013	31/12/2014
Cash-generating unit	Combined cycle gas turbine power plant (installed electrical capacity: 848 MW)	Combined cycle gas turbine power plant (installed electrical capacity: 848 MW)
Indications of a (reduction in) impairment	Updated electricity and/or gas price forecasts	Updated electricity and/or gas price forecasts and updated discount rate
Basis for recoverable amount	Fair value (level 3) less costs of disposal	Fair value (level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	VERBUND Thermal Power GmbH & Co KG in Liqu. budgets (based mainly on near-market data)	VERBUND Thermal Power GmbH & Co KG in Liqu. budgets (based mainly on near-market data)

Impairment test – Mellach combined cycle gas turbine power plant

	31/12/2013	31/12/2014
Volume	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8%)	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8%)
Price	External price forecasts (see: Accounting policies); estimate of maintenance and decommissioning costs by the responsible managers; price increase rates for annual expenses of 1.9% to 2.5%	External price forecasts (see: Accounting policies); expected revenue in connection with the Graz district heating outage reserve and/or German cold reserve; estimates of maintenance and decommissioning costs by the responsible managers; price increase rates for annual expenses of 2.0% to 2.5%
Planning period ¹	Total capacity of around 150,000 equivalent operating hours (reached on average in 2049)	Total capacity of around 100,000 equivalent operating hours (reached on average in 2040)
Key measurement assumptions	Development of clean spark spreads and discount rate	Development of clean spark spreads, discount rate, estimation of the outcome of the arbitration proceedings and the associated expected revenue in connection with the Graz district heating outage reserve
Discount rate	WACC after taxes: 6.75%	WACC after taxes: 5.75%
Recoverable amount	€144.5m	€153.2m
Impairment and reversal of impairment during the period ²	€-277.5m	€12.2m

¹ The estimate concerning the maximum equivalent operating hours was revised as a result of the clear reduction in the number of operating hours expected in the next few years. It is assumed that the useful business operating life ends with 100,000 equivalent operating hours. Without this change in the estimate, the recoverable amount of the Mellach combined cycle gas turbine power plant as at 31 December 2014 would be €101.6m higher. // ² The impairment loss and/or reversal of impairment losses was reduced by the amount of the change in deferred government grants. A reversal of impairment losses (reason: decision to temporarily decommission) was recognised in the reporting period as at 30 June 2014 in the amount of €37.8m. This reversal of impairment losses was confirmed on 30 September 2014 (reason: temporary injunction by the Graz-West district court regarding the Graz district heating outage reserve and the German cold reserve premium). As at 31 December 2014, the reversal of impairment losses recognised during the year decreased to €12.2m.

Sensitivity analysis for the Mellach combined cycle gas turbine power plant 31/12/2014¹

	Value assigned to the key measurement assumption	Change in key measurement assumptions	Effects on the carrying amount of assets
Clean spark spread ²	€33.4/MWh	± 5%	+ 26.4m €-26.5m
Discount rate	5.75%	± 0.25 PP	€- 7.0m + 7.3m

¹ In the sensitivity analysis, one key measurement assumption was changed at a time while the other factors of influence remained constant. However, in reality changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // ² The indicated clean spark spread relates to the year 2021. The sensitivity analysis varies the clean spark spread constantly over time up to the planning horizon.

Sensitivity analysis for the Mellach combined cycle gas turbine power plant 31/12/2013¹

	Value assigned to the key measurement assumption	Change in key measurement assumptions	Effects on the carrying amounts of assets
Clean spark spread ²	€33.8/MWh	± 5 %	€+ 30.5m €- 27.4m
Discount rate	6.75 %	± 0.25 pp	€- 7.5m €+ 11.1m

¹ In the sensitivity analysis, one key measurement assumption was changed at a time while the other factors of influence remained constant. However, in reality changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // ² The clean spark spread shown relates to the year 2020. The sensitivity analysis varies the clean spark spread constantly over time up to the planning horizon.

Impairment test of the run-of-river power plants of the Grenzkraftwerke run-of-river power plant group¹

	31/12/2013	31/12/2014
Cash-generating unit	Run-of-river power plants of the Grenzkraftwerke run-of-river power plant group ² , each of which represents a cash-generating unit	Run-of-river power plants of the Grenzkraftwerke run-of-river power plant group ² , each of which represents a cash-generating unit
Indications of a (reduction in) impairment	Updated electricity price forecasts	Updated electricity price forecasts and updated discount rate
Basis for recoverable amount	Fair value (level 3) less costs of disposal	Fair value (level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	Grenzkraftwerke GmbH's budgets (based primarily on near-market data)	Grenzkraftwerke GmbH's budgets (based primarily on near-market data)
Volume	Annual output corresponding to the mean energy capability of 3,900 GWh	Annual output corresponding to the mean energy capability of 3,900 GWh
Price	External price forecasts (see: Accounting policies); discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin derived from quoted price; consideration of the water charges based on official notices (Germany); estimate of the maintenance costs by the responsible managers; price increase rates for annual expenses of 2.0% to 4.3%	External price forecasts (see: Accounting policies); discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin derived from quoted price; consideration of the water charges based on official notices (Germany); estimate of the maintenance costs by the responsible managers; price increase rates for annual expenses of 2.0% to 3.5%

Impairment test of the run-of-river power plants of the Grenzkraftwerke run-of-river power plant group¹

	31/12/2013	31/12/2014
Planning period	Detailed planning phase: 6 years, rough planning phase: 94 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)	Detailed planning phase: 6 years, rough planning phase: 94 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)
Key measurement assumptions	Electricity price, discount rate	Electricity price, discount rate
Discount rate	Austria: WACC after taxes: 6.75 % Germany: WACC after taxes: 6.25 %	Austria: WACC after taxes: 5.75 % Germany: WACC after taxes: 5.50 %
Recoverable amount ³	€2,019.6m	€2,756.1m
Impairment and reversal of impairment during the period ⁴	€- 86,6m	€83,6m

¹ The following notes relate to the first step of the two-step impairment test of the Grenzkraftwerke run-of-river power plant group. In the second step, the power plant group was tested including goodwill (see: Impairment testing of goodwill). // ² The Grenzkraftwerke run-of-river power plant group comprises the following power plants: Braunau-Simbach, Eggfling-Obernberg, Ering-Frauenstein, Jochenstein, Nußdorf, Oberaudorf-Ebbs, Passau-Ingling and Schärding-Neuhaus. // ³ Impairment losses and/or reversals thereof were recognised for the Braunau-Simbach, Jochenstein, Oberaudorf-Ebbs, Passau-Ingling and Schärding-Neuhaus run-of-river power plants. Therefore, the recoverable amount indicated also only relates to these run-of-river power plants. // ⁴ The recoverable amount of the run-of-river power plants exceeded the carrying amount of the run-of-river power plants as at 31 December 2014. Therefore, a reversal of impairment losses was recognised up to the carrying amount that would have applied if no impairment had been recognised.

Impairment test of the Freudenau, Gössendorf and Kalsdorf run-of-river power plants

	31/12/2013	31/12/2014
Cash-generating unit	Each of the three Austrian run-of-river power plants represents a separate cash-generating unit	Each of the three Austrian run-of-river power plants represents a separate cash-generating unit
Indications of a (reduction in) impairment	Updated electricity price forecasts	Updated electricity price forecasts and updated discount rate
Basis for recoverable amount	Fair value (level 3) less costs of disposal	Fair value (level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	VERBUND Hydro Power GmbH's budgets (based primarily on near-market data)	VERBUND Hydro Power GmbH's budgets (based primarily on near-market data)
Volume	Annual output corresponding to the mean energy capability of 1,052 GWh (Freudenau), 89 GWh (Gössendorf) and 81 GWh (Kalsdorf)	Annual output corresponding to the mean energy capability of 1,052 GWh (Freudenau), 89 GWh (Gössendorf) and 81 GWh (Kalsdorf)
Price	External price forecasts (see: Accounting policies); discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin derived from quoted price; estimate of the maintenance costs by the managers responsible; price increase rates for annual expenses of 2.0% to 4.3%	External price forecasts (see: Accounting policies); discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin derived from quoted price; estimate of the maintenance costs by the managers responsible; price increase rates for annual expenses of 2.0% to 3.5%

Impairment test of the Freudenau, Gössendorf and Kalsdorf run-of-river power plants

	31/12/2013	31/12/2014
Planning period	Detailed planning phase: 6 years, rough planning phase: 94 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)	Detailed planning phase: 6 years, rough planning phase: 94 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)
Key measurement assumptions	Electricity price, discount rate	Electricity price, discount rate
Discount rate	WACC after taxes: 6.75 %	WACC after taxes: 5.75 %
Recoverable amount	Freudenau: – Gössendorf: €27.1m Kalsdorf: €23.7m	Freudenau: €657.3m Gössendorf: €36.0m Kalsdorf: €32.8m
Impairment and reversal of impairment during the period ^{1,2}	Freudenau: – Gössendorf: €–12.0m Kalsdorf: €–7.3m	Freudenau: €26.6m Gössendorf: €5.3m Kalsdorf: €5.3m

¹ The impairment loss and/or reversal of impairment losses was reduced by the change in deferred contributions to building costs and grants. // ² As at 31 December 2014, the recoverable amount of the Freudenau run-of-river power plant exceeded the carrying amount. Therefore, a reversal of impairment losses was recognised up to the carrying amount that would have applied if no impairment had been recognised.

Impairment test – Romanian wind farms

	31/12/2014 ¹
Cash-generating unit	Alpha, CAS and Ventus wind farms on the Romanian Black Sea coast (installed capacity: 81, 76 and 69 MW)
Indications of impairment	Current electricity price forecasts, revised estimate concerning opportunities to sell Romanian green electricity certificates and revised discount rate
Basis for recoverable amount	Value in use (Alpha, CAS) and fair value (Level 3) less costs to sell (Ventus)
Valuation technique	Net present value approach (DCF method)
Derivation of cash flow	Alpha Wind S.R.L., CAS Regenerabile S.R.L. and Ventus Renew Romania S.R.L. budgets (based primarily on near-market data)
Volume	Annually expected electricity generation volumes of Alpha (198 GWh), CAS (184 GWh) and Ventus (168 GWh) and expected opportunities for selling Romanian green electricity certificates
Price	Price forecasts for electricity and green electricity certificates of the VERBUND Energy Market Model (value in use) and/or external price forecasts (see: Accounting policies) (fair value); estimate of maintenance costs on the basis of maintenance agreements entered into (annual price increase rates of up to 2.7 %)
Planning period	Detailed planning phase 6 years, after which rough planning phase until the end of the useful life in the year 2038
Key measurement assumptions	Price forecasts for electricity and green electricity certificates, annually expected electricity generation volumes and opportunity to sell Romanian green electricity certificates, discount rate
Discount rate ²	Alpha: WACC before taxes: 8.50 % CAS: WACC before taxes: 8.50 % Ventus: WACC before taxes: 8.00 %

Impairment test – Romanian wind farms

31/12/2014¹

Recoverable amount	Alpha: €56.5m, CAS: €57.6m, Ventus: €69.4m
Impairment during the period ³	Alpha: €65.9m, CAS: €51.5m, Ventus: €32.8m

¹ As at 31 December 2013, no indications of impairment were identified. // ² All impairment testing was based on a WACC after taxes of 8.00%. The discount rate before taxes stated was determined iteratively. // ³ Impairment losses of €68.1m (Alpha), €49.1m (CAS) and €37.6m (Ventus) were recognised already as at 30 September 2014 (reason: updated electricity price forecasts and revised estimate concerning opportunities to sell Romanian green electricity certificates). As a consequence of the impairment test at 31 December 2014 (reason: updated discount rate), these impairment losses recognised during the year decreased or increased slightly.

Sensitivity analysis for the Romanian wind farms 31/12/2014¹

	Value assigned to the key measurement assumption	Change in key measurement assumptions	Effects on the carrying amounts of assets
Price of electricity ²	€62.6 and 63.4/MWh	± 5%	€+ 14.5m €- 14.7m
Possibility of selling Romanian green electricity certificates	€0.0/MWh	€+ 5.0/MWh	€+ 21.5m
Discount rate	8.50% and 8.00%	± 1.00 PP	€- 17.0m €+ 17.0m

¹ In the sensitivity analysis, one key measurement assumption was changed at a time while the other factors of influence remained constant. However, in reality changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // ² The indicated electricity price (€62.6/MWh for the fair value measurement and €63.4/MWh for the determination of value in use) relates to the year 2021. The sensitivity analysis varies the price of electricity constantly over time up to the planning horizon.

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. As at 31 December 2014, the carrying amount of the Grid segment's assets amounted to €1,141.3m (previous year: €1,090.0m). There was no impairment or any reversal thereof to be recorded in reporting period 2014 (previous year: impairment of €47.5m)

The key measurement assumptions underlying the determination of the recoverable amount of the Grid segment 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.

Impairment test of Grid segment assets

The table below shows the key measurement 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 Grid segment assets 31/12/2014

	Value assigned to the key measurement assumption	Change in key measurement assumptions	Effects on the carrying amounts of assets
Difference between the weighted average capital costs in line with the market and the capital costs determined by E-Control ¹	0.50%	± 0.25 pp	€- 46.3m €+ 47.5m

¹ The difference stated relates to the year 2015.

Sensitivity analysis for Grid segment assets 31/12/2013

	Value assigned to the key measurement assumption	Change in key measurement assumptions	Effects on the carrying amounts of assets
Difference between the weighted average capital costs in line with the market and the capital costs determined by E-Control ¹	0.50%	± 0.25 pp	€- 22.8m €+ 22.8m

¹ The difference stated relates to the year 2014.

Impairment testing of equity-accounted interests

Impairment test – Shkodra Region Beteiligungsholding GmbH

	31/12/2013	31/12/2014
Cash-generating unit	VERBUND and EVN AG joint venture that holds 100% of the interest in Ashta Shpk, which in turn operates a two-stage Hydromatrix power plant (installed capacity: 53 MW) in Albania	VERBUND and EVN AG joint venture that holds 100% of the interest in Ashta Shpk, which in turn operates a two-stage Hydromatrix power plant (installed capacity: 53 MW) in Albania
Indications of impairment	Non-payment by Korporata Elektroenergjetike Shqiptare (KESH)	Updated electricity price forecasts and discount rate
Basis for recoverable amount	Value in use	Value in use
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	Budgets of Energji Ashta Shpk	Budgets of Energji Ashta Shpk
Volume	Annual output corresponding to the mean energy capability of 242 GWh	Annual output corresponding to the mean energy capability of 242 GWh
Price	VERBUND Energy Market Model (VEMM) electricity price forecasts; 2.0% price increase rate for annual expenses	VERBUND Energy Market Model (VEMM) electricity price forecasts; 2.0% price increase rate for annual expenses
Planning period	Detailed planning phase: 6 years, rough planning phase: 94 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)	Detailed planning phase: 6 years, rough planning phase: 94 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)

Impairment test – Shkodra Region Beteiligungsholding GmbH

	31/12/2013	31/12/2014
Key measurement assumptions	Electricity price forecasts, duration of the hydropower plant concession and discount rate	Electricity price forecasts, duration of the hydropower plant concession and discount rate
Discount rate	WACC before taxes: 14.75%	WACC before taxes: 15.00%
Recoverable amount ¹	€–31.7m	€–42.0m
Impairment ²	€–25.7m	€–9.4m

¹ The carrying amount of the equity interest in Shkodra Region Beteiligungsholding GmbH was reduced to zero in the 2013 reporting period. However, VERBUND also holds non-current loans to Shkodra Region Beteiligungsholding GmbH which, based on their economic substance, represent an increase in the net investment in Shkodra Region Beteiligungsholding GmbH. // ² The impairment in the reporting period was already recognised at 30 June 2014 (indication of impairment: increase in the country risk premium due to a decrease in the Republic of Albania's rating) and confirmed at 31 December 2014.

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 two 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 in the measurement by using scenario models.

The significant non-observable input factors underlying the determination of fair value were the price forecasts for natural gas and crude oil, the duration of the natural gas supply agreement, the take-or-pay volumes, the amount of the customary demand charge and the scenarios for the outcomes of the competition law proceedings.

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

Sensitivity analysis for significant, non-observable input factors 31/12/2014¹

€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 ²	€32.4/MWh	± 5 %	- 17.9	16.5
Forecast wholesale price for natural gas ³	€32.1/MWh	± 5 %	17.4	- 15.3
Term ⁴	2026	n.a.	n.a.	n.a.
Annual take-or-pay volume ⁵	3,125 GWh	n.a.	n.a.	n.a.
Customary demand charge ⁶	n.a.	n.a.	n.a.	n.a.
Scenarios relating to the outcome of the anti-competitive conduct proceedings ⁶	n.a.	n.a.	n.a.	n.a.

Sensitivity analysis for significant non-observable input factors 31/12/2013¹

€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 ²	€28.8/MWh	± 5 %	- 18.9	16.8
Forecast wholesale price for natural gas ³	€27.3/MWh	± 5 %	18.2	- 16.6
Term ⁴	2026	n/a	n/a	n/a
Annual take-or-pay volume ⁵	3,125 GWh	n/a	n/a	n/a
Customary demand charge ⁶	n/a	n/a	n/a	n/a
Scenarios relating to the outcome of the proceedings for anti-competitive conduct ⁶	n/a	n/a	n/a	n/a

¹ In the sensitivity analysis, one non-observable input factor was changed at a time while the other factors of influence remained constant. However, in reality changes in the non-observable inputs can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // ² The contractual price shown relates to the year 2021 (previous year: 2020). The sensitivity analysis varies the contract price constantly over time up to the planning horizon. // ³ The wholesale price shown relates to the year 2021 (previous year: 2020). The sensitivity analysis varies the wholesale price for natural gas constantly over time up to the planning horizon. // ⁴ A 20 year term lasting until 2031 was negotiated in the natural gas supply agreement. However, both contractual parties have a one-off opportunity to terminate the agreement after 15 years. The fair value was determined based on a 15 year term, since the contractual partner who is disadvantaged at that time will presumably terminate the natural gas supply agreement. // ⁵ A fixed annual take-or-pay volume was negotiated over the entire term of the natural gas supply agreement. Therefore, the annual take-or-pay volume can only be changed if the agreement is amended. // ⁶ The note disclosures on the customary demand charge and the scenarios for the outcome of the proceedings to redress the anti-competitive conduct by EconGas GmbH as well as on the sensitivity of these input factors have been omitted, because it is likely that their inclusion would seriously prejudice VERBUND's position in the anti-competitive conduct proceedings.

Measurement of the long position: Gemeinschaftskraftwerk Inn GmbH

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

The significant non-observable input factors underlying the determination of fair value included electricity price forecasts and the discount rate (for calculating the value of the underlying asset as well as the volatility of the underlying asset).

Sensitivity analysis for significant, non-observable input factors 31/12/2014¹ €m

	Assumption	Change in assumption	If assumption increases, operating result changes by	If assumption decreases, operating result changes by
Electricity price ²	€57.7/MWh	± 5 %	4.4	-3.9
Discount rate	5.75 %	± 0.25 PP	-4.1	5.2
Volatility of the underlying asset	9.75 %	± 1.00 PP	0.5	-0.4

¹ In the sensitivity analysis, one non-observable input factor was changed at a time while the other factors of influence remained constant. However, in reality changes in the non-observable inputs can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // ² The electricity price shown relates to the year 2021. The sensitivity analysis varies the price of electricity constantly over time up to the planning horizon.

Existing provisions for pensions and similar obligations as well as obligations from severance payments (carrying amount as at 31 December 2014: €762.9m; previous year: €641.3m) 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:

Measurement of pensions and similar obligations and statutory severance payments

Actuarial assumptions for pension obligations

	2013	2014
Discount rate or expected rate of return from plan assets	3.50 %	2.00 %
Pension increases	2.25 %	2.25 %
Salary increases	2.75 %	2.25 %
Employee turnover	None	None
Longevity based on life table	Pagler & Pagler AVÖ 2008-P	Pagler & Pagler AVÖ 2008-P

Actuarial assumptions for obligations similar to pensions

	2013	2014
Discount rate	3.50 %	2.00 %
Employee turnover (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)	4.0 % / 7.0 %	4.0 % - 6.5 %
Longevity based on life table	Pagler & Pagler AVÖ 2008-P	Pagler & Pagler AVÖ 2008-P

Actuarial assumptions for severance obligations

	2013	2014
Discount rate	3.50%	2.00%
Salary increases	2.75%	2.25%
Employee turnover (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 employee turnover 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 future actual employee turnover rate 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. However, in reality it is rather unlikely for changes in the primary factors of influence to occur in isolation. The change in the obligation was calculated in a manner comparable with 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 2014

	Change in assumption in percentage points or years	If assumption increases, change in net liability of	If assumption decreases, change in net liability of
Discount rate	± 0.25	–3.04%	3.16%
Pension increases	± 0.50	5.71%	–5.29%
Longevity based on life table	± 1 year	4.39%	–4.81%

Sensitivity analysis for obligations similar to pensions 2014

	Change in assumption in percentage points or years	If assumption increases, change in obligation of	If assumption decreases, change in obligation of
Discount rate	± 0.25	-4.56 %	4.90 %
Trend of contributions based on hospital cost index	± 0.50	9.27 %	-8.10 %
Longevity based on life table	± 1 year	6.09 %	-6.21 %

Sensitivity analysis for severance obligations 2014

	Change in assumption in percentage points or years	If assumption increases, change in obligation of	If assumption decreases, change in obligation of
Discount rate	± 0.25	-2.03 %	2.19 %
Salary increases	± 0.50	4.27 %	-3.95 %
Longevity based on life table	± 1 year	0.07 %	-0.08 %

Sensitivity analysis for net pension liability 2013

	Change in assumption in percentage points or years	If assumption increases, change in net liability of	If assumption decreases, change in net liability of
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 of	If assumption decreases, change in obligation of
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 of	If assumption decreases, change in obligation of
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%

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 2015 with the possibility of the 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 2014: €48.5m; previous year: €47.2m) were measured based on assumptions and estimates made on the balance sheet date. The System Charges Order (SNE-VO) for 2012 was also challenged by the generating 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 impending repayment obligations with respect to the SNE-VO for 2012 relate to the proceedings for fees for system services. These provisions (carrying amount as at 31 December 2014: €4.7m; previous year: €4.0m) were measured based on assumptions and estimates made on 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 3.25% (previous year: 3.50%).

Provisions for onerous contracts (carrying amount as at 31 December 2014: €49.0m; previous year: €38.4m) were measured based on assumptions and estimates made on the balance sheet date. The provisions for onerous contracts were recognised for onerous rental agreements, onerous electricity supply agreements and onerous district heating supply obligations. The primary factors of influence were the expected costs to terminate the onerous rental agreements, electricity and primary energy prices, the costs for emission rights and the discount rate of 3.25% (previous year: 3.50%).

Provisions for dismantling and decontamination costs (carrying amount as at 31 December 2014: €22.1m; previous year: €25.4m) were measured based on assumptions and estimates made on the balance sheet date. The primary factors of influence were the expected dismantling dates, any possible expert reports to ascertain the dismantling and decontamination costs, the valorisation of these costs and the discount rate of 3.25% (previous year: 3.50%).

With respect to the long-term natural gas supply agreement between VERBUND Thermal Power GmbH & Co KG in Liqu. and EconGas GmbH, an application for redress for competition law infringements by EconGas GmbH was filed with the Higher Regional Court of Vienna on 29 May 2013. No disclosures have been provided in respect of any provisions that may arise in relation to these proceedings because it can be expected that such note disclosures would seriously compromise VERBUND's position in the competition law proceedings.

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 expert opinions (in individual cases).

Contingent liabilities

Segment reporting

In VERBUND's segment reporting, business activities are allocated to the Energy, Grid and Equity Interests & Services segments. The identification of operating segments and the contents of the report correspond to the structure of internal reporting to the Executive Board as the chief operating decision maker. The Electricity segment was renamed Energy segment after VERBUND began selling gas to customers in November 2014.

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, under IFRS 8, VERBUND's segment reporting must be based on internal management and reporting (management approach), resulting in the following separate operating segments:

Segmentation

Energy

The Energy segment includes all VERBUND subsidiaries and profit centres whose business activities are related to the construction, operation and maintenance of hydraulic, thermal and photovoltaic or wind power plants. In addition, the Energy segment includes energy trading as well as the sale of electricity and, since November 2014, also gas to consumers. In reporting period 2014, VERBUND Solutions GmbH, which was first consolidated effective 5 March 2014, was assigned to the Energy segment. The 100% equity interests in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. were assigned to the Energy segment until they were deconsolidated effective 13 October 2014 (see: Financial reporting principles).

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.

Notes to the
operating segment
data

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 interest in KELAG-Kärntner Elektrizitäts-AG held directly by VERBUND AG as well as VERBUND Hydro Power GmbH's (indirect) equity interest in Albanian Energji Ashta Shpk. 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 Energy 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. In reporting period 2014, the equity-accounted interest in AQUANTO GmbH, which was newly formed effective 12 March 2014, was assigned to the Equity Interests & Services segment. The 45.75% equity interest in Sorgenia S.p.A. (Group) was assigned to the Equity Interests & Services segment until it was deconsolidated effective 18 December 2014. The equity interests in VERBUND Italia S.p.A., VERBUND Beteiligungsholding GmbH, VERBUND International Finance GmbH, VERBUND International GmbH, VERBUND International Frankreich GmbH and VERBUND Management Service GmbH that were liquidated or merged in reporting period 2014 were also a part of the Equity Interests & Services segment.

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 inter-segmental revenue and expenses into account. Transactions between 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 Energy and Grid segments, the allocation of assets and results is (negligibly) asymmetric.

The measure used internally for the reporting of segment assets is 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	€m				
	Energy	Grid	Equity Interests & Services	Elimination	Total Group
2014					
External revenue	2,366.0	448.9	10.6	0.0	2,825.5
Internal revenue	143.2	77.5	77.0	-297.7	0.0
Total revenue	2,509.3	526.4	87.5	-297.7	2,825.5
Operating result	428.6	58.0	-35.4	-39.3	411.9
Depreciation	-314.9	-69.8	-9.7	1.5	-392.9
Effects from impairment tests	-55.5	0.0	-0.4	0.0	-55.9
Other material non-cash items	-73.8	11.1	2.4	-10.6	-70.9
Result from equity interests	-	-	16.9	-	16.9
Of which result from interests accounted for using the equity method	-	-	33.0	-	33.0
Of which effects from impairment tests	-	-	-13.3	-	-13.3
Capital employed	8,081.0	1,050.0	7,888.6	-7,783.3	9,236.4
Of which carrying amount of interests accounted for using the equity method	2.3	1.4	256.6	0.0	260.4
Additions to intangible assets and property, plant and equipment	291.3	138.5	6.7	0.0	436.4
Additions to equity interests	0.0	0.0	1.6	0.0	1.6

Operating segment data

Operating segment data					€m
	Energy	Grid	Equity Interests & Services	Elimination	Total Group
2013					
External revenue	2,639.1	523.2	15.8	0.0	3,178.1
Internal revenue	178.1	110.2	92.2	-380.5	0.0
Total revenue	2,817.2	633.4	108.0	-380.5	3,178.1
Operating result	498.3	84.4	-46.6	-36.5	499.6
Depreciation	-266.9	-68.4	-16.1	1.2	-350.2
Effects from impairment tests	-416.0	-47.5	-2.6	0.0	-466.1
Other material non-cash items	258.8	77.1	-2.4	-37.9	295.6
Result from equity interests	0.0	0.0	509.1	0.0	509.1
Of which result from interests accounted for using the equity method	0.0	0.0	-216.3	0.0	-216.3
Of which effects from impairment tests	0.0	0.0	-463.3	0.0	-463.3
Of which effects from business combinations	0.0	0.0	1,184.4	0.0	1,184.4
Capital employed	7,992.4	1,008.2	8,437.7	-7,676.2	9,762.1
Of which carrying amount of interests accounted for using the equity method	2.2	1.1	239.9	0.0	243.2
Additions to intangible assets and property, plant and equipment	3,161.8	106.9	13.4	0.0	3,282.1
Additions to equity interests	0.2	0.0	1.2	0.0	1.3

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 total assets			€m
	2013	2014	
Capital employed	9,762.1	9,236.4	
Assets not used in the performance and commercialisation process	929.4	1,047.1	
Non-interest-bearing debt	2,142.0	1,963.8	
Total assets of VERBUND	12,833.4	12,247.3	

Entity-wide disclosures

Under IFRS 8, entity-wide disclosures include geographical segment reporting for revenue (based on the point of delivery) and non-current assets. In addition, information on major customers must be provided.

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

Geographical segment reporting: revenue

	€m	
	2013	2014
Domestic deliveries of electricity	1,248.0	1,156.2
Electricity deliveries abroad	1,472.5	1,271.2
Of which in Germany	1,279.4	1,147.5
Of which in France	137.4	75.6
Of which in other EU countries	46.6	40.1
Of which in other countries	9.1	8.0
Electricity deliveries to discontinued operations	11.9	3.1
Electricity deliveries of discontinued operations	-99.9	-12.4
Electricity revenue	2,632.5	2,418.1
Domestic grid services	315.7	234.6
Foreign grid services	66.9	71.2
Of which in EU member states	65.9	70.0
Of which in other countries	1.0	1.2
Grid revenue	382.6	305.8
Domestic other revenue	146.6	94.8
Foreign other revenue	16.7	6.7
Other revenues of discontinued operations	-0.3	0.0
Other revenue	163.0	101.6
Total revenue	3,178.1	2,825.5

Geographical segment reporting: non-current assets

	€m	
	2013	2014
Intangible assets and property, plant and equipment	10,264.4	10,232.9
Of which in Austria	6,839.9	7,028.2
Of which in Germany	3,045.1	3,006.9
Of which in other EU countries	379.3	197.8
Interests accounted for using the equity method	243.2	260.4
Of which in Austria and Germany	243.2	260.4
Of which in other countries ¹	0.0	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.

Notes to the income statement

**(1)
Electricity revenue**

Electricity revenue by customer areas						€m
	2013 Domestic	2014 Domestic	2013 Foreign	2014 Foreign	2013 Total	2013 Total
Electricity deliveries to traders	31.8	40.5	1,003.1	893.2	1,034.9	933.7
Electricity deliveries to resellers	772.1	677.0	175.9	151.9	948.0	828.8
Electricity deliveries to end consumers	444.2	438.7	293.5	226.1	737.7	664.9
Electricity revenue by customer areas	1,248.0	1,156.2	1,472.6	1,271.2	2,720.6	2,427.4
Electricity deliveries to discontinued operations					11.9	3.1
Electricity deliveries of discontinued operations					-99.9	-12.4
Electricity revenue¹					2,632.5	2,418.1

¹ In order to present the business performance more accurately, revenue from energy trading is shown as a net amount, i.e. amounts realised and measured are each presented net of expenses. Without this net presentation, electricity revenue (and expenses for the purchase of electricity) would have been €2,529.7m higher in reporting period 2014 (previous year: €6,190.2m).

**(2)
Grid revenue**

Grid revenue by customer areas					€m
	2013 Domestic	2014 Domestic	2013 Foreign	2014 Foreign	
Electric power companies	241.5	174.1	0.0	0.0	
Industrial clients	16.6	14.9	0.0	0.0	
Other	57.6	45.6	66.9	71.2	
Grid revenue	315.7	234.6	66.9	71.2	

**(3)
Other revenue**

Other revenue			€m
	2013	2014	
Revenue from gas deliveries or trading ¹	65.6	27.5	
Revenue from the sale of proof of origin and green electricity certificates	38.0	27.4	
Revenue from district heating deliveries	18.7	16.0	
Revenue from consulting or planning services as well as from other services	16.6	12.6	
User and management fees	6.8	6.6	
Provision of personnel	8.2	5.5	
Revenue from the sale of waste products	1.5	1.0	
Revenue from the sale of emission rights	3.1	0.8	
Other	4.5	4.0	
Other revenue	163.0	101.6	

¹ In order to present the business performance more accurately, revenue from energy trading is shown as a net amount, i.e. amounts realised and measured are each presented net of expenses. Without this net presentation, revenue from gas trading (and expenses for the purchase of gas) would have been €684.5m higher in reporting period 2014 (previous year: €888.1m).

Other operating income	€m	
	2013	2014
Changes in inventories and own work capitalised	26.3	28.1
Income from the disposal of property, plant and equipment and intangible assets	14.8	8.9
Income from various goods and services	17.4	8.5
Rent and lease income	3.6	2.9
Income from insurance compensation	1.7	2.8
Reversals of contributions to building costs	1.6	1.8
Planned reversals of the deferred income item from cross-border leasing	1.6	1.6
Income from the reacquisition of 60% of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group	166.6	0.0
Changes in inventory of proof of origin and green electricity certificates ¹	2.9	-2.4
Other (< €1.0m)	3.2	3.5
Other operating income	239.6	55.7

**(4)
Other operating
income**

¹ Changes in inventory of proof of origin and green electricity certificates include €12.9m (previous year: €0.0m) in write-downs on inventories of Romanian green electricity certificates to net realisable value.

Expenses for electricity, grid, gas and certificates purchases	€m	
	2013	2014
Expenses for electricity purchases	1,056.0	1,060.1
Expenses for grid purchases (system use)	167.6	178.4
Expenses for gas purchases ¹	81.1	42.7
Expenses for proof of origin and green electricity certificate purchases	1.5	1.0
Purchase of emission rights (trade) ²	-0.7	0.6
Expenses for electricity, grid, gas and certificates purchases	1,305.6	1,282.8

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

¹ VERBUND and EconGas GmbH have entered into a long-term natural gas supply agreement which, as a consequence of its management, had to be classified as a freestanding derivative and recognised at fair value through profit or loss (see: Discretionary judgements and key assumptions concerning the future). The resulting gain in reporting period 2014 amounted to €2.1m (previous year: loss of €5.1m). // ² The negative expenses for the purchase of emission rights in the previous year mainly resulted from the measurement of emission rights.

Fuel expenses and other usage-dependent expenses	€m	
	2013	2014
Use of natural gas	36.0	27.3
Use of coal and heating oil ¹	63.5	86.9
Emission rights acquired in exchange for consideration	8.5	6.3
Other usage-dependent expenses	13.4	17.2
Fuel expenses and other usage-dependent expenses	121.4	137.8

**(6)
Fuel expenses and
other usage-
dependent expenses**

¹ Use of coal and heating oil includes write-downs of coal inventories of €17.8m (previous year: €5.1m) and write-downs of heating oil inventories of €1.4m (previous year: €0.0m) to net realisable value.

(7) Personnel expenses	Personnel expenses		€m
	2013	2014	
Wages and salaries	259.6	257.9	
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	57.1	56.9	
Other social expenses	4.4	3.9	
Subtotal	321.1	318.7	
Expenses for pensions and similar obligations	41.0	32.5	
Expenses for severance payments	5.7	8.2	
Personnel expenses	367.8	359.3	

The pension fund contributions to the defined contribution investment and risk association amounted to €8.0m (previous year: €8.0m) in the 2014 reporting period. Expenses for severance payments included a total of €1.1m (previous year: €1.1m) 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
	2013	2014	
Depreciation of property, plant and equipment	343.5	385.6	
Amortisation of intangible assets	6.7	7.4	
Amortisation of intangible assets and depreciation of property, plant and equipment	350.2	392.9	

(9) Other operating expenses	Other operating expenses		€m
	2013	2014	
Third-party maintenance of power plants and line systems	120.3	81.9	
Legal, consulting and audit expenses	12.7	18.3	
Rent, lease expenses ¹	40.1	17.7	
Advertising expenses	20.3	17.6	
Material costs for motor vehicle operation and maintenance	15.4	14.9	
Expenses for supervision by E-Control	13.0	13.0	
Other third-party services received	19.5	11.2	
Costs for personnel provided, temporary personnel	11.6	10.3	
IT expenses	10.2	10.3	
Travel expenses, advanced training	10.4	9.5	
Insurance	5.4	5.3	
Fees	4.6	4.2	
Operating costs	4.1	4.1	
Compensation payments	12.9	3.9	
Purchased telecommunication services	3.8	3.6	
Membership fees	3.7	3.4	
Concession fees	6.8	2.7	
Other fees	2.3	2.5	
Reversal of provisions ²	-20.7	-6.3	
Other (< €1.0m)	10.6	12.1	
Other operating expenses	307.0	240.4	

¹The increase in rent in the previous year is mainly due to the recognition of a provision for an onerous rental agreement in connection with a fictitious gas storage facility. //

²The reversal of provisions in the previous year is related mainly to provisions for the dismantling of thermal power plants.

Effects from impairment tests	€m	
	2013	2014
Romanian wind farms	0.0	-150.2
Dürnröhr hard coal power plant ¹	0.0	-8.9
Lärchwand inclined lift ²	0.0	-7.6
Kavarna wind farm ³	-8.5	-7.1
Preliminary project costs for a wind farm in Romania ⁴	0.0	-5.5
Grid segment assets	-47.5	0.0
Bruck/Hollern/Petronell-Carnuntum wind farms (of which goodwill: €-25.3m)	-25.7	0.0
Deferred government grants for the Bruck/Hollern/Petronell-Carnuntum wind farms	0.0	0.0
Gössendorf and Kalsdorf run-of-river power plants	-19.3	10.6
Deferred grants for the Gössendorf and Kalsdorf run-of-river power plants	1.3	-0.7
Mellach combined cycle gas turbine power plant	-277.5	12.2
Deferred grants for the Mellach combined cycle gas turbine power plant	7.6	-0.5
Freudenau run-of-river power plant	0.0	26.6
Deferred contributions to building costs for the Freudenau run-of-river power plant	0.0	-6.6
Braunau-Simbach, Jochenstein, Oberaudorf-Ebbs, Passau-Ingling and Schärding-Neuhaus run-of-river power plants	-86.8	83.6
Other impairment losses	-9.8	-1.8
Effects from impairment tests	-466.1	-55.9

¹An impairment loss was recognised in the amount of the residual carrying amount as a result of the decision to close the Dürnröhr hard coal power plant. // ²An impairment loss was recognised on the capitalised renovation costs for the Lärchwand inclined lift used by tourists as a result of the updated estimate of the realisable usage fees. // ³Due to the planned sale of the Kavarna wind farm, the disposal group (see: (31) Assets and liabilities held for sale) was to be measured at lower fair value less costs to sell (corresponds to the expected sales price). // ⁴An impairment loss was recognised in the amount of the previously incurred and capitalised preliminary project costs as a result of the decision not to pursue a project to build a wind farm in Romania.

In addition, reversals of impairment losses on the French combined cycle gas turbine power plants in Pont-sur-Sambre (€13.1m; previous year: impairment of €172.5m) and Toul (€3.7m; previous year: impairment of €145.9m) were recognised in the 2014 reporting period. These were reported under profit/loss from discontinued operations (see: (19) Profit/loss after tax from discontinued operations).

In reporting period 2014, the result from interests accounted for using the equity method can be mainly attributed to the positive result of KELAG-Kärntner Elektrizitäts-Aktiengesellschaft, which operates internationally and also provides electricity, gas and heat to customers throughout Austria with a focus on Carinthia.

In the previous year, the result from interests accounted for using the equity method was characterised in particular by the share of the loss attributable to the 45.75% equity interest in Sorgenia S.p.A., which was classified as available for sale effective 11 December 2013 and was deconsolidated effective 18 December 2014 (see: Discretionary judgements and key assumptions concerning the future) as well as the share of the loss attributable to the 50.01% equity interest in Shkodra Region Beteiligungsholding GmbH.

(10)
Effects from
impairment tests

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

A summary of aggregated financial information for the equity-accounted joint ventures and associates is presented in the section entitled Subsidiaries, joint ventures and associates of VERBUND.

(12) Other result from equity interests	Other result from equity interests		€m
	2013	2014	
Income from equity interests and non-consolidated subsidiaries	10.5	10.6	
Income from the disposal of equity interests and non-consolidated subsidiaries	0.1	3.1	
Expenses arising from equity interests and non-consolidated subsidiaries	-2.3	-3.7	
Expenses from the disposal of equity interests and non-consolidated subsidiaries	-4.1	-12.9	
Other result from equity interests	4.2	-2.9	

In reporting period 2014, effects on profit or loss due to reclassifications from other comprehensive income of €-12.9m were recognised as part of the deconsolidation (see: Discretionary judgements and key assumptions concerning the future) of the held-for-sale 45.75% equity interest in Sorgenia S.p.A. (Group). In contrast, the disposal of the 50.1% equity interest in POWEO Outre-mer Solaire S.A.S. (Group) classified as "held for sale" led to the recognition of income in the amount of €2.5m.

In the previous year, effects on profit or loss of €-4.1m 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-STEAG GmbH.

(13) Interest income	Interest income		€m
	2013	2014	
Interest from investments under closed items on the balance sheet	27.8	28.2	
Interest from money market transactions	1.4	1.2	
Other interest and similar income	3.4	7.9	
Interest income	32.6	37.4	

Interest expenses	€m	
	2013	2014
Interest for bonds	103.2	88.6
Interest for bank loans	31.0	39.9
Interest for financial liabilities under closed items on the balance sheet	27.8	28.2
Net interest expense on personnel-related liabilities	23.3	23.3
Interest for other liabilities from electricity supply commitments	26.6	17.8
Interest for other non-current provisions	5.7	4.2
Profit or loss attributable to limited partners	-32.6	0.1
Repayment of non-current financial liabilities from capital shares attributable to limited partners ¹	-16.5	0.0
Borrowing costs capitalised in accordance with IAS 23	-16.6	-17.0
Other interest and similar expenses	21.6	11.7
Interest expenses	173.6	196.8

¹ In the previous year, 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. Thus, the capital shares attributable to limited partners presented under non-current financial liabilities were reduced in the previous year.

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	
	2013	2014
Measurement of the long position: Gemeinschaftskraftwerk Inn GmbH	0.0	17.1
Income from financial instruments	6.6	9.1
Foreign exchange gains	18.3	7.5
Expenses arising from financial instruments	-2.2	-1.5
Foreign exchange losses	-11.0	-7.8
Measurement of derivatives in the finance area	4.4	-14.2
Measurement of an obligation to return an interest	4.7	-18.6
Other	0.1	-7.2
Other financial result	20.9	-15.5

The result from the measurement of an obligation to return an interest relates to the obligation to transfer 50 % of the interest 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 from the measurement of the long position: Gemeinschaftskraft Inn GmbH relates to the put and call option over 10% of the interest (put option) and 15% of the interest (call option) in Gemeinschaftskraftwerk Inn GmbH granted by TIWAG-Tyrolean Wasserkraft AG (see: Discretionary judgements and key assumptions concerning the future).

(14)
Interest expenses

(15)
Other financial result

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	
	2013	2014
Impairment loss on the equity-accounted interest in Shkodra Region Beteiligungsholding GmbH	-25.7	-9.4
Impairment loss on the other equity interest in Energie AG Oberösterreich	-41.6	-3.9
Impairment loss on the equity-accounted interest in Sorgenia S.p.A. (Group)	-396.0	-
Effects from impairment tests	-463.3	-13.3

(17)
Effects from
business acquisitions

The effects from business acquisitions in the previous year relate to the acquisition of (additional) Bavarian hydropower plant capacities (Grenzkraftwerke run-of-river power plant group).

(18)
Taxes on income

Taxes on income	€m	
	2013	2014
Current tax expenses ¹	65.2	81.1
Future tax expense for subsequent taxation of transfers of losses from foreign members of the tax group	4.3	6.0
Changes in deferred income taxes	-190.3	11.2
Taxes on income	-120.9	98.3

¹ Current tax expenses include prior-period income of €1.3m (previous year: income €2.5m).

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

Tax reconciliation	€m	
	2013	2014
Computed income tax expense (25.0%)	222.2	63.5
Impairment testing of property, plant and equipment	0.0	40.7
Impairment testing of equity-accounted interests	105.4	10.9
Disposal of equity interests	-1.3	4.5
Interests accounted for using the equity method	50.5	-8.3
Tax-exempt investment income	-1.6	-2.4
Intra-Group restructuring	-11.8	-2.0
Liquidation of subsidiaries ¹	-158.4	0.0
Effects from business acquisitions	-298.9	0.0
Tax losses and deferred tax assets not included in the calculation	-31.8	0.0
Non-tax-deductible impairment of goodwill	6.3	0.0
Differences from other line items (each <€10m)	0.9	1.8
Income tax expenses for the period	-118.6	108.8
Prior-period income tax expenses or income (current and deferred)	-2.3	-10.5
Recognised income tax expenses	-120.9	98.3
Effective tax rate	-13.6%	38.7%

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 previous year and completed in the 2014 reporting period.

The two French Pont-sur-Sambre and Toul combined cycle gas turbine power plants, including intangible assets and/or other receivables (closely) associated with the combined cycle gas turbine power plants, have been classified as "held for sale" since 11 December 2013. Since - contrary to expectations on 31 December 2013 - the sale was carried out not as an asset deal but instead as a share deal (sale of 100% of the shares in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S.), it is not only the operating result attributable to the two combined cycle gas turbine power plants in Pont-sur-Sambre and Toul that is to be presented as profit/loss from discontinued operations. Rather, the result attributable to both companies, Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S., until they were deconsolidated effective 13 October 2014 (see: Discretionary judgements and key assumptions concerning the future) is to be presented under profit or loss from discontinued operations. The income statement for the previous year was adjusted correspondingly.

(19)
Profit/loss after tax
from discontinued
operations

Profit/loss after tax from discontinued operations¹	€m	
	2013	2014
Revenue	100.2	12.4
Electricity revenue	99.9	12.4
Other revenue	0.3	0.0
Other operating income	0.3	0.1
Expenses for electricity, grid, gas and certificates purchases	-12.8	-3.4
Fuel expenses and other usage-dependent expenses	-83.2	-11.3
Personnel expenses	-3.6	-2.3
Amortisation of intangible assets and depreciation of property, plant and equipment	-9.6	0.0
Other operating expenses ²	-24.4	-39.8
Operating result before effects from impairment tests	-33.0	-44.4
Impairment losses	-318.3	0.0
Reversals of impairment losses	0.0	16.9
Operating result	-351.4	-27.5
Interest income	0.0	0.0
Interest expenses	-14.6	-79.4
Other financial result	1.8	0.6
Financial result	-12.8	-78.8
Profit before tax	-364.2	-106.3
Taxes on income	0.0	131.4
Profit/loss after tax from discontinued operations³	-364.2	25.1
Earnings per share in €⁴	-1.0	0.1

¹ Profit/loss after tax from discontinued operations was calculated using the incremental approach. This shows which income and expenses are still or are no longer expected after completion of the sale. // ² In the 2014 reporting period, this includes expenses of €24.2m relating to a decision by the ICC International Court of Arbitration regarding the natural gas supply agreement between Pont-sur-Sambre Power S.A.S. and ENI S.p.A. which was dissolved in 2012. // ³ Profit/loss after tax from discontinued operations was completely attributable to the shareholders of VERBUND AG in the 2014 reporting period and in the previous year. // ⁴ Diluted earnings per share correspond to basic earnings per share.

Since there were offers on the table from KKR Credit Advisors (US) LLC to acquire 100% of the shares in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. on 30 September 2014 and VERBUND was intending to accept these offers on 30 September 2014, the fair value (Level 1) less costs to sell was based on these offers. The recoverable amount for the Pont-sur-Sambre Power S.A.S. disposal group (Toul Power S.A.S.) was €63.5m (€73.5m). Therefore, a reversal of impairment losses in the respective amounts of €13.1m (Pont-sur-Sambre Power S.A.S.) and €3.7m (Toul Power S.A.S.) was recognised on 30 September 2014. In the previous year, the recoverable amount of the disposal group was, respectively, €61.0m (Pont-sur-Sambre) and €75.5m (Toul) and the recognised impairment amounted respectively to €172.5m (Pont-sur-Sambre combined cycle gas turbine power plant) and €145.9m (Toul combined cycle gas turbine power plant).

Loans taken out to finance the French combined cycle gas turbine power plants were repaid early as a result of contractual obligations in connection with the sale of 100% equity interests in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. With respect the early repayment of principal, the creditors were to be compensated for the interest that would have been incurred during the remaining term of

the loan (breakage costs). These breakage costs in the amount of €68.5m were recognised under interest expenses.

Since VERBUND had already lost control over the 100% equity interests in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. when the agreements were signed, the two companies were deconsolidated effective 13 October 2014 (see: Discretionary judgements and key assumptions concerning the future). The €-0.4m effect on profit or loss from the deconsolidation was recognised under other operating expenses. The tax income can be mainly attributed to the end of the debt consolidation and the recognition of breakage costs.

Determination of earnings per share	€m	
	2013	2014
Profit for the period	645.3	180.5
Profit for the period attributable to non-controlling interests	-65.7	-54.4
Group result	579.6	126.1
Weighted average number of shares in circulation	347,415,686	347,415,686
Earnings per share in €¹	1.67	0.36

(20)
Earnings per share

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

Reclassification adjustments to the income statement	€m			
	2013	2013	2014	2014
Differences from currency translation				
Measurement gains or losses recognised in equity	-0.9		1.1	
Reclassification adjustment to the income statement	127.9	126.9	0.0	1.1
Measurements of available-for-sale financial instruments				
Measurement gains or losses recognised in equity	-4.2		26.2	
Reclassification adjustment to the income statement	-0.8	-5.0	0.0	26.2
Measurements of cash flow hedges				
Measurement gains or losses recognised in equity	80.4		51.8	
Reclassification adjustment to the income statement	-126.2		-20.8	
Basis adjustments	0.0	-45.8	0.0	31.0
Other comprehensive income from interests accounted for using the equity method				
Measurement gains or losses recognised in equity	6.8		0.1	
Reclassification adjustment to the income statement	40.3		12.9	
Basis adjustments	0.0	47.1	0.0	13.0
Other comprehensive income		123.2		71.3

(21)
Reclassification adjustments to the income statement

(22) Income tax on other comprehensive income	Income tax on other comprehensive income						€m
	2013 Before taxes	2013 Taxes	2013 After taxes	2014 Before taxes	2014 Taxes	2014 After taxes	
Remeasurements of the net defined benefit liability	-42.2	11.2	-31.0	-131.0	33.4	-97.6	
Other comprehensive income from interests accounted for using the equity method	-0.2	-	-0.2	-3.8	-	-3.8	
Total of items that will not be reclassified subsequently to the income statement	-42.4	11.2	-31.2	-134.8	33.4	-101.5	
Differences from currency translation	126.9	-	126.9	1.1	-	1.1	
Measurements of available-for-sale financial instruments	-5.0	1.2	-3.8	26.2	-5.5	20.7	
Measurements of cash flow hedges	-45.8	11.5	-34.4	31.0	-7.8	23.3	
Other comprehensive income from interests accounted for using the equity method	47.1	-	47.1	13.0	-	13.0	
Total of items that will be reclassified subsequently to the income statement	123.2	12.7	135.9	71.3	-13.2	58.1	
Other comprehensive income	80.8	23.9	104.7	-63.5	20.1	-43.4	

Notes to the balance sheet

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.

(23) Intangible assets

Intangible assets	€m		
	Concessions, rights, licences	Goodwill	Total
2014			
Cost as at 1/1	111.7	766.8	878.5
Additions	24.2	0.0	24.2
Disposals	-15.5	0.0	-15.5
Classification as held for sale	-0.2	-	-0.2
Reclassifications	0.9	0.0	0.9
Cost as at 31/12	121.2	766.8	888.0
Accumulated amortisation as at 1/1	53.9	25.3	79.2
Amortisation	7.4	-	7.4
Impairment losses	5.7	0.0	5.7
Disposals	-0.6	0.0	-0.6
Classification as held for sale	0.0	0.0	0.0
Accumulated amortisation as at 31/12	66.3	25.3	91.6
Net carrying amount as at 31/12	54.9	741.5	796.4
Net carrying amount as at 1/1	57.8	741.5	799.3

Intangible assets	€m		
	Concessions, rights, licences	Goodwill	Total
2013			
Cost as at 1/1	105.3	605.7	711.1
Additions from business combinations	1.8	161.1	162.9
Additions	7.7	0.0	7.7
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
Cost as at 31/12	111.7	766.8	878.5
Accumulated amortisation as at 1/1	48.6	0.0	48.6
Amortisation	6.7	-	6.7
Amortisation (discontinued operations)	0.1	-	0.1
Impairment losses	1.3	25.3	26.6
Classification as held for sale	-2.6	0.0	-2.6
Disposals	-0.1	0.0	-0.1
Reclassifications	-0.1	0.0	-0.1
Accumulated amortisation as at 31/12	53.9	25.3	79.2
Net carrying amount as at 31/12	57.8	741.5	799.3
Net carrying amount as at 1/1	56.7	605.7	662.5

(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
2014							
Cost as at 1/1	7,223.4	4,468.3	3,335.2	1,275.0	169.4	569.5	17,040.4
Foreign exchange differences	-0.2	-0.7	0.0	0.0	0.0	0.0	-0.9
Additions	16.6	71.0	75.4	15.7	10.7	223.0	412.3
Disposals	-2.9	-17.2	-40.2	0.0	-6.1	-0.3	-66.7
Classification as held for sale	-0.2	-28.9	0.0	0.0	-0.2	0.0	-29.3
Reclassifications ¹	263.5	-92.6	-23.4	20.1	0.5	-169.0	-0.9
Cost as at 31/12	7,500.1	4,400.0	3,347.1	1,310.7	174.1	623.2	17,354.9
Accumulated depreciation as at 1/1	2,843.5	2,029.3	1,943.9	644.0	112.0	2.9	7,575.5
Foreign exchange differences	0.0	-1.4	0.0	0.0	0.0	0.0	-1.5
Depreciation	107.1	116.4	125.4	24.7	12.1	0.0	385.6
Impairment losses	5.5	163.9	3.7	0.0	1.0	5.5	179.5
Reversals of impairment losses	-69.2	-38.8	-27.1	-0.8	0.0	-1.2	-137.1
Disposals	-1.7	-17.0	-38.1	0.0	-5.9	0.0	-62.8
Classification as held for sale	0.0	-20.8	0.0	0.0	0.0	0.0	-20.9
Reclassifications ¹	-10.8	6.5	4.0	0.3	0.0	0.0	0.0
Accumulated depreciation as at 31/12	2,874.2	2,238.2	2,011.7	668.2	119.1	7.1	7,918.3
Net carrying amount as at 31/12	4,625.9	2,161.8	1,335.3	642.5	55.1	616.0	9,436.6
Net carrying amount as at 1/1	4,379.9	2,438.9	1,391.2	631.0	57.4	566.6	9,465.1

¹ In reporting period 2014, the fair value of the run-of-river power plants that were acquired in the previous year (as part of the acquisition of (additional) Bavarian hydropower plant capacities) was reallocated to the components of property, plant and equipment, whereby a net carrying amount totalling €354.7m was reclassified from buildings, machinery and electrical installations to land.

Property, plant and equipment							€m
	Land and buildings	Machinery	Electrical installations	Power lines	Office and plant equipment	Plants under construction and projects	Total
2013							
Cost as at 1/1	6,085.5	3,507.0	2,654.2	1,264.6	163.3	613.8	14,288.3
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	176.5	74.1	8.5	12.8	243.5	579.0
Disposals	-5.1	-3.1	-40.3	-0.3	-8.0	-0.1	-56.9
Classification as held for sale	-93.1	-315.7	-51.1	-3.0	-0.1	0.0	-462.9
Reclassifications	73.8	156.6	80.1	5.0	0.2	-315.7	0.0
Cost as at 31/12	7,223.4	4,468.2	3,335.2	1,275.0	169.4	569.5	17,040.6
Accumulated depreciation as at 1/1	2,641.3	1,712.8	1,793.4	577.6	107.3	4.0	6,836.3
Foreign exchange differences	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1
Depreciation	100.9	103.1	102.1	25.6	11.8	0.0	343.5
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	-7.4	0.0	-50.1
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	2,843.5	2,029.3	1,943.9	644.0	112.0	2.9	7,575.5
Net carrying amount as at 31/12	4,379.9	2,438.9	1,391.2	631.0	57.4	566.6	9,465.1
Net carrying amount as at 1/1	3,444.2	1,794.2	860.8	687.0	56.0	609.8	7,452.0

Additions (excluding those from business acquisitions) can be broken down as follows:

Additions	€m	
	2013	2014
Reißeck II power plant	92.7	81.7
Töging power plant	0.0	52.0
Expansion of Austrian wind farms	43.3	18.6
Kaprun grid area: 380 kV expansion Kaprun substation – Tauern grid hub	1.2	15.6
Sarasdorf substation: 3+ 4 th System, 380 kV line	13.4	13.8
Schwarzenbach substation: 380/110 kV grid connection Tauernmoos power plant	4.0	11.5
Zemm/Ziller power plant (revitalisation)	20.3	9.9
Ernsthofen and St. Peter substations: Danube line changeover to 380 kV	21.0	6.8
Romanian windfarms	156.6	3.7
Zell/Ziller substation: 2 nd 380/220 kV transformer	11.9	1.1
Rhineland-Palatinate wind farms	36.0	0.2
Other additions (< €10.0m)	178.6	197.4
Total additions to property, plant and equipment	579.0	412.3

(25)
Interests accounted
for using the equity
method

The additions to interests accounted for using the equity method in the 2014 reporting period relate to the formation of AQUANTO GmbH, which offers green electricity solutions for business-to-business customers in Germany.

Disposals in the previous year relate to the 50% equity interests in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke AG, which were consolidated after the acquisition of the remaining 50% interest. In addition, the 45.75% equity interest in Sorgenia S.p.A. (Group) was classified as “held for sale” in the previous year.

Interests accounted for using the equity method	€m	
	2013	2014
Amortised cost as at 1/1	940.4	304.1
Additions	0.0	0.8
Dividends	-14.4	-14.2
Result from equity accounting ¹	-201.8	34.3
Other comprehensive income from equity accounting	6.6	-3.7
Disposals or classification as held for sale	-426.8	0.0
Amortised cost as at 31/12	304.1	321.2
Accumulated value adjustments as at 1/1	52.3	60.8
Impairment losses ¹	404.5	0.0
Disposals or classification as held for sale	-396.0	0.0
Accumulated value adjustments as at 31/12	60.8	60.8
Net carrying amount as at 31/12	243.2	260.4
Net carrying amount as at 1/1	888.1	243.2

¹ The carrying amount of the equity interest in Shkodra Beteiligungsholding GmbH was already reduced to zero in the previous year 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. In reporting period 2014, the equity-accounted recognition of further losses in the amount of €- 1.2m (previous year: €- 14.5m) as well as impairment in the amount of €- 9.4m (previous year: €- 17.2m) reduced the carrying amount of these non-current loans. Therefore, they were not taken into account in the above table.

A summary of aggregated financial information for the equity-accounted joint ventures and associates is presented in the section entitled Subsidiaries, joint ventures and associates of VERBUND.

Other equity interests	€m		
	Interests in non-consolidated subsidiaries	Other equity interests	Total
2014			
(Amortised) cost as at 1/1	1.2	139.4	140.6
Additions from acquisitions of interests and capital increases	0.0	0.9	0.9
Disposals	-0.3	-0.1	-0.3
(Amortised) cost as at 31/12	1.0	140.2	141.1
Accumulated value adjustments as at 1/1	0.0	53.5	53.5
Impairment losses	0.2	6.6	6.7
Fair value measurement in OCI	0.0	-21.4	-21.4
Accumulated value adjustments as at 31/12	0.2	38.6	38.8
Net carrying amount as at 31/12	0.8	101.5	102.3
Net carrying amount as at 1/1	1.2	85.9	87.1

(26)
Other equity interests

Other equity interests	€m		
	Interests in non-consolidated subsidiaries	Other equity interests	Total
2013			
(Amortised) cost 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) cost 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

Additions of other equity interests for the 2014 reporting period mainly relate to the capital increase at E-Mobility Provider Austria GmbH & Co KG (€0.9m). The impairment losses in the 2014 reporting period and the previous year mainly relate to the other equity interest in Energie AG Oberösterreich (IAS 39 measurement category: “available for sale”).

(27)
Investments and
non-current other
receivables

Investments and non-current other receivables		€m	
	2013	2014	
Investments – closed items on the balance sheet	275.7	317.1	
Interest rate swaps – closed items on the balance sheet	84.3	113.8	
Other investments and other receivables	137.4	140.0	
Total	497.4	571.0	

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	
2014				
Amortised cost as at 1/1	49.7	226.0	275.7	
Foreign exchange differences	6.2	27.1	33.3	
Additions	2.4	1.8	4.2	
Capitalised interest	0.0	10.2	10.2	
Disposals	-1.3	-5.0	-6.2	
Amortised cost as at 31/12	57.0	260.1	317.1	

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 cost 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 cost as at 31/12	49.7	226.0	275.7	

As at 31 December 2014, the securities comprised medium-term notes with a nominal value of \$66.7m (previous year: \$66.1m) or €57.0m (previous year: €49.7m).

Securities in the amount of €57.0m (previous year: €59.7m) and loans in the amount of €260.1m (previous year: €226.0m) are pledged. The 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
2014				
Cost as at 1/1	69.6	116.3	1.2	187.2
Additions	0.0	0.0	0.4	0.4
Disposals	0.0	-5.3	0.0	-5.3
Reclassifications	13.6	0.2	-0.3	13.6
Cost as at 31/12	83.2	111.2	1.4	195.8
Accumulated value adjustments as at 1/1	31.7	23.7	0.0	55.4
Fair value measurement in OCI	0.0	-4.9	0.0	-4.9
Reclassification adjustments ("recycling")	0.0	0.1	0.0	0.1
Result from interests accounted for using the equity method ¹	1.2	-	-	1.2
Impairment losses on interests accounted for using the equity- method ¹	9.4	-	-	9.4
Disposals	0.0	-0.7	0.0	-0.7
Reclassifications	0.0	0.2	0.0	0.2
Accumulated value adjustments as at 31/12	42.3	18.5	0.0	60.8
Net carrying amount as at 31/12	40.9	92.7	1.4	134.9
Net carrying amount as at 1/1	37.9	92.6	1.2	131.7
Net carrying amount of other non- current receivables as at 31/12²				118.9
Net carrying amount of other non- current receivables as at 1/1 ²				89.9
Net carrying amount total as at 31/12				253.9
Net carrying amount total as at 1/1				221.7

¹ The carrying amount of the equity interest in Shkodra Beteiligungsholding GmbH was reduced to zero in the previous year. 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. // ² incl. carrying amount of interest rate swaps – closed items on the balance sheet

Other non-current investments and non-current other receivables				€m
	Loans to investees	Securities (loan stock rights)	Other loans	Total
2013				
Cost as at 1/1	72.1	157.4	14.4	243.9
Additions from business combinations	0.0	9.0	0.0	9.0
Additions	67.3	0.1	560.3	627.7
Disposals	-67.2	-50.2	0.0	-117.4
Reclassifications	-2.6	0.0	-573.6	-576.2
Cost as at 31/12	69.6	116.3	1.2	187.2
Accumulated value adjustments as at 1/1	0.0	26.2	0.0	26.2
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	-0.3	0.0	-0.3
Accumulated value adjustments as at 31/12	31.7	23.7	0.0	55.4
Net carrying amount as at 31/12	37.9	92.6	1.2	131.7
Net carrying amount as at 1/1	72.1	131.2	14.4	217.7
Net carrying amount of other non- current receivables as at 31/12²				89.9
Net carrying amount of other non- current receivables as at 1/1 ²				168.0
Net carrying amount total as at 31/12				221.7
Net carrying amount total as at 1/1				385.7

¹ The carrying amount of the equity interest in Shkodra Beteiligungsholding GmbH was reduced to zero in 2013. 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. // ² incl. carrying amount of interest rate swaps – closed items on the balance sheet

Securities in the amount of €92.7m (previous year: €92.6m) primarily include shares in investment funds to cover employee benefits and were classified as “available for sale”.

Non-current other receivables contain derivative financial instruments measured at fair value in the amount of €113.8m (previous year: €84.3m) which relate to financial liabilities under closed items on the balance sheet.

Inventories	€m	
	2013	2014
Heating oil	5.3	6.2
Coal	69.2	64.5
Natural gas	3.6	0.0
Less write downs	- 19.8	- 39.0
Inventories of primary energy sources held for generation	58.2	31.6
Natural gas held for trading	5.8	8.2
Measurements of natural gas held for trading	0.2	0.6
Fair value of natural gas held for trading	6.0	8.8
Emission rights held for trading	8.7	8.3
Measurements of emission rights held for trading	1.6	3.0
Fair value of emission rights held for trading	10.3	11.3
Proof of origin and green electricity certificates	5.7	0.2
Additives and consumables	4.4	4.3
Other	0.3	0.3
Inventories	84.9	56.5

(28)
Inventories

Trade receivables and other receivables	€m			
	2013 Non-current	2014 Non-current	2013 Current	2014 Current
Trade receivables	0.0	0.0	304.7	264.9
Receivables from equity interests classified as "held for sale"	0.0	0.0	0.0	150.4
Receivables from investees	0.0	0.0	75.3	65.7
Other loans	-	-	538.6	0.4
Loans to investees	-	-	38.5	3.5
Other receivables and assets	89.9	118.9	478.7	487.6
Trade receivables and other receivables	89.9	118.9	1,435.6	972.5

(29)
**Trade receivables
and other receivables**

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

	2013 Non-current	2014 Non-current	2013 Current	2014 Current
Derivatives in the energy area	0.0	0.0	160.2	125.6
Money market transactions	0.0	0.0	145.4	265.2
Receivables from tax clearing	0.0	0.0	78.1	27.4
Long position: Gemeinschaftskraftwerk Inn GmbH	0.0	0.0	0.0	17.1
Guarantees in electricity trading	0.0	0.0	35.8	13.4
Emission rights	–	–	14.8	7.2
Receivables from accrued interest	0.0	0.0	3.7	0.5
Derivatives in the finance area	84.3	113.8	2.5	0.0
Other	5.6	5.1	38.1	31.2
Other receivables and assets	89.9	118.9	478.7	487.6

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
2014				
Trade receivables	264.9	11.9	5.7	270.6
Receivables from equity interests classified as held for sale	150.4	0.0	0.0	150.4
Receivables from investees	65.7	0.0	0.0	65.7
Loans	3.9	0.0	0.0	3.9
Other receivables and assets	487.6	0.0	0.0	487.6
Total	972.5	11.9	5.7	978.2

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	
Loans	577.1	0.0	0.0	577.1	
Other receivables and assets	478.6	0.0	0.0	478.7	
Total	1,435.6	8.3	5.5	1,441.1	

Overdue amounts 2014							€m
	Carrying amount	Of which not impaired or overdue as at balance sheet date	Of which not impaired at balance sheet date but overdue in the periods shown				
			up to 30 days	31 to 120 days	121 to 360 days	> 360 days	
Trade receivables	264.9	244.5	8.1	0.1	0.1	0.2	
Receivables from equity interests classified as held for sale	150.4	150.4	0.0	0.0	0.0	0.0	
Receivables from investees	65.7	63.0	2.7	0.0	0.0	0.0	
Loans	3.9	3.9	0.0	0.0	0.0	0.0	
Other receivables and assets	487.6	487.3	0.0	0.0	0.0	0.2	
Total	972.5	949.0	10.9	0.1	0.1	0.5	

Overdue amounts 2013

€m

	Carrying amount	Of which not impaired or overdue as at balance sheet date	Of which not impaired at balance sheet date 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
Loans	577.1	577.1	0.0	0.0	0.0	0.0
Other receivables and assets	478.6	478.6	0.0	0.0	0.1	0.0
Total	1,435.6	1,407.1	18.6	0.6	0.5	0.5

Non-current other receivables were neither overdue nor impaired in reporting period 2014 or in the previous year.

**(30)
Cash and cash equivalents****Cash and cash equivalents**

€m

	2013	2014
Cash at banks	83.2	41.6
Cash in hand	0.1	0.1
Cash and cash equivalents	83.3	41.7

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 as defined in IAS 7.

**(31)
Assets and liabilities held for sale****Assets and liabilities held for sale**

€m

	2013	2014
Intangible assets	0.3	0.0
Property, plant and equipment	132.5	8.2
Other equity interests	1.0	0.0
Interests accounted for using the equity method ¹	0.0	0.0
Investments and other receivables	3.7	0.0
Trade receivables and other receivables	0.0	1.1
Cash and cash equivalents	0.0	0.6
Assets held for sale	137.5	10.0
Trade payables and other liabilities	0.0	0.2
Liabilities directly associated with assets held for sale	0.0	0.2

¹ The cumulative income and expenses recognised in other comprehensive income, which are related to the interests accounted for using the equity method that were classified as "held for sale" in the previous year, amounted to €- 12.9m.

The assets and liabilities of Haos Invest EAD (a wholly owned subsidiary of VERBUND Renewable Power GmbH) have been classified as "held for sale" since 30 September 2014. Effective 29 October 2014, VERBUND and Inwind SpLtd. and/or Inovent Holding AD signed a sales agreement for 100 % of the shares. The transaction is expected to close in quarter 1/2015. Haos Invest EAD operates a

wind farm (installed capacity: 16 MW) on the Bulgarian Black Sea coast. The sale of this equity interest was a consequence of VERBUND's strategic focus on majority interests that focus on electricity generation from hydropower and on the Austrian and German market.

At 31 December 2013, the Pont-sur-Sambre and Toul combined cycle gas turbine power plants, including intangible assets and/or other receivables closely associated with the combined cycle gas turbine power plants, had been classified as "held for sale". Effective 13 October 2014, VERBUND and KKR Credit Advisors (US) LLC signed sales agreements for 100% of the shares in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S., which are owners of these power plants. Since control over these two companies was already lost when the sales agreements were signed, the two companies were deconsolidated effective 13 October 2014 (see: Discretionary judgements and key assumptions concerning the future). Since this time, the remaining 100% other equity interests in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. have been classified as "held for sale" until the transaction is completed. The transaction will close after it has been approved by competition authorities. VERBUND believes that it is highly probable that approval will be granted and the sales transaction will close in quarter 1/2015 (the transaction was approved by competition authorities with a letter dated 6 February 2015; see: Events after the balance sheet date). The sale of these equity interests was a consequence of VERBUND's strategic focus on majority interests that focus on electricity generation from hydropower and on the Austrian and German market.

At 31 December 2013, the 45.75% equity-accounted interest in Sorgenia S.p.A. (Group) was classified as "held for sale". Sorgenia S.p.A. (Group) builds and operates gas power plants, is a supplier of electricity and gas and is active in the development and expansion of capacities from renewable energy sources. Effective 18 December 2014, VERBUND and CIR Compagnie Industriali Riunite S.p.A. approved a capital increase from the creditor banks at an annual general meeting of Sorgenia S.p.A. (Group) as part of an Italian restructuring process ("128 bis Agreement"), an associated dilution of the currently held equity interests to less than 1% and the subsequent sale of this equity interest to the creditor banks, subject to approval of the restructuring agreement by the competent supreme court in Milan. Since VERBUND's ability to exert a significant influence on Sorgenia S.p.A. (Group) was lost with this resolution, the 45.75% equity-accounted interest was deconsolidated (see: Discretionary judgements and key assumptions concerning the future). Since that time, the remaining 45.75% other equity interest in Sorgenia S.p.A. (Group) has been classified as "held for sale" until the transaction is completed. VERBUND believes that it is highly probable that the remaining other equity interest in Sorgenia S.p.A. (Group) will be sold in the first half of 2015 (effective 25 February the restructuring agreement was approved by the Supreme Court, see: Events after the balance sheet date). The sale of this equity interest was a consequence of VERBUND's strategic focus on majority interests that focus on electricity generation from hydropower and on the Austrian and German market.

The equity interest in POWEO Outre-mer Solaire S.A.S. (Group) classified as "held for sale" at 31 December 2013 was sold to Quadran S.A.S. effective 27 May 2014 by means of a share deal. 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 temporarily remained 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 the strategic focus on majority interests which focus on electricity generation from hydropower and on the Austrian and German market.

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 Energy segment.

(32)
Share capital

Just as in the previous year, the share capital comprised 170,233,686 no-par value shares in the form of bearer shares (category A) and 177,182,000 no-par value 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 2014 prepared in accordance with the Austrian Commercial Code (Unternehmensgesetzbuch, UGB). For financial year 2014, this profit for the reporting period that had not yet been approved amounted to €100.7m (previous year: €347.4m). A dividend of €0.29 per share (previous year: €0.55 plus a special dividend of €0.45 per share) will be recommended to the Annual General Meeting.

(35)
Reserve for differences from currency translation

The reserve for differences from currency translation mainly includes the currency translation of the consolidated Romanian subsidiaries Alpha Wind S.R.L., CAS Regenerabile S.R.L. and Ventus Romania S.R.R. In the previous year, accumulated differences from currency translation were reclassified to profit or loss upon the sale of the equity interest in Enerjisa Enerji A.S. (see: (21) Reclassification adjustments to the income statement).

Non-controlling interests	in %	
	2013	2014
VERBUND-Innkraftwerke GmbH	29.73	29.73
VERBUND Hydro Power GmbH	19.67	19.58
Alpha Wind S.R.L.	10.00	10.00
VERBUND Wind Power Austria GmbH	0.00	19.78
VERBUND Tourismus GmbH	0.00	19.66
Ventus Renew Romania S.R.L.	10.00	10.00

(36)
Non-controlling
interests

In reporting period 2014, the 100% equity interest in VERBUND Wind Power Austria GmbH was spun off into VERBUND Hydro Power GmbH. As a result, the existing non-controlling shareholders of VERBUND Hydro Power GmbH were diluted. Two non-controlling shareholders subsequently increased their shareholding to its original level by purchasing more shares (seller: VERBUND AG).

Shifts between shareholder groups 2014						€m
	Retained earnings	Remeasurements of net defined benefit liability	Equity attributable to the shareholders of VERBUND AG	Equity attributable to non-controlling interests	Total equity	
Spin-off VERBUND Wind Power Austria GmbH	-0.1	-3.3	-3.5	11.5	8.1	
Other shifts	0.2	0.0	0.2	-0.3	0.0	
Total	0.1	-3.3	-3.2	11.2	8.0	

The capital shares in ten wind farm companies and two infrastructure companies in the Hunsrück area of Rhineland-Palatinate attributable to the limited partners were recognised under non-current financial liabilities in accordance with IAS 32.

(37)
Non-current and
current financial
liabilities

Non-current and current financial liabilities					€m
	2013 Non-current	2014 Non-current	2013 Current	2014 Current	
Bonds	1,584.0	1,537.7	553.8	580.2	
Financial liabilities to banks	1,413.4	929.3	71.5	226.1	
Financial liabilities to others	0.0	0.3	28.9	0.0	
Capital shares attributable to limited partners	2.2	2.3	0.0	0.0	
Subtotal	2,999.6	2,469.5	654.2	806.3	
Financial liabilities to banks – closed items on the balance sheet	360.0	431.0	0.0	0.0	
Non-current and current financial liabilities	3,359.5	2,900.5	654.2	806.3	

Non-current and current financial liabilities¹			€m
	2013	2014	
Carrying amount as at 1/1	3,912.5	3,653.8	
Borrowings	210.0	590.1	
Net change in money market transactions	–60.5	25.1	
Changes in capital shares attributable to limited partners	–30.5	0.1	
Liabilities extinguished as a result of confusion	–44.0	0.0	
Foreign exchange gains or losses	–10.5	–0.1	
Changes in interest accruals	–5.2	–9.5	
Unscheduled repayments	–73.3	–66.0	
Disposals due to loss of control	0.0	–328.6	
Scheduled repayments	–244.7	–588.9	
Carrying amount as at 31/12	3,653.8	3,275.8	
Of which non-current liabilities	2,999.6	2,469.5	
Of which current liabilities	654.2	806.3	

¹ excluding financial liabilities from closed items on the balance sheet

Financial liabilities – closed items on the balance sheet			€m
	2013	2014	
Carrying amount as at 1/1	408.6	360.0	
Foreign exchange gains or losses	–19.5	29.9	
Capitalisation	27.8	28.2	
Repayments and/or disposals	–17.2	–16.6	
Market value changes	–39.8	29.5	
Carrying amount as at 31/12	360.0	431.0	
Of which non-current liabilities	360.0	431.0	

Capital shares attributable to limited partners		€m
	2013	2014
Carrying amount as at 1/1	32.7	2.2
Additions	18.6	0.0
Profit or loss attributable to limited partners	-32.6	0.1
Disposals	-16.5	0.0
Other changes	0.1	0.0
Carrying amount as at 31/12	2.2	2.3

The share of the profit attributable to limited partners in reporting period 2014 related solely to the limited partners of ten wind farm companies and two infrastructure companies in the Hunsrück area of Rhineland-Palatinate (previous year: primarily the limited partners of VERBUND Thermal Power GmbH & Co KG in Liqu.).

Non-current financial liabilities in the total amount of €590.1m were incurred in the 2014 reporting period (previous year: €210.0m). These funds were raised by issuing a bond (Green Bond, nominal amount of €500m, bullet maturity, 1.5% coupon) and taking out a loan from the European Investment Bank (nominal amount of €100m, fixed interest, instalment payments). The scheduled repayments of financial liabilities (excluding financial liabilities related to the early termination of cross-border leasing transactions) amounted to €588.9m (previous year: €244.7m). The unscheduled principle repayments made in reporting period 2014 relate to early repayments in connection with the sale of Pont-sur-Sambre Power S.A.S. Disposals due to the loss of control result from the deconsolidation of Toul Power S.A.S. (see: Discretionary judgements and key assumptions concerning the future). In addition, current financial liabilities (cash advances) were incurred in the amount of €25.1m (previous year: repayment of €60.5m). In the underlying terms of the existing financial liabilities, there were slight adjustments to the interest rates on individual amounts borrowed due to the downgrading of the credit rating by S&P in the 2014 reporting period; the maturities remained unchanged.

With regard to financial liabilities from cross-border leasing transactions that were terminated early, capitalisations in the amount of €28.2m (previous year: €27.8m) were recognised. Repayments and disposals came to €16.6m (previous year: €17.2m).

VERBUND had no mortgage-backed liabilities as at 31 December 2014 and 31 December 2013.

Non-current and current financial liabilities 2014

	Longest Maturity	Issue volume	Carrying amount as at 31/12	1 year or less
Bonds				
Euro currency	2024	2,112.7	2,078.8	541.1
Foreign currencies (¥)	2015	126.1	39.1	39.1
Total bonds		2,238.7	2,118.0	580.2
Of which at a fixed interest rate	2024	2,238.7	2,118.0	580.2
Financial liabilities to banks				
Euro currency	2037	1,384.2	1,155.4	226.1
Total financial liabilities to banks		1,384.2	1,155.4	226.1
Of which at a fixed interest rate	2037	978.7	878.3	179.5
Of which at a variable interest rate	2030	405.4	277.1	46.6
Financial liabilities to others				
Euro currency	2021	0.3	0.3	0.1
Total financial liabilities to others		0.3	0.3	0.1
Of which at a fixed interest rate	2021	0.3	0.3	0.1
Financial liabilities to banks – closed items on the balance sheet¹				
Foreign currencies (\$)	2030		431.0	0.0
Total financial liabilities to banks – closed items on the balance sheet			431.0	0.0
Of which at a fixed interest rate	2030		431.0	0.0
Capital shares attributable to limited partners		–	2.3	0.0
Total financial liabilities			3,706.8	806.5

¹ There is balance sheet cover for these financial liabilities 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
		14.5		834.3	688.9	4.00%	4.27%	2,274.6
						4.10%	4.13%	39.7
	0.0	14.5	0.0	834.3	688.9	4.00%	4.25%	2,314.3
	0.0	14.5	0.0	834.3	688.9	4.00%	4.25%	
	53.4	283.7	251.7	43.7	296.8	2.58%	3.04%	1,213.4
	53.4	283.7	251.7	43.7	296.8	2.58%	3.04%	1,213.4
	32.3	262.6	168.6	22.6	212.6	3.20%	3.56%	939.9
	21.1	21.1	83.1	21.1	84.2	0.63%	1.58%	273.5
	0.0	0.2	0.0	0.0	0.0	5.58%	4.22%	0.3
	0.0	0.2	0.0	0.0	0.0	5.58%	4.22%	0.3
	0.0	0.2	0.0	0.0	0.0	5.58%	4.22%	0.3
	0.0	0.0	0.0	0.0	431.0			456.7
	0.0	0.0	0.0	0.0	431.0			456.7
	0.0	0.0	0.0	0.0	431.0			
	2.3	0.0	0.0	0.0	0.0	-	-	-
	55.7	298.2	251.7	878.0	1,416.7			

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 sheet¹				
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 There is balance sheet cover for these liabilities 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			

(38)
Additional
disclosures regarding
financial instruments
in accordance with
IFRS 7

Carrying amounts and fair values by measurement categories 2014

€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	–	0.8	–
Other equity interests	FAAFS	2	83.2	83.2
Other equity interests	FAAC	–	18.3	–
Other equity interests			102.3	
Securities	FAAFS	1	89.7	89.7
Securities	FAAC	–	3.0	–
Securities – closed items on the balance sheet	LAR	2	57.0	51.0
Other loans – closed items on the balance sheet	LAR	2	260.1	286.5
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	113.8	113.8
Loans to investees	LAR	2	40.9	43.6
Other loans	LAR	2	1.4	1.4
Other	–	–	5.1	–
Other non-current investments and non-current other receivables			571.0	
Trade receivables	LAR	–	264.9	–
Receivables from investees	LAR	–	65.7	–
Receivables from other equity interests classified as “held for sale”	LAR	–	150.4	–
Loans to investees	LAR	2	3.5	3.9
Other loans	LAR	2	0.4	0.4
Derivatives in the energy area	FAHFT	2	125.6	125.6
Long position: Gemeinschaftskraftwerk Inn GmbH	FAHFT	3	17.1	17.1
Money market transactions	LAR	2	265.2	264.2
Emission rights	IAS 38 / IAS 2	–	7.2	–
Other	LAR	–	27.9	–
Other	–	–	44.6	–
Trade receivables and current other receivables			972.5	
Cash and cash equivalents	LAR	–	41.7	41.7
Aggregated by measurement categories				
Financial assets at cost	FAAC ¹		22.1	
Loans and receivables	LAR ²		1,179.1	
Available-for-sale financial assets	FAAFS ³		172.9	
Financial assets held for trading	FAHFT ⁴		256.6	

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 2014

€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	2,118.0	2,314.3
Financial liabilities to banks and to others	FLAAC	2	1,155.7	1,213.7
Financial liabilities to banks – closed items on the balance sheet	FLAAC	2	99.5	125.3
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	331.5	331.5
Capital shares attributable to limited partners	IAS 32	–	2.3	–
Non-current and current financial liabilities			3,706.9	
Electricity supply commitment	–	–	180.4	–
Obligation to return an interest	FLAAC	3	104.2	134.3
Derivatives in the energy area	FLHFT	3	54.2	54.2
Trade payables	FLAAC	–	2.5	–
Deferred income for grants (emission rights)	IAS 20	–	0.0	–
Other	FLAAC	–	31.0	–
Other non-current liabilities			372.2	
Trade payables	FLAAC	–	144.2	–
Derivatives in the energy area	FLHFT	1	3.2	3.2
Derivatives in the energy area	FLHFT	2	88.5	88.5
Derivatives in the energy area	FLHFT	3	9.1	9.1
Derivatives in the finance area	FLHFT	2	47.0	47.0
Other	FLAAC	–	151.5	–
Other	–	–	73.8	–
Trade payables and current other liabilities			517.3	
Aggregated by measurement categories				
Financial liabilities at amortised cost	FLAAC ⁵		3,806.5	
Financial liabilities at fair value through profit or loss	FLAFVPL ⁶		331.5	
Financial liabilities held for trading	FLHFT ⁷		201.9	

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 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	65.7	65.7
Other equity interests	FAAC	–	20.2	–
Other equity interests			87.1	
Securities	FAAFS	1	86.9	86.9
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 and non-current other receivables			497.3	
Trade receivables	LAR	–	304.7	–
Receivables from investees	LAR	–	75.3	–
Loans to investees	LAR	–	16.8	17.1
Other loans	LAR	2	560.3	563.5
Derivatives in the energy area	LAR	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	–	55.7	–
Other	–	–	100.0	–
Trade receivables and current other receivables			1,435.6	
Cash and cash equivalents	LAR	–	83.3	–
Aggregated by measurement categories				
Financial assets at cost	FAAC ¹		24.4	
Loans and receivables	LAR ²		1,556.2	
Available-for-sale financial assets	FAAFS ³		155.3	
Financial assets held for trading	FAHFT ⁴		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	–
Deferred income for grants (emission rights)	IAS 20	–	0.0	–
Other	FLAAC	–	13.4	–
Non-current other liabilities			335.2	
Trade payables	FLAAC	–	165.3	–
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	–	231.3	–
Other	–	–	91.5	–
Trade payables and current other liabilities			664.8	
Aggregated by measurement categories				
Financial liabilities at amortised cost	FLAAC ⁵		4,230.8	
Financial liabilities at fair value through profit or loss	FLAFVPL ⁶		273.9	
Financial liabilities held for trading	FLHFT ⁷		231.6	

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 2014 and the amount that VERBUND would have to pay upon maturity is €68.7m (previous year: €50.1m). The amount due upon maturity was translated at the rate (€1=\$) on the balance sheet date of 1.2141 (previous year: 1.3791). 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 €41.6m (previous year: €51.8m) and negative fair values in the amount of €47.1m (previous year: €94.6m) 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 contract¹		€m
	2013	2014
Carrying amount as at 1/1	60.4	65.4
Additions	0.0	0.0
Measurement gains or losses (recognised under expenses for electricity, grid, gas and certificates purchases)	5.1	-2.1
Disposals	0.0	0.0
Carrying amount as at 31/12	65.4	63.4

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: Long position: GKI¹		€m
	2013	2014
Carrying amount as at 1/1	-	-
Additions	-	0.0
Measurement gains or losses (recognised in other financial result)	-	17.1
Disposals	-	0.0
Carrying amount as at 31/12	-	17.1

¹ The fair value of the long position: Gemeinschaftskraftwerk Inn GmbH is determined based on a Level 3 measurement (see: Discretionary judgements and key assumptions concerning the future).

Valuation techniques and input factors for determining fair values

Level	Financial instruments	Valuation technique	Input factor
1	Listed securities	Market approach	Nominal values, stock exchange price
1	Listed energy forwards	Market approach	Settlement price published by the stock exchange
2	Other assets and liabilities measured at fair value in the finance area	Net present value approach	Cash flows already fixed or determined via forward rates, yield curve, credit risk of the contracting parties
2	Securities and other loans under closed items on the balance sheet, non-current loans, liabilities to banks, bonds and other financial liabilities	Net present value approach	Payments associated with the financial instruments, yield curve, credit risk of the contracting parties (credit default swaps or credit spread curves)
2	Other equity interest in Energie AG Oberösterreich	Market approach	Trading Multiple
2	Non-listed energy forwards	Net present value approach	Forward price curve derived from stock exchange, yield curve, credit risk of the contracting parties
3	Non-listed energy forwards (natural gas supply contract for the Mellach combined cycle gas turbine power plant)	Net present value approach	Price forecasts for natural gas and crude oil, take-or-pay volumes optimised according to utilisation for a monthly period, contractual term, yield curve, credit risk of the contracting parties, customary demand charge, likelihood of winning the competition law proceedings
3	Return obligation (obligation to transfer back the 50% interest acquired in Donaukraftwerk Jochenstein AG)	Net present value approach	Price forecasts for electricity, weighted average cost of capital after taxes
3	Long position: Gemeinschaftskraftwerk Inn GmbH (GKI)	Net present value approach and Black Scholes Model	Price forecast for electricity and discount rate for calculating the value of the underlying asset (weighted average cost of capital after taxes), volatility of the underlying asset, yield curve
-	Cash and cash equivalents, trade receivables and payables, current other receivables, other borrowing within current credit lines as well as current other liabilities	-	Carrying amounts as a realistic estimate of fair value
-	Interests in 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 31/12/2014				€m
Maturity	2015	2016	2017–2019	From 2020
Bonds	621.4	57.9	1,026.7	747.3
Financial liabilities to banks	238.6	63.3	602.2	332.7
Financial liabilities to others	0.1	0.0	0.2	0.0
Financial liabilities to banks - closed items on the balance sheet ¹	19.0	18.9	56.8	500.8
Capital shares attributable to limited partners	0.0	2.3	0.0	0.0
Cash outflows on financial liabilities	879.1	142.4	1,685.9	1,580.7
Trade payables	144.2	1.9	0.7	0.3
Derivatives in the energy area	448.0	146.4	18.2	0.0
Derivatives in the finance area ²	14.5	13.6	16.3	5.6
Other	151.5	2.6	1.7	119.9
Cash outflows on trade payables and other payables	758.2	164.4	36.9	125.9
Cash outflows on liabilities in accordance with IFRS 7	1,637.2	306.8	1,722.8	1,706.6

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	97.9	244.0	725.3	627.8
Financial liabilities to others	29.3	0.0	0.0	0.0
Capital shares attributable to limited partners	16.2	16.7	50.1	457.5
Financial liabilities to banks - closed items on the balance sheet ¹	0.0	2.3	0.0	0.0
Cash outflows on financial liabilities	744.3	880.9	940.4	2,184.7
Trade payables	165.4	0.5	1.2	0.2
Derivatives in the energy area	590.6	213.7	69.4	0.0
Derivatives in the finance area ²	15.1	13.9	11.3	0.0
Other	241.7	1.8	1.6	88.1
Cash outflows on trade payables and other payables	1,012.8	230.0	83.6	88.3
Cash outflows on liabilities in accordance with IFRS 7	1,757.1	1,110.9	1,023.9	2,273.0

¹ Cash outflows under closed items on the balance sheet have to be seen alongside the corresponding cash inflows from associated investments. // ² Cash outflows from interest rate swaps are accounted for as the net-cash flow of both legs.

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			
	2013 Net result	2013 Of which impairment losses	2014 Net result	2014 Of which impairment losses
Financial assets at cost	0.0	0.0	-0.1	-2.9
Available-for-sale financial assets	-42.5	-41.6	-3.8	-3.9
Loans and receivables	-16.1	-0.5	31.1	-3.1
Financial liabilities at amortised cost	1.1	-	-34.8	-
Financial liabilities at fair value through profit or loss	49.2	-	-55.4	-
Financial assets and/or liabilities held for trading	-33.6	-	43.5	-
Total interest expenses		-197.5		-168.4
Total interest income		39.3		46.5
Measurements in other comprehensive income ¹		-4.2		26.2
Reclassifications from other comprehensive income recognised in the income statement ¹		-0.8		0.0

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
	2013 Non-current	2014 Non-current	2013 Current	2014 Current	
Provisions for pensions	352.0	431.8	–	–	
Provisions for severance payments	154.1	165.6	–	–	
Provisions for obligations similar to pensions	135.2	165.4	–	–	
Provisions for partial retirement	27.8	43.2	18.5	14.4	
Other personnel-related provisions	7.8	9.1	23.7	20.4	
Other provisions	40.3	29.5	117.2	158.4	
Non-current and current provisions	717.2	844.7	159.4	193.2	

Provisions for pensions and similar obligations

Reconciliation from defined benefit obligation to provisions

	2013 Pension obligations	2014 Pension obligations	2013 Obligations similar to pensions	2014 Obligations similar to pensions	€m
Defined benefit obligation covered by plan assets	216.1	253.5	–	–	
Fair value of plan assets	–162.7	–161.8	–	–	
Net value of obligations covered by plan assets	53.4	91.7	–	–	
Defined benefit obligation not covered by plan assets	298.5	340.1	135.2	165.4	
Carrying amount of provisions as at 31/12	351.9	431.8	135.2	165.4	

Pension expenses				€m
	2013 Pension obligations	2014 Pension obligations	2013 Obligations similar to pensions	2014 Obligations similar to pensions
Service costs (vested claims)	2.0	2.7	2.0	2.1
Net interest expense	11.9	11.7	4.9	4.7
Pension expenses (recognised in profit for the period)	13.9	14.4	6.9	6.8
Remeasurements of the net liability	29.2	90.6	7.6	27.1
Pension expenses (recognised in total comprehensive income for the period)	43.2	105.0	14.5	33.9

Reconciliation of defined benefit obligation				€m
	2013 Pension obligations	2014 Pension obligations	2013 Obligations similar to pensions	2014 Obligations similar to pensions
Defined benefit obligation as at 1/1	408.6	514.6	121.1	135.2
Additions from business combinations	91.6	0.0	3.0	0.0
Service costs (vested claims)	2.0	2.7	2.0	2.1
Pension payments or contributions to supplementary health insurance (benefit payments)	-36.6	-35.8	-3.4	-3.7
Interest expenses	18.7	17.4	4.9	4.7
Remeasurements based on experience adjustments	2.7	5.1	-3.4	-4.4
Remeasurements arising from changes in financial assumptions	27.6	89.5	11.0	31.5
Defined benefit obligation as at 31/12	514.6	593.6	135.2	165.4

As at 31 December 2014, the weighted average duration of the pension obligation is 13 years (previous year: 12 years) and that of the obligations similar to pensions is 19 years (previous year: 18 years).

Reconciliation of plan assets

€m

	2013 Pension obligations	2014 Pension obligations	2013 Obligations similar to pensions	2014 Obligations similar to pensions
Fair value of plan assets as at 1/1	163.8	162.7	–	–
Additions from business combinations	0.4	0.0	–	–
Contributions by VERBUND	1.7	0.1	–	–
Payouts (benefit payments)	–11.1	–10.8	–	–
Interest income	6.8	5.7	–	–
Other gains (+) or losses (–)	1.1	4.1	–	–
Fair value of plan assets as at 31/12	162.7	161.8	–	–

The investment and risk association in the pension fund attributable to VERBUND realised a gain of €9.7m (previous year: gain of €7.0m). The deficit represents the portion of pension obligations not covered by plan assets; these relate primarily to direct commitments to pension recipients. In the 2015 reporting period, current contributions to the pension fund for coverage of defined contribution plans in the amount of €0m (previous year: €1.8m) are expected.

Plan assets

in %

	Quoted	Unquoted	2013 Total	Quoted	Unquoted	2014 Total
Shares	33.6	–	33.6	29.8	–	29.8
Bonds	58.1	–	58.1	56.1	–	56.1
Money market	6.8	–	6.8	9.8	–	9.8
Other investments	1.5	–	1.5	4.4	–	4.4
Total	100.0	0.0	100.0	100.0	–	100.0

The pension fund responsible for investing plan assets was changed effective 1 January 2014. Instead of BAV Pensionskassen AG, APK Pensionskasse AG has been responsible for investment since 1 January 2014.

VERBUND regularly coordinates the general investment guidelines with APK Pensionskasse AG (as it did with BAV Pensionskassen AG in the past). 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 the provisions for severance payments

	€m	
	2013	2014
Provisions for statutory severance payments	151.1	161.0
Provisions for severance payments from special agreements in accordance with social plan	3.0	4.6
Carrying amount of provisions as at 31/12	154.1	165.6

Expense for severance payment costs

	€m	
	2013	2014
Service costs	1.9	1.6
Net interest expense	6.0	5.0
Expense for severance payment costs (recognised in profit for the period)	7.9	6.6
Remeasurements of severance obligations	5.4	13.3
Expenses for severance payments cost (recognised in total comprehensive income for the period)	13.3	19.9

Reconciliation of defined benefit obligation for statutory severance payments

	€m	
	2013	2014
Defined benefit obligation as at 1/1	145.5	151.1
Additions from business combinations	5.7	0.0
Service costs (vested claims)	1.9	1.6
Interest expenses	6.0	5.0
Severance payments (benefit payments)	-13.4	-10.0
Remeasurements based on experience adjustments	-0.4	3.5
Remeasurements arising from changes in financial assumptions	5.8	9.8
Defined benefit obligation as at 31/12	151.1	161.0

The weighted average duration of the severance payments is 8 years as at 31 December 2014 (previous year: 8 years).

Provisions for partial retirement

Reconciliation from defined benefit obligation to provisions

	€m	
	2013	2014
Defined benefit obligation covered by plan assets	48.9	59.3
Fair value of plan assets	-2.6	-1.6
Carrying amount of the provisions as at 31/12	46.3	57.7

Expenses for partial retirement	€m	
	2013	2014
Service costs	0.1	0.1
Net interest expense	0.6	1.1
Reduction from the provision for reorganisation expenses ¹	-0.2	0.0
Remeasurements	30.9	17.8
Expenses for partial retirement (recognised in profit for the period)	31.4	19.0

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	
	2013	2014
Defined benefit obligation as at 1/1	18.6	48.9
Additions from business combinations	7.5	0.0
Service costs (vested claims)	0.1	0.1
Net interest expense	0.6	1.1
Payments for early retirement	-8.8	-8.6
Remeasurements	30.9	17.8
Defined benefit obligation as at 31/12	48.9	59.3

Reconciliation of plan assets	€m	
	2013	2014
Fair value of plan assets as at 1/1	2.1	2.6
Additions from business combinations	0.4	0.0
Contributions by VERBUND	0.0	0.0
Other gains (+) or losses (-)	0.1	-1.0
Fair value of plan assets as at 31/12	2.6	1.6

Plan assets	in %	
	2013	2014
Bonds	100.0	100.0
Total	100.0	100.0

Other personnel-related provisions

Analysis of other personnel-related provisions

	€m			
	2013 Non-current	2014 Non-current	2013 Current	2014 Current
Provision for bonuses from the performance-based remuneration system	–	–	18.5	18.3
Provision for anniversary bonuses	7.1	8.2	0.0	0.0
Other	0.7	0.9	5.2	2.1
Other personnel-related provisions	7.8	9.1	23.7	20.4

Reconciliation of other personnel-related provisions

	€m	
	2013	2014
Carrying amount as at 1/1	30.6	31.5
Of which non-current	6.4	7.8
Of which current	24.2	23.7
New provisions	54.5	15.9
Interest accrued	0.3	0.2
Appropriation	–53.6	–17.0
Reversal	–0.3	–1.1
Carrying amount as at 31/12	31.5	29.5
Of which non-current	7.8	9.1
Of which current	23.7	20.4

Other provisions

Reconciliation of other provisions 2014

					€m
	Provisions for onerous contracts	Dismantling and Decontamin- ation costs	Electricity and grid delivery	Other	Total
Carrying amount as at 1/1/2014	38.4	25.4	51.2	42.5	157.5
Of which non-current	7.8	25.4	0.0	7.0	40.3
Of which current	30.6	0.0	51.2	35.5	117.2
Change in the group of consolidated companies	0.0	-4.4	0.0	-0.3	-4.7
New provisions	24.6	1.5	0.7	39.5	66.3
Interest accrued	1.1	0.7	1.7	0.5	4.0
Appropriation	-3.6	0.0	0.0	-17.2	-20.7
Reversal	-11.3	-1.1	-0.4	-1.5	-14.4
Carrying amount as at 31/12/2014	49.0	22.1	53.2	63.6	187.9
Of which non-current	1.3	21.0	0.0	7.2	29.5
Of which current	47.7	1.1	53.2	56.3	158.4

Reconciliation of other provisions 2013

					€m
	Provisions for onerous contracts	Dismantling and Decontamin- ation costs	Electricity and grid delivery	Other	Total
Carrying amount as at 1/1/2013	56.2	39.8	74.3	12.0	182.3
Of which non-current	55.7	39.8	31.9	4.6	132.0
Of which current	0.6	0.0	42.4	7.4	50.3
Additions or disposals from acquisitions	0.0	0.0	0.0	0.2	0.2
New provisions	26.9	4.5	3.4	31.7	66.5
Interest accrued	2.3	1.6	1.5	0.3	5.8
Appropriation	-3.7	0.0	0.0	-1.8	-5.5
Reversal	-43.3	-20.5	-28.0	0.0	-91.9
Carrying amount as at 31/12/2013	38.4	25.4	51.2	42.5	157.5
Of which non-current	7.8	25.4	0.0	7.0	40.3
Of which current	30.6	0.0	51.2	35.5	117.2

The differences between the tax bases and the carrying amounts in the IFRS balance sheet result in the following deferred taxes:

(40)
Deferred tax liabilities

Deferred taxes	€m	
	2013	2014
Deferred tax refund claims	449.7	543.3
Of which from the liquidation of subsidiaries ¹	158.4	136.0
Of which from receivables from other equity interests classified as "held for sale"	0.0	125.9
Of which from provisions for pensions and severance payments	95.1	124.7
Of which from loss carryforwards	78.3	46.8
Of which from impairment losses from equity interests	56.1	62.5
Of which from derivative financial instruments	23.1	12.5
Of which from other items	38.7	35.0
Deferred tax liabilities	-1,066.6	-1,029.6
Of which from property, plant and equipment (different useful lives, fair value adjustments on purchase price allocations)	-848.0	-842.1
Of which from special tax deductions	-98.6	-97.4
Of which other liabilities	-33.6	0.0
Of which from tax-deductible goodwill	-18.6	-31.7
Of which from derivative financial instruments	-2.0	-2.7
Of which from other items	-65.8	-55.6
Deferred tax refund claims (+) or tax liabilities (-) netted	-616.9	-486.3

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 previous year and completed in the 2014 reporting period.

In the 2014 reporting period and in the previous year, the net position for deferred taxes changed as follows:

Deferred taxes	€m	
	2013	2014
As at 1/1	-204.1	-616.9
Changes recognised in profit or loss	186.0	-14.9
Changes recognised in other comprehensive income	23.9	20.1
Changes from business acquisitions	-622.8	125.9
Other changes	0.0	-0.5
As at 31/12	-616.9	-486.3

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 likely that taxable earnings will be available in the future against which VERBUND will be able to utilise the deferred tax assets:

Tax losses and deductible temporary differences for which no deferred tax asset has been recognised

	€m	
	2013	2014
Tax losses ¹	207.4	17.3
Deductible temporary differences ²	393.7	138.4
Total	601.1	155.7

¹ Of the prior-year tax losses, €25.8m relate to interest that is not deductible in France (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.

At 31 December 2014 (and in the previous year), it could be assumed under present tax rules that the differences between the tax base of equity interests and the proportionate 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 for the foreseeable future.

At 31 December 2014 (and in the previous year), it could also be assumed that the differences between the carrying amount of the investment for tax purposes and the carrying amount of the equity-accounted interests (outside basis differences) will remain tax-free for the foreseeable future.

Therefore, a tax liability of €761.0m (previous year: €825.6m) for temporary differences in the amount of €2,965.6m (previous year: €3,100.0m) relating to interests in subsidiaries, branch offices, associates and joint arrangements was not recognised at 31 December 2014.

**(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	
	2013	2014
Contributions to building costs	650.6	704.6
Government grants	34.5	35.4
Contributions to building costs and grants	685.1	740.0

**(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 €50.4m (previous year: €52.0m).

The scheduled reversals recognised under other operating income totalled €1.6m (previous year: €1.6m).

Other non-current liabilities	€m	
	2013	2014
Electricity supply commitment ¹	183.7	180.4
Obligation to return an interest ²	80.6	104.2
Derivatives in the energy area	54.9	54.3
Trade payables	2.7	2.5
Deferred income for grants (emission rights)	0.0	0.0
Other	13.3	30.9
Other non-current liabilities	335.2	372.2

¹The 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). // ²This 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.

(43)
Other non-current liabilities

Current tax liabilities	€m	
	2013	2014
Taxes on income	29.0	54.9
Other taxes	7.1	0.7
Current tax liabilities	36.1	55.6

(44)
Current tax liabilities

Trade payables and current other liabilities	€m	
	2013	2014
Trade payables	165.3	144.2
Derivatives in the energy area	144.3	100.8
Outstanding receipts for investments	101.0	60.1
Derivatives in the finance area	32.3	47.0
Other liabilities for maintenance expenses	63.8	43.8
Other personnel-related liabilities	33.7	34.9
Other liabilities from electricity and grid deliveries	25.5	27.4
Liabilities to tax authorities	36.2	15.4
Liabilities to ECRA	10.8	7.2
Other liabilities for legal, audit and consulting expenses	6.6	6.7
Liabilities from social security (including social insurance institutions)	5.3	5.0
Electricity supply commitment	3.5	3.9
Liabilities to investees	8.7	1.6
Other	27.7	19.2
Trade payables and current other liabilities	664.8	517.3

(45)
Trade payables and current other liabilities

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

Open line items with respect to current liabilities in the amount of €59.5m (previous year: €13.4m) arose in connection with additions to intangible assets and property, plant and equipment.

Other non-cash expenses and income in the previous year mainly comprised non-cash fair value measurements in the course of business acquisitions of (additional) Bavarian hydropower plant capacities, the associated reclassification adjustments ("recyclings") of other comprehensive income to the income statement and the income from the repurchase of 60 % of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group.

(46) Additional information on cash flow from operating activities

Cash flow from operating activities in the 2014 reporting period includes variation margin payments from futures contracts in the energy area in the amount of €8.2m (previous year: €-20m).

(47) Cash inflow from capital expenditure for subsidiaries

Previous year cash inflows for investments in subsidiaries which were consolidated (€+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 previous year resulted mainly from the sale of the equity interest in STEWEAG-STEAG GmbH.

(49) Additional information on cash flow from financing activities

Additional information on cash flow from financing activities	€m	
	2013	2014
Dividends paid to non-controlling interests	-97.0	-70.9
Dividends paid to the shareholders of VERBUND AG	-208.4	-347.4

The following cash flows were attributable to Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. until their deconsolidation effective 13 October 2014:

Cash flow from discontinued operations	€m	
	2013	2014
Cash flow from operating activities	-55.1	-46.1
Cash flow from investing activities	-23.9	-0.1
Cash flow from financing activities	77.7	45.7

(50)
Cash flow from
discontinued
operations

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.

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 if 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:

Finance area

Derivative financial instruments in other receivables				€m
	Reference value ¹	Positive fair values 31/12/2013	Positive fair values 31/12/2014	
Interest rate swaps – closed items on the balance sheet (fixed interest recipient)	\$248.4m (previous year: \$245.9m)	84.3	113.8	
Interest rate swap relating to financial liabilities (freestanding)	€0.0m (previous: €257.0m)	2.5	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 31/12/2013	Negative fair values 31/12/2014	
Interest rate swaps – hedges (fixed interest recipient)	€433.2m (previous year: €447.8m)	28.5	34.2	
Interest rate swap relating to financial liabilities (freestanding)	€236.7m (previous year: €53.5m)	3.8	12.7	

¹ The reference value includes the reference basis of the derivative instruments. The actual cash flows only represent a portion 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 €433.2m (previous year: €447.8m) 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 12 years (2015 to 2026) and will be recognised in profit or loss accordingly.

Additional interest rate swaps (from variable to fixed interest rate) were also entered into with an outstanding nominal value of €236.7m as at 31 December 2014 (previous year: €257.0m) 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.

Liquidity risk

In order to secure sufficient liquidity reserves, a five-year syndicated credit line in the amount of €500.0m with two renewal options to extend the term for one year each was entered into in the 2014 reporting period. The credit line was granted to VERBUND AG as part of an international banking syndication. This credit line was not drawn down. It replaced the credit line in the amount of €750.0m that had been in place since 2011 and was terminated in 2014. In addition, there are also liquidity reserves in the form of securities and investment funds.

For 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 across the Group. 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 entering into netting arrangements.

As a general rule, counterparty risk is not hedged. A credit insurance policy in place in the previous year for Europe in the consumer business area (10% deductible, maximum coverage of €10.0m) was not renewed in the reporting period. Therefore, there is no longer any insurance coverage for trade receivables at 31 December 2014 (previous year: €32.9m).

The table below provides an overview of the material financial instruments with credit risk by credit rating group:

Credit rating group	Equivalent Moody’s rating	Securities and loans under closed items on the balance sheet	Securities	Non-current and current other receivables ¹	Trade receivables	Derivatives in the finance area	Derivatives in the energy area	Investments as well as cash and cash equivalents ²
A	up to Aa3	0.0	0.0	4.2	2.2	0.0	2.8	1.0
B	up to A3	235.8	0.0	0.0	86.6	0.0	41.1	0.1
C	up to Baa3	81.3	0.0	0.0	91.5	113.8	54.4	305.7
D	below Baa3	0.0	0.0	0.0	1.6	0.0	27.3	0.0
Not rated		0.0	92.7	301.4	83.0	0.0	0.0	1.7
Total		317.1	92.7	305.6	264.9	113.8	125.6	308.6

¹incl. receivables and loans to investees and other equity interests classified as “held for sale” // ² Non-current and current loans and money market transactions have been summarised as investments in this presentation.

Financial instruments with credit risk by assigned rating group 2013

€m

Credit rating group	Equivalent Moody's rating	Securities and loans under closed items on the balance sheet	Securities	Non-current and current other receivables ¹	Trade receivables	Derivatives in the finance area	Derivatives in the energy area	Investments as well as cash and cash equivalents ²
A	up to Aa3	0.0	2.4	3.9	10.8	0.0	3.8	0.1
B	up to A3	204.9	0.0	0.0	116.8	1.9	72.0	573.2
C	up to Baa3	70.8	0.0	0.0	97.5	85.0	55.7	214.9
D	below Baa3	0.0	0.0	0.0	3.9	0.0	28.7	0.0
Not rated		0.0	90.2	181.7	75.7	0.0	0.0	2.0
Total		275.7	92.6	185.6	304.7	86.8	160.2	790.2

¹incl. receivables from investees and loans to investees // ² Non-current and current loans and money market transactions have been summarised as investments in this presentation.

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 obligations 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 on the one hand 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). On the other hand, this amount includes companies for which credit assessments may not have been carried out, but to which nevertheless credit limits had to be 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 2014, 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: 7.8%).

A 1.0% increase in the interest rate would result in a decrease of €2.8m p.a. (previous year: €2.8m 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.

At 31 December 2014, there are interest rate swaps (notional amount: \$248.4m; previous year: \$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 hedge 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.

At 31 December 2014, there were additional interest rate swaps over a total notional amount of €433.2m (previous year: €447.8m). 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 as hedging instruments as part of cash flow hedges in accordance with IAS 39.

In addition, interest rate swaps (from variable to fixed interest) were entered into as part of project financing with a notional amount of €236.7m (previous year: €257.0m) for which no hedging relationships could be presented from a Group perspective. For the fair value of financial liabilities see: (38) Additional disclosures regarding financial instruments in accordance with IFRS 7. The average remaining term for the entire portfolio is 4.7 years (previous year: 4.6 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 2014, the foreign exchange risk of all financial liabilities (in yen) can be presented as follows:

Liability	€m	
Foreign currency	31/12/2013	31/12/2014
¥5,550m (previous year: ¥5,550.0m)	38.3	38.2

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: €0.4m).

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 are still hedged in part by means of counter-guarantees (see: Other obligations 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, balance sheet cover remains in place. 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 is \$248.4m (previous year: \$245.9m).

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 rate swaps (€113.8m; previous year: €84.3m) can be netted against the financial liabilities to banks recognised at fair value (€331.5m; previous year: €273.9m). The net liability from both of these items therefore amounted to €217.7m (previous year: €189.6m) as at 31 December 2014).

With respect to the only remaining cross-border leasing transaction, a so-called head lease filing trigger (entry of the established rights arising from the lease agreements in the land register) vis-à-vis the lending financial institutions took effect as a result of the downgrading of VERBUND's credit rating by S&P in the 2014 reporting period. As an alternative to the entry in the land register, negotiations over a compensation of risk (waiver) through payment of a one-time fee were entered into in reporting period 2014. Provisions were recognised for the estimated future expenses associated with this solution. If VERBUND AG is downgraded further, the head lease filing trigger would also take effect vis-à-vis equity investors.

In addition, there is still a risk that the investments would have to be exchanged or additional collateral would have to be provided if the rating of the investments' issuers were downgraded below a certain threshold amount. The same applies to two transactions that had been terminated early for which the financial liabilities were continued if the rating of either VERBUND or the issuer of the investments were to be downgraded by a certain amount. In this case, corresponding measures must be implemented.

The ratings of the contractual parties and/or VERBUND's rating exceeded the contractually agreed threshold amounts on 31 December 2014 (with the exception of the facts and circumstances described above). 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.

Within its core business, VERBUND is active in international energy markets and is thus exposed to market, counterparty and operational risks that 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 procedure 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.

At 31 December 2014, the derivative financial instruments in the energy area (electricity futures and electricity forwards as well as options, gas futures and gas forwards along with the freestanding derivative from the long-term natural gas supply contract for the Mellach combined cycle gas turbine power plant, CO₂ futures and CO₂ forwards) can be broken down as follows:

Cash flow hedges (sales and procurement) as at 31/12/2014			€m
	Positive fair values	Negative fair values	Net
Futures	31.1	30.7	0.4
Forwards	10.5	16.4	-5.9
Swaps	0.0	0.0	0.0
Total before netting	41.6	47.1	-5.5
Of which current	41.1	45.1	-4.0
Of which non-current	0.5	2.0	-1.5
Of which in other comprehensive income			-5.5

Energy area

Wholesale as at 31/12/2014			€m
	Positive fair values	Negative fair values	Net
Futures	35.4	52.5	-17.1
Forwards	101.3	60.0	41.3
Swaps	0.0	0.0	0.0
Options	0.0	3.3	-3.3
Natural gas supply agreement	0.0	63.4	-63.4
Total before netting	136.8	179.2	-42.4
Of which current	98.0	150.5	-52.5
Of which non-current	38.8	28.7	10.1
Futures already realised			-29.5
Total			-71.9

Trading as at 31/12/2014			€m
	Positive fair values	Negative fair values	Net
Futures	0.4	1.8	-1.3
Forwards	317.4	315.7	1.6
Total before netting	317.8	317.5	0.3
Of which current	187.9	187.6	0.4
Of which non-current	129.8	129.9	-0.1

Total as at 31/12/2014			€m
	Positive fair values	Negative fair values	Net
Futures	67.0	85.0	-18.0
Forwards	429.2	392.1	37.1
Swaps	0.0	0.0	0.0
Options	0.0	3.3	-3.3
Natural gas supply agreement	0.0	63.4	-63.4
Total before netting	496.2	543.8	-47.6
Including netting agreements	-370.6	-370.6	0.0
Total after netting	125.6	173.2	-47.6
EEX/ECX clearing variation margins of futures	0.0	-18.1	
Recognised under other current receivables or liabilities	125.6	155.0	-29.4

At 31 December 2013, the derivative financial instruments in the energy area (electricity futures and electricity forwards as well as options, gas forwards and gas swaps along with the freestanding derivative from the long-term natural gas supply contract for the Mellach combined cycle gas turbine power plant and CO₂ 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

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 entered into 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 in 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 €0.2m (previous year: €-0.5m) and on equity (not including deferred taxes) in the amount of €-43.9m (previous year: €-47.9m). At present, a 10.0% decline in the market price would have an impact on the operating result in the amount of €-0.2m (previous year: €+0.5m) and on equity (not including deferred taxes) in the amount of €+43.9m (previous year: €+47.9m). The future sales and procurement transactions hedged by cash flow hedges will occur over the next four years (2015 to 2018) and be recognised in profit or loss accordingly. At 31 December 2014, there were no ineffective portions of cash flow hedges to be recognised in profit or loss in accordance with IAS 39.

In the 2014 reporting period, €68.1m (previous year: €78.1m) was recognised in other comprehensive income with a resulting increase in equity. In the same period, a gain of €30.8m (previous year: €136.4m) was reclassified to profit or loss.

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: net debt/EBITDA, free cash flow (after dividends), dividends distributed to the shareholders of VERBUND AG and ROCE.

In order to support the rating, the Group strives for a ratio of net debt/EBITDA of < 3.0%, a free cash flow of > €100m and a ROCE of > 7.5% (profit or loss from discontinued operations is taken into account when determining the key figures).

Net debt/EBITDA	€m	
	2013	2014
Net debt	3,706.3	4,059.6
EBITDA	1,301.4	808.8
Net debt/EBITDA	2.8	5.0

Free cash flow (after dividends)	€m	
	2013	2014
Cash flow from operating activities	841.4	717.6
Cash flow from investing activities excluding cash inflows and outflows from investments and/or disposals in investments	10.8	-432.9
Dividend	-305.5	-418.3
Free cash flow (after dividends)	546.7	-133.6

Return on capital employed	€m	
	2013	2014
NOPAT	462.1	304.1
Average capital employed	9,724.2	9,499.2
Return on capital employed	4.8%	3.2%

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 obligations and/or entitlements and risks

Contingent liabilities

As at 31 December 2014, 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 2014, VERBUND's secondary liability amounted to €530.3m (previous year: €478.6m) for the non-redeemed portion of the leasing liability from this cross-border leasing transaction). Of the rights of recourse against the primary debtors, €375.4m (previous year: €349.7m) is secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €203.8m (previous year: €179.5m) 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).

Contingent assets

VERBUND was served a temporary injunction by the Graz West district court on 11 September 2014 (decision dated 5 September 2014) upon application by Energie Steiermark Wärme GmbH ("Wärme GmbH") as well as a request for arbitration from Wärme GmbH on 24 September 2014 by the Economic Chamber of Lower Austria. The subject of the legal dispute between VERBUND and Wärme GmbH is divergent views concerning the outage reserves for district heating deliveries by the Mellach power plant based on the existing district heating agreement. The temporary injunction essentially obligates VERBUND for the duration of its existence (i.e. for the duration of the arbitration proceedings) to have an operational outage reserve thermally ready for the delivery of a maximum of 230 MW in each case during the period from 15 September to 15 May of the following year at the Mellach site. The outcome of the arbitration proceedings expected by VERBUND was taken into consideration during the impairment testing of the Mellach combined cycle gas turbine power plant (see: (10) Effects from impairment tests).

Contracts and purchase commitments

Contracts and purchase commitments 2014

	Total commitment as at 31/12/2014	Commitment within one year	Commitment within 5 years
Rental, lease and insurance agreements	n/a ¹	28.6	140.0
Purchase commitment for property, plant and equipment, intangible assets and other services	351.4	213.7	336.3

Contracts and purchase commitments 2013

	Total commitment as at 31/12/2013	Commitment within one year	Commitment within 5 years
Rental, 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

¹The 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 200,000 t was entered into with Weglokoks S.A. for delivery in the 2015 reporting period.

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 payments were discontinued at the same time (see: Discretionary judgements and key assumptions concerning the future).

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.

Provincial energy companies have acquired (proportional) 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. 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 district heating plant and 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 losses 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.

Other commitments

Average number of employees

	2013	2014	Change
Salaried employees	3,077	2,997	-80
Wage earners	82	55	-27
Apprentices	192	193	1
Average number of employees ¹	3,351	3,245	-107

Average number of employees

¹ Part-time employees have been taken into account proportionately based on their working hours.

As at the balance sheet date, 190 (previous year: 222) 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 2014 reporting period, an average of 29 (previous year: 48) employees were seconded to PÖYRY Energy GmbH to complete various engineering and consulting tasks. VERBUND holds a 25.1% interest in PÖYRY Energy GmbH (see: Subsidiaries, joint ventures and associates of VERBUND). These secondments are remunerated at standard rates, based on the qualifications of the respective employees and the hourly rates prevailing in the market.

In addition, there was a total average of 31 secondments (previous year: 38) to non-consolidated subsidiaries of VERBUND in the 2014 reporting period.

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 2013 and 2014 was Deloitte Audit Wirtschaftsprüfungs GmbH.

Expenses for services provided by the Group auditor				€k
	Deloitte ¹ 2013	Deloitte ¹ 2014	Network 2013	Network 2014
Audit services relating to consolidated and separate financial statements	341.7	296.9	263.5	196.4
Other assurance services	213.2	202.1	34.4	0.0
Tax consulting services	7.4	9.6	0.0	0.0
Other advisory services	143.9	68.0	0.0	0.0
Total expenses	706.2	576.6	297.9	196.4

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: €9.0k) for audit services relating to the consolidated and separate financial statements (of which to Deloitte Audit Wirtschaftsprüfungs GmbH: €9.0k; previous year: €9.0k) and €0.0k (previous year: €11.2k) for other assurance services (of which to Deloitte Audit Wirtschaftsprüfungs GmbH: €0.0k; previous year: €11.2k).

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.

Material transactions with equity-accounted joint ventures had the following effect on VERBUND's income statement and balance sheet:

Transactions with joint ventures

Transactions with joint ventures	€m	
	2013	2014
Income statement		
Electricity revenue	0.1	0.0
Grid revenue	1.4	0.0
Other revenue	2.9	0.7
Other operating income	0.1	0.0
Expenses for electricity, grid, gas and certificates purchases	-8.1	-0.1
Fuel expenses and other usage-dependent expenses	0.0	0.0
Other operating expenses	-0.2	0.0
Interest expenses	0.0	0.0
Interest income	2.1	1.9
Other financial result	1.8	2.3

Transactions with joint ventures

€m

	31/12/2013	31/12/2014
Balance sheet		
Investments and non-current other receivables	38.7	23.8
Trade receivables and current other receivables	40.0	36.8
Contributions to building costs	1.0	1.0
Trade payables and current other liabilities	0.6	1.5

In the 2013 reporting period, Österreichisch-Bayerische Kraftwerke AG, Donaukraft Jochenstein AG and Grenzkraftwerke GmbH were still classified as related parties until their initial consolidation and Energija Enerji A.S. (Group) until its deconsolidation, effective in each case at 24 April 2013 (see: Financial reporting principles).

Electricity was purchased in the 2013 reporting period primarily by Österreichisch-Bayerische Kraftwerke AG and Donaukraftwerk Jochenstein AG until their initial consolidation.

Investments at 31 December 2014 included a non-current loan to Energji Ashta Shpk in the amount of €19.8m (previous year: €33.9m) as well as an other current receivable in the amount of €36.3m (previous year: €39.4m). Both mainly served the financing of construction services relating to an Albanian hydropower plant concession.

Transactions with associates

KELAG-Kärntner Elektrizitäts-AG has acquired (proportional) electricity purchase rights by providing contributions to building costs for power plants on the Danube and Drau rivers and for the Malta and Reißeck power plant groups. 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 the carrying amount of contractually specified 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

	2013	2014
Income statement		
Electricity revenue	75.6	49.8
Grid revenue	22.8	11.1
Other revenue	3.2	0.2
Other operating income	10.6	2.3
Expenses for electricity, grid, gas and certificates purchases	-25.6	-22.0
Fuel expenses and other usage-dependent expenses	0.0	0.0
Other operating expenses	-0.8	-0.8
Interest income	0.0	0.0

	31/12/2013	31/12/2014
Balance sheet		
Investments and non-current other receivables	0.0	0.0
Trade receivables and current other receivables	4.9	7.3
Non-current provisions	0.0	0.0
Contributions to building costs	255.5	279.2
Current provisions	0.1	0.0
Trade payables and current other liabilities	2.0	0.1

Sorgenia S.p.A. (Group) was deconsolidated effective 18 December 2014 and has not been a related party as defined in IAS 24 since that date.

When determining the above disclosures, the fact that STEWEAG-STEG GmbH was still a related party in the previous year for at least a part of the 2013 reporting period as defined in IAS 24 was taken into account accordingly.

Electricity revenue was primarily generated from KELAG-Kärntner Elektrizitäts-AG (€38.2m; previous year: €45.2m). The 2013 comparative period also included electricity revenue of €23.2m from STEWEAG-STEG GmbH until the equity interest in this company was sold. Electricity revenue was offset by electricity purchases from KELAG-Kärntner Elektrizitäts-AG in the amount of €22.0m (previous year: €23.9m). Grid revenue was generated from KELAG-Kärntner Elektrizitäts-AG (€11.1m; previous year: €20.0m). KELAG-Kärntner Elektrizitäts-AG made contributions to building costs of €31.0m (previous year: €39.7m) in the 2014 reporting period.

As at 31 December 2014, other liabilities included contingent liabilities in the amount of €29.9m (previous year: €33.9m) 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 VBOC's commitments from its management activities for Birecik Baraj ve Hidroelektrik Santrali Tesis ve Isletme A.S. in Turkey.

Contingent liabilities to investees

The outstanding contribution commitments to investees include equity contributions if the corresponding shareholder resolutions have already been adopted. As at 31 December 2014, there are contribution commitments to investees in the amount of €6.9m (previous year: €0.0m).

Other commitments to investees

Electricity deliveries from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €56.2m (previous year: €56.6m) in the 2014 reporting period. The primary buyers of this electricity were Bundesbeschaffungs GmbH, OMV, Telekom Austria and ASFINAG. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €0.7m in the 2014 reporting period (previous year: €0.7m). The electricity deliveries were carried out primarily by ÖBB.

Transactions with the Republic of Austria and companies under its controlling influence

Gas purchased from companies significantly influenced by the Republic of Austria and included under fuel expenses amounted to a total of €0.0m in the 2014 reporting period (previous year: €22.3m). Gas purchases in the previous year occurred as a result of the long-term natural gas supply agreement with EconGas GmbH 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

**Disclosures
regarding the
governing bodies of
the Group**

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.

In the 2014 reporting period, the effect on profit or loss from the fair value measurement of the natural gas supply agreement qualifying as a free-standing derivative amounted to €2.1m (previous year: €-5.1m; see also: (38) Additional disclosures regarding financial instruments in accordance with IFRS 7). The corresponding derivative financial instrument in the energy area was recognised in non-current other liabilities in the amount of €54.3m (31 December 2013: €54.9m) and in current other liabilities in the amount of €9.1m (31 December 2013: €10.5m). No disclosures have been provided in respect of any provisions that may arise in relation to the competition law proceedings because it can be expected that such note disclosures would seriously compromise VERBUND's position in the proceedings.

VERBUND's expense for monitoring by E-Control amounted to a total of €13.0m (previous year: €13.0m) in the 2014 reporting period).

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 (incl. variable remuneration)		€
	2013	2014
Dipl.-Ing. Wolfgang Anzengruber	1,131,210	1,158,513
Dr. Johann Sereinig	1,035,792	1,057,908
Dipl.-Ing. Dr. Günther Rabensteiner	695,488	737,720
Dr. Peter F. Kollmann	-	750,000
Dr. Ulrike Baumgartner-Gabitzer	752,598	-

Remuneration of the members of the Executive Board in 2014 amounted to a total of €3,810,420 (previous year: €3,615,088), including benefits in kind of €106,279.

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. Therefore, the total amount includes variable remuneration components granted to members of the Executive Board in the 2014 reporting period for the 2013 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 2013 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 2013 related to attainment of the Group result and 50% related to the attainment of quantitative/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 as well as the strategic repositioning for internationalisation). 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. In the 2014 reporting period, contributions to the pension fund were paid for the Executive Board in the amount of €172,675 (previous year: €130,892).

Statutory regulations - taking the requirements of Rule 27a of the Austrian Code of Corporate Governance into account - apply in relation to the claims of members of the Executive Board when they

retire from the Board. In the 2014 reporting period, pensions and severance payments amounting to €525,892 (previous year: €622,259) were paid out to 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 €83,689 (previous year: €137,153). 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 €151,640 (previous year: €183,423). In addition, remeasurement expenses amounting to €1,036,706 (previous year: €276,313) were recognised in other comprehensive income.

Remuneration for members of the Supervisory Board amounted to a total of €318,543 (previous year: €314,969). As in the previous year, no loans or advances were paid out to members of the Group’s or subsidiaries’ Boards. As in the previous year, neither the members of the Executive Board nor senior management staff of VERBUND have stock options.

Subsidiaries, joint ventures and associates of VERBUND

The following table contains condensed financial information for each of the Group’s subsidiaries with significant, non-controlling interests before intra-Group adjustments:

Subsidiaries with significant, non-controlling interests

Subsidiaries with significant, non-controlling interests:

Statement of comprehensive income					€m
	VERBUND Hydro Power GmbH	2013 VERBUND Innkraftwerke GmbH	VERBUND Hydro Power GmbH	2014 VERBUND Innkraftwerke GmbH	
Revenue	1,022.3	100.9	863.9	82.7	
Profit/loss after tax from continuing operations	346.0	19.1	322.8	12.6	
Profit for the period	346.0	19.1	322.8	12.6	
Ownership interest of non-controlling interests	19.67%	29.73%	19.58%	29.73%	
Profit for the period attributable to non-controlling interests	68.0	5.7	63.2	3.7	
Other comprehensive income	–13.7	–1.6	–37.7	–5.7	
Total comprehensive income for the period	332.3	17.5	285.1	6.9	
Ownership interest of non-controlling interests	19.67%	29.73%	19.58%	29.73%	
Total profit or loss for the period attributable to non-controlling interests	65.3	5.2	55.8	2.0	

Subsidiaries with significant, non-controlling interests: Balance sheet

€m

	VERBUND Hydro Power GmbH	31/12/2013 VERBUND Innkraftwerke GmbH	VERBUND Hydro Power GmbH	31/12/2014 VERBUND Innkraftwerke GmbH
Non-current assets	4,660.8	704.0	4,841.9	732.1
Current assets	114.4	46.0	370.5	22.6
Non-current liabilities	-2,494.7	-47.0	-2,336.4	-87.4
Current liabilities	-141.0	-15.9	-697.9	-13.4
Net assets	2,139.5	687.2	2,178.1	654.0
Ownership interest of non-controlling interests	19.67%	29.73%	19.58%	29.73%
Net assets attributable to non-controlling interests	420.8	204.3	426.5	194.5

Subsidiaries with significant, non-controlling interests: Cash flows

€m

	VERBUND Hydro Power GmbH	31/12/2013 VERBUND Innkraftwerke GmbH	VERBUND Hydro Power GmbH	31/12/2014 VERBUND Innkraftwerke GmbH
Cash flow from operating activities	537.6	59.8	458.6	51.1
Cash flow from investing activities	-179.7	-16.6	-153.9	-67.1
Cash flow from financing activities	-357.7	-43.2	-304.6	16.0
Change in cash and cash equivalents	0.0	0.0	0	0.0
Dividends paid to non-controlling interests	59.0	37.5	58.9	11.9

There is a shareholder agreement at VERBUND Innkraftwerke GmbH that specifies that the entire profit for the year is to be approved as net profit for the period and distributed to the shareholders except in the following cases: the distribution of the entire profit violates statutory provisions; equity as a percentage of assets will fall below 25% as at the respective reporting date if the entire profit is distributed; there are insufficient liquid funds available to distribute the entire profit; a distribution of the entire profit would not leave enough liquid funds for approved capital expenditure, maintenance and restructuring measures and/or actions that must be taken due to force majeure, or reserves are to be recognised for the reversal of impairment losses.

Joint ventures

The table below shows a summary of aggregated financial information for the equity-accounted joint ventures of VERBUND broken down according to material joint ventures (Shkodra Region Beteiligungsholding GmbH) and joint ventures that are individually immaterial. The reference date for investee balance sheet data is 30 September 2014 (see: Financial reporting principles); the data are based on disclosed financial statements and/or on data updated to the best of VERBUND's knowledge.

Shkodra Region Beteiligungsholding GmbH: Statement of comprehensive income		€m
	2013	2014
Revenue	27.6	1.8
Depreciation and amortisation	0.0	-0.1
Interest income	8.2	11.9
Interest expense	-4.2	-7.7
Taxes on income	5.0	-4.1
Profit/loss after tax from continuing operations	-40.5	-2.5
Ownership interest of VERUND	50.01 %	50.01 %
Profit or loss for the period attributable to VERBUND	-20.3	-1.2
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	-20.2	-1.2
Profit/loss after tax from continuing operations	-40.5	-2.5
Other comprehensive income	0.0	0.0
Total comprehensive income for the period	-40.5	-2.5
Ownership interest of VERUND	50.01 %	50.01 %
Total comprehensive income for the period attributable to VERBUND	-20.3	-1.2
Differences due to the application of the equity method of accounting	0.0	0.0
Total comprehensive income for the period from joint ventures accounted for using the equity method	-20.2	-1.2
Dividends received from joint ventures	0.0	0.0

At Shkodra Region Beteiligungsholding GmbH, resolutions on the distribution of dividends are to be unanimously approved with the joint venture partners.

Individually immaterial joint ventures: Statement of comprehensive income		€m
	2013	2014
Profit/loss after tax from continuing operations	1.7	-0.1
Profit or loss for the period attributable to VERBUND	0.7	-0.1
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	0.7	-0.1
Profit/loss after tax from continuing operations	1.7	-0.1
Other comprehensive income	0.0	0.0
Total comprehensive income for the period	1.7	-0.1
Total comprehensive income for the period attributable to VERBUND	0.7	-0.1
Differences due to the application of the equity method of accounting	0.0	0.0
Total comprehensive income for the period from joint ventures accounted for using the equity method	0.7	-0.1

Shkodra Region Beteiligungsholding GmbH: Balance sheet

€m

	31/12/2013	31/12/2014
Non-current assets	138.8	141.4
Current assets ¹	31.7	33.5
Non-current liabilities ²	-40.2	-125.9
Current liabilities ³	-124.9	-46.2
Net assets	5.3	2.9
Ownership interest of VERBUND	50.01%	50.01%
Net assets attributable to VERBUND	2.6	1.4
Differences due to the application of the equity method of accounting	-2.6	-1.4
Carrying amount of joint ventures accounted for using the equity method	0.0	0.0

¹ Current assets include liquid assets of €0.1m (previous year: €0.4m). // ² Non-current liabilities include non-current financial liabilities (with the exception of trade payables, other liabilities and provisions) in the amount of €125.9m (previous year: €132.9m). // ³ Current liabilities include current financial liabilities (with the exception of trade payables, other liabilities and provisions) in the amount of €7.8m (previous year: €7.9m).

Until further notice, there is a cash management agreement in place between VERBUND and Energji Ashta Shpk (wholly owned subsidiary of Shkodra Region Beteiligungsholding GmbH) with a limit of €50.0m. As at 31 December 2014, €32.8m (previous year: €36.0m) of the limit had been drawn down.

Individually immaterial joint ventures: Balance sheet

€m

	31/12/2013	31/12/2014
Net assets	6.7	8.1
Net assets attributable to VERBUND	2.2	2.9
Differences due to the application of the equity method of accounting	0.0	0.0
Carrying amount of joint ventures accounted for using the equity method	2.2	2.9

Associates

The tables below show a summary of aggregated financial information for the associates of VERBUND accounted for using the equity method broken down according to material associates (KELAG-Kärntner Elektrizitäts-Aktiengesellschaft; in the previous year also: Sorgenia S.p.A. (Group)) and individually immaterial associates. The reference date for investee balance sheet data is 30 September 2014 (see: Financial reporting principles); the data are based on disclosed financial statements and/or on data updated to the best of VERBUND's knowledge.

Individually material associates: Statement of comprehensive income

€m

	2013		2014	
	Sorgenia S.p.A. (Group)	KELAG-Kärntner Elektrizitäts- Aktien- gesellschaft	Sorgenia S.p.A. (Group)	KELAG-Kärntner Elektrizitäts- Aktien- gesellschaft
Revenue	2,548.4	1,601.4	-	1,447.1
Profit/loss after tax from continuing operations	-553.9	96.8	-	96.4
Ownership interest of VERUND	45.75 %	35.17 %	-	35.17 %
Profit or loss for the period attributable to VERBUND	-252.9	34.0	-	33.9
Differences due to the application of the equity method of accounting	22.2	0.0	-	0.0
Share of profit or loss from associates accounted for using the equity method	-230.7	34.0	-	33.9
Profit/loss after tax from continuing operations	-553.9	96.8	-	96.4
Other comprehensive income	13.5	1.4	-	-10.6
Total comprehensive income for the period	-540.5	98.2	-	85.8
Ownership interest of VERUND	45.75 %	35.17 %	-	35.17 %
Total comprehensive income for the period attributable to VERBUND	-247.3	34.5	-	30.2
Differences due to the application of the equity method of accounting	22.2	0.0	-	0.0
Total comprehensive income for the period from associates accounted for using the equity method	-225.0	34.5	-	30.2
Dividends received from associates	0.0	14.1	-	14.1

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft resolutions on the distribution of dividends must be approved with a simple majority. Kärntner Energieholding Beteiligungs GmbH holds 51 % of the interest in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft and therefore determines their distribution policy.

Individually immaterial associates: Statement of comprehensive income

€m

	2013	2014
Profit/loss after tax from continuing operations	-0.5	1.8
Profit or loss for the period attributable to VERBUND	-0.1	0.4
Differences due to the application of the equity method of accounting	0.0	0.0
Share of profit or loss from associates accounted for using the equity method	-0.1	0.4
Profit/loss after tax from continuing operations	-0.5	1.8
Other comprehensive income	0.0	0.0
Total comprehensive income for the period	-0.5	1.8
Total comprehensive income for the period attributable to VERBUND	-0.1	0.4
Differences due to the application of the equity method of accounting	0.0	0.0
Total comprehensive income for the period from associates accounted for using the equity method	-0.1	0.4

Individually material associates: Balance sheet

€m

	Sorgenia S.p.A. (Group)	31/12/2013 KELAG-Kärntner Elektrizitäts- Aktien- gesellschaft	Sorgenia S.p.A. (Group)	31/12/2014 KELAG-Kärntner Elektrizitäts- Aktien- gesellschaft
Non-current assets	-	1,465.0	-	1,515.1
Current assets	-	441.4	-	235.6
Non-current liabilities	-	-666.9	-	-771.4
Current liabilities	-	-557.9	-	-252.0
Net assets	-	681.5	-	727.4
Ownership interest of VERBUND	-	35.17%	-	35.17%
Net assets attributable to VERBUND	-	239.7	-	255.8
Differences due to the application of the equity method of accounting	-	0.3	-	0.3
Carrying amount of associates accounted for using the equity method	-	239.9	-	256.1

Individually immaterial associates: Balance sheet

€m

	31/12/2013	31/12/2014
Net assets	4.4	5.7
Net assets attributable to VERBUND	1.1	1.4
Differences due to the application of the equity method of accounting	0.0	0.0
Carrying amount of associates accounted for using the equity method	1.1	1.4

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 $\geq 20\%$.

List of Group companies

Group companies

Company	Head-quarters	Consolidation method	Parent company	2013		Head-quarters	Consolidation method	Parent company	2014	
				Parent company's share of equity					Parent company's share of equity	
VERBUND AG (VH)	Vienna	CS	-	-	-	Vienna	CS	-	-	-
Austrian Power Grid AG (APG)	Vienna	CS	VH	100.00%		Vienna	CS	VH	100.00%	
CAS Regenerabile S.R.L.	Bucharest	CS	VRP VRP-AT	99.90% 0.10%		Bucharest	CS	VRP VFS	99.90% 0.10%	
Donaukraftwerk Jochenstein Aktiengesellschaft	Passau	CS	VH VHP-IW	50.00% 50.00%		Passau	CS	VH VHP-IW	50.00% 50.00%	
Grenzkraftwerke Gesellschaft mit beschränkter Haftung	Simbach	CS	VH VHP-IW	50.00% 50.00%		Simbach	CS	VH VHP-IW	50.00% 50.00%	
Haos Invest EAD	Sofia	CS	VRP	100.00%		Sofia	CS ¹	VRP	100.00%	
Innwerk AG (VHP-IW)	Landshut	CS	VH	100.00%		Landshut	CS	VH	100.00%	
Österreichisch-Bayerische Kraftwerke Aktiengesellschaft	Simbach	CS	VH VHP-IW	50.00% 50.00%		Simbach	CS	VH VHP-IW	50.00% 50.00%	
VERBUND Finanzierungsservice GmbH	Vienna	CS	VH	100.00%		Vienna	CS	VH	100.00%	
VERBUND Photovoltaics Ibérica S.L.	Madrid	CS	VRP	100.00%		Madrid	CS	VRP	100.00%	
VERBUND Renewable Power GmbH (VRP)	Vienna	CS	VBH	100.00%		Vienna	CS	VH	100.00%	
VERBUND Sales GmbH (VSA)	Vienna	CS	VH	100.00%		Vienna	CS	VH	100.00%	
VERBUND Service GmbH (2013: VERBUND Telekom Service GmbH)	Vienna	CS	VH	100.00%		Vienna	CS	VH	100.00%	
VERBUND Solutions GmbH (VSO)	-	-	-	-		Vienna	CS	VH	100.00%	

Group companies

Company	Head- quarters	Consoli- dation method	Parent company	2013		Head- quarters	Consoli- dation method	Parent company	2014	
				Parent company's share of equity					Parent company's share of equity	
VERBUND Thermal Power GmbH & Co KG in Liqu.	Graz	CS	VBH	100.00%		Graz	CS	VH	100.00%	
VERBUND Thermal Power GmbH (VTP GmbH)	Graz	CS	VBH	100.00%		Graz	CS	VH	100.00%	
VERBUND Tourismus GmbH	Vienna	CS	VH VBH	99.90% 0.10%		Vienna	CS	VHP LESTIN	99.90% 0.10%	
VERBUND Trading GmbH (VTR, 2013: VERBUND Trading AG)	Vienna	CS	VH	100.00%		Vienna	CS	VH	100.00%	
VERBUND Trading Romania S.R.L.	Bucha- rest	CS	VTR VH	99.00% 1.00%		Bucha- rest	CS	VTR VH	99.00% 1.00%	
VERBUND Umwelttechnik GmbH	Klagen- furt	CS	APG	100.00%		Klagen- furt	CS	APG	100.00%	
VERBUND Wind Power Austria GmbH (VRP-AT)	Vienna	CS	VRP VBH	99.75% 0.25%		Vienna	CS	VHP LESTIN	99.75% 0.25%	
VERBUND Wind Power Deutschland GmbH (VRP-DE)	Wörr- stadt	CS	VRP-AT	100.00%		Wörr- stadt	CS	VH	100.00%	
Windpark Dichtelbach GmbH & Co. KG	Wörr- stadt	CS	VRP-AT	95.00%		Wörr- stadt	CS	VH	95.00%	
Windpark Dörrebach GmbH & Co. KG	Wörr- stadt	CS	VRP-AT	95.00%		Wörr- stadt	CS	VH	95.00%	
Windpark Eichberg GmbH & Co. KG	Wörr- stadt	CS	VRP-AT	95.00%		Wörr- stadt	CS	VH	95.00%	
Windpark Ellern GmbH & Co. KG	Wörr- stadt	CS	VRP-AT	95.00%		Wörr- stadt	CS	VH	95.00%	
Windpark Hochfels GmbH & Co. KG	Wörr- stadt	CS	VRP-AT	95.00%		Wörr- stadt	CS	VH	95.00%	
Windpark Rheinböllen GmbH & Co. KG	Wörr- stadt	CS	VRP-AT	95.00%		Wörr- stadt	CS	VH	95.00%	
Windpark Schönborn GmbH & Co. KG	Wörr- stadt	CS	VRP-AT	95.00%		Wörr- stadt	CS	VH	95.00%	
Windpark Seibersbach GmbH & Co. KG	Wörr- stadt	CS	VRP-AT	95.00%		Wörr- stadt	CS	VH	95.00%	

Group companies

Company	Head- quarters	Consoli- dation method	Parent company	2013	Head- quarters	Consoli- dation method	Parent company	2014
				Parent company's share of equity				Parent company's share of equity
Windpark Stetten I GmbH & Co. KG	Wörr- stadt	CS	VRP-AT	95.00 %	Wörr- stadt	CS	VH	95.00 %
Windpark Utschenwald GmbH & Co. KG	Wörr- stadt	CS	VRP-AT	95.00 %	Wörr- stadt	CS	VH	95.00 %
Alpha Wind S.R.L.	Bucha- rest	CS	VRP	90.00 %	Bucha- rest	CS	VRP	90.00 %
Ventus Renew Romania S.R.L.	Bucha- rest	CS	VRP	90.00 %	Bucha- rest	CS	VRP	90.00 %
Infrastruktur Oberheimbach I GmbH & Co. KG	Wörr- stadt	CS	VRP-AT	81.00 %	Wörr- stadt	CS	VH	81.00 %
VERBUND Hydro Power GmbH (VHP, 2013: VERBUND Hydro Power AG)	Vienna	CS	VH	80.33 %	Vienna	CS	VH	80.42 %
Infrastrukturgesell- schaft Bischheim GmbH & Co. KG	Wörr- stadt	CS	VRP-AT	76.00 %	Wörr- stadt	CS	VH	76.00 %
VERBUND- Innkraftwerke GmbH	Töging	CS	VH	70.27 %	Töging	CS	VH	70.27 %
Shkodra Region Beteiligungsholding GmbH (VHP-AL-HI)	Vienna	EM ²	VHP	50.01 %	Vienna	EM ²	VHP	50.01 %
AQUANTO GmbH	–	–	–	–	Unterföh- ring	EM	VH	50.00 %
Ennskraftwerke Aktiengesellschaft	Steyr	JO	VH	50.00 %	Steyr	JO	VH	50.00 %
KELAG-Kärntner Elektrizitäts- Aktiengesellschaft	Klagen- furt	EM	VH	35.17 %	Klagen- furt	EM	VH	35.17 %
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 %
OeMAG Abwicklungsstelle für Ökostrom AG	Vienna	EM	APG	24.40 %	Vienna	EM	APG	24.40 %
Pont-sur-Sambre Power S.A.S.	Boulogne Billan- court	CS	VIN-FR VIN	60.00 % 40.00 %	Boulogne Billan- court	NC ¹	VH	100.00 %

Group companies

Company	Head- quarters	Consoli- dation method	Parent company	2013		Head- quarters	Consoli- dation method	Parent company	2014	
				Parent company's share of equity	Parent company's share of equity				Parent company's share of equity	Parent company's share of equity
Blaringhem Power S.A.R.L.	Paris	NC	VIN-FR VIN	60.00 % 40.00 %		Paris	NC	VTR VH	60.00 % 40.00 %	
Toul Power S.A.S.	Boulogne Billan- court	CS	VIN-FR VIN	60.00 % 40.00 %		Boulogne Billan- court	NC ¹	VH	100.00 %	
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 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 %	
Lestin & Co Tauch-, Bergungs- und Sprengunterneh- men Gesellschaft m.b.H. (LESTIN)	Vienna	NC	VHP	82.35 %		Vienna	NC	VHP	100.00 %	
Verbundplan Birecik Baraji Isletme Ltd. Sti.	Birecik	NC	VHP	70.00 %		Birecik	NC	VHP	70.00 %	
E-Mobility Provider Austria GmbH	Vienna	NC ²	VBH	50.00 %		Vienna	NC ²	VSO	50.00 %	
E-Mobility Provider Austria GmbH & Co KG	Vienna	NC ²	VBH	50.00 %		Vienna	NC ²	VSO	50.00 %	
Gemeinschafts- kraftwerk Inn GmbH	Landeck	NC ²	VH	50.00 %		Landeck	NC ²	VH	10.00 %	
smart Energy Services GmbH	Vienna	NC ²	VSA	50.00 %		Vienna	NC ²	VSA	50.00 %	
Sorgenia S.p.A.	Milan	EM	VIT SOR- GENIA	17.22 % 81.57 %		Milan	NC	VH SORGEN IA	17.22 % 81.57 %	
Sorgenia Holding S.p.A. (SORGENIA)	Milan	EM	VIT	34.97 %		Milan	NC	VH	34.97 %	
PÖYRY Energy GmbH	Vienna	NC	VH	25.10 %		Vienna	NC	VH	25.10 %	

Group companies

Company	Head- quarters	Consoli- dation method	Parent company	2013	Head- quarters	Consoli- dation method	Parent company	2014
				Parent company's share of equity				Parent company's share of equity
VERBUND International Finance GmbH	Vienna	CS	VH	100.00 %	-	-	-	-
VERBUND International Frankreich GmbH (VIN-FR)	Vienna	CS	VH	100.00 %	-	-	-	-
VERBUND Beteiligungsholding GmbH (VBH)	Vienna	CS	VH	100.00 %	-	-	-	-
VERBUND Trading Croatia d.o.o. u likvidaciji	Zagreb	NC	VTR	100.00 %	-	-	-	-
VERBUND Trading Slovakia s.r.o.	Bratis- lava	NC	VTR	100.00 %	-	-	-	-
POWEO Outre-mer Solaire S.A.S.	Paris	NC ¹	VIN-FR	50.10 %	-	-	-	-
VERBUND Mobile Power Region GmbH	Vienna	NC	VH	75.10 %	-	-	-	-
VERBUND International GmbH (VIN)	Vienna	CS	VBH	100.00 %	-	-	-	-
VERBUND Italia S.p.A. in liquidazione (VIT)	Milan	CS	VIN	100.00 %	-	-	-	-
VERBUND Management Service GmbH	Vienna	CS	VH	100.00 %	-	-	-	-

CS = Consolidated subsidiary / EM = Investee accounted for using the equity method / JO = Joint operation, proportionate inclusion of assets and liabilities as well as income and expenses / NC = Non-consolidated entities due to immateriality or lack of significant influence

¹ Classified as held for sale // ² Joint ventures

Events after the balance sheet date

In a letter dated 6 February 2015, the sale of the 100% other equity interests in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. to KKR Credit Advisors (US) LLC was granted final approval by the competition authorities. The transaction is expected to close in quarter 1/2015. The disposal of the equity interests is not expected to have a material effect on the profit or loss for the period.

Effective 23 February 2015, the sale of the 100% equity interest in Haos Invest EAD to Inwind SpLtd. and/or Inovent Holding AD was granted final approval by the competition authorities. The transaction is expected to close in quarter 1/2015. The disposal of the equity interest is not expected to have a material effect on the profit or loss for the period.

Effective 25 February 2015, the restructuring agreement of Sorgenia S.p.A. (Group) was approved by the supreme court in Milan. The capital increase from the creditor banks and the subsequent sale of the remaining other equity interest in Sorgenia S.p.A (Group) after the capital increase is expected to take place during the first half of 2015. The disposal of the equity interest is not expected to have a material effect on the profit or loss for the period.

Vienna, 26 February 2015

The Executive Board

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

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

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

Dr. Peter F. Kollmann
Member of the Executive Board

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, 26 February 2015

The Executive Board

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

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

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

Dr. Peter F. Kollmann
Member of the Executive Board

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 2014 to 31 December 2014. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2014, 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 2014 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.

**Auditor's
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 auditor's 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.

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 2014 and of its financial performance and its cash flows for the financial year from 1 January 2014 to 31 December 2014 in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union.

Audit opinion

Comments on the Group management report

Pursuant to statutory provisions, the Group 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 Group management report is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a of the Austrian Commercial Code (UGB) are appropriate.

Vienna, 26 February 2015

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Maximilian Schreyvogel
Certified Public Accountant

Mag. Gerhard Marterbauer
Certified Public Accountant

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. The Executive Board and Supervisory Board see it as their primary duty to comply with all the rules of the Code as fully as possible and to maintain and continue to develop the Group's high internal standards. VERBUND 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. Application of and compliance with the Code are evaluated externally by an independent auditor at regular intervals. The last such evaluation took place for 2013.

This Corporate Governance Report includes not only the disclosures required by law but also the additional content as intended by the Code of Corporate Governance. 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".

The Austrian Code of Corporate Governance is available from the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at. It was revised last year and is now available as amended in January 2015.

VERBUND will continue to adhere to the Code during financial year 2015. Applying it as fully as possible is an essential building block in strengthening the trust placed in the Group by shareholders, business associates, employees and the public.

Deviations

VERBUND complies with almost all the rules in the Austrian Code of Corporate Governance, including the R Rules. The deviations in financial year 2014 that remained the same as in the previous year already relate to the most recent version of the Code (as amended in January 2015). From a total of 83 rules in the Code, there are slight deviations in the application of two C rules. 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. The exception is as follows: "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.”

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.

The two Supervisory Board members in question each carry out leading functions on boards in companies which are shareholders of VERBUND AG. If there is a conflict of interest with them in a specific case, 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 a total of three agenda items in two meetings.

Executive Board

Composition of the Executive Board

During financial year 2014, the Executive Board had four members. The term of office of Dr. Peter Kollmann as the Chief Financial Officer began on 1 January 2014.

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. Peter F. Kollmann, Member of the Executive Board	1962	1/1/2014	31/12/2018
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

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. The responsibilities were reallocated following the appointment of Dr. Kollmann to the Executive Board.

Allocation of responsibilities

Dipl.-Ing. Wolfgang Anzengruber	Chairman; corporate development (strategy, innovation), corporate office, communications, legal New business solutions Audit, Human Resources Committee
Dr. Johann Sereinig	Energy market and business management Strategic human resources management Trading, sales, services Audit, Human Resources Committee
Dr. Peter F. Kollmann	Financing/investor relations Management accounting, risk management, corporate accounting, M&A Grid
Dipl.-Ing. Dr. Günther Rabensteiner	Generation from hydropower, thermal power, wind power/photovoltaics (Austria and international) Tourism

Remuneration of the members of the Executive Board

Remuneration of the members of the Executive Board totalled €3,810,420 in 2014 (previous year: €3,615,088) including €106,279 in remuneration in kind.

Remuneration of the members of the Executive Board

Name	Fixed remuneration in €	Variable remuneration in €
Dipl.-Ing. Wolfgang Anzengruber	791,912	366,601
Dr. Johann Sereinig	755,804	302,104
Dr. Peter F. Kollmann (from 1/1/2014)	750,000	0
Dipl.-Ing. Dr. Günther Rabensteiner	562,384	175,336

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 2014 reporting period relate to the 2013 reporting period.

Variable remuneration depends upon performance and is limited to a specific percentage of the respective fixed remuneration. This percentage rate was between 50% and 70% for the 2013 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 2013 related to attainment of the Group result and 50% related to the attainment of quantitative/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 strategic repositioning for internationalisation). 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 2014 reporting period, contributions to the pension fund were paid for the Executive Board in the amount of €172,675 (previous year: €130,892).

Statutory regulations apply, taking account 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 the 2014 reporting period, €525,892 (previous year: €622,259) 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 €83,689 (previous year: €137,153). 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 €151,640 (previous year: €183,423). In addition, remeasurement expenses amounting to €1,036,706 (previous year: €276,313) 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. As in the previous year, 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 (Aktengesetz, AktG) and the Austrian Commercial Code (UGB), the Austrian Labour Constitutional Act (Arbeitsverfassungsgesetz, ArbVG), the Company's Articles of Association and the rules of procedure for the Executive Board and Supervisory Board, has become the basis for the Supervisory Board's actions.

The statutory provisions specify that the Supervisory Board is comprised of members elected by the Annual General Meeting in accordance with the requirements of the Austrian Stock Corporation Act (shareholder representatives) and members appointed by the employee representatives. For the

election of the shareholder representatives, the Supervisory Board must submit a proposal to the Annual General Meeting which must be made public well in advance. As the entire Supervisory Board of VERBUND AG is up for re-election at the end of the term in 2015, the Supervisory Board instructed its Nomination Committee to prepare such a proposal.

Personal details, chairpersons and other Board functions

The Supervisory Board is led by a chairperson elected each year from among its members by the Supervisory Board with its two vice-chairpersons.

As at 31 December 2014, the Supervisory Board had a total of fourteen members. Nine were shareholder representatives elected by the Annual General Meeting, and five were employee representatives appointed by the Works Council. Mag. Dr. Martin Krajcsir was elected to the Supervisory Board by the Annual General Meeting on 9 April 2014 in the place of Dr. Gabriele Payr, who resigned her post. Ing. Siegfried Wolf left the Supervisory Board on 30 June 2014.

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 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 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 Voglauer Möbelwerk Gschwandtner & Zwilling GesmbH, of UMDASCH AG, of LISEC Holding GmbH and of LISEC Austria GmbH	1949	7/4/2010	AGM 2015
Dipl.-Betriebswirt Alfred H. Heinzl Managing partner in several companies of the Heinzl Group; member of the supervisory boards of Miba AG (vice-chairman), of Zellstoff Pöls AG (chairman), of Wilfried Heinzl 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 2015

Name	Year of birth	Date of initial appointment	End of current term of office
Mag. Harald Kaszanits, Head of Cabinet of the Vice-Chancellor and Federal Minister, General Secretary of the Federal Ministry of Science, Research and Economy	1963	7/4/2010	AGM 2015
Mag. Herbert Kaufmann, former member of the managing board of Flughafen Wien AG	1949	26/3/2008	AGM 2015
Mag. Dr. Martin Krajcsir CEO of Wiener Stadtwerke Holding AG; member of supervisory boards of Wiener Stadtwerke Finanzierungs-Services GmbH (chairman), of IWS TownTown AG (chairman), of B&F Wien - Bestattung und Friedhöfe GmbH (chairman), of Wien Energie GmbH (vice-chairman) and of Wiener Netze GmbH	1963	9/4/2014	AGM 2015
Dipl.-Ing. Dr. Peter Layr Spokesman of the managing board of EVN AG; chairman of the supervisory boards of Netz Niederösterreich GmbH, of Rohöl-Aufsuchungs AG and of RAG-Beteiligungs-AG	1953	13/4/2011	AGM 2015
Dr. Gabriele Payr, former chairwoman of the managing board of Wiener Stadtwerke Holding AG	1959	13/4/2011	9/4/2014
Christa Wagner Managing partner of several companies of the JOSKO Group	1960	7/4/2010	AGM 2015
Ing. Siegfried Wolf Chairman of the board of Russian Machines LLC	1957	16/3/2000	30/6/2014

Supervisory Board mandates in publicly listed companies and other significant companies are included with respect to (ancillary) functions. Full-time functions are disclosed 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
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

The appointment of employee representatives by the Group's employee representatives is for an unlimited period and can be revoked at any time.

Independence**Criteria for independence**

In 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 descendant, 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 and Payr/Krajcsir) have classified themselves as not being independent (with respect to only the criterion "Relationships with Related Parties" in each case). In addition, the following shareholder representatives meet the criteria for independence contained in C Rule 54 (not representing the interests of a shareholder with a stake of more than 10%): Frizberg, Püspök, Süßenbacher, Heinzl, Kaufmann, Wagner and Wolf. Both quotas required for independence by Rule 53 and Rule 54 of the Code are thus met.

Meetings of the Supervisory Board

Five plenary meetings of the Supervisory Board were held during financial year 2014. The overall attendance rate of all Supervisory Board members was 92%. Before retiring from the Supervisory Board, one member attended fewer than half of the meetings in person.

In addition to coordinating the ongoing strategic direction of the Company with the Executive Board, the Supervisory Board focussed in particular on decisions on the following topics:

- Consolidated financial statements and annual financial statements of VERBUND AG for 2013
- Motions for the Annual General Meeting
- Election of the General Committee of the Supervisory Board and constitution of the committees
- Appointment of auditor
- Establishing a New Solutions joint venture with EnBW
- Independence of VERBUND Trading GmbH
- Restructuring measures in the area of thermal power plants
- Sale of the French Pont-sur-Sambre and Toul gas power plants (circular resolution in writing)
- Disposal of wind farm shares in Bulgaria
- Power plant joint venture on the Inn
- Borrowing, and issuance of a syndicated loan
- Restructuring the electromobility cooperation with Siemens (SMATRICES)
- Approval of the Group's budget for 2015

(Please also refer to the activities focused upon by the Supervisory Board's committees).

In addition to the meetings of the Supervisory Board and its committees (see below), weekly discussions or teleconferences took place between the chairpersons and the Chairman of the Executive Board as well as individual discussions with the individual members of the Executive Board.

Self-evaluation of Supervisory Board activity

Pursuant to the requirement of the Austrian Code of Corporate Governance (Rule 36), the Supervisory Board again conducted a self-evaluation during the past financial year, focusing primarily on its organisation and operation. The evaluation was carried out on the basis of a comprehensive written questionnaire completed by all members. In the next meeting, the results of the evaluation were presented and examined by the Supervisory Board during a lengthy discussion without the participation of the Executive Board. As part of this, the Supervisory Board considered the implementation of some suggestions for further improvements.

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.

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

Four 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, elected by the Supervisory Board. The membership of employee representatives is governed by Section 92(4) of the Austrian Stock Corporation Act (AktG applies in relation to employee representatives).

The Working Committee

- is required to do the preparatory work for the meetings of the Supervisory Board and 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 (convening a meeting at short notice, 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 avoid impending financial losses.

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 two times during financial year 2014. The activities of the Working Committee focused on:

- preparing for Supervisory Board meetings
- establishing a joint venture of VERBUND Solutions with GETEC (contracting)
- managing director's contract at Poweo Pont-sur-Sambre SAS (France)
- 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, elected by 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 under 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 four times during financial year 2014. The activities of the Audit Committee focused on:

- preparing the resolution on the annual financial statements for 2013, including appropriation of profit
- making a proposal for the election of the auditor
- the semi-annual financial statements for 2014
- monitoring financial reporting processes
- internal control, audit and risk management systems
- coordinating the audit priorities for 2014 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 this committee:

- entering into 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

With Dr. Frizberg, the Remuneration Committee has the expert required by Rule 43 of the Code (ÖCGK) at its disposal. The General and Remuneration Committee met six times during financial year 2014, at times together with the Executive Board or with individual members of the Executive Board. The meetings dealt with the target agreements and the variable remuneration components of the members of the Executive Board as well as an examination of current key issues (international, thermal power plants, optimisation of Group organisation).

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 did not meet during financial year 2014.

Contracts requiring consent – conflicts of interest

In financial year 2014, contracts and/or transactions 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) existed between the VERBUND Group and individual Supervisory Board members or companies with which Supervisory Board members have close relationships. These contracts and transactions are reported to the Supervisory Board on an annual basis, and they are as follows:

Supervisory Board members Dr. Gabriele Payr and Mag. Dr. Martin Krajcsir

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 and of which Mag. Dr. Martin Krajcsir has been chairman of the managing board since 1 January 2014. These had already been entered into even before Dr. Payr and Mag. Dr. Krajcsir became members of the Supervisory Board. In financial year 2014, an order volume totalling €978k was processed on the basis of existing contracts (excluding transactions with grid subsidiary APG). This primarily involved invoices for electricity, gas and district heating purchases and system fees 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 2014, an order volume totalling €3.92m was processed on the basis of existing contracts (excluding transactions with grid subsidiary APG). 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. In addition, contractual relationships for electricity supply exist with e&t Energie HandelsgmbH, in which EVN holds a 45% interest.

The Supervisory Board also thoroughly addressed possible (other) conflicts of interest involving Supervisory Board members in financial year 2014, which could have in particular resulted 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. One member disclosed a competitive situation in electricity sales. Other than that, there were no reports 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 €318,543 in financial year 2014 (previous year: €314,969). This includes reimbursements of recharged costs (travel expenses).

An increase in the remuneration, which had remained unchanged since 2006, was resolved at the Annual General Meeting held on 17 April 2013 in view of the increased demands in terms of the scope of duties and responsibilities 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 Annual 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 performed in the Working Committee and in the Audit Committee. As previously, there is no separate remuneration for work carried out in other committees.

In detail, the following remuneration was paid to the members of the Supervisory Board for financial year 2014:

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	5,000
Reinhold Süßenbacher, Vice-Chairman	45,000	5,500
Alfred Heinzl	10,000	2,500
Harald Kaszanits	30,000	4,000
Herbert Kaufmann	10,000	2,500
Martin Krajcsir (from 9/4/2014)	7,500	2,000
Peter Layr	10,000	2,000
Gabriele Payr (to 9/4/2014)	2,500	500
Christa Wagner	10,000	2,500
Siegfried Wolf	5,000	500
<i>Employee representatives</i>		
Anton Aichinger	–	5,500
Kurt Christof	–	2,500
Wolfgang Liebscher	–	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 Annual General Meeting, the Executive Board has little influence over whether there are women in the Supervisory Board of VERBUND AG. With Christa Wagner and Dipl.-Ing. Ingeborg Oberreiner (as employee representative), the Supervisory Board of VERBUND AG has two female members.

As at 31 December 2014, eleven women held management positions within the Group (first and second tiers of management). The percentage of women in management positions is therefore 9.6%. The percentage of women among employees throughout the Group is 17.8%. Since 2012, one female executive has been able to perform her duties on a part-time basis.

In order to ensure that the company diversity management system is permanently ingrained and established within the Group, all equal opportunities agendas will be fully exercised by the Diversity & Inclusion manager. She is entrusted with the task of bundling all Group-wide diversity and inclusion management activities; in addition to the development, implementation and application of objectives and measures related to diversity and equal opportunities, she is also responsible for their monitoring and regular documentation.

The VERBUND Women's Network, launched in 2012, has since become well established, and during the restructuring projects in 2014, it made a valuable contribution to the sensitisation of management and executives for the gender dimension. For instance, the VERBUND Women's Network addressed the ongoing development of a sustainable strategy for the promotion of women within VERBUND. The medium-term focus is primarily on guaranteeing the 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 the socio-political environment.

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 Science, Research and Economy, 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 for the Company among a greater number of qualified women, above all technicians. In the spring of 2014, VERBUND therefore awarded women's scholarships for the sixth time to three outstanding female students at Vienna University of Technology. A jury chose a first-year student and a master's student of Electrical Engineering and Information Technology and a PhD student in Civil Engineering. They will each receive support in the form of made-to-measure scholarship packages worth €5,000.

With the support of the VERBUND Women's Network, the second alumni meeting of VERBUND women's scholarship recipients was also held in 2014. Once again, all recipients of VERBUND women's scholarship packages since 2009 were invited. The second alumni event represented yet another step not only towards providing individual support to women in technology, but also towards promoting the exchange of knowledge and networking opportunities with other female executives and employees.

In 2014, VERBUND was honoured with the amaZone Award for the promotion of women in apprenticeship training, this time achieving the number one spot in the “Public and Quasi-Public Companies” category. This award from the Sprungbrett Association recognises companies involved in training women for the trades and the technical professions. For the 2014 amaZone jury, the primary factors in choosing to honour VERBUND were its active efforts towards achieving equal opportunities, the numerous measures aimed at increasing the numbers of women in skilled positions, the commitment to supporting girls, the excellent quality of the apprenticeship training and the increase in female apprentices at VERBUND.

In addition, each year, VERBUND takes part in Take Your Daughter to Work Day (“Töchertag”) and in the Women in Technology (“Frauen in der Technik”, FIT) information days. Doing so enables us to address girls while they are still at school and awaken 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 a work-life balance and has already successfully implemented a number of measures such as flexible working hours and the option of taking 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. Every year, for instance, the Company supports holiday child care initiated by the Works Council, setting up family rooms in two locations which can be used for short-term difficulties with childcare arrangements.

Compliance

Code of Conduct, guidelines

It is important to us to employ fair, transparent and sustainable business practices. For this reason, a Group-wide compliance management system was established several years ago. This system is based on VERBUND’s Code of Conduct. In this part of the corporate mission, we establish the essential values and principles and define our behaviour towards the stakeholder groups. The compliance management system is intended to help implement this Code of Conduct and to comply with regulations. It includes compliance guidelines to more precisely define the Code of Conduct, the most important of which refer to the following areas:

- Issuer compliance, for implementation of stock-exchange legislation and avoidance of insider transactions;
- Anti-corruption (fair business practices), to avoid corruption;
- Competition compliance, to avoid violations of competition law.

Organisation

The compliance management system provides for a compliance system for the entire Group in which information and reporting channels, communication measures and procedures for reports and notices are defined so as to avoid misconduct. This organisation is the responsibility of a Group-wide compliance team under the leadership of a Chief compliance officer.

During the reporting year, the Supervisory Board also dealt intensively with the compliance management system and its interaction with risk management and audit. In addition to discussing regular compliance reports, the Supervisory Board initiated the performance of an external review of the compliance management system, the results of which will be the basis for ongoing successful improvements.

Prevention, training and information

Preventative measures are at the forefront of our compliance management system. Therefore, training plays a special role as do individual consultations and information provided by the compliance officers in the event of specific questions. In order to further strengthen safety measures for dealing with compliance issues, the compliance rules are covered by a comprehensive training programme throughout the Group.

Avoiding compliance incidents is our long-term goal. In 2015, all employees in the specific areas affected who are obliged to undergo training will receive training.

Vienna, 26 February 2015

The Executive Board

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

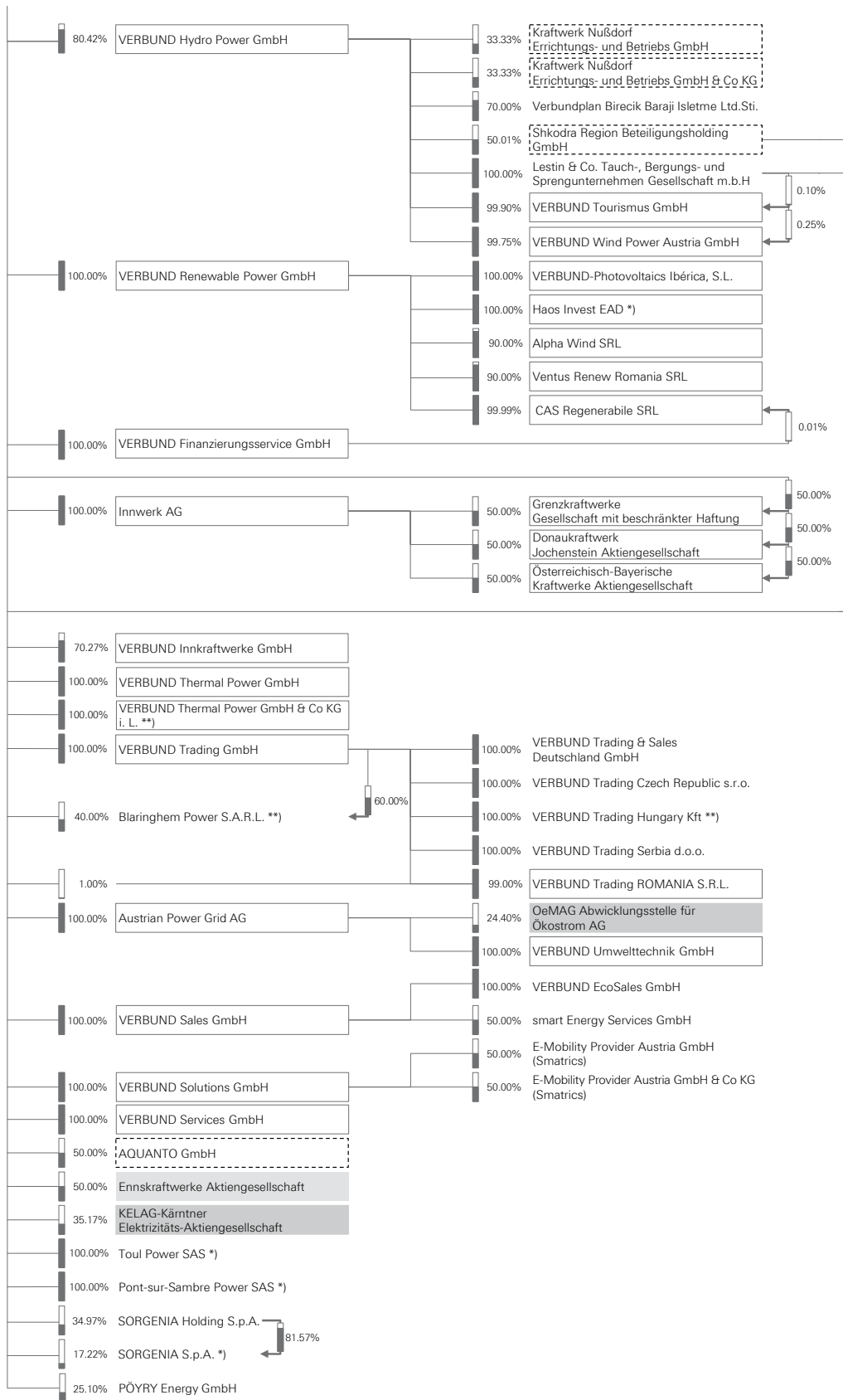
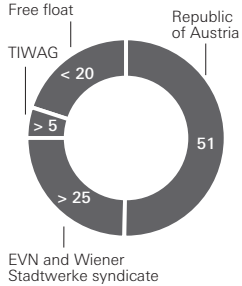
Dr. Johann Sereinig
Vice-Chairman of the Executive Board

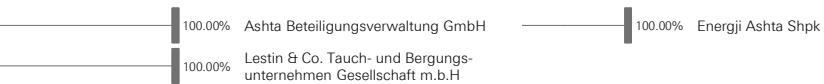
Dipl.-Ing. Dr. Günther Rabensteiner
Member of the Executive Board

Dr. Peter F. Kollmann
Member of the Executive Board

VERBUND AG

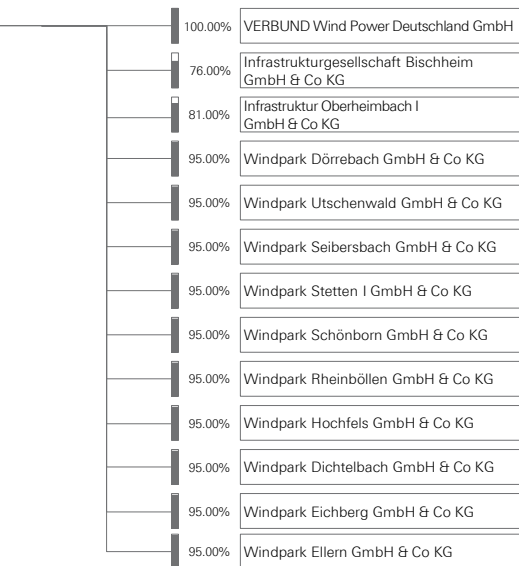
Shareholder structure %





Legend

- Full consolidation
- Proportionate consolidation
- Equity method
- Joint Venture, Equity method
- Not consolidated
- *) held for sale
- **) in liquidation



Glossary

Adjusted EBITDA

The adjustments include 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 and 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; made up of cash flow from operating activities, from investment activities and from financing activities.

Clean dark spread

Generation margin for electricity from coal-fired plants representing the difference between the electricity price and the fuel costs (coal) for generating electricity taking into account the cost of emission rights.

Clean spark spread

Generation margin for electricity from gas power plants representing the difference between the electricity price and the fuel costs (gas) for generating electricity taking into account the cost of emission rights.

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

Ratio of earnings before interest and tax (EBIT) to revenue.

E-Control (Energie-Control Austria)

Energie-Control GmbH (E-Control) was established in 2001. On 3 March 2011, E-Control was converted 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.

EIWOG

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

Ratio of equity to total capital adjusted for items closed on the balance sheet.

Fluctuation rate

The employee fluctuation rate is the 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

Operating cash flow plus cash flow from investing activities excluding cash inflows and outflows from investments in or disposals of financial investments less dividends distributed; represents cash 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

Ratio of net debt 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

Ratio of funds from operations (FFO) to gross debt.

Gross interest cover

Ratio 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.

Number of employees under labour law (LLE)

All employment relationships with the company under labour law. LLE is measured at the end of the month at each reporting date; calculation is based on headcount including employees on unpaid leave and excluding members of the Executive Board, employees in early retirement and seasonal interns.

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

Ratio of (proposed) dividend payment 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)

Ratio of net operating profit after tax (NOPAT) (profit or loss for the period less interest expenses net of any tax effects) to average capital employed.

Return on equity (ROE)

Ratio of net profit or loss for the period (adjusted for results from the termination of cross-border leasing transactions) to average equity.

System Usage Rates Directive (SNT-VO)

The System Usage Rates Directive (Systemnutzungstarife-Verordnung, SNT-VO) dictated 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. Since 2012, the E-Control Commission has issued 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.

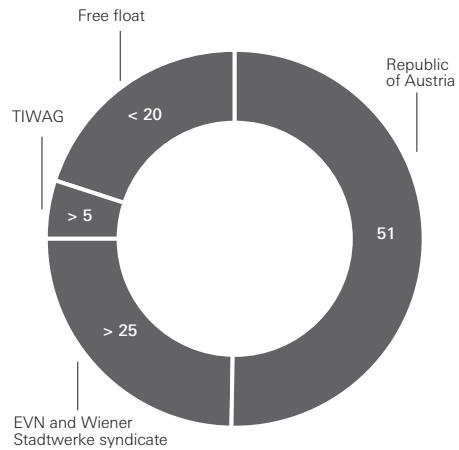
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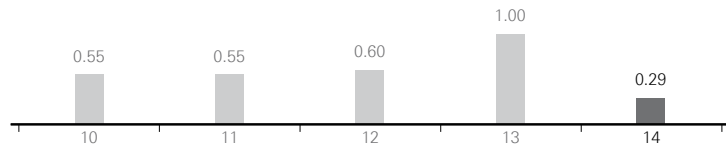
Notes

Investor relations

Shareholder structure %

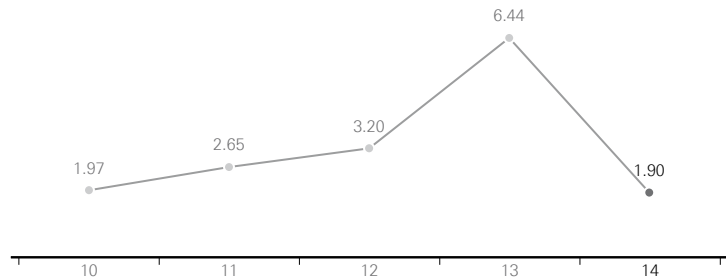


(Proposed) dividend per share €



2013 includes a special dividend of €0.45 per share.

Dividend yield %



2013 includes a special dividend of €0.45 per share.

Basic information

Share capital (€)	347,415,686
Shares (number)	347,415,686

Official quotation

Vienna	VER
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Information systems

Bloomberg	VER AV
Reuters	VERB.VI
ISIN	AT0000746409

Rating agencies

Standard & Poor's	BBB+/stable outlook
Moody's	Baa1/negative outlook

Capital market calendar 2015

Event	Date
Annual result 2014	11/03/2015
Publication of annual report	11/03/2015
Annual general meeting	22/04/2015
Dividend ex-date	29/04/2015
Interim report quarter 1/2015	06/05/2015
Dividend payment date	12/05/2015
Interim report quarter 1–2/2015	29/07/2015
Interim report quarter 1–3/2015	04/11/2015

Five-year comparison

VERBUND Group

	Unit	2010	2011	2012	2013 ^{6,7}	2014 ⁶
Revenue ¹	€m	3,307.9	3,027.7	3,174.3	3,266.5	2,834.8
EBITDA ³	€m	1,059.2	1,069.5	1,235.4	1,301.4	808.8
Adjusted EBITDA ⁵	€m	–	–	1,277.9	1,159.6	889.6
Operating result (EBIT) ³	€m	828.5	1,030.0	900.2	148.3	384.4
Operating result before effects from impairment tests ³	€m	828.5	827.8	955.9	932.7	423.5
Profit/loss after tax from discontinued operations ⁸	€m	–	–	0.2	–364.2	25.1
Group result ³	€m	400.8	355.8	389.3	579.6	126.1
Adjusted Group result ⁵	€m	–	–	625.4	384.2	216.0
Total assets	€m	11,291.0	11,859.3	12,387.3	12,883.4	12,247.3
Equity ³	€m	4,372.4	4,919.1	5,099.4	5,552.9	5,280.5
Net debt ³	€m	4,233.5	4,050.1	3,311.7	3,706.3	4,059.6
Additions to property, plant and equipment (without business combination)	€m	635.7	581.4	680.3	579.1	412.3
Cash flow from operating activities	€m	778.2	829.9	1,034.7	841.4	717.6
Free cash flow after dividends ⁴	€m	–439.0	–195.7	–164.4	546.7	–133.6
EBITDA margin ^{1,3}	%	32.0	35.3	38.9	39.8	28.5
EBIT margin ^{1,3}	%	25.0	34.0	28.4	4.5	13.6
Return on capital employed (ROCE) ³	%	8.2	6.9	6.3	4.8	3.2
Return on equity (ROE) ³	%	12.9	10.0	10.0	12.1	3.3
Equity ratio (adjusted) ³	%	39.9	43.0	42.6	44.5	44.7
Gearing ³	%	96.8	82.3	64.9	66.7	76.9
Net Debt/EBITDA	X	4.0	3.8	2.7	2.8	5.0
FFO/Net Debt (Net Debt Coverage)	%	22.3	24.0	32.1	33.6	18.2
Gross debt coverage (FFO) ³	%	17.6	19.5	20.6	26.0	16.1
Gross interest cover (FFO) ^{2,3}	X	3.6	3.9	4.5	5.5	2.8
Closing price	€	27.88	20.74	18.76	15.52	15.30
Market capitalisation	€m	9,685.9	7,203.7	6,517.5	5,390.2	5,313.7
Earnings per share ³	€	1.28	1.02	1.12	1.67	0.36
Cash flow per share	€	2.49	2.39	2.98	2.42	2.07
Carrying amount per share ³	€	11.62	12.42	12.83	14.24	13.50
Price/earnings ratio (last trading day) ³	X	21.71	20.25	16.74	9.30	42.14
Price/cash flow ratio	X	11.18	8.68	6.30	6.41	7.41
Price/book value ratio ³	X	2.40	1.67	1.46	1.09	1.13
(Proposed) dividend per share	€	0.55	0.55	0.60	0.55	0.29
(Proposed) special dividend per share	€	–	–	–	0.45	–
Dividend yield	%	1.97	2.65	3.20	6.44	1.90
Payout ratio from Group result ³	%	47.67	53.71	53.54	59.94	79.90
Average number of employees		3,015	3,045	3,100	3,351	3,245
Electricity sales volume ¹	GWh	55,729	46,887	47,483	50,276	50,823
Hydro coefficient		0.99	0.89	1.11	1.07	1.02

¹ Key figures were adjusted to reflect the changes in accounting treatment for energy derivatives in the wholesale portfolio. The change was implemented in 2012 retrospectively effective 1 January 2011 in accordance with IAS 8. Prior-year amounts were not adjusted for cost-benefit reasons. // ² Interest expenses without shares of profit attributable to limited partners // ³ Key figures were adjusted to reflect the changes in accounting treatment for employee benefits applied in 2012 in accordance with IAS 19 (2011). The change was implemented retrospectively effective 1 January 2011 in accordance with IAS 8. // ⁴ The calculation was adjusted retrospectively in financial year 2013. // ⁵ Adjusted for extraordinary effects // ⁶ Profit/loss after tax from discontinued operations (equivalent to the profit/loss 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. // ⁷ The comparative figures have been adjusted retrospectively due to the initial application of IFRS 11. // ⁸ Profit/loss from discontinued operations corresponds to the result attributable to the companies Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. The comparative figures for 2013 were adjusted retrospectively in accordance with IFRS 5 (see: Accounting policies).

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 Wissenschaft,

Forschung und Wirtschaft

Wirtschaftskammer Österreich

Oesterreichs Energie

Object of the Group:

The Group focus is the generation, transportation, trading with and sale of electrical energy.

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, Martin

Krajcsir (from 9/4/2014), Peter Layr, Gabriele

Payr (until 9/4/2014), Christa Wagner,

Siegfried Wolf (until 30/6/2014), Anton

Aichinger, Kurt Christof, Wolfgang Liebscher,

Ingeborg Oberreiner, Joachim Salamon

Specific laws applicable:

Austrian Electricity Industry and

Organisation Act (Elektrizitätswirtschafts-

und -organisationsgesetz, EIWOG) with the

associated regulations and implementation

laws. The legal foundations listed 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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