

Past. Present. Future. Powered by VERBUND.

VERBUND Integrated Annual Report

This report combines our annual financial report as well as our sustainability report.

How should this report be used?

The information in this integrated report focuses on the main aspects of economic, environmental and social performance.

Additional information about the content presented here can be found


- in the Disclosures on Management Approach (DMA)
at www.verbund.com > Investor Relations > Financial Reports
- in the Extra Document (EDO)
at www.verbund.com > Investor Relations > Financial Reports and
- on other web pages referred to separately.


The integrated annual report is also available online at www.verbund.com > Investor Relations > Financial Reports.


Other information concerning sustainability can be found at www.verbund.com > Responsibility.


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 amounts.
Examples: €, €m, €bn

 Narrow columns or bars represent amounts 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
-  Budgeted figures
-  VERBUND
-  Emphasis

Five-year comparison

Economic performance

	Unit	2011	2012 ⁶	2013 ⁶	2014 ⁶	2015
Revenue ¹	€m	3,027.7	3,174.3	3,266.5	2,880.4	2,969.6
EBITDA	€m	1,069.5	1,235.4	1,301.4	808.8	888.7
Adjusted EBITDA ²	€m	–	1,277.9	1,159.6	889.6	838.8
Operating result (EBIT)	€m	1,030.0	900.2	148.3	384.4	410.6
Operating result before effects from impairment tests	€m	827.8	955.9	932.7	423.5	528.6
Profit/loss after tax from discontinued operations ³	€m	–	0.2	–364.2	25.1	–
Group result	€m	355.8	389.3	579.6	126.1	207.7
Adjusted Group result ²	€m	–	625.4	384.2	216.0	268.9
Total assets	€m	11,859.3	12,387.3	12,883.4	12,247.3	11,763.0
Equity	€m	4,919.1	5,099.4	5,552.9	5,280.5	5,433.3
Net debt	€m	4,050.1	3,311.7	3,706.3	4,059.6	3,685.4
Additions to property, plant and equipment (without business acquisitions)	€m	581.4	680.3	579.1	412.3	269.3
Cash flow from operating activities	€m	829.9	1,034.7	841.4	717.6	674.0
Free cash flow before dividends	€m	56.1	95.0	852.2	284.7	551.4
Free cash flow after dividends ⁴	€m	–195.7	–164.4	546.7	–133.6	392.7
EBITDA margin ¹	%	35.3	38.9	39.8	28.1	29.9
EBIT margin ¹	%	34.0	28.4	4.5	13.3	13.8
Return on capital employed (ROCE)	%	6.9	6.3	4.8	3.2	3.9
Return on equity (ROE)	%	10.0	10.0	12.1	3.3	4.7
Equity ratio (adjusted)	%	43.0	42.6	44.5	44.7	48.2
Gearing	%	82.3	64.9	66.7	76.9	67.8
Net Debt/EBITDA	X	3.8	2.7	2.8	5.0	4.1
FFO/Net Debt (Net Debt Coverage)	%	24.0	32.1	33.6	18.2	23.9
Gross debt coverage (FFO)	%	19.5	20.6	26.0	16.1	22.8
Gross interest cover (FFO) ⁵	X	3.9	4.5	5.5	2.8	5.2
Closing price	€	20.74	18.76	15.52	15.30	11.86
Market capitalisation	€m	7,203.7	6,517.5	5,390.2	5,313.7	4,120.4
Earnings per share	€	1.02	1.12	1.67	0.36	0.60
Cash flow per share	€	2.39	2.98	2.42	2.07	1.94
Carrying amount per share	€	12.42	12.83	14.24	13.50	13.99
Price/earnings ratio (last trading day)	X	20.25	16.74	9.30	42.14	19.83
Price/cash flow ratio	X	8.68	6.30	6.41	7.41	6.11
Price/book value ratio	X	1.67	1.46	1.09	1.13	0.85
(Proposed) dividend per share	€	0.55	0.60	0.55	0.29	0.35
(Proposed) special dividend per share	€	–	–	0.45	–	–
Dividend yield	%	2.7	3.2	6.4	1.9	3.0
Payout ratio from Group result	%	53.7	53.5	59.9	79.9	58.5
Entity Value/EBITDA	X	10.5	8.0	7.0	11.6	8.8
Average number of employees		3,045	3,100	3,351	3,245	3,089
Electricity sales volume	GWh	46,887	47,483	50,276	50,823	51,375
Hydro coefficient		0.89	1.11	1.07	1.02	0.93

¹ The calculation was adjusted retrospectively in accordance with IAS 8 in financial year 2015 with effect from 1 January 2014. // ² Adjusted for extraordinary effects. // 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 on 13 October 2014. // ⁴ The calculation was adjusted retrospectively in financial year 2013. // ⁵ Interest expenses without profit/loss attributable to limited partners. // ⁶ The calculation of the key performance indicators includes profit/loss after tax from discontinued operations.

Environmental performance

	Unit	2011	2012	2013	2014	2015
Hydropower generation ¹	GWh	24,216	30,485	30,943	31,188	28,098
Wind power and photovoltaic generation	GWh	127	242	565	811	882
Thermal power generation	GWh	5,410	4,500	4,031	2,031	2,259
Specific GHG emissions (Scope 1–3, total generation) ²	g CO ₂ e/kWh	151	131	118	74	74
Emissions avoided through renewable generation ³	kt CO ₂	19,718	24,890	25,523	25,921	24,167
Percentage of sites certified in accordance with ISO 14001 or EMAS ⁴	%	69	78	90	92	93

Social performance

	Unit	2011	2012	2013	2014	2015
Number of employees under labour law ⁵	Number	3,139	3,200	3,339	3,265	3,098
Training per employee ⁶	Hours	48.2	36.8	38.4	29.6	33.6
Accident rate ⁷	‰	12	9	13	14	12
Proportion of women	%	18.3	19.0	18.4	17.8	17.8
Average duration of employment ⁸	Years	19.0	17.3	17.7	17.0	19.2
Employee turnover rate ⁹	%	1.6	2.0	2.6	2.7	2.7

¹ incl. purchase rights // ² Emissions are reported for both own generation and purchase rights; preliminary figures prior to audit. 2015: "Emissions from grid purchases" were recalculated for 2014 taking account of the volume of electricity certified as originating 100% from hydropower. Upstream emissions from the production and transportation of fuel have been taken into account from 2012. // ³ Up to 2014, the calculation of emissions avoided was based on emissions from a hard coal power plant (Dünnrohr type). From 2015 onwards, this is determined based on the average thermal generation emissions according to ENTSO-E. // ⁴ Sites of consolidated companies, excluding solar power plants, wind power plants of less than 20 MW and sites in which VERBUND holds <51% and where another co-owner is responsible for management; position as at 31 December. // ⁵ Number of employees under labour law as at 31 December 2015, excluding members of the Executive Board and employees in early retirement, increase in 2013 primarily due to the acquisition of Grenzkraftwerke GmbH and Innwerk AG // ⁶ incl. executives and long-term agency staff, excl. apprentices, apprentices in post qualification retention period (Behaltefristen), employees seconded to third parties and those on long-term leave; excluding safety instruction. // ⁷ Number of work-related accidents per 1,000 employees at VERBUND sites in Austria incl. Innwerk AG and Grenzkraftwerke GmbH. // ⁸ Change in calculation method, duration of employment for employees of acquired or newly consolidated companies is taken into account in the acquired/consolidated companies and no longer in the VERBUND Group. // ⁹ Incl. departures during probationary period.

Basic information

Share capital (€)	347,415,686
Shares (number)	347,415,686
Official quotation	
Vienna	VER
Information systems	
Bloomberg	VER AV
Reuters	VERB.VI
ISIN	AT0000746409

Capital market calendar 2016

Event	Date
Annual result 2015	9/3/2016
Publication of integrated annual report	9/3/2016
Record date for Annual General Meeting	3/4/2016
Annual General Meeting	13/4/2016
Ex-dividend date	20/4/2016
Record date for dividends	21/4/2016
Dividend payment date	3/5/2016
Interim report quarter 1/2016	4/5/2016
Interim report quarters 1–2/2016	28/7/2016
Interim report quarters 1–3/2016	9/11/2016

VERBUND
Integrated Annual Report 2015

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Information about the integrated report

As Austria's leading utility and an important player in the European electricity market, we take our social responsibilities very seriously. In this regard, it is important to us to stay abreast of our stakeholders' needs, which are always changing and evolving.

As early as 1994, for instance, we were one of the first companies in Austria to prepare an environmental report, well in advance of the trend towards reporting on environmental factors. That publication was followed in 2002 by VERBUND's first sustainability report, which we have published annually ever since as a supplement to our annual report. The last such report was published in April 2015 as part of our sustainability reporting (VERBUND Sustainability Report 2014).

We are now attempting to meet the rising demand from our stakeholders for comprehensive company information with this first integrated annual report. In the future, we will include our sustainability reporting, which we have prepared each year since 2002, in VERBUND's integrated annual report.

Integrated reporting focuses on stakeholder interests

We want to gear the primary information we provide towards meeting the differing needs of investors, owners, customers, employees and other interest groups. That is why we have redesigned our annual report to present VERBUND's added value in terms of environmental and social aspects. The report contents comply with the statutory requirements and include the key information on the Group, which we have summarised in the VERBUND materiality matrix. In developing the matrix, we identified those areas that present the greatest opportunities as well as the highest risk for VERBUND and its stakeholders. As provided for by the GRI reporting standards, we have refrained from including information of minor relevance in this integrated annual report. Our focus on the most significant topics is intended to ensure that the report is as relevant and transparent as possible. The GRI index at the end of this report lists all of the sustainability indicators relevant to VERBUND.

Corporate strategy and vision as a basis

VERBUND's vision is to "energise the future with clean electricity and innovative solutions". With that as a starting point together with the VERBUND corporate strategy, our intention in compiling this report is to demonstrate to our stakeholders how we at VERBUND implement integrated thinking and enterprise management. We strive for economic and environmental excellence at all levels of the value chain, from power generation and transmission to energy trading and sales, and including our portfolio of energy products. We do this to create added value both for our customers and for all other stakeholders.

Our success depends upon future management decisions in a climate of rapidly evolving economic, environmental and societal conditions. We therefore take non-financial factors into account in our management of the Group in addition to the financial indicators.

The supplementary documents (DMA and EDO) are available at www.verbund.com > Investor Relations > Financial reports

Standards and guidelines

We have combined our financial reporting with our sustainability reporting, streamlining the contents of the two reports published separately in previous years – the annual report and the sustainability report – and placing a special focus on presenting the Group’s performance in a comprehensive and transparent manner. All of the data and calculation bases taken for this integrated annual report are geared towards national and international standards as well as financial reporting guidelines (including the IFRS accounting standards) and sustainability reporting (the G4 Guidelines – “Core” option and the Sector Disclosures for Electric Utilities of the Global Reporting Initiative). All sustainability information has been subjected to an external review in the scope specified by the GRI Index.

Information about the methods, standards and factors as well as the assumptions applied to the calculation of key performance indicators (KPIs) is available from the Group at any time upon request.

Reporting principles and structure

This integrated annual report combines the Group management report of VERBUND for financial year 2015, including a description of our activities concerning the environment and society, as well as the Group’s consolidated financial statements comprising the notes to the consolidated financial statements and the GRI Index. We have laid out our principles for fair enterprise management in our corporate governance report. Therefore, this integrated annual report not only presents the Group’s financial and legal information but also deals with further aspects of sustainability. This is our way of describing the overall context of our sustainable business model even more clearly to our stakeholders.

All current projects and events are presented in a compact format. For further details and background information, we have provided references to additional sources. Supplementary information on sustainability topics is available in the Disclosures on Management Approach (DMA) and the Extra Document (EDO).

CO₂-free electricity generation is the core of our sustainable business model. Details are provided in the Energy section of this report. The Grid section also supplies key information on sustainability. More information on sustainability can be found in the Environmental performance, Risk and opportunity management and Stakeholder relations sections.

The section entitled Human resources and social responsibility contains information on VERBUND as a responsible employer. For details on our innovative and sustainable products and services, please refer to the Innovation, research and development section.

Since VERBUND operates in Europe only, we regard this as a single region/regulatory regime.

The GRI index at the end of this report provides basic information on the selected aspects of sustainability presented in the report as well as the two auditor’s reports on our financial reporting and sustainability reporting.

Report of the Executive Board

Dear Shareholders,

The entire electricity sector has been in a period of transition for some time now. Traditional power supply companies have to make far-reaching changes to their business models. A sharp drop in value has been seen in the conventionally generated electricity available in the open market, and the importance of subsidised renewable energy and flexible electricity generation and regulated grids is rising. In addition, the focus is increasingly turning towards meeting customer needs by offering new, sustainable products and services.

VERBUND made rapid progress in financial year 2015 with the implementation of corporate restructuring and is now well positioned for the future. To support an integrated management approach, we decided to make this report our first integrated annual report, combining the aspects of profitability and sustainability in a single report.

Market conditions remain challenging The reasons for the turbulence in the European electricity market are manifold. Power supply companies are finding that market conditions have undergone a permanent shift. Electricity consumption is dropping due to low economic growth levels and increasing energy efficiency. By contrast, electricity generation capacities are rising as a consequence of investment subsidies, especially for renewable energy sources. Primary energy prices have fallen massively, and wholesale prices for electricity have dropped accordingly in recent years. The process of transitioning to CO₂-free generation is progressing, and thermal generation's percentage of total generation in Europe is shrinking. Moreover, the volatile nature of energy generation from power plants producing energy from renewable sources means that greater flexibility is needed in electricity generation and in grid operations.

VERBUND is going carbon-free With a renewables share that has already reached approximately 93%, VERBUND today counts as one of Europe's most environmentally friendly electricity suppliers. In 2015, we continued to work steadily towards our goal of becoming a carbon-free, cost-effective and innovative provider of electricity and related services. Our major investments in hydropower focused on plants such as Reißeck II or Gemeinschaftskraftwerk Inn. The Bruck-Göttlesbrunn wind farm in Austria was completed in 2015. We are well on our way to full certification with more than 90% of our plants having a certified environmental management system.

Our consistent efforts aimed at restructuring the Group's thermal segment have given us a major push forward in becoming a CO₂-free producer of electricity. In the first quarter of 2015, VERBUND finalised both the sale of the French Pont-sur-Sambre and Toul combined cycle gas turbine power plants and the disposal of the equity interest in Sorgenia (Italy). Measures related to the closure of the Dürnröhr hard coal-fired power plant were completed as planned in the second quarter of 2015. With regard to the Mellach power plants site, all options are currently being reviewed. The coal-fired power plant is scheduled for closure in the summer of 2020.

Guaranteed income from regulated high-voltage grid Both in Austria, and increasingly also in Europe, the high-voltage grid operated by VERBUND is playing a significant role in the integration of wind and photovoltaics as new, volatile sources of renewable electricity generation. Our efforts here are making a key contribution to securing the power supply. Implementation of the Austrian grid

development plan is an important part of this. For making the investments defined in this plan, we receive a secure regulatory return that offers a stable counterpart to the declining returns from electricity generation.

Innovative products and rising number of consumers In 2015, VERBUND succeeded in generating considerable additional income from flexible products in the area of energy trading, especially control power and congestion management. We also continued expanding our customer-focused services for household customers and launched new products such as plusGas, Eco-Home and our Eco packages in 2015. Furthermore, we entered into an energy partnership with SOLAVOLTA, a leading Austrian supplier of photovoltaic solutions. The 50% equity interest in SOLAVOLTA will enable VERBUND to offer its customers even more attractive products in the future, such as the Tesla Powerwall. Sales and distribution activities were also stepped up in Austria and Germany. Our steadily increasing customer numbers indicate that our broad range of products and our marketing campaign have been well received. As at 31 December 2015, the number of electricity customers in the household/agriculture and commercial segments had already risen to approximately 341,000 and the number of gas customers to approximately 23,000.

2013–2015 programme to increase efficiency largely completed, investments focused VERBUND's internal programme to reduce costs and increase efficiency was largely completed by the end of 2015. Over the past three years, the programme has resulted in savings totalling €177m, or €47m more than originally planned. The investment budget for the years from 2016–2018 foresees a total of €632m for additional growth CAPEX and €427m for maintenance CAPEX.

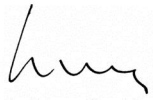
Good earnings performance shaped by non-recurring effects The income trend was positive in financial year 2015. EBITDA increased by 9.9% to €888.7m, and the Group result rose to €207.7m, or 64.7% over the previous year's figure. In both years, however, the income trend was massively impacted by non-recurring effects. Adjusted for those effects, EBITDA declined by just 5.7% to €838.8m despite the lower sales prices and a decrease of nine percentage points in the water supply. The nearly stable EBITDA level was primarily attributable to additional income from marketing control power and from congestion management as well as our programme to reduce costs and increase efficiency. The adjusted Group result rose by 24.5% to €268.9m.

Dividend and outlook At the Annual General Meeting on 13 April 2016, we will propose a dividend of €0.35 per share for financial year 2015 in line with our dividend policy. The payout ratio for 2015 will thus amount to 45.2% based on the adjusted Group result. For 2016, 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 are expecting EBITDA to reach approximately €750m and a Group result of approximately €230m for financial year 2016.

We would like to thank all of our customers for deciding in favour of sustainable generation as well as their confidence in our reliability and innovative strength. To our employees, we would like to offer our appreciation for enabling the success of our Group by sharing in the transformation in these times of major upheaval.



Dipl.-Ing. Wolfgang Anzengruber



Dr. Johann Sereinig



Dr. Peter F. Kollmann



Dr. Günther Rabensteiner

Report of the Supervisory Board

In financial year 2015, the difficult economic climate continued to impact VERBUND, Austria's leading utility. By implementing a restructuring and efficiency improvement programme coupled with focused strategic direction, VERBUND still managed to continue its profitable and sustainable performance. VERBUND generated relatively good results despite the negative conditions caused by intervention in the electricity market, the continuing volatile economic trend and the below-average water supply. The Supervisory Board actively monitored and supported this positive performance.

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%. The Chairman additionally kept in regular contact with the board members so that all members were always involved in important matters. 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 objection. In addition, the Chairman of the Supervisory Board conversed regularly with the members of the Executive Board, particularly the Chairman.

In addition to approving the annual financial statements and the Group budget, one of the Supervisory Board's main functions is to authorise the Group's major investments, such as construction of the Gries hydropower plant and the changes at the Reifseck II power plant.

New composition of the Supervisory Board All terms of office having expired, the entire Supervisory Board underwent re-election during the Annual General Meeting held on 22 April 2015. The election resulted in the appointment of five new members to the Supervisory Board. Therefore, the total number of members did not change. Dr. Gilbert Frizberg was again elected Chairman, and the two vice chairpersons are Dr. Michael Süß and Elisabeth Engelbrechtsmüller-Strauß.

The Supervisory Board would like to thank the departing board members – Peter Püspök, Dr. Reinhold Süßenbacher, Alfred H. Heinzl and Herbert Kaufmann – for their many years of service on the Supervisory Board and its committees.

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, the rules relating to the Supervisory Board's collaboration with the Executive Board and within the Supervisory Board itself have been complied with almost in full. 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 again thoroughly addressed possible conflicts of interest. No conflicts were identified that would require any measures to be undertaken beyond those taken in individual meetings.

The Supervisory Board's Working Committee met three times during the year under review, above all to plan plenary meetings. The Audit Committee – which is an independent offshoot of the Working Committee – likewise met three 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. The Audit Committee moreover concentrated on the internal control, audit and risk management system and on the audits performed by internal audit. Due to a change in the rules of procedure, the number of Working Committee members and Audit Committee members will increase in 2016.

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 four times and discussed the target agreements, the variable remuneration of the Executive Board and the allocation of the Executive Board's responsibilities as well as current topics of emphasis. The Nomination Committee held two meetings in which it dealt with preparations for re-election of the Supervisory Board.

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 2015, were audited by Deloitte Audit Wirtschaftsprüfungs GmbH and issued an unqualified auditor's report. The auditor reported his findings in writing and found that the Executive Board had provided the explanations and evidence requested, that the book-keeping, annual financial statements and consolidated financial statements fulfilled 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. The auditor also confirmed that the management report and the Group management report were consistent with the annual financial statements and the consolidated financial statements. Following in-depth examination and discussion by the Audit Committee and the Supervisory Board, the Supervisory Board approved the annual financial statements for financial year 2015 as presented by the Executive Board. As a result, they are final for the purposes of Section 96(4) of the Austrian Stock Corporation Act (Aktiengesetz, AktG). The management report by the Executive Board was approved, as was the profit appropriation proposal. The consolidated financial statements and the Group management report were also 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 great dedication and their successful work during financial year 2015. The Supervisory Board would also like to thank the Group's shareholders, customers and business associates for their trust.

Vienna, March 2016

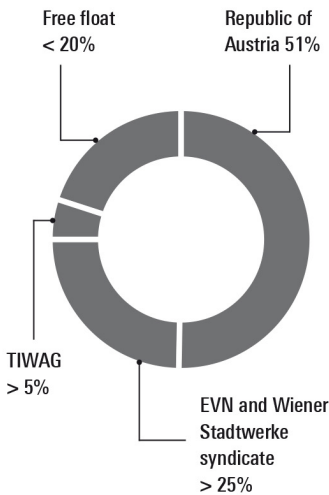


Dr. Gilbert Frizberg
Chairman of the Supervisory Board

OUR BRAND

With its energy-related services, VERBUND strives for economic and ecological excellence at all stages of the electrical energy value chain, thereby creating added value for customers and other stakeholders.

SHAREHOLDER STRUCTURE



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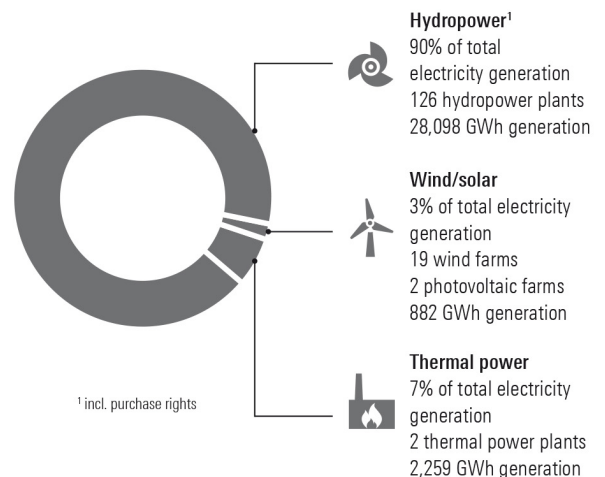
VERBUND at a glance. Power for the future.

VERBUND's mission is to "energise the future with clean electricity and innovative solutions". VERBUND is one of the largest hydroelectricity producers in Europe. Our value chain comprises generation, transportation, trading with and sales of electrical energy and other energy sources as well as energy services. With around 3,100 employees, the Company generated annual revenue of approximately €3.0bn in 2015. VERBUND has been listed on the Vienna Stock Exchange since 1988; 51% of its share capital is held by the Republic of Austria.

GENERATION

All amounts are for 2015

VERBUND is Austria's leading electric utility and one of the largest hydroelectricity producers in Europe. Water and wind are the most important generation technologies – VERBUND generates around 93% of its electricity from these renewable sources. The intention is for power generation which is 100% CO₂-free to become a reality in the medium term.





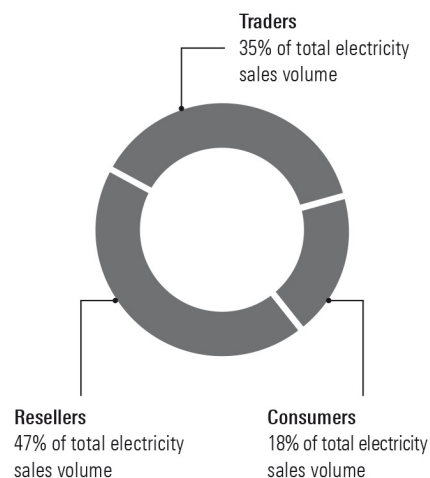
TRANSPORTATION

Austrian Power Grid (APG) is the wholly owned grid subsidiary of VERBUND AG and operates the Austrian transmission grid with route lengths of approximately 3,500 km, as well as 63 transformer and switching substations. In the heart of Europe, it integrates electricity from renewable energy into the European as well as the Austrian electricity supply and makes a significant contribution to bringing about energy transition. The high-performance grid ensures security of supply and acts as a basis for the development of a liberalised electricity market across the whole of the EU.

TRADING AND SALES

All amounts are for 2015

Retail customers purchase electricity from 100% hydropower and climate-neutral natural gas, as well as a range of innovative solutions for the smart home. For industrial and commercial customers, VERBUND is developing customised energy efficiency and flexible energy management solutions, among other things. In Austria, VERBUND's market share is 7% in the retail segment and 18% in the large corporate customer segment. In Germany, VERBUND is the leading green electricity supplier for resellers and large corporate customers. VERBUND operates as an electricity trader in twelve countries.



VERBUND management

The Executive Board

Name	Year of birth	Date of initial appointment	End of current term of office
Dipl.-Ing. Wolfgang Anzengruber, CEO	1956	1/1/2009	31/12/2018
Dr. Johann Sereinig, Deputy CEO	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

The Supervisory Board – shareholder representatives

Name	Date of initial appointment	End of current term of office
Dr. Gilbert Frizberg Chairman	16/3/2000	AGM 2020
Dkfm. Peter Püspök 1st Vice-Chairman	16/3/2000	22/4/2015
Prof. Dipl.-Ing. Dr. Michael Süß 1st Vice-Chairman	22/4/2015	AGM 2020
Mag. Dr. Reinhold Süßenbacher 2nd Vice-Chairman	7/4/2010	22/4/2015
Mag. Elisabeth Engelbrechtsmüller-Strauß 2nd Vice-Chairwoman	22/4/2015	AGM 2020
Dipl.-Betriebswirt Alfred H. Heinzl	16/3/2000	22/4/2015
Mag. Harald Kaszanits	7/4/2010	AGM 2020
Mag. Herbert Kaufmann	26/3/2008	22/4/2015
Mag. Dr. Martin Krajcsir	9/4/2014	AGM 2020
Dipl.-Ing. Dr. Peter Layr	13/4/2011	AGM 2020
Mag. Werner Muhm	22/4/2015	AGM 2020
Dr. Susanne Riess	22/4/2015	AGM 2020
Mag. Jürgen Roth	22/4/2015	AGM 2020
Christa Wagner	7/4/2010	AGM 2020

Supervisory Board – employee representatives

Name	Date of initial appointment	Appointed by
Anton Aichinger Chairman of the Group's employee representatives	since 25/10/2006	Employee representatives
Kurt Christof Chairman of the Central Works Council	since 8/3/2004	Employee representatives
Ing. Wolfgang Liebscher Chairman of the Central Works Council	since 1/11/2013	Employee representatives
Dipl.-Ing. Ingeborg Oberreiner Chairwoman of the Works Council	since 29/8/2006	Employee representatives
Ing. Joachim Salamon Member of the Central Works Council	since 25/10/2006	Employee representatives

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

VERBUND – integrated corporate strategy

In a new energy world that has taken a disruptive turn, VERBUND has implemented a corporate strategy designed to show the way forward to a successful increase in enterprise value. We are gearing our business towards 100% renewable energy generation from hydropower, supplemented by wind power, with a strict focus on cost-efficient generation.

We see ourselves as a reliable, competent and internationally recognised grid operator, and we are developing our high-voltage grid in line with EU specifications.

Profitability and sustainability are fundamental pillars of our investment activities. We are increasingly extending these investments into the regulated sector.

We are reinforcing our position as a leading marketer of flexibility products and green electricity and are focusing our sales activities on expanding our consumer base for electricity and gas in Austria and Germany. Our traditional electricity business will be supplemented by forward-looking, profitable business models and services to enable the efficient use of energy.

Investments in research and development, our self-motivated employees and the Group's dynamic culture of innovation are a strong foundation for the future success of VERBUND.

VERBUND – integrated corporate strategy

CO₂-free low-cost producer

Hydropower and wind power are our most important energy generation technologies. They form the basis for positioning the VERBUND brand as a CO₂-free, low-cost supplier. In addition, our generation portfolio contains attractive flexible products that we have designed to optimally reflect the needs of a modern energy market. In the future, we will invest exclusively in CO₂-free generation technologies. Our target is for our electricity generation to be 100% CO₂-free by 2020.

Reliable grid operator

As a reliable and stable grid operator, we secure the electricity supply in Austria with our high-performance transmission grid. We are also committed to honouring the national grid development plan. The geographically favourable location of our transmission grid in the centre of the European domestic market supports our strategic positioning as a competent partner when cooperating internationally.

Provider of customer-focused solutions

Our electricity trading activities serve primarily to optimise the marketing of our own generation, with innovative green electricity and flexible products enhancing the value of our electricity. We are also developing new, customer-focused commercial products and work consistently on expanding our services. Our customers receive clean electricity and gas together with other energy-related products and innovative solutions to promote the efficient use of energy.

Markets

Austria and Germany are our geographical core markets.

Investment focus

Our business model centres around profitable asset investments in the regulated sector, efficiency increases and the optimal fulfilment of our customers' needs in the responsible use of energy.

Corporate targets

Please refer to the EDO for details on the materiality analysis and VERBUND's targets

The following corporate targets to be implemented by 2020 have been established for VERBUND on the basis of the Global Reporting Initiative (GRI) materiality analysis and the VERBUND strategy:

Key topics	Corporate targets
Increase in enterprise value	Financial stability: Net debt/EBITDA < 3.0
	Return on capital: ROCE > 7.0%
	Profitable growth at all stages in the value chain
Generation	Focus on hydropower and wind power
	Positioning as the most efficient producer of electricity in peer group
	Exit from thermal generation by 2020
Grid operation	System security in the Austrian transmission grid
	Implementation of the grid development plan
Customer-focused solutions	Optimised marketing of own generation
	Significant expansion of energy-related services
Environmental protection and climate change	Climate- and eco-friendly electricity generation entirely from renewable energy sources
	Reduction in specific emissions < 10g CO _{2e} /kWh
	Certification of all VERBUND sites to ISO 14001
Dialogue with stakeholders	Active and open communication with all relevant stakeholder groups
Responsibility for employees	Accident rate in the Group of less than 12 per 1,000 employees/year
	Attractive, secure jobs: employee turnover rate < 5%
	Implementation of programme to increase efficiency
	40 training hours per employee/year
	35 new apprentices/year
Advancement of women in the Group	Percentage of women: 20%
Compliance and transparency	Fair business practices at all stages in the value chain
Commitment to society	Ongoing social and education-related activities

We are also striving for an "A" level credit rating.

Relationship Management

Stakeholder relations

When we are aware of the needs and expectations of our internal and external interest groups, we can better gear our corporate decisions towards their interests. Our previous experience shows that suggestions from our stakeholders in combination with their expertise provide valuable inspiration for our work.

Planning and management of the relationships with our interest groups occurs centrally at the holding company, and operating implementation of our public relations work is handled by the respective departments and by our subsidiaries, depending on the interest group in question.

Our stakeholder management is based on the principles of inclusiveness, materiality and responsiveness.

Dialogue formats selected in 2015

Ideas Workshop: innovative event format at which selected stakeholders can work on specific energy and environmental policy issues with support from energy experts. In 2015, an Ideas Workshop served as the starting point for the development of new energy services for our customers.

energyLAB2050: workshop based on the design thinking method in which participants from central energy policy institutions and parliamentary parties spend two days dealing with issues relating to the future of energy and work out solutions using innovative methods. The results were presented at energy2050, an energy conference held by VERBUND in Fuschl, Austria.

Round-table discussion with environmental organisations: Austria's main environmental organisations are invited to a discussion with VERBUND CEO Anzengruber twice a year. The discussion revolves around environmental and energy policy challenges, and joint activities and alliances are agreed on. One of the projects in 2015 involved preparing a joint position paper on environmental protection prior to the world climate change conference in Paris and presenting it to the Austrian government.

"VERBUND in dialogue" energy breakfast: The energy breakfast is a discussion forum organised by VERBUND three times a year. It is targeted at energy policy decision-makers and leading energy experts in Austria. The breakfast begins with a keynote speech on current topics in energy policy, followed by a round of discussion that includes the Executive Board of VERBUND. Approximately 60 to 80 people take part in the breakfasts, including media representatives. Topics in 2015 concerned climate change, the value of hydropower in Europe and the digitalisation of the energy sector.

Munich Energy Club: Together with Bayernwerk AG and Rhein-Main-Donau AG (RMD), VERBUND founded the Munich Energy Club in 2015 with the goal of creating a platform to enable a regular exchange of information and ideas by decision-makers in politics, industry, the scientific community and sector associations on energy policy and the energy market in Bavaria. The club is intended, among other things, to contribute to a mutual understanding of the challenges in energy policy and to finding a suitable way forward.

Hydropower Dialogue: The third Hydropower Dialogue was held in 2015 with district administrators in Bavaria. This time, the Dialogue was held in Salzburg to emphasise the significance of cross-border cooperation.

EU energy forums: VERBUND held twelve EU energy forums in 2015. The forums involved discussions of topics relevant to energy policy – mostly relating to Europe – with representatives from politics, interest groups and the energy sector. Some 25–30 participants attend the forums on average.

[Details on stakeholder relations, see DMA and EDO](#)

APG, the Group's independent grid subsidiary, held informational events about the Weinviertel power line for the mayors of the affected municipalities in 2015.

Twice a year, experts meet as part of APG's Sustainability Advisory Board to exchange information on current sustainability topics and to offer advice to the management board in the form of contributions and comments on the discussion.

Neighbours

Two open days were held in 2015 especially for our neighbour stakeholder group at the power plant sites in Zillertal/Tyrol and Feldkirchen/Bavaria.

Monthly meetings were set up with project management as part of the dialogue with citizens on the project to approve new construction at the Töging power plant.

The new VERBUND contacts met with the resident community in connection with completion of the wind power project in Bruck an der Leitha.

With respect to the LIFE+ Danube network restoration project, we succeeded in alleviating concerns on the potential effects of the construction work on flooding in an exemplary process of direct dialogue with local residents.

Examination of the flooding on the Danube and the Drau

The investigations initiated by the public prosecutor's office into VERBUND's handling of the record flood levels on the Danube in 2013 have been discontinued, as have the investigations under administrative penal law into an alleged violation of the Weir Operating Regulations. Two actions under civil law are still pending in Lower Austria, and an external expert has been called in for both cases. A public discussion was held with local residents and the regulatory authority on revising the Weir Operating Regulations as part of the approval procedure.

As part of the examination into the events surrounding the flooding of the Drau River in November 2012, an external expert was appointed by the public prosecutor's office. Several civil proceedings are pending in Carinthia as well as Slovenia in this connection. The Weir Operating Regulations for the Drau river power plants were amended on the basis of the findings contained in the final expert opinion from the highest water rights authority. The Regulations now provide for advance lowering of water levels in the event of flood warnings in combination with a concurrent announcement on the VERBUND website.

Shareholders

Please refer to the Investor relations section for information on our investor relations activity and our dialogue with shareholders and analysts.

Customers

We provide VERBUND customers with exclusive offers and events which contributes to a positive customer relationship.

VERBUND Eco Club: As members of VERBUND's Eco Club, both private households and small businesses can benefit from exclusive special offers from selected partners. Membership in the Eco Club is free of charge.

Customers recruit customers programme: Our customer referral programme offers VERBUND customers the opportunity to reduce their electricity or gas bills by recommending VERBUND to others.

VERBUND Business Breakfast: For our corporate customers, VERBUND holds informational events at regular intervals to discuss current developments in the energy market and new products and services offered by VERBUND.

In 2015, for example, the VERBUND Business Breakfast was again held with representatives from the Federal Ministry of Science, Research and Economy, who gave presentations on the basic elements of the Federal Energy Efficiency Act and its effects on businesses.

VERBUND also sponsored an event called Energy Transition and Innovation in 2015 together with leading Austrian companies as well as an evening event in cooperation with the WU Executive Academy called Global Energy Outlook and Energy Policy, at which detailed information on the trend in oil prices and an overview of the 2015 World Energy Outlook was provided.

Employees

Management conference: The management conference is held once a year and involves the Executive Board informing the executives about current topics at VERBUND.

Upper-level management meeting: Held twice a year, the upper-level management meetings serve as a forum for an exchange of information between executives at the upper management levels. Human resources topics are also discussed at the meetings.

Executive Club: The Executive Club holds meetings three to four times a year. External presenters are invited to hold kick-off discussions of various topics of relevance to the Group

VERBUND Women's Network: In 2015, the VERBUND Women's Network held its first workshop for VERBUND's female employees at which suggestions for improving the advancement of women were discussed.

Other activities: Our additional activities, such as personnel development measures, participation in Girls' Day and career trade fairs are described in the section entitled Human resources and social responsibility.

Business partners/suppliers

Our employees in procurement are in constant contact with the Group's suppliers. This normally involves discussions of specific matters such as offers, tenders and negotiations, or to clarify any service problems as well as to review the past year or plan for the coming year, in addition to topics such as sustainability and compliance. Focus is placed on our top suppliers who have completed the sustainability and compliance questionnaire on our electronic tendering platform. The objective is to clear up any unresolved matters or ambiguous wording as well as to verify the data submitted.

Advocacy

VERBUND is represented in national interest groups as well as in scientific organisations and professional associations. Transparency, clarity and responsibility are of particular importance to us in our advocacy work. VERBUND is registered in lobbying registers at both national and EU level.

For further information on VERBUND's advocacy work, please refer to the DMA

Information about
 VERBUND's position on
 key topics can be found
 at www.verbund.com >
[About us](#) >
 Representations of
 interests

VERBUND also conducted a thorough review of regulatory conditions at both EU and national level in 2015. Key topics in the year under review involved efforts to maintain the German-Austrian bidding zone, the emissions trading system reform, the new strategy for a European Energy Union, endeavours to create an electricity market that will remain viable in the future and the presentation of best practice examples for hydropower activities in Natura 2000 areas.

At national level, important topics included the practical implementation of the Energy Efficiency Act, the Infrastructure Act and the Criminal Law Amendment Act.

An essential part of VERBUND's stakeholder activities in 2015 was communicating the findings of a study entitled "Macroeconomic value of hydropower in Europe" to energy policy decision-makers. The study had been commissioned by VERBUND together with more than 20 partner organisations and was conducted by DNV GL.

Another key hydropower-related item on the Group's agenda was the Second National River Basin Management Plan (Gewässerbewirtschaftungsplan). With respect to Germany, one of the main topics was the design of the electricity market and related areas as well as the challenges posed by the new Bavarian energy programme.

The operating environment for e-mobility and topics relating to digitalisation were additional subjects of in-depth discussions.

Memberships held by VERBUND must be consistent with the Group's mission statement and the principles of responsible lobbying.

In line with those principles, VERBUND works actively with the sector organisation Oesterreichs Energie, the Federation of Austrian Industries, the Austrian Chamber of Commerce, the Austrian Chamber of Labour and other interest groups and associations.

At the European level, VERBUND is in regular contact with the European Commission, the European Parliament and various European advocacy groups and associations in the energy area. Two of the associations that VERBUND joined in 2015 are the German Economic Council and the Leading Companies Austria platform.

Information on
 memberships and
 support to external
 initiatives is available in
 the DMA

Investor relations

International capital market environment

National and international stock markets showed a high level of volatility in 2015, reflecting the uncertain political and economic situation in the past financial year. After annual highs were reached by the main indices in April and May of 2015, weak economic indicators mid-year led to global declines in share prices, which became even more pronounced in the third quarter due to the depreciation of the Chinese currency. Prices began to recover at the start of the fourth quarter of 2015. However, the market entered another correction phase in December due to the sharp drop in oil prices and the policies of the US Federal Reserve. The US Dow Jones Industrial stock index declined slightly (by 2.2%) year-on-year after six consecutive years of expansion. The European stock markets benefitted in 2015 from the generally good economic climate, low oil prices and expansive ECB monetary policy, all of which had a positive effect on economic growth. The various economic-political crises were a negative factor. The Eurostoxx 50 gained 3.8% over the course of 2015, and the Nikkei 225, the Japanese index, saw a price increase of 9.1% despite the turbulence surrounding the loss in value of the Chinese currency, but thanks to the favourable exchange rate trend and expansive central bank policies. By contrast, share prices declined in emerging markets. The MSCI Emerging Markets fell by 17.2% to reach its lowest level since 2009 on 31 December 2015.

The ATX gained ground until mid-May 2015, rising from 2,160.08 to 2,681.44 points based on the good earnings performance of Austrian companies, the improved economic situation, which benefitted export opportunities, and the ECB's expansive monetary policies. Much of the gain was lost in the subsequent months, however, due to concerns about the economy, crises and turbulences in China. Thanks to the good performance of the ATX in the fourth quarter of 2015, however, the index posted an increase of 11.0% for the year with a year-end level of 2,396.94 points.

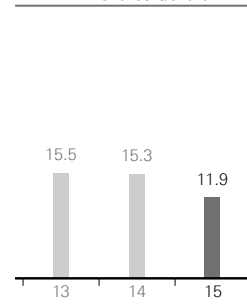
VERBUND shares

Performance of VERBUND shares was extremely volatile in 2015 with a negative trend. The main factor affecting share performance was the difficult environment in the utilities market, especially for companies with a high proportion of non-regulated generation. After a brief upward trend that lasted until just a few days before publication of the figures for financial year 2014 on 11 March 2015, the shares dropped in price until the start of July. The price of VERBUND shares then began rising once again in July 2015 on the back of the increase in guidance for financial year 2015. Starting in August, however, prices for our shares dropped back down as dictated by global price corrections. The fourth quarter of 2015 saw a price recovery, which failed to last into December. VERBUND shares therefore closed at €11.9 on 31 December 2015, down 22.5% from 31 December 2014. By contrast, the sector index – the DJ STOXX Utilities – registered an only moderate price drop of -3.7%.

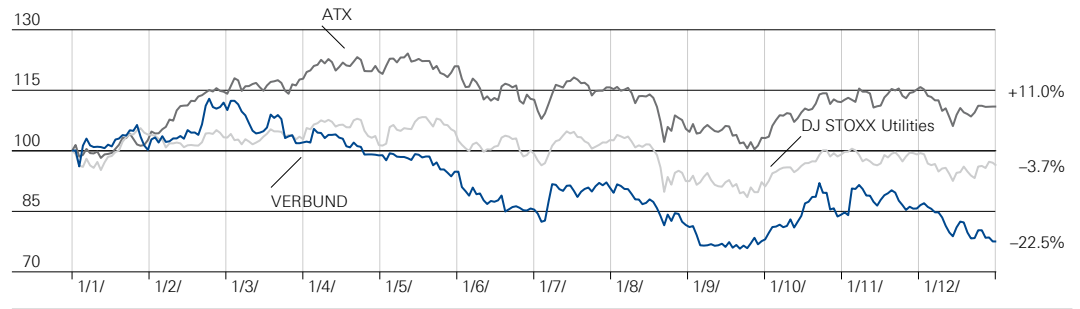
Upcoming dates:

Annual General Meeting record date:
3 April 2016
Annual General Meeting:
13 April 2016
Ex-dividend date:
20 April 2016
Dividend record date:
21 April 2016
Dividend payment date:
3 May 2016
Results for quarter 1/2016: 4 May 2016

Closing prices
VERBUND shares €/share



VERBUND share price: relative performance 2015



KPIs – shares

	Unit	2014	2015	Change
Share price high	€	16.7	17.3	3.6%
Share price low	€	13.7	11.6	-15.1%
Closing price	€	15.3	11.9	-22.5%
Performance	%	-1.4	-22.5	-
Market capitalisation	€m	5,313.7	4,120.4	-22.5%
ATX weighting	%	3.2	2.4	-
Value of shares traded	€m	1,160.4	1,267.0	9.2%
Shares traded per day	Shares	312,922	365,299	16.7%

Activities of VERBUND's investor relations team in 2015

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 US in 2015 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 performance indicators 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, schedule of events, current press releases, presentations and Excel spreadsheets as well as documents relating to Annual General Meetings held in past years.

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

Coverage by 19 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 2015:

Berenberg Bank (<i>Lawson Steele</i>)	Kepler Cheuvreux (<i>Ingo Becker</i>)
Citigroup (<i>Antonella Bianchessi</i>)	Macquarie Research (<i>Peter Crampton</i>)
Commerzbank (<i>Tanja Markloff</i>)	Mainfirst (<i>Andreas Thielen</i>)
Concorde Securities (<i>Daniel Tunkli</i>)	Morgan Stanley (<i>Anne Azzola Lim</i>)
Credit Suisse (<i>Vincent Gilles</i>)	Oddo Securities (<i>Louis Boujard</i>)
Deutsche Bank (<i>Martin Brough</i>)	Raiffeisen Centrobank (<i>Teresa Schinwald</i>)
Erste Group (<i>Petr Bartek</i>)	Raymond James (<i>Emmanuel Retif</i>)
Exane BNP Paribas (<i>Olivier van Doosselaere</i>)	Société Générale (<i>Lueder Schumacher</i>)
Goldman Sachs (<i>Deborah Wilkens</i>)	UBS (<i>Sam Arie</i>)
HSBC (<i>Adam Dickens</i>)	

Current ratings

As at 31 December 2015, VERBUND's ratings were as follows:

- Standard & Poor's: BBB+/stable outlook
- Moody's: Baa1/negative outlook

VERBUND in sustainability indices

In its current company ratings, oekom research gave VERBUND an overall rating of "B". This is an improvement of one level compared with the prior-year rating, and confirms oekom's recommendation of VERBUND as a prime investment for investors interested in sustainability. The comprehensive report made special mention of the Group's environmental performance indicators. VERBUND's rating puts it among the top three companies of a total of 163 enterprises in the sector.

VERBUND was included in the following sustainability indices as at 31 December 2015:

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

Reporting to Carbon Disclosure Project

We present our climate change targets and our achievements in reducing emissions in electricity generation to the public in a transparent manner in our disclosures to CDP (formerly the Carbon Disclosure Project). CDP is an international non-profit organisation with the world's most comprehensive collection of corporate climate change data. On 4 November, it published its annual Global Climate Change Report for 2015.

VERBUND again achieved a top ranking in the current climate change ratings as the second best company in the energy sector in the German-Austria-Switzerland region. We thus reached the status of Sector Leader in the utilities sector, together with the five best utilities in Germany, Austria and Switzerland. In Austria, VERBUND was again named Sector Leader and Country Leader. This puts us among the six best companies in 2015, at 15 points over the average for Austria. VERBUND has additionally documented its position on climate change in a statement prepared for the COP21 Climate Change Conference in the DACH 350 Climate Change Report 2015.

For more information on our rating, please refer to the Financing section

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

Please refer to the Environmental performance section for more information

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. Active implementation of the requirements of the Code is intended to ensure responsible management and control of the Group directed at sustainable, long-term value creation and create a high level of transparency for all stakeholders. 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 not only includes the information prescribed by law but also the additional content stipulated by the Code of Corporate Governance and further information on the relevant indicators under the Global Reporting Initiative (GRI), the global standard on sustainability reporting. Detailed information on the composition and operation of the Executive Board, the Supervisory Board and the Supervisory Board's committees is provided in the sections entitled Executive Board and Supervisory Board.

The Austrian Code of Corporate Governance as amended in January 2015 is available from the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at.

VERBUND will continue to adhere to the Code during financial year 2016. Applying it as fully as possible is an essential building block for strengthening the trust placed in the Group by shareholders, business partners, employees and the public.

Deviations

VERBUND complies with almost all the rules in the Austrian Code of Corporate Governance, including the R Rules. The same deviations applied in financial year 2015 as applied in the previous year. 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 at the General Meeting are restricted to 5% of the share capital.”

C Rule 45:

The rule according to which Supervisory Board members may not assume any functions on the boards of other companies that are competitors of the Group was adhered to by all the members of the Supervisory Board, with two exceptions.

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 once for one agenda item in the reporting period.

Executive Board

Composition of the Executive Board

In financial year 2015, the Executive Board was once again composed of four members.

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
Dr. Johann Sereinig	FK Austria Wien AG	Member

Operation and allocation of responsibilities

The Executive Board conducts the Group's business activities and represents it externally. To assist it in doing so, it grants signatory authority governed by law and either comprehensive in scope ("Prokura") or limited to a defined area (limited authority) to members of senior management with the approval of the Supervisory Board. There are currently seven authorised signatories and five authorised representatives at the parent company of the Group, VERBUND AG.

The rules of procedure govern 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 notify and report, and contain a list of measures that require approval by the Supervisory Board or its Working Committee. These also include material business transactions executed by the Group's main 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.

Allocation of responsibilities

Dipl.-Ing. Wolfgang Anzengruber	Chairman; corporate development (strategy, innovation), corporate office (including audit ¹ and compliance), communications, legal New business solutions
Dr. Johann Sereinig	Vice-Chairman; energy market and business management, Strategic human resources management Trading, sales, services
Dr. Peter F. Kollmann	Financial management and investor relations, Management accounting, corporate accounting and risk management, M&A Grid
Dipl.-Ing. Dr. Günther Rabensteiner	Generation from hydropower, thermal power, wind power/photovoltaics (Austria and international) Tourism

¹ Audit and the Human Resources Committee are the joint responsibility of the chairman and the vice-chairman.

A Group-wide sustainability organisation assumes VERBUND's economic, environmental and social responsibility. This is led by the Group Executive Board, which is also ultimately responsible for sustainability management. Other important bodies include the sustainability officer, the Sustainability Board and the sustainability working group. Further information is available in the Disclosures on Management Approach (DMA) at www.verbund.com > Investor Relations > Financial Reports.

Remuneration of Executive Board members

Remuneration of the Executive Board members amounted to a total of €4,143,855 in 2015 (previous year: €3,810,420) including €105,924 (previous year: €106,279) in remuneration in kind.

Current remuneration of the Executive Board (incl. variable remuneration)				in €
	2014	(of which variable)	2015	(of which variable)
Dipl.-Ing. Wolfgang Anzengruber	1,158,513	(366,601)	1,187,058	(381,175)
Dr. Johann Sereinig	1,057,908	(302,104)	1,135,638	(365,262)
Dipl.-Ing. Dr. Günther Rabensteiner	737,720	(175,336)	734,879	(162,887)
Dr. Peter F. Kollmann	750,000	(0)	980,357	(217,125)

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 2015 reporting period for the 2014 reporting period.

Variable remuneration depends upon performance and is limited to a specific percentage of the respective fixed remuneration. This percentage rate was between 30% and 50% for the 2014 reporting period and remains the same for the current 2015 reporting period. The level of performance-based remuneration components depends on the extent to which the targets agreed for the financial year have been reached. 50% of the target agreement for the 2014 reporting period related to the attainment of the Group result, 15% to the attainment of targets in the thermal segment (withdrawal from France and Italy, closure of unprofitable thermal power plants) and 35% to medium-term (two-year and, in some cases, qualitative) targets, such as the attainment of specific cost targets in connection with the internal programmes to increase efficiency and the marketing campaign (e.g. increasing market share, new products and services, expanding B2B activities). 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 2015 reporting period, contributions in the amount of €213,975 (previous year: €172,675) were paid to the pension fund for the Executive Board.

Statutory regulations, including the requirements of Rule 27a of the Austrian Code of Corporate Governance, apply with respect to the entitlements of members of the Executive Board upon termination of their appointment. In the 2015 reporting period, €384,644 (previous year: €525,892) was paid out for pensions and €0 (previous year: €0) for termination benefits in favour of beneficiaries.

Profit or loss for the period included expenses for termination benefits and pensions and similar obligations - i.e. post-employment benefits - in the amount of €68,313 (previous year: €83,689). Expenses for pensions and similar obligations for former members of the Executive Board and their surviving dependants included in profit or loss for the period amounted to a total of €100,629 (previous year: €151,640). In addition, income of €1,203,027 (previous year: expenses of €1,036,706) relating to remeasurements was 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 (Aktiengesetz, 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. In 2015, the entire Supervisory Board of VERBUND AG was newly elected at the end of its term of office. For this, the Nomination Committee prepared an appropriate proposal, which the Supervisory Board submitted to the Annual General Meeting.

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 2015, the Supervisory Board had a total of 15 members. Ten were shareholder representatives elected by the Annual General Meeting and five were employee representatives appointed by the Works Council.

At the elections to the Supervisory Board held at the Annual General Meeting on 22 April 2015, Dr. Michael Süß, Mag. Elisabeth Engelbrechtsmüller-Strauß, Mag. Werner Muhm, Dr. Susanne Riess and Mag. Jürgen Roth were elected as new members of the Supervisory Board. Dkfm. Peter Püspök, Mag. Dr. Reinhold Süßenbacher, Dipl.-Betriebswirt Alfred H. Heinzl and Mag. Herbert Kaufmann retired from the Supervisory Board. Dr. Gilbert Frizberg, Mag. Harald Kaszanits, Mag. Dr. Martin Krajcsir, Dipl.-Ing. Dr. Peter Layr and Christa Wagner were re-elected for another term of office.

Name	Year of birth	Date of initial appointment	End of current term of office
Dr. Gilbert Frizberg Chairman Managing director of FI Beteiligungs- und Finanzierungs GmbH, managing director of Transfer Industries GmbH, managing director of Hereschwerke GmbH, managing partner of Franz Heresch & Co GmbH	1956	16/3/2000	AGM 2020
Dkfm. Peter Püspök 1st Vice-Chairman	1946	16/3/2000	22/4/2015
Prof. Dipl.-Ing. Dr. Michael Süß 1st Vice-Chairman CEO of Georgsmarienhütte Holding GmbH; member of the supervisory board of Herrenknecht AG (member) and Oerlikon AG (chairman of the board of directors); Renova AG (manager); Süß Management Systems and Süß Film (shareholder)	1963	22/4/2015	AGM 2020
Mag. Dr. Reinhold Süßenbacher 2nd Vice-Chairman	1949	7/4/2010	22/4/2015
Mag. Elisabeth Engelbrechtsmüller-Strauß 2nd Vice-Chairwoman CEO of Fronius International GmbH	1970	22/4/2015	AGM 2020
Dipl.-Betriebswirt Alfred H. Heinzel Managing partner at several Heinzel Group companies	1947	16/3/2000	22/4/2015
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 2020
Mag. Herbert Kaufmann Former member of the managing board of Flughafen Wien AG	1949	26/3/2008	22/4/2015
Mag. Dr. Martin Krajcsir CEO of Wiener Stadtwerke Holding AG; member of the supervisory board of Wiener Stadtwerke Finanzierungs-Services GmbH (chairman), IWS TownTown AG (chairman), B&F Wien – Bestattung und Friedhöfe GmbH (chairman), Wien Energie GmbH (vice-chairman) and Wiener Netze GmbH	1963	9/4/2014	AGM 2020
Dipl.-Ing. Dr. Peter Layr Spokesman of the managing board of EVN AG; chairman of the supervisory board of Netz Niederösterreich GmbH, Rohöl-Aufsuchungs AG and RAG-Beteiligungs-AG	1953	13/4/2011	AGM 2020

Name	Year of birth	Date of initial appointment	End of current term of office
Mag. Werner Muhm Director of the Vienna Chamber of Labour and the Federal Chamber of Labour; member of the supervisory board of Wiener Städtische Versicherung, AWH Beteiligungsges.m.b.H., Kommunalkredit and KA Finanz; member of the General Council of OeNB; member of the managing board of Leopold Museum Privatstiftung	1950	22/4/2015	AGM 2020
Dr. Susanne Riess CEO of Bausparkasse Wüstenrot AG; member of the supervisory board of Wüstenrot Versicherungs-AG (chairwoman), Wüstenrot stambena štedionica d.d., Croatia (chairwoman), Wüstenrot životno osiguranje d.d., Croatia (chairwoman), Wüstenrot Fundamenta-Lakáskassza Zrt., Hungary (vice-chairwoman), Wüstenrot stavebná sporiteľňa a.s., Slovakia (vice-chairwoman), Wüstenrot poisťovňa a.s., Slovakia (vice-chairwoman) and IHAG Privatbank Zürich (member of the board of directors)	1961	22/4/2015	AGM 2020
Mag. Jürgen Roth Managing director of Roth Heizöle GmbH (until September 2015), managing partner at Tank Roth GmbH (from September 2015); member of the supervisory board of ICS Internationalisierungcenter Steiermark GmbH (chairman) and ELG (Erdöllagergesellschaft)	1973	22/4/2015	AGM 2020
Christa Wagner Shareholder in Josko Fenster und Türen GmbH, sole shareholder in Josko Immobilien GmbH, shareholder in Eurosun AG	1960	7/4/2010	AGM 2020

Supervisory Board mandates at 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 board of Stadtwerke Voitsberg GmbH (vice-chairman) and 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	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

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 five years.
- The Supervisory Board member shall not maintain or have maintained in the past year any business relationships with the Company or one of its subsidiaries to an extent that would be significant to 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 on 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 three 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. Seven of them have declared their independence, and three members of the Supervisory Board have classified themselves as not being independent (in each case, with respect to only one criterion; Frizberg with respect to length of membership of the Supervisory Board, Krajcsir and Layr with respect to the “relationships with related parties” criterion). 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, Süß, Engelbrechtsmüller-Strauß, Muhm, Riess, Roth and Wagner. 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 2015. The overall attendance rate of all Supervisory Board members was 92%. No member of the Supervisory Board 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 focused on decisions relating to the following topics in particular:

- consolidated financial statements and annual financial statements of VERBUND AG for 2014;
- motions for the Annual General Meeting;
- election of the General Committee of the Supervisory Board and constitution of the committees;
- appointment of auditor;
- adaptation of the investment plan for the Reißeck II power plant;
- construction of the Gries power plant on the Salzach River;
- approval of agreements with entities that are related parties of Supervisory Board members;
- amendment of the Supervisory Board’s rules of procedure; and
- approval of the Group’s budget for 2016.

(Please also refer to the activities focused upon by the Supervisory Board’s committees).

Each year during the audit of the financial statements, the auditor provides the Supervisory Board with a separate report on the reliability of risk management. This includes sustainability risks, as do the written quarterly reports on operating risk management, which the Supervisory Board discusses at each of its meetings.

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 individual members of the Executive Board.

Evaluation of Supervisory Board activity

The performance of the Supervisory Board is evaluated annually during the Ordinary General Meeting, at which the shareholders vote to approve the actions of the Supervisory Board. At the 68th Annual General Meeting on 22 April 2015, the actions of all Supervisory Board members were approved.

As required by the Austrian Code of Corporate Governance (Rule 36), the Supervisory Board also evaluates its activities itself. In 2015, it was not planned to conduct such a self-evaluation with external support due to the Supervisory Board being newly constituted. However, a self-evaluation based on a questionnaire has been scheduled again for the following year.

Composition and operation of the Committees

According to the Supervisory Board's rules of procedure, the Supervisory Board shall, following the Annual General Meeting, annually elect a Working Committee that will simultaneously function as the Emergencies Committee, an Audit Committee, a General and Remuneration Committee and a Nomination Committee.

Each chairperson of a committee is required to report to the Supervisory Board on the work of the committee he or she chairs 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/Emergencies Committee

The Working Committee 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 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 make the necessary preparations for rapid decision-making on matters that fall within the remit 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 authority to its chairperson in a specific instance.

The Emergencies Committee makes decisions on all matters for 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 (until 22/4/2015)	1st Vice-Chairman
Dipl.-Ing. Dr. Michael Süß (from 22/4/2015)	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher (until 22/4/2015)	2nd Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß (from 22/4/2015)	2nd Vice-Chairwoman
Mag. Harald Kaszanits	Member
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Supervisory Board's Working Committee met three times during financial year 2015. The activities of the Working Committee focused on:

- preparing for Supervisory Board meetings; and
- reports of the Executive Board pursuant to rules of procedure.

At its meeting on 2 December 2015, the Supervisory Board decided on an amendment to its rules of procedure that increases the number of elected members of the Working Committee from four to six. The amendment to the rules of procedure took effect on 1 January 2016.

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 of 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 (until 22/4/2015)	Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß (from 22/4/2015)	Chairwoman
Dr. Gilbert Frizberg	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher (until 22/4/2015)	2nd Vice-Chairman
Dipl.-Ing. Dr. Michael Süß (from 22/4/2015)	2nd Vice-Chairman
Mag. Harald Kaszanits	Member
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Supervisory Board's Audit Committee met three times during financial year 2015. The activities of the Audit Committee focused on:

- preparing the resolution on the annual financial statements for 2014, including appropriation of profit;
- making a proposal for the election of the auditor;
- the semi-annual financial statements for 2015;
- monitoring financial reporting processes;
- internal control, audit and risk management systems;
- coordinating the audit priorities for 2015 with the auditor; and
- internal audit's audit programme and audit reports.

The amendment to the Supervisory Board's rules of procedure mentioned in relation to the Working Committee also provides for an increase in the number of elected members of the Audit Committee from four to six.

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 (until 22/4/2015)	1st Vice-Chairman
Dipl.-Ing. Dr. Michael Süß (from 22/4/2015)	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher (until 22/4/2015)	2nd Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß (from 22/4/2015)	2nd Vice-Chairwoman

With Dr. Frizberg, the Remuneration Committee has the expert required by Rule 43 of the Austrian Code of Corporate Governance at its disposal. The General and Remuneration Committee met four times during financial year 2015, in some cases together with the Executive Board or with individual members of the Executive Board. The meetings dealt with the target agreements and variable remuneration of the members of the Executive Board, the allocation of responsibilities within the Executive Board, the preparations for Supervisory Board and committee meetings, and an examination of current key issues, in particular the strategy review.

Nomination Committee

According to its rules of procedure, the Supervisory Board is required to appoint a Nomination Committee consisting of the chairperson and 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 on appointments to 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 Supervisory Board members.

Members of the Nomination Committee

Name	Function
Dr. Gilbert Frizberg	Chairman
Dkfm. Peter Püspök (until 22/4/2015)	1st Vice-Chairman
Dipl.-Ing. Dr. Michael Süß (from 22/4/2015)	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher (until 22/4/2015)	2nd Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß (from 22/4/2015)	2nd Vice-Chairwoman
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Nomination Committee met twice during financial year 2015 to deal with the preparations for the new election of the Supervisory Board at the Annual General Meeting.

Contracts requiring consent – conflicts of interest

In financial year 2015, the following 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:

Supervisory Board member Mag. Elisabeth Engelbrechtsmüller-Strauß

In the reporting period, the Supervisory Board issued a general authorisation for the Fronius Group, of which Mag. Elisabeth Engelbrechtsmüller-Strauß is CEO, to supply inverters in the amount of €600k per year. The devices are supplied to the Group through Solavolta (in which VERBUND has held a 50% interest since the previous year) and through external intermediaries. In addition, an amount of €60k per year was approved for the direct supply of small devices to VERBUND companies. The extent to which this is used each year must be reported to the Supervisory Board.

Supervisory Board member Mag. Dr. Martin Krajcsir

A number of contractual relationships, some of many years standing, exist between VERBUND and the Wiener Stadtwerke Group, of which Mag. Dr. Martin Krajcsir is CEO. These had already been entered into before Mag. Dr. Krajcsir became a member of the Supervisory Board. The business transacted under these contracts and their volume are reported to the Supervisory Board on an annual basis. In financial year 2015, an order volume totalling €940k 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 the supply of electricity 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 managing board. These had already been entered into before Dr. Layr became a member of the Supervisory Board. The business transacted under these contracts and their volume are reported to the Supervisory Board on an annual basis. In financial year 2015, an order volume totalling €3.69m was processed on the basis of existing

contracts (excluding transactions with grid subsidiary APG). These primarily involved electricity, gas or grid purchases, usage fees, grid access fees and other payments and recharging of costs for various VERBUND companies. In addition, contractual relationships for the supply of electricity exist with e&t Energie HandelsgmbH, in which EVN holds a 45% interest.

In 2015, the Supervisory Board also approved the sale by VTP of coal from the Dürnrohr power plant to EVN at a price of €8.54m.

Supervisory Board member Mag. Jürgen Roth

In the reporting period, the Supervisory Board approved a contract for the supply of electricity from VSA for filling stations of Tank Roth GmbH with an estimated order volume of €170k per year from 2016. The contract runs until the end of 2018. Mag. Jürgen Roth is managing partner at Tank Roth GmbH.

In financial year 2015, the Supervisory Board also looked in detail at possible (other) conflicts of interest involving Supervisory Board members that could have resulted from activities or equity interests in the energy sector in particular. During this process, individual members referred to involvements or equity interests already disclosed in the previous year, primarily in the small hydropower plant segment, none of which had changed. Other than that, there were no reports or disclosures. According to what they have said, there are no conflicts of interest involving the new members of the Supervisory Board. According to 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 abstention from voting or from providing advice and voting on individual agenda items, will have to be implemented promptly.

Remuneration of members of the Supervisory Board

The remuneration of the members of the Supervisory Board (including reimbursement of costs/travel expenses recharged) amounted to a total of €312,665 in 2015 (previous year: €318,543).

At the Annual General Meeting held on 17 April 2013, the following remuneration scheme was adopted for members of the Supervisory Board. This establishes 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	
Chairperson	25,000
Vice-chairperson	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.

Specifically, the following remuneration was paid to the members of the Supervisory Board for financial year 2015:

Remuneration of Supervisory Board members		in €
Name (without title)	Annual remuneration	Attendance fees
Gilbert Frizberg, Chairman	65,000	5,500
Peter Püspök, Vice-Chairman (until 22/4/2015)	18,333	1,000
Michael Süß, Vice-Chairman (from 22/4/2015)	30,000	2,500
Reinhold Süßenbacher, Vice-Chairman (until 22/4/2015)	15,000	1,000
Elisabeth Engelbrechtsmüller-Strauß, Vice-Chairwoman (from 22/4/2015)	36,667	4,000
Alfred Heinzl (until 22/4/2015)	3,333	500
Harald Kaszanits	30,000	5,500
Herbert Kaufmann (until 22/4/2015)	3,333	500
Martin Krajcsir	10,000	2,500
Peter Layr	10,000	2,500
Werner Muhm (from 22/4/2015)	6,667	2,000
Susanne Riess (from 22/4/2015)	6,667	1,500
Jürgen Roth (from 22/4/2015)	6,667	2,000
Christa Wagner	10,000	2,000
<i>Employee representatives</i>		
Anton Aichinger	–	5,500
Kurt Christof	–	2,500
Wolfgang Liebscher	–	2,500
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.

Annual General Meeting

At the Annual General Meeting, which is held at least once a year, shareholders exercise their rights and their voting power. Under their right to request information and propose motions, all shareholders have the opportunity to engage in dialogue with the Executive Board and the Supervisory Board and to express their opinions and state their concerns. This also applies to NGOs participating in the Annual General Meeting as shareholders.

The main tasks and responsibilities of the Annual General Meeting include deciding on the appropriation of profit, electing the Supervisory Board, electing the auditor, approving the actions of the Executive Board and the Supervisory Board and making amendments to the Articles of Association.

Further information on the Annual General Meeting is available in the DMA document at www.verbund.com > Investor Relations > Financial Reports.

The agenda for the 68th Annual General Meeting held on 22 April 2015, the resolutions adopted and the voting results can be viewed on the website at www.verbund.com > Investor Relations > General Meeting.

Measures for the advancement of women

(Section 243b(2)(2) of the Austrian Commercial Code, UGB)

In line 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.

Since the selection of Supervisory Board members is solely the responsibility of the Annual General Meeting, the Executive Board has little influence over whether there are any women on the Supervisory Board of VERBUND AG. With Elisabeth Engelbrechtsmüller-Strauß, Susanne Riess, Christa Wagner and Ingeborg Oberreiner (as employee representative), the Supervisory Board of VERBUND AG has four women members, which equates to a female membership of 26.7%.

As at 31 December 2015, seven women held management positions within the Group (first and second tiers of management). The percentage of women in management positions is therefore 7.4%. The percentage of women among employees throughout the Group is 17.8%. Since 2012, one female executive has been afforded the opportunity to perform her duties on a part-time basis.

In order to ensure that the company diversity management system is permanently integrated into and established within the Group, all equal opportunity agendas will be fully executed by the Diversity & Inclusion manager.

VERBUND promotes women through a variety of measures, listed here as examples:

- The VERBUND women's network addresses the ongoing development of a sustainable strategy for the advancement of women within VERBUND.
- Each year, VERBUND awards a scholarship to highly qualified women studying technical subjects.
- In 2015, VERBUND received the amaZone Award in the "Public and Quasi-Public Companies" category.
- Each year, VERBUND takes part in Take Your Daughter to Work Day so that it can engage with girls while they are still at school and awaken their interest in the fascinating technical professions.
- In 2015, VERBUND received the Work and Family Audit certificate for the third time.
- On a regular basis, VERBUND prepares an income report comparing the salaries of men and women.
- 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 Economic Chambers and the Federation of Austrian Industries. Its goal is to support women on their way to the top and to boost their confidence in their ability to hold management positions.

Detailed information on measures to advance women can also be found in the section entitled Human resources and social responsibility.

Compliance

Compliance management system, Code of Conduct

As an expression of our business ethics, we aim to employ fair, transparent and sustainable business practices. This is why a Group-wide compliance management system was established several years ago. This system is based on VERBUND's Code of Conduct. This part of the mission statement sets out the Group's key values and principles and its conduct towards stakeholder groups. The compliance management system is intended to assist in implementing the Code of Conduct and complying with regulations. It includes compliance guidelines that serve to set out the Code of Conduct in greater detail. In addition, it provides for a compliance organisation for the entire Group. To prevent misconduct, it defines sources of information, reporting offices, communication measures and procedures for reports and notifications. This organisation is the responsibility of a Group-wide compliance team under the leadership of a full-time Chief Compliance Officer.

The Executive and Supervisory Boards regularly receive written compliance reports. In addition, in the reporting period, the Chief Compliance Officer conducted a presentation on the compliance management system for the newly elected Supervisory Board.

Further information on the compliance management system can be found in the DMA document at www.verbund.com > Investor Relations > Financial Reports. VERBUND's Code of Conduct is available on the website at www.verbund.com > About Us > Corporate Mission.

Compliance risk survey

As recommended by an external compliance check in 2014, a systematic Group-wide compliance risk survey was conducted for the first time in the reporting period together with Risk Management and with the involvement of all division managers at the holding company and the consolidated subsidiaries in their capacity as risk owners. Using a standardised questionnaire, they carried out a qualitative compliance risk assessment based on three criteria: materiality, probability of occurrence and maturity of existing measures.

These risk analyses were then discussed in detail at compliance meetings conducted by the Chief Compliance Officer with all risk owners. During this process, targeted measures to prevent potential damage to the Company were also discussed. In this way, corruption risks in particular in all parts of the Group were examined and documented. The findings show no significant corruption risks. The plan is to update the risk surveys annually.

Training, consulting and information

Preventive measures are at the forefront of our compliance management system. In this vein, conducting training sessions and presentations, providing one-on-one consulting on numerous occasions and disseminating information on specific matters were once again important focal points of our compliance work in 2015. The Chief Compliance Officer and the compliance officers of the Group companies provided information on correct conduct in response to more than 300 queries. The most common topics included invitations, participation in events, gifts and other benefits and also questions regarding conflicts of interest. This shows the level of sensitivity among executives as well as employees when dealing with compliance topics.

In order to further improve the ability to deal with compliance matters, the compliance rules were addressed in a comprehensive training programme throughout the Group. In the reporting period, the

Chief Compliance Officer conducted 19 classroom training sessions, which were attended by a total of some 490 employees from across the Group. In addition to general compliance training sessions (e.g. for subsidiaries), there were area-specific workshops (in particular in various holding company units and for Group Executive Board assistants), events focusing on the prevention of corruption, special workshops dedicated to competition law (primarily for executives and areas particularly affected, such as trading and sales) and training for new employees and new executives. The compliance officers at the subsidiaries also held nine classroom training sessions.

In the reporting period, this training programme was once again supplemented by the e-learning programme on the intranet, which comprises two compliance courses (anti-corruption and financial market compliance). All executives and all employees at the holding company and from areas that are particularly affected (e.g. key account management, trading, purchasing) are required to complete the online questions on an annual basis.

Prevention of corruption, compliance incidents

Our objective is to avoid compliance incidents. Corruption prevention therefore plays a key role in our compliance management activities and was once again the subject of extensive internal communication and a whole series of training measures in the reporting period. As a result, 40% of all Group employees and 88% of executives received anti-corruption training in 2015.

In addition, the channels for reporting compliance incidents and the principles and procedures for dealing with such reports were set out in writing and communicated throughout the Group. The Chief Compliance Officer also acts as the point of contact for notifications from outside the Group. When implementing the anti-corruption guidelines, the Chief Compliance Officer ensures strict compliance with the rules in the guideline relating to giving and receiving benefits, gifts and invitations in particular. He monitors whether mandatory value limits and authorisations are being observed and whether the documentation requirements are met. He is supported in this by the officers at the individual Group companies. In 2015, the Chief Compliance Officer approved the giving or receiving of invitations or participation in events in over 150 cases, and refused this in ten cases.

Six suspected compliance cases were reported and thoroughly investigated. In the process, no cases of corruption were identified. In three cases, it emerged that there had been misconduct (as a result of violating internal regulations), to which VERBUND responded by taking disciplinary steps and organisational measures to avoid future misconduct.

In 2015, there was one incident that can be classified as discrimination on the basis of gender. Measures were initiated immediately. Further preventive measures are planned for 2016.

Legal compliance

Information on the following legal actions is reported for the purposes of the related GRI indicators:

In January 2015, an action initiated by Wien Energie under the Federal Act against Unfair Competition (Bundesgesetz gegen den unlauteren Wettbewerb, UWG) was concluded by way of a settlement.

In the actions by the Austrian Financial Market Authority (FMA) against members of VERBUND's Executive Board, the penal decision imposed on CEO Anzengruber for market manipulation is final and non-appealable according to the second-instance decision. In the action against several members of VERBUND's Executive Board for failing to make ad-hoc disclosures in June 2012, the penal decision has been entirely revoked in accordance with the final and non-appealable second-instance decision. In the final action, the Austrian Supreme Administrative Court has not yet taken a decision regarding the FMA's special audit.

In addition, a private individual has filed a complaint under Section 108 of the Austrian Criminal Code (Strafgesetzbuch, StGB) (Deception) against CEO Anzengruber in his capacity as Chairman of VERBUND's Executive Board due to the use of the description "klimaneutrales Erdgas" ("climate-neutral gas") in VERBUND's German-language advertising. It is not yet clear whether the matter will be taken up by the public prosecutor's office in Vienna.

Business partner compliance

Not only are we committed to high standards for proper and fair behaviour; we also expect our business partners to comply with our principles. In order to document VERBUND's high standards of integrity, all contracts include a corresponding anti-corruption clause. The requirement for suppliers to comply with certain compliance principles has also been more firmly incorporated into VERBUND's purchase order terms and conditions.

Since 2014, our trading subsidiary VERBUND Trading GmbH has conducted systematic checks on all business partners using third-party software. In some cases, this caused VERBUND to decline to enter into a business relationship.

To roll out such integrity checks throughout the Group, the “Principles of Business Partner Compliance” were prepared based on a risk-oriented approach. These principles define which business partners will be audited in which way and according to which criteria. In addition to business partners, the focus is primarily on very large suppliers and customers, project and collaboration partners and advisers. The gradual roll-out at the other Group companies began during the past financial year.

The business partner checks are intended to fulfil legal requirements and safeguard the Group’s reputation.

Vienna, 11 February 2016

The Executive Board

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

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

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

Dr. Peter F. Kollmann
Member of the Executive Board

Group management report

The Group management report relates to the consolidated financial statements of VERBUND. These were prepared 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. No liability is assumed for any links or references to external sources contained in the Group management report.

General conditions

VERBUND's business operations are impacted by a number of external factors. The general economic conditions, the price trend in the markets for electricity, fuel and CO₂ emission rights and the political and regulatory climate are of particular importance to the Group's performance.

In financial year 2015, little changed with regard to the difficult conditions in the European electricity market. The environment remains challenging. Pressure on energy companies' incomes has increased due to low prices for primary energy sources – especially coal – and the non-functioning CO₂ market, which has led to low wholesale prices and margins.

At the same time, electricity generation capacities continue to rise, caused above all by heavy subsidisation of energy generated from wind and photovoltaics. In addition, improvements in energy efficiency and the persistently weak economic trend have curbed demand for electricity.

In this challenging environment, VERBUND continued in 2015 to steadily work towards its goal of becoming a CO₂-free, cost-effective and innovative electricity generation company.

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General economic environment

Economy remains weak

The global economy continued to evidence a sluggish trend in 2015. Global trade also showed little momentum. The growth trend has softened in emerging economies such as China. By contrast, the economic trend in the industrial countries was decidedly more positive.

The eurozone economy also gained traction, even if the recovery remained moderate. Positive factors were the considerably lower prices for raw materials and primary energy, the weaker dollar in relation to the euro and expansionary monetary policies.

According to the January 2016 projection by the International Monetary Fund (IMF), real economic growth increased to 1.9% in the industrial countries in 2015 after an increase of 1.8% a year earlier. In the eurozone, real term economic output rose by 1.5% in 2015 according to IMF experts (2014: +0.9%). Germany continued to drive growth in Europe, albeit at a somewhat lower level (2015: +1.5%).

In Austria, economic growth remained well behind the rest of the eurozone for the second consecutive year. Weaker exports and lower capital spending caused the Austrian economy to lose momentum significantly, with expansion being 0.8% in 2015 according to estimates by the Austrian Institute of Economic Research (WIFO).

Energy market environment

Growth in energy consumption

The cooler weather compared with the unusually mild previous year led to higher energy consumption in Austria in 2015. However, the weak economy kept demand for energy from increasing to any significant extent.

Natural gas consumption rose by 7.1%, primarily due to the greater weather-related heating requirements. Greater use was made of natural gas for heating purposes as well as in cogeneration processes.

Mineral oil consumption likewise registered an increase in 2015. Demand increased for both fuels and extra light heating oil.

Hard coal consumption decreased as a result of the trend in steel sales, which have declined significantly since the end of the summer of 2015. The use of hard coal in the electricity industry increased slightly in 2015 compared with the previous year.

Renewables nearly maintained their share in total energy consumption. Although hydropower saw a considerable supply-related decline, the new renewable energy sources (wind power, photovoltaics, biomass) were able to sustain their upward trend.

Electricity consumption rose in 2015 after four years of stagnation

Electricity consumption began rising again for the first time in a long while with consumption in Austria (total supply of electricity) rising by 1.7% in 2015 according to information from E-Control. Here as well, the cooler weather conditions compared with the very mild previous year were a significant factor.

Due to the much lower water supply compared with the previous year, hydropower plants supplied 8.9% less electricity in 2015. By contrast, thermal power plants produced 21.7% more electricity, and other generation rose by 4.6%. Other generation includes electricity production from other renewable energy sources (excluding biomass, which comes under the category of thermal generation) and from plants that cannot yet be allocated for statistical purposes. All in all, electricity generation stagnated at the prior-year level in Austria in 2015.

Net electricity imports (imports minus exports) rose sharply (by 8.4%). The figure representing the dependence of the Austrian electricity industry on international sources therefore amounted to around 13% in 2015.

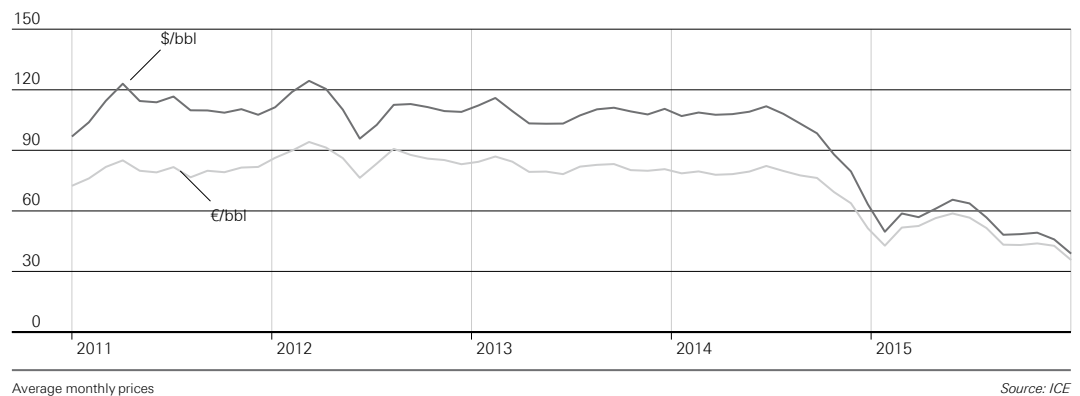
Dramatic fall in oil prices

The average price for one barrel of Brent crude oil (front month) was \$53.6/bbl in 2015 compared with \$99.4/bbl a year earlier. This represents a decrease of 46.1%.

At the start of 2015, oil prices continued their downward spiral that had begun in mid-2014. The price for one barrel of Brent crude (front month) fell below the \$50/bbl mark in January 2015. As a result, crude oil prices had increased to around \$65/bbl by the end of June 2015. The price increase came on the back of reports from the US on decreased oil drilling and declining investments in new oil projects

around the globe, after which the price of oil saw a downright collapse. On 22 December 2015, the lowest level since 2004 was reached at just \$36/bbl. Expectations of rising exports from Iran after the lifting of sanctions and increasing oil production by OPEC in combination with continued high US production figures made it virtually certain that prices would drop. Added to this were concerns about global oil demand from the emerging economies, especially China. The downward slide took even greater hold following the OPEC meeting on 4 December 2015, where not only no subsidy reductions were decided upon but where the topic of subsidy limits was not even addressed for the first time in quite a while. At the end of 2015, one barrel of Brent crude (front month) was quoted at \$37.3/bbl.

Crude oil price performance (Brent front month)

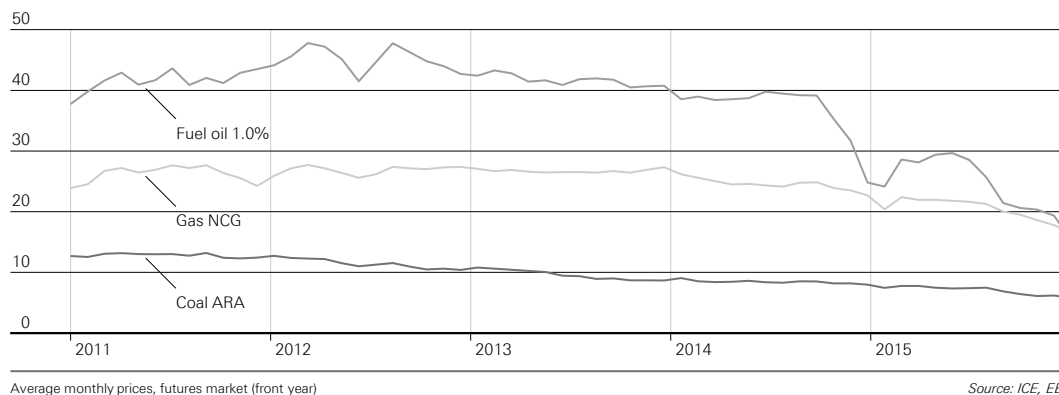


Gas and coal also saw further declines in prices

European gas trading prices continued to drop in 2015 due to excess supplies. The sharp rise in LNG (liquefied natural gas) deliveries to the EU caused downward pressure on prices. The spot price at the European NCG trading point decreased by €1.1/MWh compared with the previous year to €20.0/MWh on average in 2015. In futures trading, supplier contracts for the coming year (NCG front year) were invoiced at €20.3/MWh or €4.2/MWh less than had to be paid for the NCG front year in 2014.

Weak demand for coal also led that commodity to drop in price. China, which is the world's largest consumer of coal, scaled back coal imports significantly, and demand in the industrial countries shrank. Coal prices were down 9.9% in the spot market in 2015 and 16.9% in the futures market year-on-year (ARA front year; both on a euro basis).

Coal, oil and gas price performance €/MWh thermal

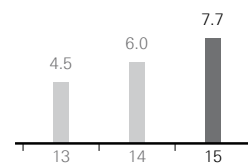


Weak trend in CO₂ prices

The price of CO₂ emission rights (EUA – European Union Allowance) has risen moderately since May 2015, when representatives of the EU member states, the European Parliament and the European Commission agreed on the introduction of a market stability reserve and the transfer of backloading certificates to the reserve.

One standard certificate for 2015, which permits emissions of one tonne of CO₂, was traded at an average of €7.7/tonne of CO₂. The comparable figure for 2014 was €6.0/tonne of CO₂. However, many experts believe that this is still too low to influence corporations to gear their decisions on production methods and investments towards low-emission solutions rather than high-emission fuels, technologies and processes.

CO₂-emission rights prices €/t CO₂



Average yearly prices; futures market Source: EUA

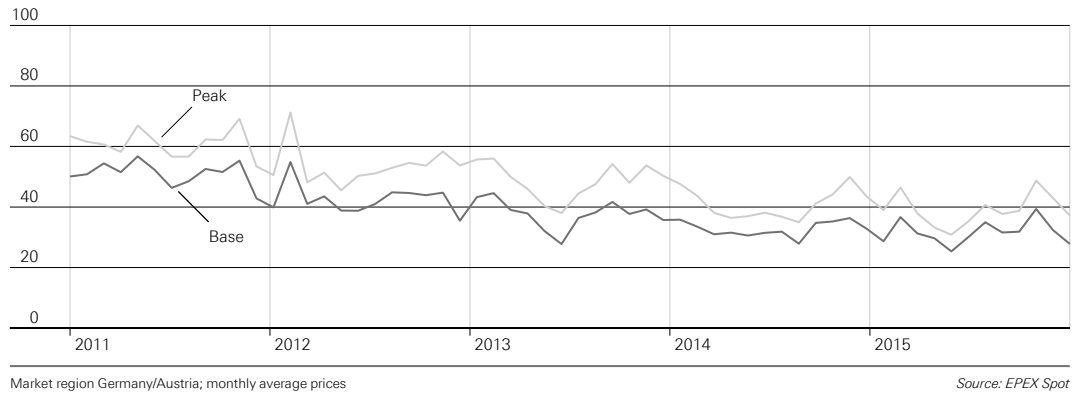
Recent drop in electricity wholesale prices

The average price for base load electricity deliveries in the German/Austrian bidding zone on EPEX SPOT, the European electricity exchange spot market, decreased by 3.5% compared with the prior year to €31.6/MWh in 2015. The peak-load prices were €39.1/MWh, 4.7% lower than average prices for 2014.

Lower prices for hard coal as well as the oversaturated electricity market were the main factors resulting in pressure on prices. Continued expansion of subsidies for wind power and photovoltaic installations and above-average wind levels contributed to the large supply of electricity.

Only in the months of February, July and October of 2015 did prices rise briefly on the spot market. The reasons were the much lower temperatures in February 2015 and the heat wave in July 2015. The price rise in October 2015 was due to the extremely low level of wind and solar power.

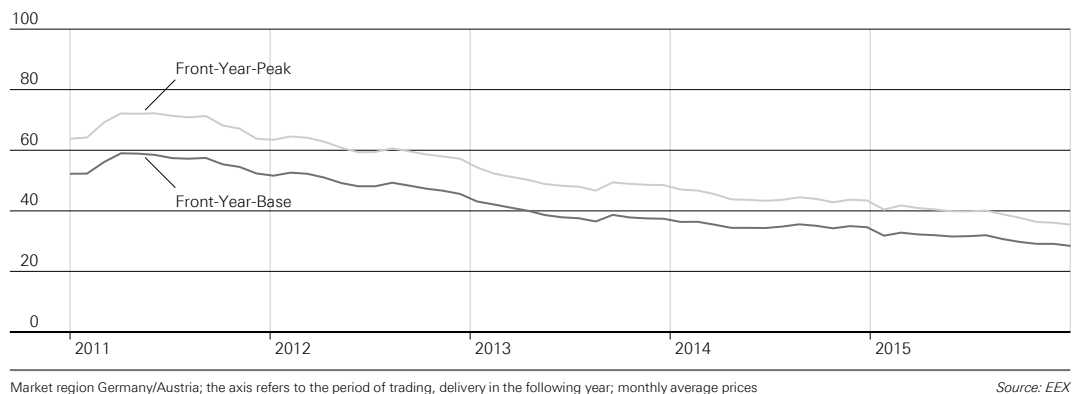
Spot market electricity price performance in €/MWh



In the futures market at the European Energy Exchange (EEX) in 2015, base-load was traded at an average price of €31.0/MWh for 2016 (front year base) for the German/Austrian market region, and peak-load (front year peak) was traded at €39.0/MWh. In 2014, front year base contracts paid €35.1/MWh on average and front year peak contracts paid €44.4/MWh.

On the one hand, the decline in coal and gas prices overcompensated for the slight price recovery in CO₂ emission rights. On the other hand, the low prices are a reflection of expectations that construction of subsidised wind and photovoltaic plants will continue in the coming years.

Futures market electricity price performance in €/MWh



VERBUND sells most of the electricity generated in futures markets so as to reduce short-term selling and price risks. In 2015, the price trend in the futures market had only a minor influence on revenue during the reporting period. The trend will primarily affect the results of subsequent periods.

Political and regulatory framework

The structure of the energy and electricity market and environmental protection was at the very top of the political agenda at the EU level in 2015. In Germany, policymakers addressed issues relating to the future design of the electricity market in particular. In Austria, the energy policy agenda was shaped above all by the plans to split up the German-Austrian pricing zone as well as implementation of the Energy Efficiency Act.

EU energy policy

Energy Union and environmental protection strategy

On 25 February 2015, the European Commission published its Energy Union strategy describing how it intends to attain its five primary objectives (security of supply, decarbonisation, internal energy market, reduction in demand and research & innovation). The initial details were laid out in the Summer Energy Package published in July 2015, in which the European Commission presented a legislative proposal on amending the emissions trading directive as well as statements on market design and consumer markets. VERBUND expressed its position on the Energy Union strategy as well as the proposal aimed at a revised ETS directive in connection with the relevant consultations on the future design of the energy market and on the security of supply.

VERBUND welcomed the proposals put forward by the European Commission and highlighted the significance of a functioning internal energy market, which would involve a reduction in subsidies, fair competition for all technologies, no need for capacity mechanisms and an ambitious emissions trading system.

Emissions trading

Due to the massive oversupply of CO₂ emission rights, EU emissions trading is not currently able to fulfil its mandate of promoting low-carbon technologies. The initial step in reducing the oversupply was the creation of a market stability reserve as an instrument for removing temporary surpluses of CO₂ emission rights from the market. In the summer of 2015, the European Commission also proposed a directive aimed at restructuring the emissions trading system after 2020. Measures such as raising the annual reduction factor (from the current 1.7% to 2.2%) are the primary ways in which it is planned to reduce the supply of certificates. The plans also call for the implementation of effective carbon leakage policies to protect the energy-intensive European industry from competitive disadvantages that could lead to businesses transferring their production and capital expenditure to other regions.

VERBUND is in favour of the ETS reforms, which represent an important step in reviving emissions trading and creating a more stable energy environment.

German-Austrian electricity pricing zone

ACER (Agency for the Cooperation of Energy Regulators), the European regulatory authority, published a non-binding opinion on 23 September 2015 in which it recommended splitting up the joint German-Austrian bidding zone. This step was taken because of "loop flows", i.e. unscheduled flows of electricity – mostly via Poland and the Czech Republic – due to temporary grid congestion within Germany. E-Control and APG, supported by all of the Austrian advocacy groups and enterprises such as VERBUND, filed a legal complaint against the ACER opinion. However, the complaint was rejected by the ACER Board of Appeal since the opinion in question was non-binding.

A Europe-wide review of the existing pricing zones is currently being conducted. The analysis will also consider the joint German-Austrian pricing zone. The findings of the analysis are expected in 2017.

VERBUND is in any case vehemently opposed to splitting up the joint German-Austrian pricing zone, given that

- this would be a major detriment to the economy;
- there are no factual grounds for restricting trade in this way;
- the split would violate the principle of a single energy market; and
- far less drastic alternatives are available (such as redispatch measures).

Natura 2000 hydropower guidelines

The European Commission's Directorate General for the Environment moved ahead in 2015 in the process of developing the Natura 2000 hydropower guidelines. The objective of the guidelines is to provide examples of how projects in Natura 2000 areas can in fact be implemented, even if some restrictions are involved. VERBUND is playing an active part in the process.

VERBUND is actively involved in developing legislation for a better energy future.

New legal framework for the energy sector in Germany

Energy policy legislation

The German Federal Ministry for Economic Affairs and Energy (BMWi) has presented a draft of the new electricity market law which is intended to lay the foundation for the way forward in the electricity market. The legislative process is scheduled to be completed in the spring of 2016.

The intention is to develop the electricity market in the direction of Electricity Market 2.0, focusing on ensuring that the setting of prices is fair and that there is increased commitment to the balancing group, competition for flexibility options, an indefinite extension of the grid reserve and a reduction in grid expansion costs.

VERBUND has actively participated in the legislative process by presenting extensive position papers.

The BMWi has also presented an initial draft of the amendments to be made to the 2016 Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz, EEG), particularly the new auction design for renewable energy. The decision on the draft law will be made in 2016.

Furthermore, the BMWi has brought the law on digitalisation of the energy transition into the decision-making process. This will complete and at the same time limit the smart metering roll-out strategy, since the law would not permit roll-out at any price. Starting in 2017, wholesale suppliers and producers with an installed capacity of 7 kW or more will be provided with an intelligent metering system. The household-related customer segment will follow from 2020 onward, with installation mandatory for consumers of more than 6,000 kWh per year and optional below that level. The law on digitalisation will also govern who is able to collect what data and the purpose for which the data will be used.

Bavarian energy programme based on Energy Dialogue findings

At the start of 2015, the government of the German state of Bavaria held a Bavarian Energy Dialogue at which working committees composed of Bavarian stakeholders discussed key energy policy issues and worked out possible solutions. The findings, which were presented in February 2015, established that the shortfall projected for 2023 would amount to 5 GW for guaranteed capacities and 40 TWh for electricity generation.

The Bavarian Ministry of the Economy (StMWi) presented its new Bavarian energy programme in October 2015. The programme is based on the findings of the Energy Dialogue and also takes the policy decisions of the German federal government into account.

New legal framework for the energy sector in Austria

Energy Efficiency Act

A supplier obligation resulting from the Energy Efficiency Act, which prescribes annual energy savings of 0.6% of the previous year's sales volumes, has been in effect since 1 January 2015. The law additionally prescribes obligatory energy audits for large enterprises. Following protracted negotiations, the Ministry of the Economy issued a guideline directive for the activities of the energy efficiency monitoring office including a method document at the end of 2015 and applicable from 1 January 2016. The new legislation lists, among other things, energy efficiency measures for customers (such as appliance replacement campaigns, electricity savings packages, heating optimisation, LED lighting campaigns, etc.) and how such measures will be applied. This is of enormous significance for stakeholders for reasons of legal certainty in particular.

National River Basin Management Plan 2015

On 21 January 2015, the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management (Bundesministerium für Land- und Forstwirtschaft, Umwelt und Wasserwirtschaft, BMLFUW) presented a draft of the National River Basin Management Plan (Gewässerbewirtschaftungsplan, NGP). The "2015 National River Basin Management Plan" must be sent to the DG Environment no later than March 2016. The plan must also have achieved publication at the national level by that time.

The EU Water Framework Directive remains a central topic with regard to hydropower and thus also to VERBUND. Implementation of the directive will pose a great challenge under both current and future economic conditions, which are expected to remain extremely difficult. NGP 2015 is a continuation of Austria's implementation strategy thus far and represents a good compromise between the environmental requirements of the Water Framework Directive and Austria's indispensable water use requirements. The position statement issued by the Association of Austrian Electricity Companies ("Österreichs Energie") in cooperation with VERBUND referred on the one hand to the importance of hydropower in securing the European power supply while emphasising on the other hand that implementation of the measures called for will represent a great challenge under difficult conditions.

Finance

Factors affecting the result

Wholesale prices for electricity

In 2014, VERBUND entered into contracts for the majority of its own generation for 2015 in the futures market. At an average of €35.1/MWh for base load and €44.4/MWh for peak load, electricity wholesale prices were below the previous year's levels by 10.2% and 10.6%, respectively. The weak economy, lower prices for coal and CO₂ emission rights, excess capacities in the European electricity market and higher generation from renewable energy due to the construction of new plants exerted sustained pressure on the futures market.

With regard to immediate deliveries (spot market), wholesale trading prices for electricity were also below the prior-year level in 2015. Prices for base load decreased by an average of 3.5% to €31.6/MWh, and prices for peak load fell by 4.7% to €39.1/MWh.

Futures prices €/MWh

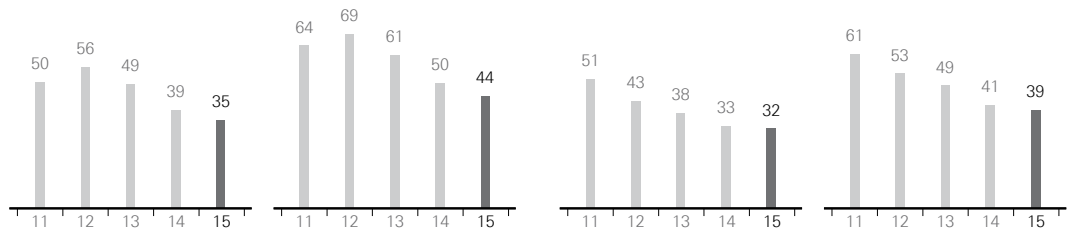
Front Year Base

Front Year Peak

Spot market prices €/MWh

Spot Base

Spot Peak



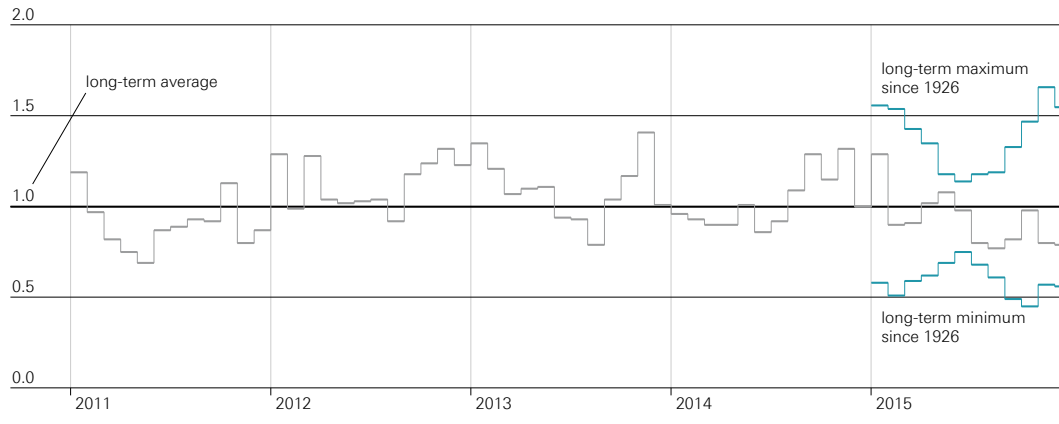
Futures prices traded in the year before supply. The years stated are the respective years of supply. Average prices.

Source: EEX, EPEX Spot

Water supply

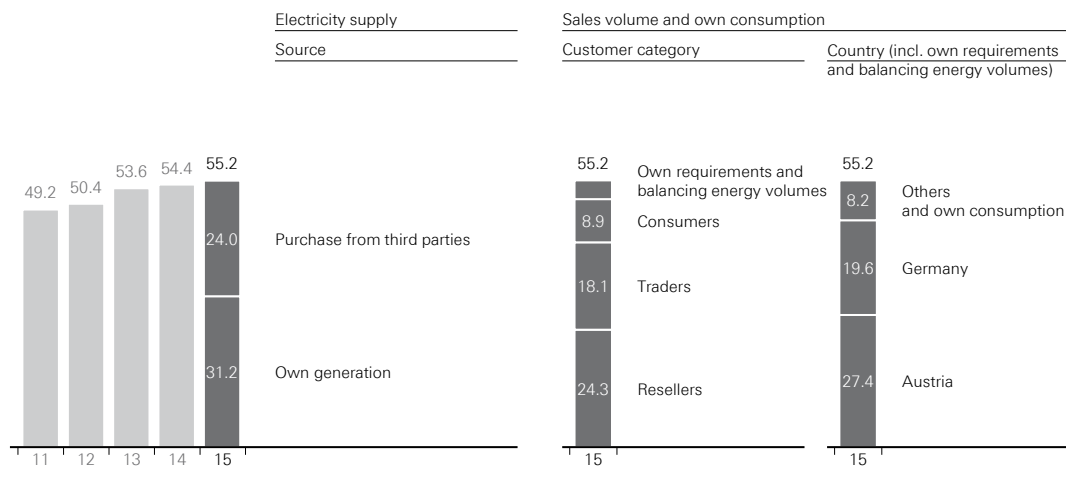
Water supply in the rivers is of particular significance to VERBUND since around 90% of its electricity is produced using hydropower. The water supply is measured by means of a hydro coefficient. The value of 1.00 stands for the long-term average. In the 2015 reporting year, the hydro coefficient for run-of-river and pondage power plants was 0.93. This was 7% below the long-term average and 9 percentage points below the previous year's level. The water supply in the reporting year only exceeded the long-term average in the months of January, April and May. In all other months, the water supply fell below the long-term average – in some cases significantly. The hydro coefficients for the individual quarters were as follows: quarter 1: 1.03; quarter 2: 1.03; quarter 3: 0.80; quarter 4: 0.86.

Hydro coefficient (monthly averages)



Electricity supply and sales volumes

Electricity supply and sales volumes TWh



In 2012 there was a change of accounting method.

At 31,239 GWh, VERBUND's own generation decreased by 2,792 GWh, or 8.2%, compared with the previous year. Generation from hydropower declined by 9.9%, or 3,090 GWh, compared with 2014. At 0.93, the hydro coefficient of the run-of-river power plants was 7% below the long-term average and 9 percentage points below the previous year's figure. Generation from annual storage power plants fell 7.2% below the 2014 level despite the greater utilisation of reverse operation as a result of the lower water inflows and reduced lowering of water levels.

By contrast, wind power and photovoltaic installations produced 71 GWh more electricity despite the sale of the Bulgarian generation plants (generation in 2014: 31 GWh). The increase was attributable above all to greater wind power capacity in Austria and windier conditions in Romania and Germany.

Generation from thermal power plants increased by 228 GWh in the reporting period. The Mellach combined cycle gas turbine power plant produced 663 GWh more electricity in 2015 due to greater use for congestion management. Generation from VERBUND's other thermal power plants in Austria decreased by 293 GWh, primarily due to the closure of the Dümrohr power plant as at 30 April 2015. The two thermal power plants in France, both of which have now been sold, had produced a total of 142 GWh in 2014.

Electricity purchased from third parties for trading and sales increased by 2,872 GWh. Electricity purchased from third parties for grid losses and control power, including congestion management, rose by 799 GWh.

Group electricity supply	GWh		
	2014	2015	Change
Hydropower ¹	31,188	28,098	-9.9%
Wind/solar power	811	882	8.8%
Thermal power	2,031	2,259	11.2%
Own generation	34,030	31,239	-8.2%
Electricity purchased for trade	16,801	19,673	17.1%
Electricity purchased for grid loss and control power volumes	3,527	4,326	22.7%
Electricity supply	54,359	55,238	1.6%

¹ incl. purchase rights

Electricity sales volumes increased slightly in 2015, rising by 552 GWh compared with the previous year. Electricity volumes delivered to consumers declined by 539 GWh. Sales quantities decreased both in Austria (-370 GWh) and internationally (-169 GWh). Sales to resellers rose by 2,212 GWh. The increase was primarily due to higher demand in Austria as a result of greater use of congestion management in particular, which is attributed to Austria even when services for German grid operators are provided. Electricity deliveries to trading firms decreased by 1,121 GWh, mainly due to a decrease in sales via the stock exchanges owing to lower generation during the reporting period in comparison with the previous year. Own use of electricity rose by 158 GWh. This can be attributed above all to higher generation from pumping.

Group electricity sales volume and own use

	GWh		
	2014	2015	Change
Consumers	9,485	8,946	-5.7%
Resellers	22,105	24,317	10.0%
Traders	19,232	18,112	-5.8%
Electricity sales volume	50,823	51,375	1.1%
Own use	2,943	3,100	5.4%
Balancing energy volume	593	762	28.6%
Total electricity sales volume and own use	54,359	55,238	1.6%

In 2015, approximately 53% of the electricity sold by VERBUND went to the Austrian market. Sales in France rose significantly (+136%) due to VERBUND's marketing of power generated by third parties and increased deliveries to resellers and traders. International trading and sales activities focused on the German market, which accounted for 82% of all volumes sold abroad.

Electricity sales by country

	GWh		
	2014	2015	Change
Austria	25,891	27,366	5.7%
Germany	22,491	19,628	-12.7%
France	1,541	3,641	136.3%
Romania	451	473	4.9%
Italy	118	48	-59.8%
Other	331	219	-34.0%
Electricity sales volume	50,823	51,375	1.1%

Financial performance

Although the profit/loss attributable to the French Pont-sur-Sambre and Toul CCGTs – which have been sold – must be presented separately from the profit/loss from continuing operations (for details, see notes to the consolidated financial statements), the analysis of financial performance refers to the combined profit/loss from the Group's continuing and discontinued operations. Profit/loss after tax from discontinued operations corresponds to the share of profit/loss attributable to the 100% equity interests in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. until they were deconsolidated in the previous year. The sale of the other equity interests remaining after deconsolidation was completed effective 6 March 2015.

Result	€m		
	2014	2015	Change
EBITDA	808.8	888.7	9.9%
Adjusted EBITDA	889.6	838.8	-5.7%
Operating result	384.4	410.6	6.8%
Group result	126.1	207.7	64.7%
Adjusted Group result	216.0	268.9	24.5%
Earnings per share	0.36	0.60	64.7%
(Proposed) dividend per share in €	0.29	0.35	20.7%

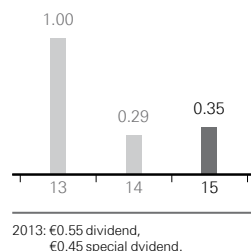
Income trend

The income trend was positive in financial year 2015. EBITDA increased by 9.9% to €888.7m and the Group result rose to €207.7m, or 64.7% over the previous year's figure. In both years, however, the income trend was massively impacted by non-recurring effects. In 2015, these related in particular to the impairment loss recognised on the Mellach CCGT and the reversal of provisions due to legal settlements in the Grid segment. Adjusted for these non-recurring effects, EBITDA only decreased to €838.8m despite the lower sales prices and a drop of nine percentage points in the water supply. The nearly stable EBITDA level was primarily attributable to additional income from marketing control power and from congestion management as well as our programme to reduce costs and increase efficiency. The adjusted Group result rose by 24.5% to €268.9m, mainly due to the improvement in financial result and lower income taxes.

Dividend

A dividend of €0.35 per share for financial year 2015 will be proposed to the Annual General Meeting on 13 April 2016. The dividend is based on a payout ratio of approximately 50% (2015: 45.2%) of the Group result after adjustment for non-recurring effects. The payout ratio for 2015 will amount to 58.5% based on the reported Group result. In 2014, a dividend of €0.29 per share was paid out to shareholders; the payout ratio amounted to 79.9%.

Dividend per share €



Revenue	€m		
	2014	2015	Change
Electricity revenue	2,427.4	2,336.4	-3.7%
Grid revenue	351.4	439.6	25.1%
Other revenue	101.6	193.6	90.5%
Revenue	2,880.4	2,969.6	3.1%

Electricity revenue

VERBUND's electricity revenue decreased by 3.7% to €2,336.4m in 2015 compared with the previous year. In terms of quantities, electricity sales volumes rose by 1.1%, or 552 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 €39.1/MWh to €35.1/MWh.

Grid revenue

Grid revenue increased by €88.2m, rising from €351.4m to €439.6m in 2015 compared with the same period in the previous year. Most of the provisions and impairment losses recognised in previous years to comply with the System Usage Rates Directives (Systemnutzungstarife-Verordnungen, SNT-VO) and the System Charges Order (Systemnutzungsentgelte-Verordnung, SNE-VO) were reversed to reflect legal settlements. This led to a gain of €40.4m in 2015. In addition, international grid revenue was higher due to the auctioning off of cross-border capacities, and national grid revenue increased due to higher tariff revenue.

Other revenue and other operating income

Other revenue increased by €92.0m to €193.6m. The increase was mainly attributable to higher revenue from gas deliveries. Other operating income rose by €14.8m to €70.5m, due among other things to the gain on disposal of the Bulgarian wind farm as well as the resale of fuel from the decommissioned Dürnrrohr and Neudorf/Werndorf power plants.

Expenses	€m		
	2014	2015	Change
Expenses for electricity, grid, gas and certificate purchases	1,328.7	1,415.8	6.6%
Fuel expenses and other usage-dependent expenses	149.1	138.7	-7.0%
Personnel expenses	361.6	332.9	-7.9%
Depreciation of property, plant and equipment and amortisation of intangible assets	392.9	360.0	-8.4%
Other operating expenses	280.2	264.1	-5.7%

Expenses for electricity, grid, gas and certificate purchases

Expenses for electricity, grid, gas and certificate purchases increased by 6.6% to €1,415.8m. Purchases of electricity from third parties for trading and sales as well as for grid losses and control power increased by a total of 3,671 GWh. However, the increase in quantities was nearly fully compensated by reduced purchase prices. Expenses for electricity purchases thus increased slightly (€+2.9m) compared with 2014. Expenses for grid purchases increased by €4.2m, and expenses for gas purchases by €77.7m. Since quarter 3/2012, it has been necessary to recognise the natural gas supply agreement for the Mellach CCGT at fair value through profit or loss. In 2015, the resulting effect on profit was €-8.4m (2014: €+2.1m).

Fuel expenses

Fuel and other usage-dependent expenses fell by 7.0% to €138.7m. Higher expenses were associated with the greater use of thermal power plants in Austria (for details, see the section on Electricity supply and sales volumes) and the related higher expenses for emission rights. Lower expenses resulted from the fact that no more charges were incurred for French power plant companies Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S., which have been sold. Moreover, the write-down of coal inventories due to current measurement had a distinctly negative impact in the previous year.

Personnel expenses

Personnel expenses fell by €28.7m to €332.9m. Expenses for current employees (excluding pensioners and employees in partial retirement) decreased by €6.0m in financial year 2015. The reduction was primarily due to the implementation of personnel management measures in connection with the programme to reduce costs and increase efficiency as well as the sale of French power plant companies Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. Expenses for termination benefits and pensions decreased by €22.7m, mainly as a result of the provisions recognised in 2014 for partial retirement and restructuring having no longer been recognised in the reporting period.

Amortisation and depreciation

Amortisation of intangible assets and depreciation of property, plant and equipment declined by €32.9m to €360.0m. The reduction was due among other things to a decrease in the depreciation base for property, plant and equipment compared with the previous year, mainly as a result of disposals of fixed assets and impairment losses.

Other operating expenses

Other operating expenses decreased by €16.1m to €264.1m. The reduction was above all due to the fact that the expenses recognised in 2014 in connection 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, were not incurred in the current period as well as the fact that operating expenses are no longer incurred for French power plant companies Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S., which have been sold. In addition, other operating expenses dropped due to the Group-wide programme to reduce costs. By contrast, other operating expenses decreased in 2014 due to the reversal of a provision relating to the Töging power plant.

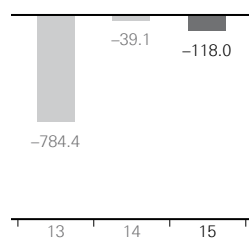
Effects from impairment tests

Effects from impairment tests amounted to €-118.0m and resulted mainly from impairment losses recognised on the Mellach CCGT (€-112.6m) and a wind farm in Romania (€-5.3m). The effects from impairment tests in the previous year (€-39.1m) resulted mainly from impairment losses on wind farms in Romania (€-155.7m) and Bulgaria (€-7.1m) and the Dürnröhr hard coal power plant (€-8.9m) as well as reversals of impairment losses for the Mellach (€11.7m), Pont-sur-Sambre (€13.1m) and Toul (€3.7m) CCGTs, plus individual run-of-river power plants (€113.4m). 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 €26.2m to €410.6m. The operating result before effects from impairment tests rose by €105.1m to €528.6m.

Effects from impairment tests €m



Financial result before effects from impairment tests	€m		
	2014	2015	Change
Result from interests accounted for using the equity method	33.0	27.3	- 17.5%
Other result from equity interests	-2.9	6.9	-
Interest income	37.4	31.7	- 15.3%
Interest expenses	- 276.2	- 184.2	- 33.3%
Other financial result	- 15.0	- 1.7	- 88.7%
Financial result before effects from impairment tests	- 223.7	- 120.1	- 46.3%

Result from interests accounted for using the equity method

Result from interests accounted for using the equity method decreased by €5.8m to €27.3m. This was primarily due to earnings contributions from KELAG amounting to €27.3m (2014: €+33.9m) and from Shkodra Region Beteiligungsholding which was €0.8m (2014: €-1.2m).

Interest income and expenses

Interest income decreased by €5.7m to €31.7m compared with 2014. Interest expenses decreased by €92.0m to €184.2m. In financial year 2014, loans taken out to finance the French gas power plants were repaid early (prior to settlement of the transaction) as a result of 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. This led to expenses of €68.5m in 2014. The sharp decline in interest rates for bonds and bank credit facilities also had a positive effect in 2015. However, the effects of the partial buyback of bonds from the 2009 bond issue caused an increase in expenses in the amount of €156.5m (€-23.8m).

Other financial result

Other financial result improved by €13.3m to €-1.7m in 2015. This was primarily due to the measurement of interest hedging transactions (€+16.3m) and the measurement of an obligation to return an interest (€+12.6). A negative effect ensued from measurement of a long position relating to VERBUND's share in Gemeinschaftskraftwerk Inn GmbH (€-16.3m) and the negative balance of foreign exchange gains and losses compared with the previous year (€-4.5m).

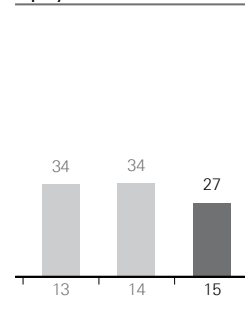
Effects from impairment tests on the financial result

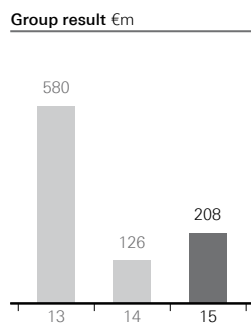
Effects from impairment tests amounted to €13.3m (2014: €-13.3m) and resulted from the reversal of the impairment loss on Shkodra Region Beteiligungsholding GmbH. In 2014, effects from impairment tests resulted mainly from the impairment losses on equity interests in Shkodra Region Beteiligungsholding GmbH and Energie AG Oberösterreich. Further details on the impairment tests are presented in the notes to the consolidated financial statements.

Financial result

Financial result consequently improved by €130.2m from €-237.0m to €-106.8m. Financial result before effects from impairment tests increased by €103.6m to €-120.1m.

Equity result - domestic €m





Taxes on income

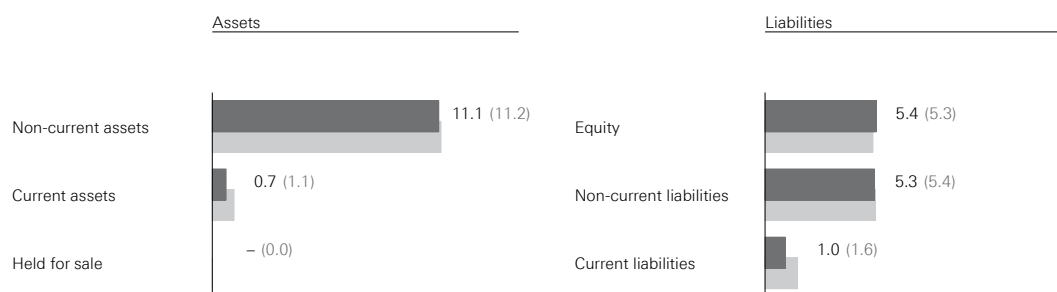
Income taxes changed from €+33.1m to €-53.5m. Expenses for current income taxes declined by €67.3m to €-10.5m, primarily due to the effects of impairment tests. Deferred taxes declined by €153.9m to €-43.0m. The decline in deferred taxes was associated above all with the fact that effects impacting the 2014 reporting period were no longer recognised in 2015, in combination with the sale of the equity interests in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. in France.

Group result

After deducting non-controlling interests in the amount of €42.6m, the Group result amounted to €207.7m. This represents an increase of 64.7% compared with the previous year. Earnings per share amounted to €0.60 (2014: €0.36) for 347,415,686 shares. VERBUND's Group result after adjustment for non-recurring effects was €268.9m, representing a year-on-year increase of 24.5%.

Financial position

Balance sheet €bn



Figures in brackets are previous year's figures.

Consolidated balance sheet (short version)

	2014		2015		Change
		Percent		Percent	
Non-current assets	11,166.6	91%	11,085.0	94%	–0.7%
Current assets	1,070.7	9%	678.0	6%	–36.7%
Non-current assets held for sale	10.0	0%	0.0	0%	–
Total assets	12,247.3	100%	11,763.0	100%	–4.0%
Equity	5,280.5	43%	5,433.3	46%	2.9%
Non-current liabilities	5,394.2	44%	5,349.8	45%	–0.8%
Current liabilities	1,572.5	13%	979.9	8%	–37.7%
Total liabilities	12,247.3	100%	11,763.0	100%	–4.0%

Assets

VERBUND's assets decreased by 4.0% in 2015. With respect to property, plant and equipment, additions of €269.3m were offset by depreciation of €353.0m. Impairment tests performed on the Mellach CCGT and the Romanian wind farms led to impairment losses of €118.0m after deducting any investment grants directly attributable to those installations. The most significant additions to property, plant and equipment related to capital expenditure for the Reißeck II/Carinthia pumped storage power plant and the wind farms in Austria and Romania. The increase in investments and other non-current receivables resulted mainly from the acquisition of securities to cover obligations from provisions for employee benefits relating to pensions and termination benefits ("Sozialkapital") as well as measurement effects relating to closed items, which were reflected in non-current financial liabilities in the corresponding amount.

The decline in current receivables was largely due to the receipt of the sale prices from the disposal of French power plant companies Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. and the repayment of short-term investments of funds, which were subsequently used to redeem bonds.

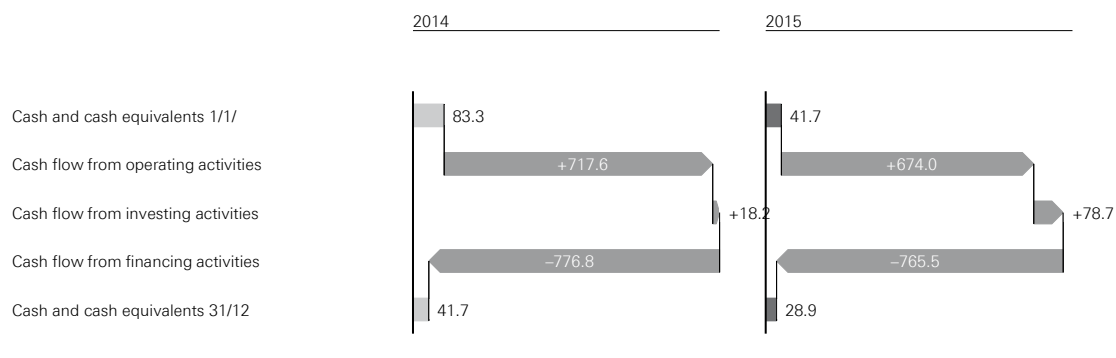
Equity and liabilities

Equity increased slightly compared with 31 December 2014, above all due to the profit for the period generated in quarters 1-4/2015. The dividend payment of VERBUND AG for 2014 had the opposite effect.

Current and non-current financial liabilities decreased primarily due to scheduled and unscheduled repayments of loans. An increase resulted from new (short-term) bank borrowings. The decline in current other liabilities is primarily attributable to lower trade payables and outstanding capital expenditure invoices and maintenance expenses. In addition, most of the provisions recognised in previous years to comply with the System Usage Rates Directives (Systemnutzungstarife-Verordnung, SNT-VO) and the System Charges Order (Systemnutzungsentgelte-Verordnung, SNE-VO) were reversed to reflect legal settlements.

Cash flows

Cash flow statement €m



Cash flow statement (short version)

	2014	2015	Change
Cash flow from operating activities	717.6	674.0	-6.1%
Cash flow from investing activities	18.2	78.7	-
Cash flow from financing activities	-776.8	-765.5	-1.5%
Change in cash and cash equivalents	-41.0	-12.8	-68.8%
Cash and cash equivalents at the end of the period	41.7	28.9	-30.7%

Cash flow from operating activities

Cash flow from operating activities amounted to €+674.0m in the 2015 reporting period, representing a decline of €43.6m. The decrease resulted in particular from lower net cash inflows from the Energy segment, mainly due to lower sales prices and a reduced water supply and was offset by higher net cash inflows from the Grid segment.

Cash flow from investing activities

Cash flow from investing activities amounted to €+78.7m in the 2015 reporting period and thus changed by €+60.5m. The increase was due to higher cash inflows (€+175.8m) from disposals of other equity interests (Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S.) and consolidated subsidiaries (Haos Invest EAD). In addition, capital expenditure for intangible assets and property, plant and equipment was €172.3m below the prior-year level. An offsetting effect resulted from lower net cash inflows relating to current and non-current investments (€-249.8m) and the increase of €19.4m in capital expenditure for interests accounted for using the equity method and other equity interests (the investments in 2015 related mainly to SMATRICS GmbH & Co KG and Ashta Beteiligungsverwaltung GmbH).

Cash flow from financing activities

Cash flow from financing activities amounted to €-765.5m in the 2015 reporting period and thus changed by €+11.4m. The change resulted primarily from a decrease in proceeds from financial

liabilities (€-590.1m) in combination with lower dividend payments (€+259.7m), higher cash inflows from money market transactions (€+256.3m) and lower repayments of financial liabilities (€+86.0m).

Key performance indicators and financial governance

The key performance indicators 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 4.1 at the end of 2015 (2014: 5.0). The improvement in EBITDA in 2015 was primarily the result of higher grid revenue from control power, congestion management and the agreement reached concerning the System Usage Rates and System Charges directives. Net debt was also reduced in the past financial year thanks to the positive free cash flow.

Free cash flow before dividends amounted to €551.4m at the end of the reporting period (31 December 2014: €284.7m). The improvement in free cash flow was mainly due to cash inflows from disposals of consolidated subsidiaries and lower cash outflows relating to capital expenditure for intangible assets and property, plant and equipment.

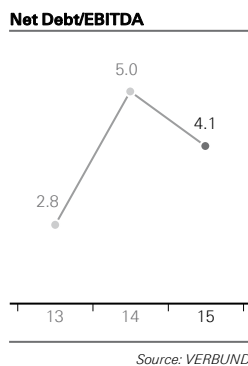
VERBUND's specific costs comprise the marginal costs, fixed costs and capital-related costs of the Group. Adjustments are made for any non-recurring effects. This key performance indicator therefore shows the long-term costs. For regulatory reasons, the costs of grid subsidiary APG are not taken into account. Planned net generation quantities are included in the calculation of the specific values. Specific costs were reduced in financial year 2015 compared with the prior-year reporting period. Capital-related costs decreased in comparison with the previous year, due in particular to reduced depreciation as a result of the impairment tests performed in the previous year (lower depreciation base). Fixed costs likewise declined based on implementation of restructuring and cost reduction measures.

Return on capital employed (ROCE)

ROCE is an indicator of the profitability of the Group's operating assets. At the end of 2015, ROCE amounted to 3.9% (31 December 2014: 3.2%). The objective is for this figure to exceed 7.0% by the end of 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 the result from equity interests net of income tax. At the end of financial year 2015, NOPAT amounted to €348.7m (31 December 2014: €304.1m). The increase is attributable to the same effects that resulted in the rise in EBITDA.

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 €8,958.7m at the end of 2015 (31 December 2014: €9,499.2m). For that reason, the Group return remained below the weighted average cost of capital (WACC) in 2015 (currently 5.25%).



Gearing

Gearing is determined as following:

Interest-bearing net debt (short version)			€m
	2014	2015	Change
Current and non-current financial liabilities	3,273.6	2,645.7	– 19.2%
Current and non-current financial liabilities – closed items on the balance sheet	431.0	481.3	11.7%
Capital attributable to limited partners	2.3	2.5	8.9%
Other interest-bearing debts	1,299.8	1,218.4	– 6.3%
Financial assets - closed items on the balance sheet	– 431.0	– 481.3	11.7%
Interest-bearing gross debt	4,575.7	3,866.5	– 15.5%
Cash and cash equivalents	– 41.7	– 28.7	– 31.0%
Short-term money market transactions	– 265.2	0.0	– 100.0%
Securities and loans	– 119.2	– 138.3	16.0%
Non-current assets held for sale	– 9.8	0.0	– 100.0%
Other	– 80.3	– 14.1	– 82.5%
Interest-bearing net debt	4,059.6	3,685.4	– 9.2%
Gearing	76.9%	67.8%	–

Financing

Financing strategy

In today's volatile energy market environment in which planning is difficult and pressure is being placed on the Group's future cash flow and earnings performance, 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.

*VERBUND has a clear
financing strategy based on three pillars.*

Securing liquidity and ensuring suitable liquidity reserves

For VERBUND, ensuring that liquidity is secure at all times in a difficult market environment has the highest priority. As at 31 December 2015, VERBUND had a syndicated credit line in the amount of €500.0m at its disposal that had not been drawn upon. The facility runs until 2021. It was taken out on 15 October 2014 with twelve domestic and international banks with good credit ratings. VERBUND also had uncommitted lines of credit amounting to approximately €800.0m at the end of 2015, of which €305.5m had been drawn down in the form of short-term money market transactions as at

31 December 2015.

As at 31/12/2015:
S&P: BBB+/stable
outlook
Moody's: Baa1/negative
outlook

Securing a solid credit rating over the long term

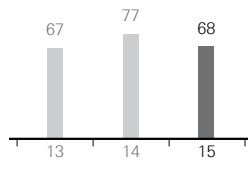
The better a company's credit rating, the easier and more inexpensive it is to fully access international capital markets. A solid credit rating gives VERBUND access to various financing instruments, including those in the capital market. VERBUND has been awarded a long-term rating of BBB+ with a stable outlook by Standard & Poor's (S&P) and Baa1 with a negative outlook by Moody's. S&P reconfirmed its rating in January 2016. Moody's left its rating unchanged in 2015 at Baa1 with a negative outlook.

Although the current developments in the energy markets do not support good ratings, VERBUND is aiming for a solid A-category rating over the long term. VERBUND is therefore focusing its management of the Group on optimising free cash flow and improving the two key performance indicators of FFO/net debt and RCF/net debt.

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 50% 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.

Gearing %



Financing measures

In 2015, VERBUND was again able to take advantage of its strong internal funding options to finance its ongoing investment programme and to continue to reduce Group debt. Cash flow from operating activities amounted to €674.0m, and free cash flow after dividends was €392.7m. No long-term credit facilities were taken out in 2015. To optimise the Group's future interest expense, VERBUND redeemed a portion of a bond issue prior to maturity as part of liability management in 2015. This involved early repurchase of a principal amount of €156.5m relating to a bond maturing in 2019 – representing 18.6% of the outstanding principal amount – at a rate of 115.8%.

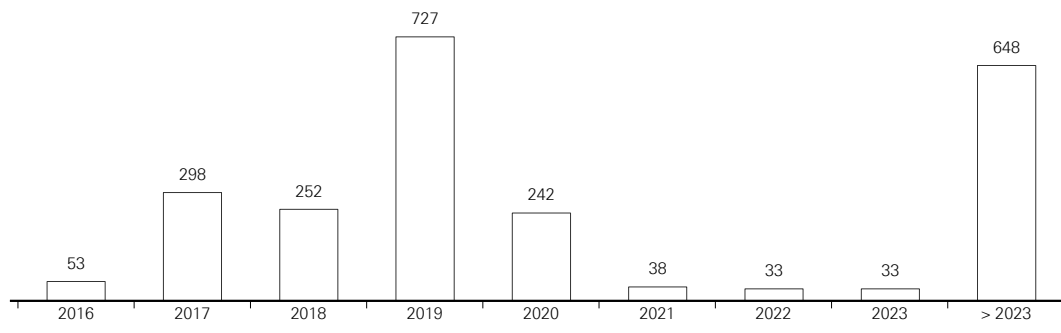
As at 31 December 2015, VERBUND's borrowing portfolio was composed as follows: 53.1% bonds, 46.9% loans and 0.0% other financial liabilities.

The following key performance indicators 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 €2,645.7m as at 31 December 2015, 100% of which was denominated in euros. A total of 79.7% of these financial liabilities had a fixed interest rate and 20.3% had a variable interest rate. As at 31 December 2015, the duration of all liabilities was 4.1 years and the average term to maturity was 4.3 years. The effective interest rate was 3.7%.

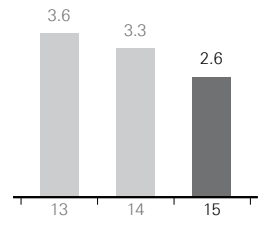
Repayments and repayment structure

In 2015, long-term borrowing amounting to €893.2m was repaid. A total of €156.5m of the repayment amount was unscheduled. The unscheduled repayments related to the successful partial buyback of a bond prior to maturity for the purpose of decreasing future interest expense. A total of €53.4m is due in 2016 and €298.4m in 2017.

Repayments €m



Financial liabilities €bn



Carrying amounts

Segment report

Energy

As one of Europe's most climate-friendly energy companies, VERBUND is a pioneer in the decarbonisation of electricity generation. In addition to sustainable energy generation almost exclusively from hydropower and wind power, VERBUND relies on the distribution, trading, sale and transportation of electricity. The sale of climate-neutral gas and energy-related services is likewise playing an increasingly greater role. 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 gas to consumers. The core markets of the Group's business activities are Austria and Germany.

VERBUND's strategic goal is to transition to 100% generation from renewable energy by the end of 2020.

Energy generation

VERBUND is the largest producer of electricity in Austria by far. With our Austrian facilities, we are able to meet around 40% of the domestic demand for power. In financial year 2015, around 90% of our output was obtained from climate-friendly, renewable hydropower. In the challenging market environment that prevails today, VERBUND's strong hydropower base constitutes an absolute competitive advantage.

Energy trading and sales

VERBUND supplies the household/agriculture and commercial segments (standard load profile customers) in Austria and Germany with electricity exclusively from hydropower. Industrial companies and resellers also appreciate our competence. We trade electricity and certificates on the major European exchanges. Electricity delivered domestically made up approximately 53% of total sales volume (including own use) in 2015. Germany accounted for the vast majority of volume sold abroad.

Energy services

VERBUND offers energy services for all customer segments. The range of services extends from convenience services across decentralised plants for generating and storing energy to energy optimisation for household customers as well as for commercial and industrial customers.

Business performance in the Energy segment

External revenue in the Energy segment fell by 5.8% to €2,229.6m in 2015. In 2015, the Energy segment generated 75.1% of external revenue in the Group. Operating result in this segment decreased by 35.2% to €277.9m. This was primarily attributable to the persistently difficult energy market environment, the decrease in water supply and continuing pressure on wholesale prices for electricity in Europe.

Energy supply

Energy generation overview

Electricity generation

	Number	Maximum electrical capacity in MW	Mean energy capability in GWh	2013 Generation in GWh	2014 Generation in GWh	2015 Generation in GWh
Hydropower ¹	126	7,757	28,785	30,943	31,188	28,098
Wind/solar power	21	421		565	811	882
Thermal power	2	1,094		4,031	2,031	2,259
Total	149	9,272	28,785	35,539	34,030	31,239

¹ incl. purchase rights

At 31,239 GWh, VERBUND's own electricity generation in 2015 was 8.2% below the previous year's level. Generation from hydropower plants fell by 9.9% to 28,098 GWh. At 0.93 in 2015, the hydro coefficient – the measure for generation from run-of-river and pondage power plants – was 7% below the long-term average and 9 percentage points below the previous year's figure. Generation from run-of-river, pondage and daily storage power plants was therefore down 10.4% from the previous year's level. Despite greater utilisation of reverse operation, generation from annual storage power plants also decreased by 7.2% year on year due to lower inflows and less lowering of water levels. In 2015, around 90% of the electricity generated by VERBUND came from hydropower plants.

Generation from wind power and photovoltaic installations increased by 8.8% to 882 GWh in 2015 despite the sale of the Bulgarian generation plants. On the one hand, this increase is attributable to the complete availability of the Hollern II and Petronell-Carnuntum II wind power plants commissioned in 2014 in Lower Austria. On the other hand, the commissioning of the Bruck-Göttlesbrunn wind farm (Lower Austria) and windier conditions in Romania and Germany contributed to the higher production volume.

Generation from thermal power plants rose by 11.2% to 2,259 GWh in the reporting period. The primary reason for this was the increased use of the Mellach CCGT for congestion management. Generation from the other thermal power plants decreased as a result of the decommissioning of the Dürnröhr power plant as at 30 April 2015. With the closure of the Dürnröhr hard coal power plant, VERBUND continues to steadily work towards its goal of becoming a CO₂-free, cost-effective and innovative electricity provider, a path embarked upon in 2014.

In addition to own generation, VERBUND purchases electricity from external suppliers to meet its electricity supply agreements. In 2015, VERBUND increased this externally purchased electricity volume by 17.1% to 19,673 GWh.

Electricity supply	GWh		
	2014	2015	Change
Hydropower ¹	31,188	28,098	-9.9%
Wind/solar power	811	882	8.8%
Thermal power	2,031	2,259	11.2%
Own generation	34,030	31,239	-8.2%
Electricity purchased for trade	16,801	19,673	17.1%
Intragroup	171	138	-19.4%
Electricity supply	51,002	51,049	0.1%

¹ incl. purchase rights

The changes in our power plant portfolio until 2017 are shown in the following table:

Capacity changes 2014–2017	MW			
	2014	2015	2016	2017
Hydropower ¹	7,746	7,757	8,227	8,227
Wind/solar power	416	421	421	421
Thermal power ²	1,499	1,094	1,094	1,094
Total	9,661	9,272	9,742	9,742

¹ incl. purchase rights // ² if assets are not disposed of in the meantime

Investment plan

In the Energy segment we will be investing mainly in the completion of new hydropower plants as well as in the efficiency of existing plants. Here, the Reißeck II pumped storage power plant in Austria and the Töging run-of-river power plant in Germany (both growth CAPEX) are worth particular mention. The other investments will also be made almost exclusively in our domestic markets of Austria and Germany. Further information on VERBUND's investment plan for the period from 2016–2018 can be found in the Outlook section.

Greenhouse gas emissions

VERBUND's strategic goal is the transition to 100% generation from renewable energy by the end of 2020. Absolute greenhouse gas emissions (Scope 1–3) fell from 2,531 kt CO₂e to 2,339 kt CO₂e, or by 8% compared to the previous year. The amount of direct emissions in Scope 1 remained at approximately the same level. Because pumped storage power plants are operated exclusively using electricity with guarantees of origin from 100% hydropower, we were able to reduce our indirect emissions from own consumption in Scope 2 by 35%.

In 2015, specific greenhouse gas emissions (Scope 1–3) amounted to 74 g CO₂e per kWh of electricity volume generated. By transitioning to 100% renewable generation, we aim to reduce this figure to less than 10 g CO₂e per kWh over the next five years.

Further figures and details on greenhouse gas emissions are provided in the Environmental performance section

Hydropower

Hydropower – the foundation of our generation portfolio

VERBUND is now one of the largest producers of hydroelectricity in Europe. In 2015, around 90% of our output was generated from hydropower. In connection with electricity generation, hydropower has many advantages: it is renewable, clean, dependable and flexible. Hydropower also represents a cost-effective form of electricity generation from renewable energy.

In 2015, VERBUND electricity from hydropower came from 93 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 2015, the maximum electrical capacity (maximum capacity for sustained operations) of electricity generation from hydropower was 7,757 MW. The mean energy capability – the generation potential in one year with average water supply (standard year) – was 28,785 GWh.

In 2015, the Austrian power plants of VERBUND Hydro Power GmbH (run-of-river and storage power plants) had a high level of average availability at 93.5%. This represents a significant improvement on the average availability level of 89.3% for 2010–2014. In 2014, a figure of 90.4% was recorded. The run-of-river power plants (Inn and Danube) of binational company Grenzkraftwerke GmbH (Bavaria/Austria) also achieved good availability of 93.1% in 2015. That figure was almost as high as the average for the last five years of 93.6%. The Bavarian run-of-river power plants of VERBUND Innkraftwerke GmbH had an availability level of 90.6% in 2015. This was primarily attributable to the extensive measures that had been scheduled such as renewing control systems, excitation devices, turbine controls and direct voltage supplies. The figure for 2015 was thus significantly lower than the average for 2010–2014 (93.4%). In 2014, availability was 91.7%. The water supply trend in the past financial year and its impact on the Group's profits is explained in greater detail in the Finance section.

New power plant projects

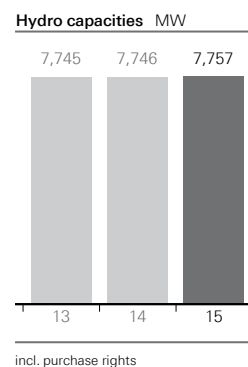
The extremely challenging market environment in which wholesale prices have dropped even further is forcing VERBUND to slow its rate of growth and to focus on increasing efficiency within our existing power plants. We were able to continue and complete the following important projects in 2015:

The construction work that started on the cross-border Gemeinschaftskraftwerk Inn (GKI) – in which VERBUND holds a 10% interest – in the summer of 2014 proceeded as planned during the reporting period. The first tunnel boring machine commenced operations in the summer of 2015 at the tunnel entrance at Maria Stein. The machine not only carries out the tunnelling work below the surface, it also secures the tunnel with segments of reinforced concrete. The segments are produced directly on site using the material excavated during demolition in a low-noise and resource-efficient process. Since October 2015, the reverse drive of the Prutz/Ried powerhouse has been in operation using conventional construction methods. Assembly work on the second tunnel boring machine is scheduled to be completed in quarter 1/2016.

Implementation of the GKI project and the resulting surge reduction will also lead to an improvement in the ecological condition of the Inn River and its banks. Additional offset and recultivation projects will further improve the river's ecological condition.

The new power plant will generate more than 440 GWh annually after completion.

In the autumn of 2015, the two project partners, VERBUND and Salzburg AG, took the necessary construction decisions for the Gries run-of-river power plant on the Salzach with a mean energy



capability of 42 GWh. The cost-optimised project is scheduled to be launched in partnership with the state and the municipality of Bruck/Gries in mid-2016 and to be implemented by 2019.

Projects to expand and increase efficiency

During construction of the Reißeck II pumped storage power plant – which is an expansion of the existing Malta/Reißeck storage power plant group in Carinthia – unexpected geological properties of the rock mass necessitated expanding the scope of the work begun in March 2015 to improve the leak tightness in the headwater area. In order to guarantee safe operation of the plant, parts of the interior of the headwater tunnel and the lower chamber of the Schoberboden surge chamber are being provided with an additional seal. The commissioning schedule has therefore been delayed until autumn 2016. During the construction of Reißeck II, a three-kilometre thematic trail (“Hydropower, Nature, Fisheries”) was also completed, and a new standing water body was created at the point at which the Möll River flows into the Rottau reservoir. As a further ecological measure, the headwater channel of the Malta lower station power plant – originally made as a concrete trapezoid channel – was enhanced with semi-natural embankments. The restoration of the canal banks also created sufficient room for riverside vegetation typical for the location and valuable retreat areas for waterfowl, amphibians, reptiles and dragonflies. The Reißeck standing water body was awarded the Habitat Water Prize by the state of Carinthia in early October 2014. After completion, the new power plant will increase the turbine capacity of the Malta/Reißeck power plant group by 430 MW to 1,459 MW and the pumping capacity by 430 MW to 855 MW.

Potential technical and ecological measures for modernisation and expansion were evaluated at the existing Inn power plant in Töging, Germany. Following comprehensive planning and data collection, the documentation was submitted for approval to the Bavarian authorities at the end of October 2015. Upon completion in 2021, the proposed project for modernisation of the Töging power plant is expected to result in a 120 GWh increase in total generation to a total of 677 GWh. This project is also accompanied by a variety of ecological measures. These include standing water bodies used as spawning habitats and fish habitats, grassland development along the embankments to promote biodiversity, establishment of reptile habitats and structural and hydromorphological improvements.

Important milestones were achieved in 2015 in the programme to increase the efficiency of existing VERBUND power plants. In Zillertal, five Pelton turbines at the Mayrhofen power plant and four Frances turbines at the Roßhag power plant were brought up to date by March 2015.

At the Styrian Weinzödl power plant, modernisation of both generator sets was completed in the summer of 2015.

After completion of the ongoing modernisation project at the Kaprun-Hauptstufe power plant by the end of 2016, power plant output will be increased by a total of 40 MW to 263 MW. The power plant is now once again equipped with state-of-the-art technology.

Austria’s oldest Danube power plant at Ybbs-Persenbeug/Lower Austria has been undergoing modernisation since 2012. After the work is completed in 2022, mean energy capability will be increased by approximately 77 GWh.

Environmental measures: excellent track record in restoration

While implementing the requirements of the European Water Framework Directive, VERBUND invested around €27m in the 2015 reporting period alone (2014: €23m) in the construction of fishways to provide for passability and in comprehensive ecological structuring measures at the run-of-river power plants in Austria and Germany.

The single most costly and extensive of those measures is the ongoing restoration of the Traisen as part of a LIFE+ project. The project involves restoration of a seven-kilometre stretch of the Traisen River, which will in future form a diverse habitat closely linked to the Au River.

Overall, a total cost of around €280m is expected by 2027 at VERBUND's run-of-river power plants alone in order to fully implement the current requirements of the European Water Framework Directive. This is in addition to the ongoing effects of operation and maintenance. Selected conservation activities are presented on the VERBUND website.

Sustainable planning and stakeholder management

In all of its projects, VERBUND considers its responsibility to society and the environment right from the start. During all stages of planning and implementation, great importance is placed on executing construction work with the utmost consideration and ensuring that the effects of future operation are minimal.

In executing its projects, VERBUND also relies heavily on dialogue with citizens. The community is updated regularly and local council information sessions are held, as are stakeholder meetings with mayors and tourism associations.

Wind power and photovoltaics

Wind power plants in Austria, Germany and Romania and solar power plants in Spain

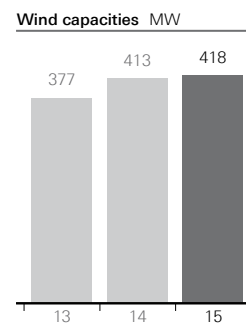
VERBUND saw further growth in generation from wind power in Austria in 2015. The Bruck-Göttlesbrunn wind farm (21 MW) was successfully connected to the grid in quarter 3/2015.

In quarter 1/2015, the wind farm in Bulgaria (16 MW) was sold. VERBUND now has 418 MW of installed capacity from wind power in three countries. Two photovoltaic farms in Spain (3 MW) complete our renewable generation portfolio. The average availability of the wind power plants was 97.6% in 2015 compared with 91.8% in the previous year.

Further expansion

The commissioning of the Bruck-Göttlesbrunn wind farm completes the current expansion programme in the Bruck basin; no further investments in wind or photovoltaics are currently planned. In 2015, VERBUND personnel took over maintenance of the wind power plants making up the Bruck/Leitha wind farm. This vertical integration step in the value chain offers potential for reducing costs as well as increasing efficiency.

A description of conservation measures at VERBUND can be found at www.verbund.com > Responsibility > Environment



Projects to increase efficiency

VERBUND's wind power plants are already able to supply climate-friendly electricity to more than 280,000 households. In the future, it will be possible to further optimise energy production through condition-based maintenance and scheduling targeted preventive maintenance, especially at those plants for which VERBUND took over the maintenance and troubleshooting in 2015. VERBUND is working with partners to develop the software tools required for this.

Environmental measures

For all of VERBUND's new wind power plant projects in Austria, environmental impact assessments were conducted and a number of environmental measures were implemented during construction and operation. With respect to the Hollern II, Petronell-Carnuntum II and Bruck-Göttlesbrunn wind farms, the requirements concerning the number of and time frames for transport runs during the construction phase, the use of low-emission lorries and low-noise generators for construction site power and the restoration of storage and parking areas were meticulously observed.

*VERBUND considers its responsibility to society and the environment
in all of its projects, right from the start.*

At the Hollern II and Bruck-Göttlesbrunn wind farms, an expert conducts ornithological monitoring either annually or biennially during the operational phase in order to examine the effects on the habitat and the breeding behaviour of various bird species. Noise emission and noise pollution measurements at the wind power plants after commissioning ensure that the surrounding area is not adversely impacted.

Introduction of an environmental management system certified to ISO 14001 and environmental certification of the Austrian wind farm operation ensure that the highest environmental standards are maintained over the entire life cycle of the wind power plants.

Stakeholder management

VERBUND also relies heavily on dialogue with citizens when constructing its wind farms. At the Bruck-Göttlesbrunn wind farm commissioned in 2015, the following measures were implemented, among others: local council information sessions, stakeholder meetings with mayors, hunters and foresters, and coordination meetings with municipalities and tourism associations to address the inclusion of the sites in the "Wine and Wind Energy" tourism route.

Thermal power

Restructuring the thermal segment

The closure of the Dürnröhr hard coal power plant represents another step in VERBUND's ongoing efforts to restructure the thermal segment, a path embarked upon in 2014. Currently, VERBUND is now only operating two thermal power plants at the Mellach site with maximum electrical capacity as at 31 December 2015 amounting to a total of 1,094 MW.

The Dürnröhr hard coal power plant was permanently decommissioned as at 30 April 2015. The decommissioning was reported to the authorities. Work on decommissioning measures has been ongoing since that time. 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 had to be kept available as a district heating supply during the 2014/2015 heating period as an additional outage reserve.

Socially responsible solutions for employees and residents were found for all plant sites currently in the process of being decommissioned or that have already been shut down.

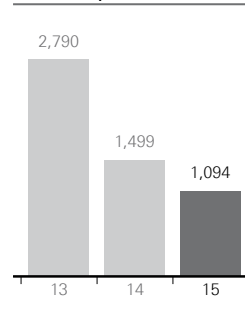
Proceedings relating to the restructuring of the thermal segment

With the closure of the Dürnröhr power plant, VERBUND terminated the construction, operation and management agreement for the Dürnröhr power plant entered into with EVN in 1980. The termination took effect on 30 June 2015. After plant operations were discontinued, EVN brought an action against VERBUND Thermal Power GmbH & Co KG in Lique. (VTP) aimed at establishing that the termination was invalid and the management agreement will remain in force unchanged.

VERBUND and Energie Steiermark have differing views concerning the future supply of district heating to Graz. The final ruling of the arbitral tribunal is now available declaring that VERBUND is under no obligation to maintain an outage reserve to comply with the district heating agreement. The temporary injunction has thus also been cancelled and VERBUND's legal position confirmed, according to which Energie Steiermark bears the responsibility for securing the supply of district heating to the city of Graz. Negotiations concerning a long-term solution for supplying district heating to Graz – based on a balanced district heating agreement – have yet to produce any results. Therefore, an action for arbitration was brought against Energie Steiermark Wärme GmbH on 18 December 2015 for the purpose of enforcing claims under the law of unjust enrichment due to the outage reserve having been unjustly held pursuant to the temporary injunction.

Since 2013, proceedings involving VERBUND and EconGas have been pending with the Austrian Cartel Court to redress anti-competitive conduct by EconGas in connection with the EconGas gas supply agreement. A hearing for the examination of witnesses was held in January 2015. In April 2015, the court commissioned an expert to prepare an evidentiary report on the topics of "market foreclosure" and "market dominance", which was presented at the end of 2015. In turn, EconGas also initiated arbitration proceedings against VTP in 2013 for payment and for a declaratory judgement to uphold the gas supply agreement. In that case, VTP filed a counterclaim for repayment under the laws of unjust enrichment.

Thermal capacities MW



Efficiency of existing thermal power plants

The average availability of the thermal power plants was 86% in 2015 (2014: 86%). The following generation efficiency levels were achieved at existing power plants:

Mellach: average net generation efficiency (electric): 38.9% (2014: 39.0%)
including district heating: max. level of combustible fuel use of 71.4%
(2014: 70.0%) at a max. of 230 MW (thermal)

Mellach CCGT¹: average net generation efficiency (electric) of 58.8% for generator 10
to 58.0 for generator 20 (unchanged at full capacity compared with 2014)
including district heating: max. level of combustible fuel use of 79.5% for
generator 10 to 81.6% for generator 20 each at max. of 200 MW (thermal)
(unchanged at full capacity compared with 2014)

Projects to increase efficiency and other project topics

Generator 20 of the Mellach gas and steam power plant was expanded to include a pressure reducing station in 2015. The goal is to capture the maximum district heating capacity of 230 MW with minimal use of combustible fuels. In this way, the steam turbine is bypassed, lowering the electrical generation (from the gas turbine alone) to around 120 MW. In this particular mode of operation, the combustible fuel use of the plant increases to almost 91%.

In 2014, a large-scale test of an innovative process to regenerate denitrification catalysts was conducted at the Mellach hard coal-fired block in its installed state. In a subsequent research project conducted in 2015, optimisation of the added active compound vanadium in connection with the catalyst activity was systematically analysed on a test bench.

Comprehensive and detailed yearly reports, including environmentally relevant reports, are required to be submitted via the electronic internet portal (EDM = electronic data management) of the Federal Chancellery to an increasing extent. These include emission declarations and reports on water discharge and waste data as well as on the annual loads of fossil and biogenic carbon dioxide. Future changes in the legal environment such as a redefinition of the performance criteria for state-of-the-art technology as a result of the revision of the Large Combustion Plant Directive must be carefully monitored.

Emission rights for thermal power plants

VERBUND's thermal power plant operations resulted in emissions of 1,730 kt CO₂ in 2015. Free emission rights allocations amounted to just 101 kt of CO₂ in 2015, as only a small portion of the free allocations went to combined heat and power generation plants in the third phase of emissions trading, which began with calendar year 2013 (Emissions Allowance Trading Act 2011, Emissionszertifikatgesetz 2011, EZG 2011). The majority of certificates are acquired through auctions or in the market.

Additional information
on CO₂ emissions can be
found in the
Environmental
performance section

¹ Mellach gas and steam power plant: The plant comprises two generator units situated side by side and fundamentally identical in construction. Generator 10 is cooled by fresh water while generator 20 has a closed circuit cooling system with cooling towers.

KPIs – CO₂ emissions rights¹

	Unit	2013	2014	2015
Total CO ₂ emissions	kt CO ₂	2,299	1,709	1,730
of which free allocations	kt CO ₂	136	116	101

¹ For thermal power plants of VERBUND Thermal Power GmbH & Co KG in Liqu., 2015 preliminary figures before audit

Energy trading and sales**Electricity sales volume at prior-year level**

In 2015, VERBUND sold a total of 51,049 GWh of electricity (including own use) compared with 51,002 GWh in the previous year (+0.1%). While the volumes sold to resellers increased by 1.0%, electricity volumes delivered to consumers declined by 5.7%. Electricity deliveries to trading firms fell by 5.8% compared with 2014.

In the domestic market in Austria, the volume of electricity supplied by VERBUND increased by 3.7% to 27,040 GWh (including own use) compared with the previous year. Almost one-third more electricity was delivered to trading firms. Electricity volumes delivered to distributors declined by 2.1% in the reporting period. Deliveries in the domestic consumer market fell by 6.2% due to the decline in the business and industrial customer segment. Electricity delivered domestically made up 53% of the total sales volume (including own use).

Our export markets were supplied with 24,009 GWh of electricity, a decline of 3.7%. Lower own generation in 2015 resulted in significantly lower sales via foreign stock exchanges. In turn, we recorded lower sales in the business and industrial customer segment due to competition. VERBUND was able to increase the supply to resellers by 18.1%.

Germany, by far our most important international sales market, accounted for 82% of the volume sold abroad.

Electricity sales volume and own use - Energy segment

	2014	2015	Change
Consumers	9,485	8,946	-5.7%
Resellers	19,462	19,665	1.0%
Traders	19,047	17,946	-5.8%
Intragroup	858	2,203	156.6%
Electricity sales volume	48,853	48,760	-0.2%
Own use	2,149	2,288	6.5%
Total electricity sales volume and own use	51,002	51,049	0.1%

Electricity trading**Economic hub for the Group**

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. Trading activities are increasingly focusing on the spot market and particularly on short-term intraday trading as well as on the balancing reserve market.

In light of this, VERBUND further optimised the marketing of its own generation and had already increased its intraday trading staff at the beginning of 2012. Activities were further expanded in 2015, with a 24/7 presence in the trading markets now having become a reality with two intraday trading teams. The trend in the energy markets and stock exchanges towards increasingly short-term transactions and the increasing volatility of prices confirm the necessity of this step.

Marketing of flexibility options in generation management (e.g. via virtual power plants and demand side management), balancing energy optimisation, intraday trading and balancing reserve marketing thus represents both a challenge and the central task of electricity/energy trading.

The focus of our electricity trading is on optimising utilisation of VERBUND power plants, achieving the best possible marketing of the Group's own generation (asset-based trading) and optimising electricity purchasing as well as securing sales. We also engage in proprietary trading, which is subject to strict risk guidelines. Through its trading in electricity, gas and transport capacity, VERBUND has a strong presence in the most important OTC markets and in the exchange markets in Europe. This also constitutes a decisive competitive advantage for our core business of electricity generation. The expertise we have acquired strengthens our position in the electricity market and enables us to respond directly to changes in the market.

As part of electricity trading, VERBUND serves as an asset optimiser, offering a comprehensive range of customised products and services in the energy industry which are being adapted continuously to meet changing market requirements. The range extends from plant use optimisation and market access to flexible marketing and hedging offers as well as forecasting and regulatory services. Innovative products designed to meet individual customer requirements are of particular importance to VERBUND. Examples of this include option products, virtual power plants and the direct marketing of renewable energy, which as new growth fields are the focus of future activities. The portfolio also includes trading in emission rights and guarantees of origin (green electricity). In this way, we are taking account of increased awareness of energy production types and energy sources. This supports the trend towards renewable energy and sustainable generation technologies.

Our customers primarily include European wholesale partners, other energy trading companies, resellers and municipal utilities, as well as grid and power plant operators and producers of renewable energy - particularly in the wind, photovoltaics and small-scale hydropower fields.

Electricity sales

Further expansion of customer base

The business and industrial customer segment remained highly competitive in financial year 2015. In Austria, the new Energy Efficiency Act represented a major challenge for the business relationship between energy customers and energy suppliers. Through its long-standing good relationships with customers and active approach to the topic, VERBUND succeeded in strengthening customer relationships and further expanding its leading market position in the Austrian industrial customer segment. With its new services and innovative products, VERBUND has positioned itself in the market as an experienced and dependable service provider.

The overall satisfaction of our customers across all segments was at a very good level in 2015, creating an ideal basis for further expanding our customer base.

VERBUND achieved the gold category in the “Service Champions 2015” study, which measures the “level of customer service experience” based on the “Service Experience Score” (SES). A total of 140 companies across all industries were evaluated. In an industry comparison of “utilities”, eight companies were tested. VERBUND took first place and was named “industry winner”. This award confirms the quality of our service performance.

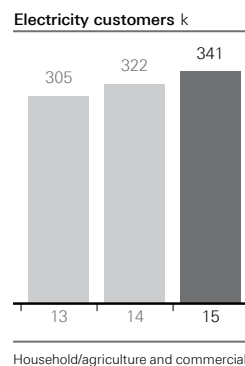
Our goal in the future is to secure these highly favourable results as well as to achieve further improvements. Customer numbers continued to grow in 2015 with an increase of 13%. At the end of the year, 341,000 customers in the household/agriculture and commercial segments were already receiving VERBUND electricity from 100% Austrian hydropower. Market share in the household segment amounted to 7% in 2015. In the household/agriculture and commercial segments, 23,000 customers were already receiving climate-neutral gas from VERBUND in 2015.

The sales initiative with attractive new customer offers conducted in the autumn of 2015 and the eye-catching “Thank You Hydropower!” advertising campaign were responsible for this success.

The expansion of the commercial <100,000 kWh customer base was further intensified in the spring and autumn of 2015. The focus of this campaign was on simple and attractive price models as well as on individual customer engagement and support. In this way, VERBUND was able to further strengthen its position in the commercial segment.

Certifying the origin of electricity from VERBUND power plants

VERBUND is a pioneer in certifying the origin of electricity. In 1999, VERBUND became the first Austrian utility to have all the hydroelectricity it generated certified by the TÜV SÜD inspection authority. We thus played a key role in developing the guarantee of origin scheme for electricity in Austria. As a neutral institution, TÜV SÜD uses its seal of approval to certify that VERBUND hydropower plants generate green electricity and feed it into the grid in appropriate quantities and of the quality required by consumers.



VERBUND is a pioneer in certifying the origin of electricity.

TÜV SÜD's guarantee of origin certification refers to specific generation sources. It provides a guarantee to the customer that the electricity comes from renewable sources. A total of 126 power plants in Austria and Bavaria meet the EE and EE+ criteria. The Generation EE standard is divided into "general requirements" concerning the organisation to be certified, "special requirements" addressing generation and recording generation at the individual plants and "optional requirements". Optional requirements are defined for electrical work and power guarantees (Generation EE+ module) and for proof as a new plant (Generation EEnew module).

In 2015, 21,873 GWh of TÜV SÜD-certified hydroelectricity was available to VERBUND.²

TÜV SÜD's generation and origin certification is a guarantee of origin commonly used in many countries and also recognised by E-Control for electricity labelling. Since 2004, TÜV SÜD has also certified the VERBUND thermal power plants in Austria with regard to issuing guarantees of origin.

Energy certification at VERBUND

Certification	Type of facility	Number of facilities	Maximum electrical capacity in MW	Generation available for sale in 2015 in GWh
TÜV SÜD 100% hydropower	Hydropower plants	126		21,873 ²
TÜV SÜD guarantee of origin	Thermal power plants	2	1,094	

² Preliminary figure based on fast close data in the 2015 Annual Report, since TÜV SÜD always performs calculations retrospectively (quarter 2 of the following year). Figure using TÜV SÜD net calculations (essentially gross hydropower output less own use less easement agreements less supply to plant shareholders less power for pumping and circulating).

Our innovative products

- H₂O electricity from Austrian hydropower plants certified by TÜV SÜD and
- electricity from German hydropower plants certified by TÜV SÜD

have been successful in the market for years. We geared up early for the energy transition by introducing these products, from which our customers – municipal utilities, resellers, industrial, commercial and household customers – are already benefiting today. We intend to continue to expand our leading role as a supplier of green electricity in Austria and Germany in the future as well.

² Preliminary figure based on fast close data in the 2015 Annual Report, since TÜV SÜD always performs calculations retrospectively (second quarter of the subsequent year). Figure using TÜV SÜD net calculations (essentially gross hydropower output less own consumption less easement agreements less supply to plant shareholders less power for pumping and circulating).

Electricity labelling in Austria

Electricity labelling for Austria is specified on the consumer's electricity bill. We have always supplied electricity from 100% hydropower in the household/agriculture and commercial segments. In 2014, all the electricity supplied to the business and industry segment came from 100% renewable energy sources (the legislation stipulates that electricity labelling be issued no later than four months after the end of the calendar year or business year). Of the guarantees of origin used, 86% originate from hydropower plants, 8% from wind power plants and 6% from solid or liquid biomass, biogas or other renewable energy sources.

In Austria, the Austrian Electricity Industry and Organisation Act 2010 (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG 2010) and the Electricity Labelling Regulation form the legal basis for electricity labelling. The Austrian electricity labelling model is an evidence-based system via guarantees of origin (GoO). All electricity volumes delivered to consumers in a calendar year must be assigned guarantees ("grey electricity ban"). Electricity supplied to pumped storage power plants must also be labelled.

Origin of electricity in Germany

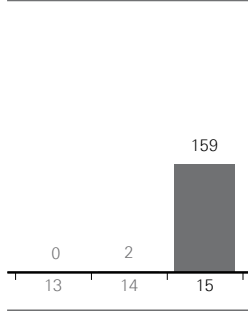
In Germany, standard load profile customers (household/agriculture and commercial) are also supplied with electricity from 100% hydropower. The origin of the electricity volumes delivered to business and industrial customers in Germany in 2014 can be broken down as follows: 11.0% renewable energy subsidised in accordance with the Renewable Energy Sources Act (Erneubare-Energien-Gesetz, EEG), 1.9% renewable energy with certificates of origin, 3.5% other fossil fuels, 7.9% natural gas, 56.2% coal and 19.5% nuclear energy.

In Germany, the following laws form the legal framework governing electricity labelling: Section 42 of the Energy Industry Act (Energiewirtschaftsgesetz, EnWG) for electricity delivered and Section 78 of the Renewable Energy Sources Act (EEG) for the mandatory disclosure of electricity subsidised in accordance with the EEG.

Green electricity solutions for Germany

AQUANTO, a 50% joint venture of VERBUND and EnBW with registered offices in Unterföhring near Munich, sells green electricity solutions for B2B customers in Germany. The services offered mainly comprise the supply of green electricity from certified installations and specific energy efficiency services. AQUANTO is gradually expanding its product range of comprehensive energy management solutions and IT-based energy efficiency tools for German industrial customers. Web platforms support the customers in flexible energy purchasing and optimisation.

Gas sold in GWh



Sale of natural gas

Climate-neutral gas and electricity from 100% hydropower across Austria

VERBUND has expanded its household portfolio by adding a combined electricity and gas product. In doing so, VERBUND became one of the first energy service providers in Austria to offer its household customers climate-neutral gas and electricity from 100% Austrian hydropower from a single source.

Similar to the other electricity and gas products, private customers can choose between the “Kombi-Web” and “Kombi-Komplett” offerings for a low-priced combination of electricity and gas.

In the case of climate-neutral gas products, the emissions resulting from the use of natural gas are offset by the subsidisation and expansion of renewable energy at the Ashta hydropower plant in Albania. This has been officially confirmed by TÜV Nord, a well-known, independent testing agency from Germany.

A total of 159 GWh of natural gas was sold in 2015. The amount of CO₂ compensation for natural gas sales was 32 kt CO₂e.

Customer satisfaction and customer relationships

High level of satisfaction has a positive effect on customer loyalty

The satisfaction of our customers – which an independent market research institute measures for us systematically each year – increased significantly in 2015 and remains at a very high level. In 2015, this also had a positive effect on the loyalty index, our most important indicator of customer loyalty. The index ranges from 0 to 100 points. In the 2015 reporting period, we achieved 74 points after 69 points in the previous year. These are important achievements for VERBUND. We realise that satisfied customers form the foundation of our business and recommend us to their friends and acquaintances.

Customer club

VERBUND customers can become members of the VERBUND-EcoClub. Here, they can earn points and take advantage of various benefits offered by cooperation partners. The application for membership to the customer club was promoted in mid-September by means of direct marketing events.

Customer support

VERBUND’s freephone customer service number (+43 (0) 0800 210 210) is available to our existing customers in Austria to answer all of their questions and to advise potential customers on switching their electricity and gas supplier.

The VERBUND website at www.verbund.at provides an overview of the Group’s product portfolio, gives individual price comparisons and provides details on facilitating the switch to VERBUND as well as answers to frequently asked questions.

Energy consulting

Certified energy consultants are available free of charge in all federal states of Austria to individuals seeking assistance from Caritas (a Catholic charity). They provide advice on how and where energy can be saved. More on this topic can be found in the Human resources and social responsibility section.

Data security

Under the Austrian Data Protection Act 2000 (Datenschutzgesetz 2000, DSG 2000), personal data may only be processed in accordance with the Regulation on Standard and Model Data Processing 2004 (Standard- und Muster-Verordnung 2004, StMV 2004) on the basis of and in accordance with the purpose of the SA001 accounting and logistics standard application contained therein. Likewise, more extensive processing steps (e.g. archiving, storage) are carried out solely on a legal basis (e.g. Section 212 of the Austrian Commercial Code (UGB)).

Late payment

Anyone can encounter difficulties in paying their bills. VERBUND assists by offering payment by instalments, calculated without adding default interest. Customers who are in payment arrears are given notice via a three-step reminder system before the energy supply agreement is terminated due to late payment. The supply continues if the customer meets the payment request from one of the steps.

Energy services

Energy services for the future of energy

Energy services form the basis for future business models. With decades of expertise in the energy markets, VERBUND develops innovative products tailored to the individual needs of all customer groups.

With its innovative solutions and smart services, VERBUND Solutions GmbH has been setting new standards and helping to shape the energy transition since mid-2014. Based on its expertise in the energy market and keen eye for the needs of individual customers, the new company is developing products tailored to private, commercial and industrial customers.

The new Energy Efficiency Act

The energy efficiency package of the federal government was adopted by Parliament by a majority of two-thirds in July 2014. The cornerstones of the law are: an annual cost reduction obligation for energy suppliers of 0.6% of prior-year sales 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 cost reduction 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 government targets. The supplier obligation took effect on 1 January 2015.

VERBUND implemented various consumer-related energy efficiency promotions in order to meet the requirements of the Energy Efficiency Act. These efficiency measures are generated from the energy services described below.

ECO packages:
www.verbund.at
 > Household

Smart, all-in-one packages for private customers

VERBUND's Eco packages are turning Austrian household customers into prosumers. The combination of a photovoltaic installation plus a storage system including a heat pump makes it possible to use self-generated energy in an efficient and cost-effective manner.

For photovoltaic customers looking for a method of storing their self-generated solar energy that is not only intelligent but also boasts an extravagant design, VERBUND is bringing the TESLA Energy Powerwall to Austria.

VERBUND Solutions has held a 50% interest in SOLAVOLTA, a leading full-service provider for photovoltaic own-use installations since the summer of 2015.

VERBUND Solutions launched further energy-saving, customised energy management and convenience solutions in the domestic market in 2015. Eco-Home makes flats and houses smarter and more efficient. Devices can be easily controlled, either remotely or automatically, inefficient appliances identified and thus money and energy saved with simplicity and no need for additional wiring. The energy flows from photovoltaic installation to individual electrical devices become visible. VERBUND Eco-Home has been on the market since September 2015.

With the tado° smart thermostat, even existing heating systems can retrospectively be brought up to an energy efficiency class rating of up to A+++ . This allows heating cost savings of up to one-third.

For LED products, the LED "1+1 free" bulb promotion was successfully carried out with cooperation partners REWE and Philips at all REWE branches. In the white goods sector, VERBUND and MIELE offered an energy bonus on selected A++ and A+++ refrigerators and freezers. In another major campaign, VERBUND provided customers with a gas condensing boiler subsidy for replacing an existing heating unit with a gas condensing boiler.

Electromobility as a driver for energy efficiency

VERBUND is energising the greening of the transportation sector through its majority interest in SMATRICES GmbH & Co KG. In the future, electromobility will make a key contribution to increasing energy efficiency and balancing decentralised (photovoltaic) generation and thus to grid stabilisation. The integration of charging infrastructures with the provision of mobility services are tasks facing the future of transport and energy across all sectors. For instance, SMATRICES – the company we formed together with Siemens in the autumn of 2012 – currently operates a high-performance charging network for electric cars. At the end of 2015, the network comprised over 200 charging stations across Austria. The stations are situated at top locations in all federal states and are no more than 60 kilometres apart.

Energy services for industrial customers

VERBUND Solutions has been going down new paths since 2014 with the VERBUND-Power-Pool, supplementing the traditional range of services for industrial customers. In the Power-Pool, production and consumption flexibility is automated, intelligently bundled and marketed on the control power market. The pool partners generate attractive added revenue through the flexible management of their generation and production. Revenue is generated simply by being willing to respond with flexibility if needed. At the beginning of 2015, the Power-Pool was prequalified by Austrian Power Grid AG and authorised to participate in the control power market. At the same time, the innovative business model supports the stability of the electricity grid and thus security of supply.

The VERBUND-Eco-Net is an energy savings network for industrial enterprises and large-scale consumers based on development carried out by the Fraunhofer Institute. The first network launched in the autumn of 2014 with eight participants. Together with VERBUND, the companies can achieve an efficiency gain two to three times in excess of the industry average within four years. The improved energy balance will bring significant competitive advantages. Building on this, it will also be possible to have the energy management system certified to ISO 50001.

Since the beginning of 2015, a new energy contractor has been operating in the Austrian market: VERBUND GETEC Energiecontracting GmbH, a 50% joint venture between VERBUND and GETEC, offers tailored energy solutions. Technology partner GETEC is a market leader in energy contracting services in Germany with more than 20 years of experience in the market. The new joint venture takes on the development, planning, financing, construction and operation of heat, cooling, steam, electricity, compressed air and other generation systems. Industrial and commercial customers with high energy use are benefiting in particular, although communities aiming to modernise their plant technology or switch to CO₂-neutral combustion fuels also benefit.

Energy services:
www.verbund.at
> Business

Grid

Grid data overview

Austrian Power Grid AG (APG) is VERBUND's independent grid subsidiary which operates autonomously. It operates the supraregional electricity transmission network in Austria. With its line connections to neighbouring countries, it creates the physical means for connecting Austria with the European electricity market.

In its role as independent transmission operator, APG is committed to two central objectives: first, providing a safe and efficient grid infrastructure and continually adapting it to the needs of the European electricity market, and second, taking all necessary measures to enable barrier-free cross-border electricity trading.

Following these objectives, APG has two central priorities in its business activities. First, it is responding to the current reorganisation of the European power plant portfolio to include more renewable energy by modernising and strengthening its grid facilities. Projects such as the Salzburg line will form the basis for the further expansion of wind and solar power plants and for reinforcing the system for the future.

With the reorganisation of the power plant portfolio, the demands on system management and the needs of the participants in the electricity market are also changing. This is where APG places its second priority, namely on investing in system intelligence and developing new system services for greater flexibility.

Technical developments

Power grid data

Voltage level	Power lines	Power lines	Substations/
	Route length/km	System length/km	Switching stations
Overhead power lines			
380 kV	1,153	2,577	
220 kV	1,615	3,212	
110 kV	659	1,174	
Cable			
110 kV	4	8	
Total	3,431	6,971	63

Business performance

In financial year 2015, operating result in the grid segment rose by €122.1m compared with financial year 2014, increasing from €58.0m to €180.1m. Most of the provisions and impairment losses recognised in previous years to comply with the System Charges Order (Systemnutzungsentgelte-Verordnung, SNE-VO) and the System Usage Rate Directives (Systemnutzungstarife-Verordnungen, SNT-VO) were reversed to reflect legal settlements. In addition, international grid revenue increased in financial year 2015 due to the auctioning off of cross-border capacities, and national grid revenue increased due to higher tariff revenue.

Electricity supply – Grid segment		GWh	
	2014	2015	Change
Electricity purchased for grid loss and control power volumes	3,527	4,326	22.7%
Intragroup	858	2,203	156.6%
Electricity supply	4,386	6,529	48.9%

Electricity sales volume and own use – Grid segment		GWh	
	2014	2015	Change
Resellers	2,643	4,652	76.0%
Traders	185	165	-10.7%
Intragroup	171	138	-19.4%
Electricity sales volume	2,999	4,955	65.2%
Own use	794	812	2.3%
Balancing energy volume	593	762	28.6%
Total electricity sales volume and own use	4,386	6,529	48.9%

The electricity business in the Grid segment was mainly impacted by significantly higher volumes of deliveries for congestion management.

Operational developments

APG is responsible for the safe operation of the Austrian transmission grid. In order to fulfil this legal mandate, APG implemented numerous measures in coordinated grid operations in 2015. To eliminate congestion, massive intervention in the congestion management (redispatch) was required at the power plants in the past financial year to guarantee grid security in Austria and in the European transmission grid.

Congestion in the APG grid was caused by north-south and west-east electricity flows, some in connection with necessary, maintenance-related power line shut-downs. These long-range electricity flows occurred in connection with the increasing wind and photovoltaic generation in Germany and Northern Europe and increased during the summer months as a result of the low level of hydropower generation in Central and Southern Europe. In 2015, power plants in the APG control area were also frequently used for managing grid congestion outside of Austria, mainly in Poland and Germany.

We are entering the future of energy with a strong grid.

In the summer of 2015, APG contractually secured the short-term availability of selected thermal power plants for redispatch in return for the payment of costs (2015 grid reserve of 800 MW). This grid reserve was necessary to ensure secure grid operation during the summer months.

The volume of the redispatch quantities used (grid reserve plus additional power plants) amounted to 2,266.5 GWh in 2015.

One measure accompanying redispatch is intervention in short-term electricity trading. Every cross-border redispatch measure is directly related to a suspension of the intraday trading market, which occurred for a total of 3,251 hours in 2015.

Intraday stops and redispatch quantities

	2013	2014	2015
Intraday stops (in hours)	817	1,245	3,251
Redispatch quantities (in GWh)	342.8	261.7	2,266.5

In 2015, there was not a single interruption to supply in the APG grid that impacted consumers. The effects of a power outage in the APG grid can only be identified via the “MWh not supplied” indicator. In 2015, APG transported around 46,164 GWh at grid level 1 and 0 MWh, i.e. 0% of the amount transported, was not supplied (2014, no interruptions; 2013, one interruption: 1.19 MWh, i.e. around 0.000003% of the amount transported, was not supplied).

Electricity transmission and grid loss

In financial year 2015, the transmission volume at grid level 1 (380-kV and 220-kV grid) increased by 5.0% over the previous year; domestic sales amounted to 31,624 GWh. Based upon the reported transmission schedules of the Austrian and international market participants, the APG control area imported 49,606 GWh and exported 36,659 GWh in 2015. On balance, this resulted in an import surplus of 12,947 GWh.

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

Electricity transmission TWh



Compared with the previous year, losses rose by 6.1% as a result of the 5.0% increase in transmission volume (see Electricity transmission).

Transmission losses

	Unit	2013	2014	2015
Electricity transmitted ¹	GWh	43,137	43,957	46,164
Grid loss ¹	GWh	595	602	638
Grid loss as a percentage of electricity transmitted	%	1.38	1.37	1.38

¹ Grid level 1

Project status and project development

APG is legally required to prepare a Network Development Plan (NDP) each year, to submit it to the regulatory authorities for approval and to publish it. The plan includes all grid infrastructure projects that must be implemented in the next ten years. Approval of the NDP also constitutes approval by the authorities of the implementation schedule for the projects listed. A public consultation process takes place in advance for the purpose of informing all market participants.

In 2015, a total of €114.0m was invested in intangible assets and property, plant and equipment. Of this total, €18.6m was attributable to the Kaprun grid area. Additional major investments for grid expansion went towards the third and fourth system of the 380-/110-kV transformer in the Bisamberg substation (€9.3m) as well as the construction of the new Zeltweg substation (€7.7m). By comparison, €138.5m was invested in intangible assets and plant, property and equipment in 2014.

The completion of the changeover of the Danube St. Peter-Ernsthofen line to 380 kV and the third and fourth systems of the 380-kV Dürnrohr-Sarasdorf line brought the total for 2015 to 220 km of 380-kV lines completed and around 4 km of new 110-kV lines constructed (Ernsthofen-Steyr). In order to integrate wind farms into the grid, important substation additions and expansions took place at the Zurndorf substation (third 380-/110-kV transformer), Bisamberg substation (third 380/110-kV transformer), Sarasdorf substation (second 380-/110-kV transformer) as well as the new construction of the 380-/110-kV Schwarzenbach substation in Salzburg and the 110-kV Leonding substation in the Linz area.

APG's top priority line construction projects include the Salzburg line, the Germany line and the new construction of the Weinviertel line replacement.

In the Salzburg line project, APG succeeded in making major progress with implementation during the reporting period. The environmental impact assessment (EIA) for the 380-kV Salzburg line submitted in 2012 was finalised upon issue of the approval notice dated 14 December 2015. The project was thus granted first-instance approval by the state government of Salzburg in its capacity as the EIA authority. Construction of the 114 kilometre long 380-kV line connection between the Salzburg substation and the Tauern substation represents a major step in integrating photovoltaics and wind power into the grid as well as in the highly efficient connection of load centres with the major power plant sites in Austria. The Salzburg line will also significantly increase the security of the electricity supply in the federal states of Salzburg and Upper Austria. Furthermore, it is also a fundamental prerequisite for a comprehensive revision and restructuring of the electricity grid infrastructure in Salzburg. This will allow the disassembly of 193 kilometres of overhead power lines at the 220-kV and 110-kV voltage levels. Among other things, this concerns the 220-kV lines between Tauern and Salzburg and between Tauern and the Reitdorf/Wagrain area. This will free up valuable space at the bottom of the valleys and ease the burden on the Natura 2000 area in the Hagengebirge mountains. Extensive environmental measures are planned before, during and after construction. Thus significant

improvements in environmental conditions are expected in the surrounding area of the Salzburg electricity infrastructure after completion of the work.

*The current grid projects are an important component
in implementing the energy transition.*

Implementation of the planned Germany line is an important component of energy transition implementation. Construction of the new 2.6 kilometre-long line in the infrastructure corridor, an area which for years has already been secured by the municipality, will permit the removal of two existing 220-kV lines between the St. Peter am Hart substation and the national border. Doing so will ease the burden on the residential area of the St. Peter am Hart municipality. Comprehensive ecological measures are planned both before and during construction of the new line with the aim of ensuring that all interests are protected. In its approval notice from December 2015, the responsible EIA authority in Upper Austria confirmed the environmental compatibility of the Germany line.

In addition, a third central project was launched in the 2015 reporting period: the Weinviertel line. To secure the power supply to the north-eastern Weinviertel region and the grid integration of wind power over the long term, the 220-kV line originally built in the 1950s from the Bisamberg substation to the areas with strong wind conditions in the northern Weinviertel region is to be replaced by a highly efficient 380-kV connection. The new construction of the APG Weinviertel line replacement will produce a significant improvement for both people and nature in the region by developing a new line route that makes maximum use within the project area of previously existing infrastructure space (OMV exploration area, wind farms, etc.).

Additional information
on the topic of
conservation is available
at www.apg.at

Equity interests & services

Market conditions for Europe's energy utilities have changed fundamentally in recent years. We have therefore streamlined our strategy and we already began restructuring our investment portfolio in 2012.

VERBUND is heading into the future of energy with a restructured investment portfolio.

Foreign equity interests

Italy: restructuring and withdrawal

As part of the restructuring process, the equity interest in Italian Sorgenia was sold in its entirety in 2015. After the interest in Sorgenia SpA was sold and the shares were transferred to a banking syndicate on 27 March 2015, the general meeting of Sorgenia Holding SpA on 15 April 2015 adopted a resolution (on the recommendation of the company's board of directors) to liquidate the company. The earn-out distribution to CIR SpA and VERBUND AG took place as at 30 July 2015. Sorgenia Holding SpA was deleted from the commercial register on 26 August 2015.

Domestic equity interests

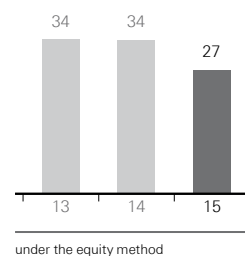
KELAG – Kärntner Elektrizitäts-Aktiengesellschaft

The contribution from KELAG to the result from interests accounted for using the equity method decreased slightly to €27.3m compared with the prior-year figure (2014: €33.9m). The dividend attributable to VERBUND for 2015 was €14.1m. As at 31 December 2015, VERBUND held a 35.17% equity interest in KELAG.

Services

VERBUND Services GmbH continued in 2015 to consistently implement the measures agreed to as part of the programme to increase efficiency. Permanent cost reductions of approximately €1.5m annually were achieved for insurance, vehicle service and facility management. At the same time, new challenges arose, particularly in the customer-related distribution channels (online customer portal, etc.); these included timely implementation of the Bavaria customer portal. The IT and telecommunications infrastructure was further modernised and adapted to the Group's current needs.

Equity result - KELAG €m



Risk and opportunity management

Risk management as an integral component of the management system

Since financial year 2000, risk and opportunity management has been an integral part of VERBUND's comprehensive management system. Today, all significant management decisions are discussed and taken on the basis of a risk-return perspective, in addition to other factors. This approach thus permeates strategic management, project management and the management of ongoing business activities. The auditor regularly compares the functionality of VERBUND's risk management with the recommendations of the ISO 31000:2009 reference model and has expressed no objections.

Purpose of risk and opportunity management

Discuss, evaluate and report opportunities and risks

The purpose of our risk and opportunity management is to secure VERBUND's long-term viability. We achieve this by:

- reporting on opportunities and risks relevant to management;
- analysing, modelling and assessing external and internal developments; and
- facilitating forums for discussion and decision-making with regard to opportunities and risks.

Risk and opportunity management bodies

Continually adapting structures to the requirements of the business model

VERBUND's overarching risk and opportunity management system is composed of the following risk management-related functions: internal control system, compliance management, internal audit, information security and data protection as well as separate risk management systems in the Grid, Trading and Finance areas. The management report must include a description of the internal control system (more information is available in the section entitled Internal control and risk management system). The description of the other topics mentioned can be found in the Corporate Governance Report. VERBUND subsidiary APG was certified as an independent transmission system operator in 2012 and since that time has had its own independent risk management system.

The Chief Risk Officer (CRO) is in charge of risk and opportunity management at VERBUND. The CRO is part of the Group management accounting, corporate accounting and risk management departments and has the authority to issue instructions in professional matters. Chief Officers are in charge of compliance (CCO) and internal audit (CAO). Trading and Finance have their own operating risk management units. Risk Management Committees (RMCs) manage the risks of ongoing business. The Chief Information Security Officer (CISO) also monitors risks in information security and data protection. Under the supervision of the CRO, the RMCs deal with topics such as energy management, business management, financial management and regulatory conditions as well as information security and data protection. Risk-specific questions are discussed with the affected operating units and decisions are made on a quarterly or as-needed basis.

VERBUND has established a Group-wide crisis management system to handle extraordinary events. The system is structured along similar lines as the state crisis and disaster protection management systems. In the event of a crisis, this makes it easier to work with federal institutions and emergency services organisations.

VERBUND's trained crisis team runs periodic simulations of specific threat scenarios for practice purposes.

Managing risks and opportunities

We define risk and opportunity management as the management of the following processes which run through a regular sequence: risk identification, risk analysis, risk measurement, investigation of possible causes of deviations, derivation of rules for measurement and assigning and monitoring countermeasures. This procedure is integrated into both the periodic planning and reporting processes as well as the decision-making processes for investments and divestment.

Risk and opportunity management at VERBUND is based upon guiding principles such as increasing enterprise value, securing the energy supply and sustainability. For operating activities, it integrates seamlessly with the management concept which is based on IFRS KPIs. Risks are generally viewed from the perspective of either cause or effect. When identifying, classifying and modelling risk, the focus is on obtaining information on the cause. The next step concerns the effects as well as risk measurement, followed by deciding on countermeasures.

Risk identification involves the systematic search for unknown factors that could influence the business model. Risks may arise from any of the categories of the energy market risk landscape specified below. The categories are presented using their strategic umbrella term, followed by an example (in brackets) representing a relevant characteristic for operating activities:

1. environmental factors: regulation (legislation, directives), climate (weather) and other (attacks)
2. market factors: market participants (customers, suppliers), the demand trend, technology
3. internal factors: such as personnel strategy (employee turnover), investment strategy (availability), structures and processes (compliance) and contract management (legal & commercial)

The effectiveness of VERBUND's risk identification with regard to the requirements of employees, society, the environment and business partners (competition, corruption) is essentially based on transparent assignment of responsibilities, a strict schedule, proper documentation of potential deviations and consistent follow-up of issues.

Evaluation of the risk position may result in the identification of deviations from targets. When the deviation is negative, we call this "risk in the narrower sense", and when the deviation is positive we refer to this as an "opportunity". Statistical measurement models are applied whenever it is impossible for all practical purposes to model the correlations, and meaningful time series data is available (e.g. figures on water and wind supply trends for environmental risk or the trend in interest rates and wholesale prices for market risk). In cases where this does not apply, risk is measured by means of expert estimates (of flooding, the outcome of ongoing legal proceedings, unplanned repairs, etc.). Measurement models are integrated into the IFRS internal management accounting process as far as possible (planning uncertainty). The models also take account of impacting factors that have not been included in the business plan due to their low probability of occurrence (e.g. risk of incidents such as flooding, legal disputes, etc.).

Recognising transitions and rapidly implementing changes

Overarching goals: increasing value, security of supply and sustainability.

Complex risk landscape of energy markets

Risk measurement makes changes visible

Operational
management
targets control of highly
probably events

Risk exposure is a key factor in the economic justification of countermeasures. Risks to the Group's continued existence are to be avoided, serious risks are to be passed on (insurance) and business-specific risks are to be absorbed (managed). Risk exposure is explained by the choice of reference indicators (EBITDA, Group result, free cash flow, equity) and the level of confidence observed. With respect to the reference indicator, the report tables shown in the notes to the consolidated financial statements offer an overview of absolute exposure and deviations. As far as confidence levels are concerned, experience shows that the range of a commitment issued with a high degree of certainty is normally many times greater than one with a low degree of certainty. A high level of confidence also takes "low probability incidents" (once-in-a-century events) into account, and vice versa.

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

Risks and opportunities of the VERBUND business model

The business activities of VERBUND are focused 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 a topic of socio-political discussion. VERBUND plants meet the highest environmental standards. Their construction is usually preceded by lengthy approval processes. Early inclusion of interest groups, compliance with regulatory conditions and effective project management ensure the success of VERBUND's projects. The operation and maintenance of these assets used over many years require highly qualified employees.

A crucial success factor for capital-intensive companies is secure access to the capital market. Ratings agencies also consider the majority owner, the Republic of Austria, and the integrated business model of VERBUND (generation, grid, trading, sales, energy-related solutions) to be significant, stabilising elements, thus protecting the current credit rating (investment grade).

Misguided regulation
puts traditional electricity
producers under
pressure

The transformation of the European energy system is increasing the severity of the external risk factors arising from politics, the economy, the energy market and the larger society, i.e. risk factors that cannot be influenced directly. The loss of planning security forces electric utilities to change their business models, delays or prevents investment decisions from being made and causes value adjustments (i.e. erratic changes in the assets and liabilities on the balance sheet; please refer to the Value adjustment risk portfolio for more information). The economic crisis and misguided regulation have overruled market pricing rules. The priority given to feeding wind and photovoltaic energy into the grid has overridden the former variable production cost-based sequence. This also applies to the distinction between base and peak loads. By expanding the business model to include energy-related services, VERBUND is entering into new areas of risk. These are also subject to consumer protection requirements relating to information technology.

Risk and opportunity management is an integral element of corporate management.

As the leading renewable energy producer, VERBUND is heavily dependent upon the weather, which cannot be influenced (water and wind). The VERBUND storage power plants as well as some ultra-high voltage lines are located in high Alpine regions. Over the long term, climate change can affect both the seasonal and the annual water/wind supply. In addition, geological conditions can change (permafrost). Natural events such as floods, storms or avalanches can cause an unscheduled outage of electricity generation or transmission facilities as well as consequential damage. 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 short-term requirements due to volatile wind and photovoltaic generation also provide revenue opportunities. In other words, energy amounts must be additionally generated or "stored" in pumped storage and the grids stabilised with flexible power plant output. These flexible earnings contributions depend largely upon the frequency and absolute extent of short-term price fluctuations in the electricity markets; however they do not come anywhere close to compensating for the decline in wholesale electricity prices.

Information and communication systems form the backbone of VERBUND's business activities. VERBUND is addressing the growing risks from cyber space with preventive information security strategies, processes and internal guidelines. In addition to providing the necessary resources internally, we participate actively in the relevant national and international bodies (e.g. energy-CERT). VERBUND places high priority on the security of its control systems. For security reasons, these are operated largely independently from administrative networks. Our administrative buildings and decentralised plants are protected by structural measures and electronic monitoring systems.

We minimise defaults in performance or payment by our business partners (counterparty risk) through effective financial management. Adhering to the dual control principle, counterparty limits are managed (awarding, monitoring) centrally and implemented during the course of the business process. Stable cash flows from the operating business ensure that debt can be serviced. In addition, VERBUND possesses sufficient credit lines for accessing cash and cash equivalents at short notice.

To facilitate the conduct of its business, VERBUND has entered into long-term agreements with employees, suppliers and co-owners and co-users of individual power plants. Changes in economic conditions have influenced the profitability of some of these agreements. Amending the agreements increases the risk of potential countermeasures taken by counterparties. VERBUND is in the process of adapting its structural organisation in an ongoing project to increase efficiency. This entails, among other things, shutting down sites and cancelling purchase or supply agreements as well as implementing personnel measures in a socially responsible manner. In accordance with the International Financial Reporting Standards (IFRSs), VERBUND recognises provisions for contractually agreed expenses from ongoing reorganisation programmes, for pensions and termination benefits and for the post-use phase of generation facilities (e.g. for the costs of dismantling facilities). Any deviations

Volume risk due to fluctuation in water/wind supply

The share of information technology in value creation is growing along with cyber risk

Financial management supports the effective monitoring of financial risks

New business model necessitates adjustment of long-term agreements

from the assumptions used when recognising these provisions may produce fluctuations in the result. Ongoing measures are taken to counter the possible crystallisation of collateral provided. These also include possible effects of a further change in the rating of VERBUND AG on the off-balance-sheet cross border leasing transaction.

All else remaining equal, a change in the factors shown below would be reflected in the planned Group result for 2016 as follows (based on the hedging status as at 31 December 2015 for generation and interest rate):

- +/-1% generation from hydropower plants: €+/-4.5m
- +/-1% generation from wind power: €+/-0.4m
- €+/-1/MWh wholesale electricity prices (hydropower plants and thermal power plants): €+/-5.0m
- +/-1 percentage point in interest rate: €+/-4.1m

Internal control and risk management system

According to Section 243a(2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB), the internal control and risk management systems for the accounting process must be described. VERBUND's internal control system (ICS) includes all measures for ensuring the reliability, effectiveness and profitability of this process, as well as 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 and the environment. Group management acts in accordance with those 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 can act 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 to address changing internal and external conditions.

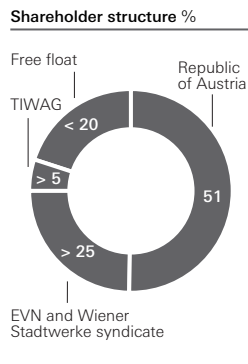
Reporting in compliance with unbundling provisions

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. The liberalised European energy market stipulates the unbundling of grid operations from generation, trading and sales of formerly integrated electric utilities. 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 and the internal control and risk management system. Audits are performed according to the audit schedule approved by the VERBUND Executive Board, supplemented by short and special audits. The audit reports include recommendations and measures. A periodic follow-up ensures implementation of the proposed improvements. In 2015, of the currently 28 companies eligible for audit by Internal Audit, around 50% were audited. 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)

- At the reporting 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. A total of 347,415,686 shares were therefore in circulation at the reporting date. With the exception of the voting restriction described under point 2, all shares bear the same rights and obligations.
- 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 at the 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.
- 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 made up of 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.
- There are no shares with special control rights.
- VERBUND does not offer any employee participation programmes.
- 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 (refer to VERBUND Corporate Governance Report 2015). 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.
- 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 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 shares, whereby the share capital rose to €347,415,686. After this capital increase, the Executive Board was 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 by up to €114,884,314 through the issue of up to 114,884,314 new bearer or registered ordinary shares (no-par value shares). The Executive Board did not exercise this authority.

Share buyback: The 66th Annual General Meeting of VERBUND AG held on 17 April 2013 authorised the Executive Board under Section 65(1)(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 treasury 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 did not exercise this authority.

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 treasury 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 treasury 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).

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

Human resources and social responsibility

KPIs – employees

	Unit	2013	2014	2015
Average number of employees ¹	Number	3,351	3,245	3,089
Number of employees under labour law ¹	Number	3,339	3,265	3,098
of which in Austria	Number	2,897	2,860	2,711
of which in Germany	Number	407	394	376
of which in other European countries	Number	35	11	11

¹ Number of employees as at 31 December, not including members of the Executive Board and employees in early retirement

Objectives

Against the backdrop of the persistently difficult situation in European energy markets and the associated change in conditions, the focus in coming years will remain on consistently maintaining the restructuring and cost management path we have chosen. This includes not only carrying out personnel reduction measures in a socially responsible manner, but also modernising remuneration structures at the company and collective agreement level with the social partners.

In the next ten years, around 1,000 employees will reach the regular retirement age. This fact makes demographic management essential and endorses our long-standing focus on training and continuing education. In this regard, two crucial levers in our efforts are the retention of the knowledge of our highly qualified employees and the continuation of the apprenticeship initiative in our apprentice workshops.

The rapid development of our core operating segments requires continuous enhancement of our corporate culture. The topics of leadership culture and diversity in the Company are of particular significance.

Occupational health and safety of our employees has remained of great importance to us for decades. At VERBUND, our goal is to keep the accident rate stable at a low level of less than twelve workplace related accidents per 1,000 employees and to improve it further.

Consistent cost-cutting and sustainable cost management

In order to strengthen our Group, the cost-cutting programme embarked upon in 2013 continued to be implemented with consistency in financial year 2015. For the most part, it was possible to implement the main personnel management measures of previous years' programmes to increase efficiency in 2015. The Group-wide reduction of organisational units by 40% was completed and the hierarchy levels in the holding company were flattened. Restructuring and divestment in the thermal power plant area also took place in Austria and abroad, as did the approved merger of companies and adaptation of organisational structures. Agency staff capacities were also significantly reduced: at the end of 2015, VERBUND still employed around 66 long-term agency staff, mostly as temporary leave replacements and to cover capacity peaks.

The Group's personnel management measures are clearly effective: compared with financial year 2014, the number of employees under labour law fell by 167 to 3,098 employees. This trend of declining employee numbers will also continue in 2016. Implementation of the specified personnel reductions is planned to be completed by the end of 2020 and will take the social plan into account. In addition to the legally stipulated part-time retirement models, the social plan allows for additional measures to be implemented for employees such as voluntary termination benefit programmes. Additional internal retraining and continuing education programmes, some of which can be combined with the statutory educational leave options, enable employees to remain with VERBUND in new positions obtained via the internal employment market. In addition, available human resources are actively managed and deployed for short and medium-term assignments in a "capacity exchange" established specifically for this purpose.

VERBUND operates almost exclusively in Central Europe, which has high standards in terms of labour law and social welfare. Employment of highly and very highly qualified employees is associated with correspondingly high personnel costs. Therefore, in addition to the programmes to increase efficiency mentioned above, it is essential for VERBUND that the existing remuneration structures at the company and industry levels be modernised and adapted to market conditions. In addition to adapting internal guidelines on salary determination, the Group is taking a leading role at industry level in redesigning the collective agreement for electricity companies in Austria. The objective is to design a collective agreement that is fair and, at the same time, suited to modern working life.

For information on labour management relations, including minimum notice periods regarding operational changes, please refer to the DMA

Demographic challenges

KPIs – training and continuing education

	Unit	2013	2014	2015
New employee hires	Number	144	110	93
Employee turnover excluding retirements	Number	88	88	85
Employee turnover rate excluding retirements	Percent	2.6	2.7	2.7
Employee turnover including retirements	Number	210	223	260
Employee turnover rate including retirements	Percent	6.3	6.8	8.4
Duration of employment ¹	Years	17.7	17.0	19.2
Percentage of university graduates	Percent	21.6	21.4	21.9
Continuing education per employee ²	Hours	38.4	29.6	33.6
Continuing education per executive	Hours	81.4	64.0	74.4
Performance review ratio	Percent	93.7	93.4	96.4
Apprentices, total	Number	198	188	175
of which, new apprentices taken on	Number	51	35	40

For information on training and continuing education, please refer to the DMA

¹ Change in calculation method: personnel from acquired and newly consolidated companies are included in the duration of employment with the acquired/consolidated company and no longer in the duration of employment with the VERBUND Group. // ² incl. executives and long-term agency staff, excl. apprentices, employees in retention periods, employees loaned to third parties and employees on long-term leave; excluding safety briefings.

The demographic trend already observable over years continued during the reporting period. Around 7.3% of employees will retire over the next five years and 28.2% over the next ten years. The programme to increase efficiency means that not all of those leaving will be replaced. A significant proportion of these positions, however, are essential to operations, and replacements will have to be found for these.

Thus in future years, strengthening the competitive position of VERBUND on the labour market will remain a central task to identify and recruit the right candidates for our company.

At the same time, the intention is to motivate and retain existing employees by means of targeted personnel development programmes. We are progressing through these demographic changes with a structured transfer of knowledge, and, among other things, we are securing succession by continuing our apprentice initiative.

*Our employees are a strong foundation for implementing our mission –
the future of energy.*

Strengthening the Group's position in the labour market with employer branding

In order to retain VERBUND's attractive employer brand in 2015, VERBUND again invested in selected employer branding measures that were adapted to the current programme to increase efficiency. With an efficient use of funds, VERBUND continues to demonstrate a clear presence in the labour market – specifically at trade fairs and in print and online media. In 2015, the strategic focus was on measures for the advancement of women such as the annual award of the VERBUND women's scholarship at the Vienna University of Technology, as well as on communication measures for the apprentices as a target group. Thus VERBUND continues to be an attractive employer for key internal and external employees.

Recruiting

VERBUND's strong employer brand and continued strong competitive position are reflected in staffing to fill vacant high-quality positions. In 2015, replacements were hired for 93 positions essential to operations, and more than 40% of these were apprentice positions.

Measures to optimise the recruiting process were introduced in 2015 in order to meet the challenges of demographic change and do justice to the technological advancements and requirements in personnel recruiting. The existing e-recruiting tool was modified to fulfil current requirements and adapted for use with mobile devices. The employer brand was featured more prominently in image and job advertisements. VERBUND plans to optimise the presentation of its career opportunities as part of the website relaunch set for 2016.

For management's approach to recruiting, please refer to the DMA

Personnel development

Once employees have been hired by VERBUND, their professional and personal development remains a matter of importance to us. In 2015, each employee took part in 4.2 days of training on average. Personnel development focused on technical and safety qualifications as well as SAP and IT training.

As part of the programme to increase efficiency, continuing education is also crucial in ensuring that measures are implemented in a socially responsible manner. Among other things, targeted retraining creates prospects and new roles for employees affected by restructuring.

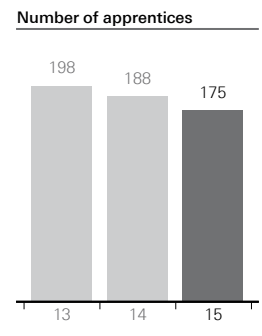
Transfer of knowledge

Against the backdrop of the current situation, the results of the programme to increase efficiency as well as demographic change, knowledge not only has to be continuously advanced but also retained for the Company after employees leave. The loss of employee-specific knowledge and valuable experiences is particularly critical. Keeping this knowledge within the Company is essential. Strategic personnel development therefore supports executives in all processes of knowledge transfer. In addition to personal consultation, easy-to-use tools are available such as checklists and structured questionnaires.

Apprentice training

Ensuring smooth operation over the long term is critical, especially in the industrial sector. We therefore focus on continuing the campaign to attract apprentices to our apprentice training centres. In 1983, VERBUND became one of the first companies in Austria to offer a four-year dual apprenticeship for electrical and mechanical engineering. Currently, apprentices at VERBUND can train to become electrical engineering and metalworking technicians or electronic and electrical engineering technicians. These dual professional qualifications are in high demand and offer excellent opportunities for the future. In 2015, 40 apprentices were recruited in Austria and Germany. The high quality of the apprentice training is evident not only in the outstanding achievements in the final apprenticeship examinations. VERBUND has also been recognised as a nationally certified training company by the Austrian Federal Ministry of Science, Research and Economy.

For a description of management's approach to training and continuing education, please refer to the DMA



More information
available at
www.verbund.com >
Responsibility > Social
Issues > Value added for
employees

Further improvement in corporate culture

Employee survey – we incorporate employee concerns

In order to create the best possible work environment, we want to identify sources of stress and potential areas for improvement. To assist in these efforts, we conducted the third Group-wide employee survey in 2015, entitled “How are you doing at VERBUND?”. Around 50% of employees took part in the survey. The results showed that satisfaction with internal career prospects and the assessment of labour market opportunities had declined slightly. VERBUND attributes these results to the past programmes to increase efficiency and the current economic situation. Despite the changes within the Group, the work climate and morale continue to be rated highly. Loyalty to management and the commitment to the Company continue to be strong. From the employee perspective, VERBUND continues to achieve higher ratings than other companies in the categories of job security, remuneration, working atmosphere and working conditions. In 2016, specific measures will be established in consultation with the Executive Board and the management boards of the companies, taking into account the survey results on mental stress.

Management feedback

Ongoing improvement of the leadership culture is an important component of cultural development. The VERBUND management feedback pilot project was a success. Since June 2015, the VERBUND management feedback project has been gradually extended to all first-level and second-level management executives at all companies. Two VERBUND companies were involved in 2015, and the remaining VERBUND companies will follow in 2016. All executives receive comprehensive and structured feedback pertaining to themselves and their skills from different perspectives. People from their direct work environment are surveyed: direct superiors, fellow employees and colleagues. The goal is to identify strengths and areas requiring attention for each individual executive by examining the deviations between self-appraisals and appraisals by others. Individual career development measures adapted to each individual's needs are developed based upon these analyses. Appropriate follow-up measures as part of management training serve to further improve leadership quality and thus guarantee the Group's success. Now that a baseline has been established, the goal is to conduct the survey approximately every two years in order to measure the success of the training programme.

Work-life balance

In 2015, VERBUND was awarded the Work and Family Audit certificate from the Austrian Federal Ministry of Families and Youth for the third time. Maintaining a balance between work and family life is a tradition at VERBUND. A number of measures have been implemented and have been operating in practice for many years: the option to take a third year of parental leave, various working hour models including a telecommuting option, a pension plan, a child allowance and more. Since 2009, the Work and Family Audit has provided us with a way to better structure the measures so that we are able to create more opportunities to meet specific needs and encourage a better work-life balance. In recent years, we have operated a crisis hotline for employees in difficult situations and provided child care options during holidays as well as rooms for families in Vienna. Since 2015, we have participated in the Companies for Families initiative of the Austrian Federal Ministry of Families and Youth and in this way provided even greater support for improving work-life balance. The current employee survey also confirms that satisfaction with the compatibility of work and family life has been growing since 2008.

Diversity management

KPIs – women

	Unit	2013	2014	2015
Total percentage of women	Percent	18.4	17.8	17.8
Percentage of women among new employee hires	Percent	25.7	22.7	12.9
Percentage of women in management positions	Percent	11.8	9.6	7.4
Percentage of women among apprentices	Percent	8.6	10.1	9.7
Average age	Years	44.1	44.2	44.2

By signing the 2012 Diversity Charter (“Charta der Vielfalt”), VERBUND has demonstrated that diversity is an important topic for the Group. The initial focus has been placed on diversity topics that have traditionally been at the forefront of VERBUND’s day-to-day operations, such as gender, disability and age. Further aspects will be introduced gradually over the medium and long term. Here too, VERBUND assumes a degree of social responsibility by cooperating with cross-enterprise initiatives such as the Integration Fund, the Austrian Public Employment Service (AMS), the Austrian Economic Chambers and various federal ministries. Since 2011, VERBUND has had an equal opportunities officer; diversity and inclusion management was introduced in 2014. This function bundles all activities within the Group, carrying out and documenting the development, implementation and realisation of equal opportunities objectives and measures.

Focus on disabled persons

VERBUND exceeds the quotas stipulated in Austria and Germany for the employment of disabled people. The mandatory quota for Austria is 113, and 154 employees qualify as disabled persons under the Disabled Persons Employment Act. The mandatory quota for Germany is 18, and 26 people with disabilities are employed. Moreover, the accessibility management programme introduced in 2014 in consultation with diversity and inclusion management has been effective in increasing the accessibility of our sites and our company information and in providing suggestions for improvements.

Focus on advancement of women

Traditionally, the percentage of women in predominantly technical companies such as VERBUND has been on the low side. That is why we have put measures in place to increase the current percentage of 17.8% to 20% by 2020.

In 2015, the percentage of women among new recruits was below the average for recent years at 12.9%. This is because restrictive hiring policies have led to positions in the trade and technical areas being filled via the external employment market, where the pool of female candidates has traditionally been low. This is compounded by the flattening of hierarchical structures due to the programme to increase efficiency, which has reduced the number of management positions in the commercial and administrative departments in particular. The percentage of women in management positions has therefore decreased.

Among apprentices, however, the measures for the advancement of women are already taking effect. The percentage of female apprentices has increased from 5.0% to 9.7% since 2010. The VERBUND

women's network founded in 2012 promotes the advancement of women. In a workshop organised by the women's network, around 70 women engaged in intense discussion and contributed suggestions to improving the advancement of women.

In 2015, VERBUND again prepared an income overview containing information on average salaries for men and women. The results of the income overview show no direct discrimination against women. That is also substantiated by the ratio of the base salaries of women and men of 1:1.08. This can be attributed to strict compliance with the classifications of the collective agreement as well as implementation of the performance-related remuneration scheme. Nevertheless, socio-political and cultural aspects such as increased part-time work among women, a lower number of women in technical professions, and the difficulty of women to achieve more highly paid (management) positions are also reflected within VERBUND.

The concerns of our employees are important to VERBUND.

Inspiring women to enter technical professions is important to VERBUND. Therefore, VERBUND has been participating in Take Your Daughter to Work Day in Vienna for twelve years. This campaign sponsored by the City of Vienna, the Vienna Economic Chamber and the Vienna School Board aims to awaken the interest of girls in the technical professions. In 2015, a total of 21 girls took part in a variety of workshops and became acquainted with the Freudenuau power plant in a tour of the facility. The Sprungbrett Association also awarded VERBUND the amaZone Award in the "Public and Quasi-Public Companies" category in 2015. This award recognises companies that train women for the trades and technical professions.

By awarding the VERBUND women's scholarship, we have supported talented female students during their technical training since 2009. Another aim is for the Group to generate enthusiasm for the company among qualified women, particularly technicians, and ideally, to recruit them. The VERBUND women's scholarship was awarded for the seventh time in 2015. The winners each received a scholarship worth €5,000 for one year of study, enabling them to supplement their university education with additional personal and professional training.

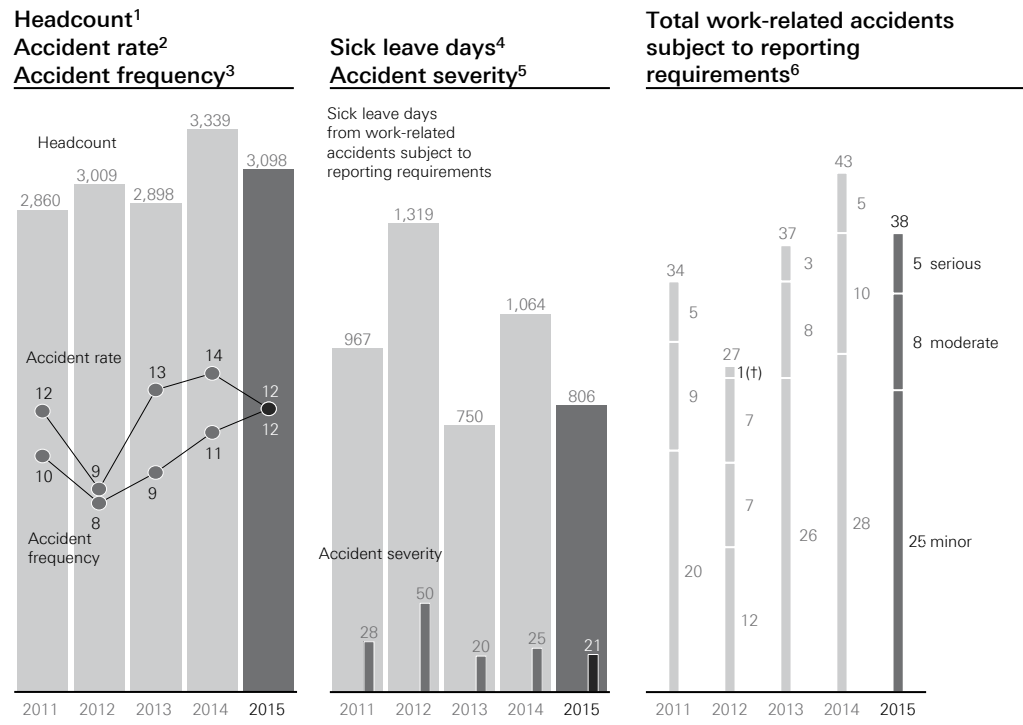
Health and safety

KPIs – occupational safety

	Unit	2013	2014	2015
Work-related accidents subject to reporting requirements ¹	Number	37	43	38
Total sick days due to work-related accidents subject to reporting requirements	Number	750	1,064	806
Accident rate ²		13	14	12
Accident severity ³	Days	20.3	24.7	21.2
Accident frequency ⁴		9	11	12

¹ Accidents involving more than three days of sick leave // ² Number of work-related accidents subject to reporting requirements per 1,000 employees at VERBUND sites in Austria, including Innwerk AG and Grenzkraftwerke GmbH // ³ Days of sick leave per work-related accident subject to reporting requirements // ⁴ Accidents involving one or more sick leave days per 1 million hours worked

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



¹ Deviations from 2013 and 2014 number of employees under labour law due to differing inclusion of companies // ² Number of work-related accidents per 1,000 employees // ³ Accidents with 1 or more sick leave days per 1 million hours worked // ⁴ Calendar days // ⁵ Sick leave days per accident subject to reporting requirements // ⁶ Accidents with more than 3 sick leave days – minor 4–19 days of sick leave, moderate: 20–45 days of sick leave, serious: > 45 days of sick leave

Accidents in 2015

Following the inclusion of Grenzkraftwerke GmbH and Innkraftwerk AG in the Group's consolidated accident statistics from 1 January 2014 onwards, the employees of the Enns power plants and Alpha Wind S.R.L in Romania have now also been included in the statistics since 1 January 2015. Agency staff are also included in the accident statistics. The number of employees under labour law was 3,098 in 2015. Fortunately, the number of accidents still declined by 5, and the number of sick leave days fell by 258.

The number of accidents at VERBUND thus remained stable at a low level in 2015. The accident statistics within the Group are roughly in line with the average figures for Austrian electric utilities.

When interpreting accident statistics, the absolute accident figures must be considered in relation to the number of employees (accident rate) and days of sick leave per accident (accident severity).

A comparison of the VERBUND accident rate of 12 to construction (40) and the metal and electrical industry (30) demonstrates the high safety standards at VERBUND. It is worth mentioning, however, that improvements of up to 25% have been made in the industries mentioned over the last five years. VERBUND also performs well in an industry comparison. At 16 accidents per 1,000 employees, Austrian utilities also have a higher accident rate on average than VERBUND (source: accident statistics published by Oesterreichs Energie).

Improvement measures are identified and implemented based on an analysis of each individual accident within the Group. As in previous years, neither third-party fault nor organisational shortcomings were identified as the cause of any accident in 2015. This shows that safety standards within the Group are very high and that workplace safety measures are being implemented as best possible.

However, studies indicate that once an accident rate as low as VERBUND's has been achieved, further improvements are possible only by making heavy investments in the safety culture. An important part of this is for executives to act as role models for employees, always thinking and acting with safety in mind. In 2016, a project will be launched aimed at establishing such a culture of safety within VERBUND and further developing an understanding of personal safety.

Accident prevention

Preventive measures are based on the analysis of work-related accident statistics at VERBUND. In 2015, the focus of the annual training sessions was on "mechanical hazards". These sessions used presentations and practical exercises to provide training in how to handle hazardous materials, tools and personal protective gear.

To properly address "water" as a hazard, in particular at our hydropower plants, a refresher course was provided on the topic of "Waterway hazards". A comprehensive training session used practical exercises to familiarise employees with the subject matter. A total of 411 employees received the training at seven sites. The participants included staff from the power plant groups and from the hydrology and surveying specialist groups as well as the boat operators and employees of VERBUND Service GmbH.

The annual safety briefing for all employees is completed via e-learning at the office sites in Am Hof/Vienna, Westbahnhof/Vienna, Peggau/Styria, Villach/Carinthia, Schwarzach/Salzburg, Töging and Simbach/Bavaria. A certificate is issued when the questions have been successfully answered on the intranet. This briefing is successfully completed each year by almost 100% of the workforce.

For further information on occupational safety, including at other companies, please refer to the DMA

Promoting health among employees

The “Fit and Healthy” initiative at VERBUND promotes a healthy lifestyle. The initiative motivates employees to do something for their health on a voluntary basis. Seminars on mental fitness again placed the emphasis on psychosocial health in 2015.

Other important points of focus on the health management front included nutrition and exercise, stress management and active muscle training. In this context, employees are made aware of the direct relationship between health and performance in a working environment that is constantly changing.

Mental stress

Following a written survey conducted in 2014, “evaluating mental stress” is now in the implementation phase. More than 160 specific measures were developed in 34 workshops throughout the Group during the reporting period. In some cases, suggestions were directly implemented at the companies, and specific working groups were established for others. Measures that were not endorsed were documented and justification provided.

In coordination with the results of the employee survey, further measures will be specified and carried out in 2016.

Social commitment

VERBUND assumes responsibility towards a society that perceives readily available electricity generated from clean sources as a quality-of-life factor.

In fulfilling our shared responsibility to society, we support a number of charitable organisations and pass on our knowledge in schools and universities.

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 offering immediate financial assistance to pay outstanding electricity bills, 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 €1.5m. To live up to our responsibility to society, we will in the future continue our commitment to fight energy poverty in Austria by conducting around 350 energy consulting sessions each year and providing support for some 500 households annually.

For further information on health management, please refer to the DMA

More information on VERBUND projects with Caritas and Diakonie is available at www.verbund.com > Responsibility > Social Issues > Corporate Citizenship

KPIs – VERBUND Electricity Relief Fund run by Caritas

	Unit	2014	2015
Interim financing	Number	540	540
	€	54,000	54,000
Energy consulting	Number	258	357
Appliances exchanged	Number	255	209

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 has been provided to around 9,000 people during the past five years to enable them to live a considerably more independent life through by using modern technologies.

KPIs – VERBUND Empowerment Fund run by Diakonie

	Unit	2014	2015
Individual assistance	Number	80	84
Consulting	Number	330	460

In total, aids and assistine technologies worth €1.5m were purchased for more than 2,000 people between 2009 and 2015. We will also continue our collaboration with Diakonie at the same level in the years to come.

VERBUND climate school in the Hohe Tauern National Park

The VERBUND climate school in the Hohe Tauern National Park promotes awareness of the environment and climate change, one of the greatest challenges of our time.

In 2015, 3,120 children (2014: 3,482) in grades 4 to 10 from the national park federal states of Carinthia, Salzburg and Tyrol, benefited from free project training. The festival of the VERBUND Hohe Tauern National Park climate school in St. Johann/Defreggen was attended by 1,100 pupils from 24 schools. In this way, a total of around 13,000 pupils have become ambassadors for combating climate change since 2010.

The VERBUND electricity school kindles enthusiasm for technology

With the most up-to-date learning materials, a state-of-the-art game and activities related to the topic of renewable energy, we provide an exciting and interactive physics lesson for the next generation.

More than 600 school classes have made use of the tools for designing active lessons. As part of the VERBUND electricity school, more than 1,500 pupils took advantage of the option to visit the Ybbs-Persenbeug power plant in 2015. The offer is free of charge for schools. For storage power plants, 2,500 pupils took advantage of the offer.

For additional information about the VERBUND climate school and the VERBUND electricity school, please refer to the DMA.

VERBUND electricity school online:
www.stromschule.at

Volunteering

More and more, our employees are showing their responsibility to society with the utmost in personal dedication. Three team seminars with a background in societal issues were held in 2015.

- The department for strategic personnel development/training and continuing education performs important work at the Lichtblickhof equine therapy facility for the e.motion association.
- The IT Demand Management department of VERBUND Sales GmbH was involved with schoolyard design for the benefit of children with special educational needs at the Centre for Inclusion and Special Needs Education (ZIS – Zentrum für Inklusion und Sonderpädagogik).
- The Portfolio Management department of VERBUND Trading GmbH (VTR) redesigned the experiential learning path at the Regenbogenal therapeutic farm.
- Employees of VTR prepared meals for homeless and socially disadvantaged in the “Gruft” (an institution of Caritas Vienna for homeless persons).

In all cases, urgently necessary work was carried out under the direction of professionals. Overall, these initiatives were an unforgettable experience and an enrichment for all involved in the teams.

Refugee relief

In 2015, VERBUND offered land to the Ministry of the Interior for temporary housing for refugees and provided its partners Caritas and Diakonie with accomodation. Employees of these organisations are currently using office space free of charge at the Westbahnhof site for break rooms and for training volunteer helpers. A number of apprentice positions with the Group were offered for the education of young, officially recognised refugees. The support provided under the VERBUND refugee relief programme will continue in 2016.

Environmental performance

For information on management's approach to environmental management, please refer to the DMA

VERBUND bears responsibility for preserving the natural environment. The Group works continuously to reduce the environmental impact of its corporate activities, plants, products and services. Our environmental mission statement lays out the environmental principles followed by VERBUND.

Existing structures, processes and responsibilities in environmental management ensure compliance with legal requirements, nationally and internationally accepted regulations and the Group's own, more stringent standards.

Environmental management systems

All ISO 14001 certificates and environmental statements available at www.verbund.com > Responsibility > Environment > Audits and Certifications

Our goal is to implement environmental management systems in the generation and grid facilities of our consolidated companies and have them certified to ISO 14001.

The Malta/Reißeck hydropower plants and our thermal generation plants in Mellach and Dürnrrohr are also validated in accordance with the EMAS III directive. In 2015, separate environmental statements were published for the plants; these are available on the VERBUND website.

Environmental management systems have now been certified at 93% of the sites. New facilities will be incorporated into the environmental management system as soon as possible after commissioning and included in the scope of the certificate for the next audit.

Sites with certified environmental management systems in accordance with ISO 14001 or EMAS¹

	Unit	2013	2014	2015
Percentage of certified sites total	%	90	92	93
Total certified sites	Number	184	187	188
Hydropower plants	Number	114	114	113
Thermal power plants	Number	4	3	2
Wind power plants	Number	0	3	6
Substations and grid control systems	Number	62	63	63
Office sites ²	Number	4	4	4

¹ Sites of consolidated companies, excluding solar power plants, wind power plants of less than 20 MW and sites in which VERBUND has a share of <51% and where another co-owner is responsible for the management of the company; as at 31 December in each case // ² VERBUND and APG Vienna headquarters; Power Grid Control, Vienna; VERBUND Umwelttechnik, Klagenfurt

Use of power and greenhouse gas emissions

Due to the high proportion of renewable energy sources representing 93% of its generation, VERBUND is one of Europe's most environmentally friendly energy companies. The Group's focus on electricity generation from renewable energy is a crucial factor in reducing and avoiding emissions. Our strategic goal is the transition of generation to 100% renewable energy sources by the end of 2020.

Absolute greenhouse gas emissions (Scope 1-3) decreased by 8% in 2015 to around 2.3 million tonnes CO₂e compared with the previous year (2014: 2.5 million tonnes CO₂e). Of the total emissions, 75% (1.7 million tonnes CO₂e) are attributable to greenhouse gas emissions in Scope 1, 13% to Scope 2 and 12% to Scope 3. A sharp decline of 44% was recorded in comparison to 2013 (4.2 million tonnes CO₂e). It is important that 2013 is used for comparison because the indirect Scope 2 emissions relevant for VERBUND's own electricity use were recalculated for 2014. Since April 2014, pumped storage operation has used only electricity with guarantees of origin from 100% hydropower, which was not taken into account in 2014. The figure for Scope 2 emissions decreased by 50% (2013: 985 kt CO₂e; 2014: 491 kt CO₂e) from 2013 to 2014, and by another 39% to 300 kt CO₂e in 2015.

At 74 tonnes per GWh, specific direct and indirect greenhouse gas emissions of Scope 1 to Scope 3 remained at the same level in 2015 compared with the previous year (2014: 74). This was attributable to the recalculation of Scope 2 and the higher proportion of thermal generation in 2015. The significant reduction in specific total emissions is evident when compared with 2013 given the decrease from 118 tonnes per GWh to 74 tonnes per GWh. In its drive to decarbonise electricity generation, VERBUND has set the goal of lowering this figure to less than 10 tonnes per GWh by 2021.

For detailed figures on greenhouse gas emissions and energy, please refer to the EDO

Reporting to CDP

We present our climate change targets and our achievements in reducing emissions in electricity generation to the public in a transparent manner in our disclosures to CDP (formerly the Carbon Disclosure Project).

Once again, VERBUND ranked highly in the 2015 CDP Leadership Index. In 2015, VERBUND was the second best company in the energy sector in the Germany-Austria-Switzerland region after E.ON SE and before Solarworld and EnBW. We thus achieved the status of Utilities Sector Leader together with the five best utilities in Germany, Austria and Switzerland. In Austria, VERBUND was again named Sector Leader and Country Leader. This puts us among the six best companies in 2015, 15 points higher than the average for Austria.

In the DACH 350 Climate Change Report 2015, VERBUND further clarified its views on combating climate change in a statement prepared for the COP 21 climate change conference.

Details available at www.cdp.net

Energy audits required by Section 9 of the Energy Efficiency Act

From the beginning of the year, all large companies in Austria have been required to conduct an initial energy audit by the end of November 2015 in accordance with Section 9 of the Federal Energy Efficiency Act. At VERBUND, all equity interests in Austria in which VERBUND AG holds more than 50% are included in the energy audit. Internal energy auditors are authorised to conduct the energy audit based on the certified environmental management systems. The new legal requirement was met by submitting one report for the Group as a whole and a separate report from independent grid subsidiary APG. Energy audits were also conducted in Germany as required by corresponding laws. In accordance with European regulations, energy audits are repeated in four years time.

KPIs – environment

	Unit	2013	2014	2015
Electricity generation				
Electricity generation (total net) ¹	GWh	35,539	34,030	31,239
Proportion of generation from renewable energy (hydropower, wind, solar power and biomass)	%	89	94	93
Direct use of power²				
Hard coal	GJ	20,801,275	17,686,331	15,290,024
Oil	GJ	169,636	59,640	0
Natural gas	GJ	11,221,064	1,938,823	5,144,378
Biomass (sewage sludge)	GJ	14,065	17,463	16,475
Electricity (grid purchase) ³	GWh	2,543	2,798	2,941
Greenhouse gas emissions				
Total emissions (Scope 1–3 according to Greenhouse Gas Protocol)	kt CO ₂ e	4,208	2,531	2,321
of which Scope 1 (direct emissions)	kt CO ₂ e	2,782	1,765	1,737
of which Scope 2 (indirect emissions) ⁴	kt CO ₂ e	985	491	300
of which Scope 3 (other indirect emissions)	kt CO ₂ e	441	276	284
Emissions per unit of total electricity generated (Scope 1–3)	t/GWh	118	74	74
Emissions per unit of total electricity generated (Scope 1: only direct emissions)	t/GWh	78	52	55
Emissions avoided through generation from renewable energy⁵				
CO ₂	1.000 t CO ₂	25,523	25,921	24,168

¹ incl. purchase rights // ² Own power used in all operating segments. The amounts stated relate to the condition at time of delivery, i.e. damp material in the case of biomass. //

³ Volume used from grid for operating power plants, for pumping and for grid losses, i.e. electricity purchased by Austrian Power Grid (APG) for the entire transmission grid operated by APG (all grid levels). // ⁴ 2015: Recalculation of Scope 2 "emissions from own use" in 2014, taking into account the electricity volume with guarantees of origin from 100% hydropower; the data involves preliminary figures before audit // ⁵ Calculation until 2014 based on the emissions from hard coal power plant of the Dürrohr type, from 2015 including the proportion of thermal generation based on the "ENTSO-E" mix.

Conservation and biodiversity

The diverse measures we have implemented in relation to conservation and biodiversity are described on the VERBUND website in the presentations of our projects and power plants and on the LIFE project websites. This provides an overview of our investments in the environment and biodiversity, for example in the construction of fish ladders to re-establish the passability of flowing bodies of water. The restoration measures we have implemented at water bodies are described in detail in the Energy section.

For additional information on the Aspect of "biodiversity", please refer to the DMA and www.life-netzwerk-donau.at/en

Water use

The VERBUND sites maintain records on the use of water. Water withdrawal is reported by source and types of use, water discharge is reported by destination. The reduction of our thermal power generation segment is the main reason for lower volumes of water withdrawal and discharges in recent years.

Details on the implementation of the European Water Framework Directive and its impact can be found in the Generation section of this report.

For additional information on the Aspect of "water", please refer to the DMA and the EDO

Environmental costs and other environmental indicators

Total environmental costs amounted to approximately €67m at VERBUND in the past year. No environmental fines were imposed in 2015.

Detailed environmental information as well as further information on generation, use of materials, energy consumption, facility areas within protected areas, waste, etc. is included in the tables on the environment in the EDO.

For additional environmental indicators, please refer to the EDO

Innovation, research and development

KPIs – IR&D

	Unit	2013	2014 ²	2015
Number of IR&D projects	Number	82	75	65
Total project volume ¹	€m	203.2	138.1	144.5 ³
of which EU projects ¹	€m	125.4	97.5	92.2
VERBUND-share total ¹	€m	15.8	19.2	16.2
Annual VERBUND expenses	€m	6.1	5.4	4.2

¹ over the entire duration of the projects // ² from 2014 including innovation projects of VERBUND Solutions GmbH // ³ incl. earnings contributions from unconsolidated companies, e.g. SMATRICS

The transformation of the European energy system towards carbon neutrality is progressing. We therefore consider it our mission for the future of energy to be resolute in pursuing the transition of our business model.

Private individuals as producers of electricity, electricity providers from other industries, excess electricity supply in Europe, falling wholesale prices, the beginning of a withdrawal from fossil fuels, a gradual establishment of climate-friendly systems: it is our belief that all of these aspects herald a future of energy that we, as a major utility company, will take an active part in shaping.

We are making continuous progress towards becoming an innovative energy service provider and are becoming involved in marketing electrically operated systems and energy services. We are also collaborating with equal effort on the digitalisation of the electricity industry as well as the decarbonisation of industrial processes. Because electricity from renewable sources is the energy of the future.

*As a major utility,
we are taking an active part in shaping the future of energy.*

Involvement in European research

In our strategic innovation work, we follow the development of technologies and participate in European and Austrian research projects which relate to the future of electrical energy and are expected to lead to concrete energy systems and products.

At VERBUND, we have been using a tailored technology scouting programme since the beginning of 2015. In this way, we keep track of forward-looking technologies such as those covered by the research project on solar hydrogen at the University of Innsbruck, in which we are involved.

On a European level, we worked with 41 partners for four years on the EU Green eMotion project. The project created the foundation for the cross-border charging of electric vehicles. It has thus far been Europe's largest electromobility research and development project and was completed in the spring of 2015.

We also worked with 14 partners for four years on the EU GridTech project, which was also completed in 2015. In this project, technologies along the value chain were examined with the goal of designing the electricity system of the future in the most efficient and cost-effective way possible. Our areas of focus were smart homes and smart charging for electric vehicles.

Since early 2015, VERBUND has been a partner in a European research project called FLEXICIENCY, under which a marketplace for new, energy-relevant services is being developed and tested. VERBUND is heading up demonstration operations by focusing on smart home services in Austria.

E-mobility in Central Europe on track

Through the innovation work we are performing in our operations, we are energising the greening of the transportation sector.

For instance, SMATRICES – the company we formed together with Siemens in the autumn of 2012 – currently operates a high-performance charging network for electric cars. At the end of 2015, the network comprised over 200 charging stations across Austria. The stations are situated at top locations in all federal states and are no more than 60 kilometres apart.

The Central European Green Corridors project, which is coordinated by us and subsidised by the European Union, has created completely new opportunities for electromobility in Central Europe. By the end of 2015, 115 quick charging stations had been built in Central Europe, 61 of those in Austria alone, with the others located in southern Germany, Slovakia, Slovenia and Croatia.

We are also working internationally on the CROSSING BORDERS project aimed at connecting the four electromobility regions of Bratislava, Vienna, Salzburg and Munich. Subsidised by climate and energy funds and under the leadership of VERBUND, the east-west axis will be electrified by the summer of 2016.

Unique project for storing wind and solar electricity

For two years, we have been participating in a research project in Austria entitled “underground sun storage” that is unique in Europe. The research project is investigating the storage of wind and solar energy in the form of hydrogen as an additive to methane in a former naturally formed natural gas storage site. In autumn 2015, the underground storage facility was opened in Upper Austria. The project will run until the end of 2016.

Hydropower

In the interest of optimal implementation of the European Water Framework Directive, we are, on the one hand, researching the effects of pressure surges and drops at storage power plants. On the other hand, we are conducting feasibility studies to protect or re-establish a good ecological state at a variety of different river systems, for instance by installing fish ladders.

Last year, we installed a 17-tonne double fish transport screw at the Retznei power plant on the Sulm in Styria to serve as an electricity-generating fishway. While transporting fish upward in its interior, the external screw produces enough electricity to satisfy the annual consumption of 22 private households.

Improvements have also been made in monitoring fish migration: on the Danube River and the Drau River, we are partly conducting the fish count via video camera rather than by catching the fish with traps. This prevents them from experiencing unneeded stress.

The energy transition and the resulting changes in the electricity market are placing new demands on hydraulic machinery. In order to be able to feed electricity into the grid as rapidly as possible, turbines and pump turbines are operated in stand-by mode or at a low partial capacity even during longer breaks.

VERBUND will be examining the effects of this way of working on the lifecycle of the turbine impeller until 2017. Specifically, the simulation is based on the Francis turbines of the Häusling power plant. We are analysing the different performance levels and evaluating a reference model. In this way, we will ultimately be able to use two methods to calculate the lifecycle.

Wind power

Our wind power plants can already supply electricity to more than 280,000 households. In order to secure this environmentally friendly energy over the long term, we worked with partners to develop a software solution for analysing the operating data of our wind turbines in 2015. Sophisticated algorithms identify damage at a very early stage – long before the turbine breaks down. We are using this software to optimise electricity generation, particularly in those facilities for which we took over the maintenance in 2015.

In 25 diploma and master theses supervised by VERBUND, future university graduates addressed the topic of innovation in the field of wind and solar energy in the past year. Our research thus not only contributes to more environmentally friendly energy generation, but also supports the education of young people in this sector.

Electricity trading

Increasingly volatile prices in the electricity market require constant adjustments to trading strategies. VERBUND is continually developing its optimisation and forecasting tools and improving the modelling of electricity price processes.

In 2015, the main focus was on improvements to the inflow forecast. Today, high spatial resolution in the forecast values allows for optimised, forward-looking management of the reservoirs. Moreover, VERBUND is now better prepared for more severe flooding.

In addition, we are continuously working to develop new products – particularly in the area of new renewable energy, certificates and the marketing of virtual pumped storage power plants and flexibility options in electricity generation.

Power grid

We are continually working to optimise operations using innovative means at APG, VERBUND's independent grid subsidiary. In 2015, the company was involved in 24 research projects with the overarching goal of promoting technical innovations and subjecting those innovations to practical testing.

In one of these projects, we worked with Austrian universities to develop and test new power line systems and configurations.

One point of focus is developing energy market scenarios, which provide the basis for targeted grid expansion. We also focus on grid monitoring and system management.

In future, the use of highly dynamic monitoring systems will increase. In this regard, we took part in the Umbrella project subsidised by the European Commission and completed in 2015. The core topic was the development of a toolbox to enable critical grid conditions to be identified and countered at an early stage. Using probabilistic approaches, forecasting inaccuracies can be taken into account, e.g. for wind power generation.

Procurement

VERBUND has expressed its commitment to sustainable management in its mission statement. In its Code of Conduct, it also requires the Group's suppliers and business partners to likewise observe the Group's quality standards and sustainability principles.

As a sector contractor, VERBUND is subject in many areas to the provisions of the Austrian Federal Procurement Act (Bundesvergabegesetz, BVergG), which stipulates equal treatment of bidders and transparency in the awarding of orders. By accepting our order terms and conditions, suppliers agree to comply with the relevant statutory provisions and to additionally adhere to the Group's internal regulations relating to occupational health, safety, sustainability and compliance.

Since 2004, it has been expressly permitted to include sustainability criteria in determining the best bidder in tendering procedures for public procurement in the EU. At VERBUND, this occurs only as needed for each tendering procedure conducted on the basis of different criteria tailored to the service. To determine their suitability, suppliers must present certificates and self-certifications as part of the tendering process. In specific cases, suppliers are reviewed to determine their effects on the company.

Since 2012, all tenders have been conducted via an electronic tendering platform. When registering on the platform, each potential supplier completes a questionnaire on aspects of sustainability, compliance, environmental protection and occupational safety. Enquiries are made, for example, into the number of workplace accidents per year, environmental targets and climate policy measures including audit certificates, violations of environmental laws during the past five years and occupational health and safety measures provided to employees. This information is a requirement for participating in the tendering process.

The responses of the top 150 suppliers are analysed at regular intervals. Companies that do not supply sufficient information on sustainability factors in their questionnaires are asked to sign VERBUND's Values Agreement which summarises the Group's principles on the environment, occupational safety, sustainability, compliance and anti-corruption.

Supply chain

The supply chain at VERBUND is characterised by management and maintenance measures for existing properties and technical facilities. Depending on the investment or maintenance programme planned, the main services involve construction and construction-related work as well as electromechanical technology. Services are also outsourced in the areas of information and communications technology, customer service, communications and marketing and other maintenance-related services. Procurement of primary energy (coal, gas) for thermal generation represents another link in the supply chain. However, due to the strategic orientation of VERBUND towards CO₂-free generation, this product category is becoming less significant.

For further information
on the supply chain,
please refer to the DMA

Procurement statistics

During financial year 2015, tenders/tendering procedures were processed via the electronic tendering platform in an estimated amount of €180m. This corresponds to a ratio of around 65% of total procurement volume. The number of suppliers commissioned by VERBUND amounted to around 4,700 in 2015. VERBUND placed 91% of its orders in its core markets of Austria and Germany (83% of those with Austrian suppliers and 8% with German suppliers). The remaining 9% were ordered from other countries, primarily within Europe.

*We are heading into the future of energy
together with our suppliers.*

In 2015, total orders in the amount of approximately €280m were placed with suppliers in the following 31 countries: Austria, Germany, the Czech Republic, Poland, Switzerland, France, the US, Slovenia, the United Kingdom, Albania, Italy, Bulgaria, Croatia, the Netherlands, Ireland, Denmark, Finland, Spain, Hungary, Belgium, Sweden, Liechtenstein, Luxembourg, Canada, Romania, Norway, Serbia, Greece, Brazil, Israel and Macedonia.

Organisational allocation of procurement activity

The value of the item to be purchased determines who is responsible for its procurement. Administrative Services employees are the internal point of contact for minor purchases at the power plant sites, whereas the Procurement department employees are responsible for all other requirements. The placing of orders with suppliers is also the responsibility of the respective office.

The subject of business partner compliance is addressed in the Corporate Governance Report. Points of contact with our business partners/suppliers are described in the Stakeholder relations section.

Outlook

According to the experts, the economic climate in Europe will improve only slightly in 2016 in comparison with the previous year. The eurozone is subject to risk due to the further weakening of growth in the developing countries and emerging markets and the associated decline in demand. In addition, geopolitical tensions (Ukraine, Syria, Iraq) are keeping the level of uncertainty in the Eurozone high. However, low crude oil prices, the weaker EUR/USD exchange rate and the expansive monetary policy of the ECB is expected to provide positive economic momentum.

According to the IMF's forecast from January 2016, the eurozone economy is only likely to grow by 1.7% in 2016. Economic growth of 1.7% is also forecast for Germany. The Austrian economy is also projected to gain strength in 2016 and expand at a rate equivalent to that of the eurozone (+1.7% as forecast by Austrian Institute of Economic Research (Österreichisches Institut für Wirtschaftsforschung, WIFO) in December 2015).

Shaped by economic performance, primary energy prices are likely to remain at a low level in 2016 and demand for electricity is expected to remain weak due to the economy. The expansion of subsidised electricity generation from new renewable energy sources will continue in the current financial year. This situation in combination with the still non-functioning CO₂ market are the main reasons why futures market prices reflect the expectation that electricity prices will drop further.

On average for 2015, base load prices for electricity deliveries in 2016 quoted at €31.0/MWh and are thus 11.8% below that of the previous year. In 2015, the price for the 2016 peak load product fell 12.0% to €39.0/MWh compared with 2014.

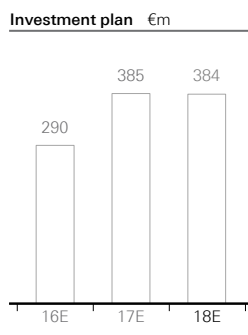
Our forecast for financial year 2016 reflects the ongoing tense state of the energy market. Our company's strong hydropower base however represents an absolute competitive advantage within the electricity sector in this challenging market environment.

Investment plan 2016–2018

VERBUND's updated investment plan for the period from 2016–2018 provides for investments in the amount of €1,059m. Of that total, around €632m will be spent on growth CAPEX and around €427m on maintenance CAPEX. The majority of the growth CAPEX will go towards expanding the regulated Austrian high-voltage grid (approximately €383m). In addition, we will be investing mainly in the completion of new hydropower plants as well as in increasing the efficiency of existing power plants. Here, the Reißbeck II pumped storage power plant in Austria and the Töging run-of-river power plant in Germany are worth particular mention. The investments will involve our domestic markets of Austria and Germany. In financial year 2016, we plan to invest a total of approximately €290m, around €144m of which will be invested in growth and around €147m in maintenance.

Dividend policy

We plan to distribute a dividend of €0.35 per share for financial year 2015 in accordance with our dividend policy. The payout ratio for 2015 will thus amount to 45.2% based on the adjusted Group result. For 2016, we are also planning a payout ratio of around 50% of the Group result after adjustment for non-recurring effects.



Earnings projection for 2016

VERBUND's earnings performance is significantly influenced by the following factors: wholesale prices for electricity, the Group's own generation from hydropower and ongoing developments in the energy industry. In accordance with our hedging strategy, we had already contracted for around 69% of the planned own generation for 2016 as at 31 December 2015. The price achieved was approximately €3/MWh below the sales price reached in 2015. For those volumes not yet hedged, we have based our planning on current market prices. On the basis of average own generation from hydropower, we expect EBITDA of approximately €750m and a Group result of approximately €230m for financial year 2016.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 31 December 2015 and authorisation for publication on 11 February 2016.

Vienna, 11 February 2016

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

In accordance with IFRSs	Notes	2014 ¹	2015
Revenue		2,871,081	2,969,650
Electricity revenue	1	2,418,110	2,336,428
Grid revenue	2	351,384	439,621
Other revenue	3	101,587	193,601
Other operating income	4	55,667	70,535
Expenses for electricity, grid, gas and certificates purchases	5	-1,328,383	-1,415,801
Fuel expenses and other usage-dependent expenses	6	-137,809	-138,652
Personnel expenses	7	-359,322	-332,943
Amortisation of intangible assets and depreciation of property, plant and equipment	8	-392,935	-360,026
Other operating expenses	9	-240,425	-264,135
Operating result before effects from impairment tests		467,874	528,626
Impairment losses ²	10	-181,055	-118,019
Reversal of impairment loss ²	10	125,127	0
Operating result		411,947	410,606
Result from interests accounted for using the equity method	11	33,029	27,252
Other result from equity interests	12	-2,910	6,909
Interest income	13	37,374	31,670
Interest expenses	14	-196,824	-184,220
Other financial result	15	-15,536	-1,697
Financial result before effects from impairment testing		-144,866	-120,086
Impairment losses	16	-13,264	0
Reversal of impairment losses	16	0	13,305
Financial result		-158,130	-106,780
Profit before tax		253,817	303,826
Taxes on income	17	-98,334	-53,499
Profit after tax from continuing operations		155,483	250,327
Profit/loss after tax from discontinued operations³	18	25,062	0
Profit for the period		180,545	250,327
Attributable to shareholders of VERBUND AG (Group result)		126,125	207,741
Attributable to non-controlling interests		54,419	42,586
Earnings per share in €⁴	19	0.36	0.60

¹ The comparative figures have been adjusted retrospectively in accordance with IAS 8. // 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	2014	2015
Profit for the period		180,545	250,327
Remeasurements of the net defined benefit liability	38	– 130,998	16,646
Other comprehensive income from interests accounted for using the equity method		– 3,837	– 8,320
Total of items that will not be reclassified subsequently to the income statement		– 134,835	8,326
Differences from currency translation	20	1,121	329
Measurements of available-for-sale financial instruments	20	26,169	1,036
Measurements of cash flow hedges	20	31,039	66,979
Other comprehensive income from interests accounted for using the equity method	20	12,978	24
Total of items that will be reclassified subsequently to the income statement		71,306	68,368
Other comprehensive income before tax		– 63,529	76,693
Taxes on income relating to items that will not be reclassified subsequently to the income statement	21	33,368	– 4,115
Taxes on income relating to items that will be reclassified subsequently to the income statement	21	– 13,237	– 16,985
Other comprehensive income after tax		– 43,398	55,593
Total comprehensive income for the period		137,147	305,921
Attributable to shareholders of VERBUND AG (Group result)		91,660	262,461
Attributable to non-controlling interests		45,487	43,459

Balance sheet

of VERBUND

€k			
In accordance with IFRSs	Notes	31/12/2014	31/12/2015
Non-current assets		11,166,616	11,084,999
Intangible assets	22	796,393	804,729
Property, plant and equipment	23	9,436,551	9,201,878
Interests accounted for using the equity method	24	260,356	267,810
Other equity interests	25, 37	102,343	115,580
Investments and other receivables	26, 28, 37	570,972	695,002
Current assets		1,070,730	677,994
Inventories	27	56,522	19,075
Trade receivables and other receivables	28, 37	972,525	630,032
Cash and cash equivalents	29, 37	41,683	28,888
Assets held for sale	30	9,950	0
Total assets		12,247,296	11,762,993

€k			
In accordance with IFRSs	Notes	31/12/2014	31/12/2015
Equity		5,280,451	5,433,316
Attributable to shareholders of VERBUND AG	31–34	4,689,054	4,859,617
Attributable to non-controlling interests	35	591,398	573,699
Non-current liabilities		5,394,163	5,349,787
Financial liabilities	36, 37	2,900,494	2,744,116
Provisions	38	844,713	868,132
Deferred tax liabilities	39	486,320	549,510
Contributions to building costs and grants	40	739,986	748,089
Deferred income – cross-border leasing	41	50,408	48,812
Other liabilities	37, 42	372,243	391,127
Current liabilities		1,572,520	979,890
Financial liabilities	36, 37	806,357	385,387
Provisions	38	193,216	126,939
Current tax liabilities	43	55,611	29,973
Trade payables and other liabilities	37, 44	517,337	437,592
Liabilities directly associated with assets held for sale	30	162	0
Total liabilities		12,247,296	11,762,993

Statement of changes in equity

of VERBUND

In accordance with IFRSs	Share capital	Capital reserves	Retained earnings	Remeasurements of net defined benefit liability
Notes	31	32	33	38
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	0
As at 31/12/2014	347,416	954,327	3,652,242	-254,241
As at 1/1/2015	347,416	954,327	3,652,242	-254,241
Profit for the period	-	-	207,741	-
Other comprehensive income	-	-	-	2,747
Total comprehensive income for the period	-	-	207,741	2,747
Shift between shareholder groups	-	-	8,074	-171
Dividend	-	-	-100,751	-
Other changes in equity	-	-	9,043	-7,468
As at 31/12/2015	347,416	954,327	3,776,349	-259,133

							€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 the shareholders of VERBUND AG	Equity attributable to non-controlling interests	Total equity	
34	20, 25, 26	20			35		
-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	
0	0	0	0	-3,228	11,238	8,011	
-	-	-	-	-347,416	-70,917	-418,333	
0	0	0	623	765	-32	733	
-2,788	24,242	-29,445	-2,700	4,689,054	591,398	5,280,451	
-2,788	24,242	-29,445	-2,700	4,689,054	591,398	5,280,451	
-	-	-	-	207,741	42,586	250,327	
207	1,023	50,373	370	54,720	873	55,593	
207	1,023	50,373	370	262,461	43,459	305,921	
0	6	0	0	7,908	-3,330	4,579	
-	-	-	-	-100,751	-57,875	-158,625	
-184	-1,435	-493	1,480	944	46	990	
-2,764	23,836	20,436	-850	4,859,617	573,699	5,433,316	

Cash flow statement

of VERBUND

		€k	
In accordance with IFRSs	Notes	2014	2015
Profit for the period		180,545	250,327
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		424,344	481,119
Impairment losses on investments (net of reversals of impairment losses)		13,582	- 11,450
Result from interests accounted for using the equity method (net of dividends received)		- 18,848	- 13,085
Result from the disposal of non-current assets		- 7,567	122
Change in non-current provisions and deferred tax liabilities		- 110,044	82,156
Change in contributions to building costs and grants		54,881	8,103
Income from the reversal of deferred income from cross-border leasing transactions		- 1,595	- 1,595
Other non-cash expenses and income		- 29,725	- 26,814
Subtotal		505,572	768,883
Change in inventories		28,354	37,448
Change in trade receivables and other receivables		143,396	- 34,763
Change in trade payables and other liabilities		113,243	- 5,674
Change in current provisions and current tax liabilities		- 72,968	- 91,914
Cash flow from operating activities¹		717,597	673,979

¹ Cash flow from operating activities includes €24.4m in taxes paid on income (previous year: €46.3m), €145.9m in interest paid (previous year: €212.8m), €17.3m in interest received (previous year: €29.3m) and €25.0m in dividends received (previous year: €24.9m).

In accordance with IFRSs	Notes	2014	2015
€k			
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		-460,388	-288,118
Cash inflow from the disposal of intangible assets and property, plant and equipment		28,561	10,148
Cash outflow from capital expenditure for investments		-21,237	-67,548
Cash inflow from the disposal of investments		592,176	3,296
Cash outflow from capital expenditure for interests accounted for using the equity method and other equity interests		-1,613	-21,024
Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method and other equity interests	45	558	176,372
Cash inflow (previous year: outflow) from the capital disposal of (previous year: expenditure for) current investments		-119,823	265,578
Cash flow from investing activities		18,233	78,704
Cash inflow from shifts between shareholder groups		5,501	4,900
Cash inflow from money market transactions		25,194	281,459
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		590,051	0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		-979,255	-893,211
Dividends paid	46	-418,333	-158,625
Cash flow from financing activities		-776,843	-765,478
Change in cash and cash equivalents		-41,013	-12,795
Cash and cash equivalents as at 1/1		83,343	41,683
Change in cash and cash equivalents		-41,013	-12,795
Classification as "held for sale"		-648	0
Cash and cash equivalents as at 31/12		41,683	28,888

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 household and commercial customers. In addition, VERBUND trades and sells gas to market participants from energy exchanges, traders and household customers 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 reporting date is 31 December 2015 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 reporting date. Significant events or transactions at investees accounted for using the equity method occurring between this reporting date and VERBUND’s reporting 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 2015 reporting period:

Basis of consolidation

Basis of consolidation

	Consolidation	Accounted for as a joint operation	Accounted for using the equity method
As at 31/12/2014	38	1	6
Additions from newly formed entities	1	0	1
Additions from business acquisitions	0	0	1
Disposals from disinvestments	-1	0	0
Disposals by means of merger	-1	0	0
As at 31/12/2015	37	1	8
of which domestic companies	13	1	7
of which foreign companies	24	0	1

Additions from newly formed entities relate on the one hand to the formation of VERBUND Sales Deutschland GmbH (wholly owned subsidiary of VERBUND Sales GmbH) effective 12 June 2015, which was subsequently consolidated. On the other hand, VERBUND GETEC Energiecontracting GmbH was formed effective 5 January 2015 as a 50:50 joint venture between VERBUND Solutions GmbH and GETEC heat & power AG 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.

Additions from business acquisitions relate to the 50% of the equity interest in SOLAVOLTA Energie- und Umwelttechnik GmbH acquired effective 18 August 2015. The 50% equity interest is 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 from disinvestments relate to the 100% equity interest in Haos Invest EAD sold effective 6 March 2015.

Disposals by means of merger relate to the merger of VERBUND Renewable Power GmbH with VERBUND AG implemented effective 15 December 2015.

Additions from business acquisitions

Effective 18 August 2015, 50% of the shares in SOLAVOLTA Energie- und Umwelttechnik GmbH were acquired. SOLAVOLTA Energie- und Umwelttechnik GmbH is a company specialising in consulting, planning and the construction of photovoltaic plants and currently operates the largest solar park in Eastern Austria. Total consideration paid was €1.9m, €1.6m of which was cash and €0.3m was contingent consideration that depends on achieving financial milestones in the years 2015–2017. The 50% equity interest is 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 from disinvestments

The sale of the 100% equity interest in Haos Invest EAD to Inwind SpLtd. and Inovent Holding AD was completed effective 6 March 2015 (closing). Since VERBUND lost control on this date, the assets and liabilities of Haos Invest EAD classified as "held for sale" as at 31 December 2014 were deconsolidated effective 6 March 2015:

Gain on disposal	€m
Cash and cash equivalents	8.1
Other receivables ¹	4.9
Fair value of consideration received	13.0
Carrying amount of deconsolidated assets held for sale ²	9.8
Carrying amount of deconsolidated liabilities associated with assets held for sale	-0.3
Carrying amount of deconsolidated net assets	9.6
Gain on disposal ³	3.4

¹ of which €3.8m from a contingent purchase price claim that was due on 11 May 2015 // ² of which €0.4m in cash and cash equivalents // ³ Gain on disposal was recognised as other operating income.

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 reporting 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.), 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.

Currency translation

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 reporting 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	31/12/2014 ECB foreign exchange reference rate	31/12/2015 ECB foreign exchange reference rate	2014 Average rate	2015 Average rate
Romania	€1 = RON	4.4828	4.5240	4.4410	4.4440

Accounting policies

Newly applicable or applied accounting standards

When preparing the consolidated financial statements, all International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as well as all interpretations by the Standing Interpretations Committee (SIC) and the IFRS Interpretations Committee (IFRS IC) that have been endorsed by the European Union and whose application was mandatory as at 31 December 2015 have been applied.

In the 2015 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	Material effects on the consolidated financial statements of VERBUND
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

New accounting standards not yet applicable or applied

The IASB issued new standards that were not applied by VERBUND in the 2015 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 material effects on the consolidated financial statements of VERBUND
IAS 1	Amendments: Disclosure Initiative	18/12/2014 (18/12/2015)	1/1/2016	Greater focus of the Notes on material facts and circumstances
IAS 7	Amendments: Disclosure Initiative	29/1/2016 (planned for Q4/2016)	1/1/2017	Additional disclosures regarding changes in financial liabilities
IAS 12	Amendments: Recognition of Deferred Tax Assets for Unrealised Losses	19/1/2016 (expected for Q4/2016)	1/1/2017	None
IAS 16 IAS 41	Amendments: Bearer Plants	30/6/2014 (23/11/2015)	1/1/2016	None
IAS 16 IAS 38	Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation	12/5/2014 (2/12/2015)	1/1/2016	None

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 material effects on the consolidated financial statements of VERBUND
IAS 19	Amendments: Defined Benefit Plans: Employee Contributions	21/11/2013 (17/12/2014)	1/1/2016	None
IAS 27	Amendments: Equity Method in Separate Financial Statements	12/8/2014 (18/12/2015)	1/1/2016	None
IFRS 9	Financial instruments	24/7/2014 (first half of 2016)	1/1/2018	See below
IFRS 10 IAS 28	Amendments: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	11/9/2014 (postponed)	Postponed indefinitely	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 Q2/2016)	Expected for 1/1/2017	None
IFRS 11	Amendments: Accounting for Acquisitions of Interests in Joint Operations	6/5/2014 (24/11/2015)	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 (no endorsement expected)	–	–
IFRS 15	Revenue from Contracts with Customers	28/5/2014 and 11/9/2015 (expected Q2/2016)	1/1/2018	See below
IFRS 16	Leases	13/1/2016 (yet to be determined)	1/1/2019	See below
Various	Annual Improvements to IFRSs 2012–2014	25/9/2014 (15/12/2015)	1/1/2016	None

¹ Basis: EU Endorsement Status Report dated 29 January 2016

The IASB published the final version of IFRS 9 on 24 July 2014. This standard will replace IAS 39 in the future. IFRS 9 reforms the classification and measurement of financial instruments. The new categories specify recognition at cost or fair value (either through profit or loss for the period or through other comprehensive income) depending on the type of financial instrument or business model. The recognition of impairment losses on financial assets was also revised. In accordance with IFRS 9, impairment losses are to be recognised based on an expected credit loss model in the future. In comparison with the rules under IAS 39 (incurred loss model), provisions are to be recognised earlier under the new rules in the future. In the area of hedge accounting, many restrictions under IAS 39 were lifted with a stronger emphasis on the economic aspect of the hedging relationships. Initial assessments show that the new rules governing the classification and subsequent measurement of financial assets and liabilities will not have a material impact on VERBUND's balance sheet and income statement, because the initial and subsequent measurements will be made based on principles that are comparable to the previous accounting policies for the majority of financial instruments. However, higher allowances for losses on financial instruments will tend to be expected as a result of the recognition of impairment losses on financial assets based on the expected credit loss model. Based on the current status, the new rules for the recognition of hedging relationships will have a rather minor impact on VERBUND's consolidated financial statements. Since the analysis of the impact of the new standard is still in a very early phase, no quantitative statements with respect to the effects of the transition to IFRS 9 can be made at this time.

The IASB published the final version of IFRS 15 on 28 May 2014. The mandatory date of initial application was shifted with the publication dated 11 September 2015 to financial years beginning on or after 1 January 2018. IFRS 15 replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31 in the future. The new standard provides for a five-step model for the recognition of revenue. First the contract(s) with a customer are to be identified followed by the company's own performance obligations. Afterwards, the transaction price is determined and allocated to the performance obligations in the contract. Revenue is recognised in the fifth step when the entity has satisfied its performance obligation. A large number of VERBUND's contracts formed with customers fall under the scope of IAS 39 or under IFRS 9 in the future, because they are not own-use contracts. These contracts are explicitly excluded from the scope of IFRS 15. The effects of IFRS 15 on the recognition of revenue for own-use contracts with customers (primarily electricity/gas deliveries as well as grid services) and contributions to building costs received are currently being analysed. In light of the current status of the analysis and the discussions which have also not yet been concluded (Joint Transition Resource Group for Revenue Recognition (TRG)) with respect to IFRS 15, no robust statements can be made at this time with respect to the impact of the transition to IFRS 15 for these contracts with customers.

The IASB published the final version of IFRS 16 on 13 January 2016. This standard replaces IAS 17, IFRIC 4, SIC-15 and SIC-27 in the future. The new standard specifies that all leases and the associated contractual rights and obligations are to be recognised on the lessee's balance sheet in the future. Thus, the previous differentiated treatment of operating and finance leases no longer applies. The lessee capitalises a right to use the asset on which the lease is based and simultaneously recognises a lease liability in the amount of the present value of the lease payments. The right of use is to be subsequently amortised, and the lease liability is to be carried forward based on actuarial principles. There are exemptions for short-term leases and leased assets of low value. Considering the fact that the standard was published shortly before the consolidated financial statements were prepared, no reliable

statements can be made with respect to the impact of the new standard. However, an expansion of the balance sheet and slightly higher expenses tend to be expected at the beginning of a lease term.

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

Adjustments to income statement items	€m	
	2014	2015
Revenue	45.6	36.5
Expenses for electricity, grid, gas and certificates purchases	-45.6	-36.5

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 attributed 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 reporting 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.

Change in classification

Goodwill and other intangible assets

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 four 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 2015 reporting period amounted to €4.2m (previous year: €5.4m). 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

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 twelve months. The effective borrowing costs (less investment income from any temporary investments) are 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 2015 reporting period were around 3.7% (previous year: around 4.1%).

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, plant and other 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 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 2050.

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 based on 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.

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 are 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 in pricing as long as there is a liquid market. Accordingly, the most recent price quotes are applied to the average price forecasts of two reputable information service providers in the energy market by means of linear interpolation. After the end of the study, the average price forecasts are extrapolated to the end of the planning horizon based on the assumption of a permanent inflation rate 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

**Total assets
leased**

**Recoverability of
non-financial assets**

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

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

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

The carrying amounts of interests accounted for using the equity method are adjusted based on VERBUND's ownership interest to reflect changes in the investee's net assets in accordance with IAS 28. Carrying forward of the proportionate net assets is effected no later than one quarter following the underlying changes (see: Financial reporting principles). The carrying amount of the interest is increased or decreased by the share in 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.

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

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

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

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

Recoverability of equity interests

Investments and loans

Trade receivables and other receivables

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

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

Recoverability of financial assets

At every reporting 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 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 prolonged (more than nine months) decrease in fair value below cost is to be regarded as an objective indication of impairment. Impairments are recognised in profit or loss.

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

Inventories

Guarantees of origin and green electricity certificates

Assets “held for sale” and discontinued operations

Financial liabilities

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

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

Financial guarantee contracts

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

If VERBUND is the issuer, the receivable due from the debtor is recognised at fair value based on the guarantee payments due; a guarantee liability is also recognised in the same amount. The receivables from guarantee payments due are classified as loans and receivables and carried forward 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.

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.

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. These defined benefit obligations are partially covered by pension plan assets at APK Pensionskasse AG (pension fund) earmarked for this purpose. 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 pension benefits.

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 termination benefit 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 termination benefit. For those employment contracts, the employer pays 1.53% of gross salary monthly into an employee pension fund in which the contributions are deposited in an account of the employee. The employer is only obliged to make regular contributions under this termination benefit 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.

Pensions and similar obligations, statutory termination benefits and partial retirement obligations

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.

Provisions

In accordance with IAS 37, provisions are recognised for legal and constructive obligations to external third parties resulting from past events whose settlement will probably lead to a future outflow of economic resources. 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 at the reporting date. Future cost increases that are foreseeable and probable on the reporting 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 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 the 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 twelve months in the future are discounted as a general rule. The discount rate is a pre-tax interest rate adjusted to the specific risks of the liability. Accrued interest amounts are presented as interest expenses; any effects from changes in the interest rate are recognised in the operating result.

Other liabilities

Other liabilities are measured at amortised cost. This also applies to the obligation to supply electricity under a 20-year electricity supply agreement that was incurred in connection with the acquisition of Kraftwerksgruppe Inn GmbH (now VERBUND Innkraftwerke GmbH) in the 2009 reporting period. This obligation is increased periodically by accrued interest and redeemed on an ongoing basis to the extent in which VERBUND is released from the commitment to supply electricity through delivery and/or 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 weighted average cost of capital at the acquisition date). Changes in the expected fair value of the interest are recognised in other financial result.

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 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.

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 reporting

Government grants

Contributions to building costs

Cross-border leasing transactions

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.

Taxes on income

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

In accordance with the balance sheet-oriented liability method in IAS 12 for the determination of deferred taxes, deferred taxes are recognised for temporary differences between the carrying amounts of assets and liabilities in the IFRS consolidated financial statements and their tax bases at the level of the subsidiary. Deferred tax liabilities and deferred tax assets are recognised for temporary differences leading to taxable or deductible amounts in the determination of taxable income in future reporting periods. Tax benefits from unused loss carryforwards are included in the determination of deferred taxes. Goodwill recognised upon 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):

Income tax rates applicable to subsidiaries	in %	
	2014	2015
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	24.23 – 28.08	24.23 – 28.92
Romania	16.0	16.0
Spain	25.0	25.0

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.

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. In the event of a loss, domestic group members receive a tax credit. 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.

The tax amortisation benefit resulting from the amortisation of goodwill (Section 9(7) of the 1988 Corporate Income Tax Act (Körperschaftsteuergesetz, KStG)) is treated as a temporary difference for shares in subsidiaries (outside basis difference).

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 recognition of hedging relationships (hedge accounting) in accordance with IAS 39 are not met. In this case, these special accounting standards are applied. The requirements under IAS 39 for hedge accounting include, in particular, the documentation of the hedging relationship between the hedged item and hedging instrument and documentation of 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.

Derivative financial instruments

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.

Hedging relationships in the finance area

In order to limit and control existing foreign exchange and interest rate risks, individual derivative financial instruments are used in the finance area (in particular forward exchange transactions and interest rate swaps). With the exception of derivative financial instruments related to closed items on the balance sheet (see: Cross-border leasing transactions), interest rate swaps (swaps from variable to fixed interest) 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.

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

The fair value of forward exchange transactions is based on the respective rates (foreign exchange rates and interest rate curves) prevailing at the reporting 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 reporting date, whereby current market conditions – in particular current interest rates, yield curves and counterparty credit risk – are taken into account. These are Level 2 measurements as defined under IFRS 13.

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

Within the framework of cash flow hedge accounting, VERBUND employs derivative financial instruments to hedge the price risk of future sales and procurement transactions. Forward and futures contracts as well as options 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).

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).

The fair values of futures and forward contracts employed by VERBUND can be reliably measured at each reporting 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 are Level 1 measurements as defined under IFRS 13; as a general rule, the measurements of electricity, gas and CO₂ forward contracts as well as options are Level 2 measurements. Only the measurement of the freestanding 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 or gas to industrial and household 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.

Energy trading contracts

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

Revenue recognition

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

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

Discretionary judgements and key assumptions concerning the future

The preparation of IFRS consolidated financial statements requires discretionary judgements 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 reporting 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:

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 required by an equity investor over the reference rate to hold the market portfolio. 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 electric utilities and transmission system operators generally exhibit different beta factors. Beta factors from electric utilities 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.

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	
	2014	2015
Energy segment	300.0	300.0
Run-of-river power plants group on the Inn River	280.4	280.4
Grenzkraftwerke run-of-river power plant group	161.1	161.1
Goodwill in VERBUND	741.5	741.5

Impairment testing of goodwill for the Energy segment

	31/12/2014	31/12/2015
Group of cash generating units	All hydraulic, thermal, wind energy and photovoltaic power plants as well as distribution activities on the part of VERBUND plus goodwill ¹	All hydraulic, thermal, wind energy and photovoltaic power plants as well as distribution activities on the part of VERBUND plus goodwill ¹
Basis for recoverable amount	Fair value (Level 3) less costs of disposal	Fair value (Level 3) less costs of disposal
Valuation technique	Sum-of-the-parts measurement based on a net present value approach (DCF method)	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)	Budgets of VERBUND (based primarily on near-market data)
Volume	Average expected generation of the respective power plants	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)	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)	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	Electricity price, clean spark spread, discount rate
Discount rate	WACC after taxes: 5.25% to 14.25% depending on the generation technology and location	WACC after taxes: 5.00% to 14.00% depending on the generation technology and location
Impairment during the period ²	–	–

¹ 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. // ² 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 goodwill for the Inn River run-of-river power plant group

	31/12/2014	31/12/2015
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	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
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: 5.50%	WACC after taxes: 5.00%
Carrying amount of the group	€1,020.0m	€1,024.6m
Recoverable amount exceeds the carrying amount by	€309.2m	€487.6 Mio.
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. // 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 31/12/2015¹

	Value assigned to the key valuation assumption	Change in value for the recoverable amount to equal the carrying amount
Price of electricity ²	€71.1/MWh	-20.00%
Discount rate	5.00%	+1.25PP

¹In 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. // ²The electricity price shown relates to the year 2025. The sensitivity analysis varies the price of electricity consistently over time up to the planning horizon.

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

	Value assigned to the key valuation assumption	Change in value for the recoverable amount to equal the carrying amount
Price of electricity ²	€57.7/MWh	-14.00%
Discount rate	5.50%	+ 0.85PP

¹In 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. // ²The electricity price shown relates to the year 2021. The sensitivity analysis varies the price of electricity consistently over time up to the planning horizon.

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

	31/12/2014	31/12/2015
Group of cash generating units	Run-of-river power plants of the run-of-river power plant group ¹ that each represent a cash-generating unit plus goodwill and deferred tax liabilities that arose upon acquisition as a result of the purchase price allocation ²	Run-of-river power plants of the run-of-river power plant group ¹ that each represent a cash-generating unit plus goodwill and deferred tax liabilities that arose upon acquisition as a result of the purchase price allocation 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	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; estimate of the maintenance costs by the managers responsible	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

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

	31/12/2014	31/12/2015
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: 5.75% Germany: WACC after taxes: 5.50%	Austria: WACC after taxes: 5.25% Germany: WACC after taxes: 5.00%
Impairment losses in the period ^{3,4}	–	–

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. // ² The goodwill created upon acquisition 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 that 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. 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. // ³ Management believes the carrying amount of the Grenzkraftwerke run-of-river power plant group's assets including goodwill and deferred tax liabilities will not exceed the recoverable amount as a result of potential changes in the key measurement assumptions. // ⁴ No impairment was identified in the second step as of 31 December 2014 (test of the recoverability of the Grenzkraftwerke run-of-river power plant group's goodwill). But a reversal of impairment was to be recognised for individual run-of-river power plants in the total amount of €83.6m in the first step (in the impairment test of individual cash-generating units).

Impairment testing of power plants

Impairment test – Mellach combined cycle gas turbine power plant

	31/12/2014	31/12/2015
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 and updated discount rate	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)
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); expected revenue in connection with the Graz district heating outage reserve and the strategic grid reserve, estimates of maintenance and decommissioning costs by the responsible managers	External price forecasts (see: Accounting policies); temporarily expected revenue from the strategic grid reserve, congestion management, redispatch, estimates of maintenance and decommissioning costs by the responsible managers

Impairment test – Mellach combined cycle gas turbine power plant

	31/12/2014	31/12/2015
Planning period	Total capacity averaging around 100,000 equivalent operating hours (reached on average in 2040)	Total capacity averaging around 100,000 equivalent operating hours or until 2040 (dependent on earlier entry)
Key measurement assumptions	Development of clean spark spread, discount rate, estimation of the outcome of the arbitration proceedings and expected temporary revenue in connection with the Graz district heating outage reserve	Development of clean spark spreads, discount rate, temporarily expected revenue from congestion management and redispatch
Discount rate	WACC after taxes: 5.75%	WACC after taxes: 5.25%
Recoverable amount	€153.2m	€40.4m
Impairment and reversal of impairment during the period ²	€12.2m	€– 115.6m

¹ The impairment loss and/or reversal of impairment losses was reduced by the amount of change in deferred government grants. An impairment loss of €59.9m had already been recognised in the reporting period on 30 September 2015 (indication of impairment: updated electricity and gas price forecasts, strategic grid reserve premium for Germany and the current discount rate). As of 31 December 2015, the impairment recognised during the year increased to €115.6m.

Sensitivity analysis for the Mellach combined cycle gas turbine power plant 31/12/2015¹

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
Clean spark spread ²	€42.0/MWh	± 5%	€+11.8m €– 11.8m
Discount rate	5.25%	± 0.25 pp	€– 1.0m €+1.0m
Temporarily expected revenue from congestion management and redispatch ³	€87.8/MWh	± 10%	€+11.5m €– 11.8m

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 2025. The sensitivity analysis varies the clean spark spread consistently over time up to the planning horizon. // ³ The temporarily expected revenue from congestion management and redispatch relates to the years 2016–2021. The sensitivity analysis varies the revenue consistently in this period.

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

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts 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 consistently over time up to the planning horizon.

Impairment testing of equity-accounted interests

Impairment test – Shkodra Region Beteiligungsholding GmbH

	31/12/2014	31/12/2015
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 a (reduction in) impairment	Updated electricity price forecasts and discount rate	Settlement of all outstanding receivables by Korporata Elektroenergetike Shqiptare (KESH)
Basis for recoverable amount	Value in use	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	Budgets of Energji Ashta Shpk	Budgets of Energji Ashta Shpk
Volume	The annual output corresponding to the mean energy capability of 242 GWh	The annual output corresponding to the mean energy capability of 242 GWh
Price	VERBUND Energy Market Model (VEMM) electricity price forecasts	2016–2027: Electricity prices based on the purchase agreement with KESH 2028–2043: External price forecasts (see: Accounting policies)
Planning period	Detailed planning phase: 1 year; rough planning phase: 99 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)	Detailed planning phase: 1 year; rough planning phase: 27 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)
Key measurement assumptions	Electricity price forecasts, duration of the hydropower plant concession and discount rate	Electricity price forecasts and discount rate
Discount rate	WACC before taxes: 15.00% ¹	WACC after taxes (2016–2027): 13.00% WACC after taxes: (2028–2043): 14.00%
Recoverable amount ²	€–42.0m	€–22.2m
Impairment losses and/or reversal of impairment losses in the period	€–9.4m	€13.3m

¹The impairment test on 31 December 2014 was based on a WACC after taxes of 14.25%. The indicated discount rate before taxes was determined iteratively. // ²The carrying amount of the equity interest in Shkodra Region Beteiligungsholding GmbH was reduced to zero in 2013. 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.

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

VERBUND and EconGas GmbH signed a long-term natural gas supply agreement on 24 June 2008. The mode of operation resulting from the optimisation of the Mellach combined cycle gas turbine power plant 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 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 (until 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 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.

Sensitivity analysis for significant, non-observable input factors 31/12/2015¹

	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	€33.7/MWh	± 5%	- 11.5	14.5
Forecast wholesale price for natural gas ³	€30.7/MWh	± 5%	14.3	- 10.0
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 related to the outcome of the anti-competitive conduct proceedings ⁶	n/a	n/a	n/a	n/a

€m

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

	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 related to the outcome of the anti-competitive conduct proceedings ⁶	n/a	n/a	n/a	n/a

€m

¹ In the sensitivity analysis, one non-observable input factor was changed at a time while the other factors of influence remained constant. However, in reality changes in the non-observable inputs can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // ² The contractual price shown relates to the year 2025 (previous year: 2021). The sensitivity analysis varies the forecast price consistently over the duration of the natural gas supply agreement. // ³ The wholesale price shown relates to the year 2025 (previous year: 2021). The sensitivity analysis varies the forecast price consistently over the duration of the natural gas supply agreement. // 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 31/12/2015¹

	Assumption	Change in assumption	If assumption increases, operating result changes by	If assumption decreases, operating result changes by
Price of electricity ²	€71.1/MWh	± 5%	4.7	-4.2
Discount rate	5.25%	± 0.25 pp	-4.5	5.8
Volatility of the underlying asset	11.50%	± 1.00 PP	0.4	-0.1

¹In 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. // ²The electricity price shown relates to the year 2025. The sensitivity analysis varies the price of electricity consistently over time up to the planning horizon.

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

	Assumption	Change in assumption	If assumption increases, operating result changes by	If assumption decreases, operating result changes by
Price of electricity 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

¹In 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. // ²The electricity price shown relates to the year 2021. The sensitivity analysis varies the price of electricity consistently over time up to the planning horizon.

Existing provisions for pensions and similar obligations as well as obligations from termination benefits (carrying amount as at 31 December 2015: €727.7m; previous year: €762.9m) were measured based on assumptions and estimates as at the reporting 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 termination benefits

Actuarial assumptions for pension obligations

	2014	2015
Discount rate or expected rate of return from plan assets	2.00%	2.00%
Pension increases	2.25%	2.25%
Salary increases	2.25%	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

	2014	2015
Discount rate	2.00%	2.25%
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%–6.5%	4.0%–6.5%
Longevity based on life table	Pagler & Pagler AVÖ 2008-P	Pagler & Pagler AVÖ 2008-P

Actuarial assumptions for termination benefit obligations

	2014	2015
Discount rate	2.00%	2.00%
Salary increases	2.25%	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 termination benefits. 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 termination benefits 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 2015

	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	-3.00%	3.15%
Pension increases	± 0.50	6.44%	-5.86%
Longevity based on life table	± 1 year	5.05%	-4.08%

Sensitivity analysis for obligations similar to pensions 2015

	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	-4.30%	4.54%
Trend of contributions based on hospital cost index	± 0.50	9.07%	-8.11%
Longevity based on life table	± 1 year	5.54%	-5.57%

Sensitivity analysis for termination benefit obligations 2015

	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	-1.98%	2.04%
Salary increases	± 0.50	4.03%	-3.81%
Longevity based on life table	± 1 year	0.06%	-0.08%

Sensitivity analysis for net pension liability 2014

	Change in assumption in percentage points respectively 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 termination benefit 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%

The Austrian Constitutional Court cancelled the System Usage Rates Directives (Systemnutzungstarife-Verordnungen, SNT-VO) for 2009, 2010 and 2011 in decisions handed down on 27 September 2011. As a consequence of these decisions, Austrian Power Grid AG (APG) was faced with the possibility of having to repay usage fees for pumped storage power plants, as well as grid loss fees and fees for system services in all proceedings that were affected cases and/or which were included in the expansion of the affected cases. The System Charges Order (SNE-VO) for 2012 was also challenged by the generating companies in relation to these fee components; however, the Austrian Constitutional Court has already confirmed that the SNE-VO conforms to the law in relation to grid loss fees and usage fees for pumped storage power plants. With respect to the fees for system services, the Austrian Constitutional Court annulled the provisions of the SNE-VO for 2012 which had been challenged. Therefore, the impending SNE-VO repayment obligations for 2012 only relate to those processes for system services fees that are (virtually) affected cases. The provisions recognised in connection with these proceedings amounted to €48.5m as at 31 December 2014. Negotiations between generating companies and grid operators regarding the general settlement of all processes still ongoing were conducted under the banner of Oesterreichs Energie (an advocacy group for the Austrian electricity industry) in coordination with the regulator in the 2015 reporting period. A basic agreement was reached to the effect that the grid operator will be responsible for partial repayment. The provisions for electricity and grid deliveries recognised in connection with these proceedings were to be reversed accordingly as of 30 June 2015. The reversal in the amount of €37.1m was recognised under grid revenue from domestic electric utilities. In addition, valuation allowances on receivables were to be reversed in this context in the amount of €3.3m. Nearly all legal settlements were implemented as expected between 30 June 2015 and 31 December 2015. The still ongoing individual proceedings are expected to be settled over the course of 2016.

Provisions for onerous contracts (carrying amount as at 31 December 2015: €24.0m; previous year: €49.0m) were measured based on assumptions and estimates as at the reporting date. The provisions for onerous contracts were recognised for onerous electricity supply agreements and onerous district heating supply obligations. The primary factors of influence were the prices for electricity and primary

Measurement of provisions

energy, the costs for district heating replacement purchases in the event of a disruption at the power plant providing district heating, emission rights and the discount rate of 2.50% (previous year: 3.25%).

Provisions for dismantling and decontamination costs (carrying amount as at 31 December 2015: €24.2m; previous year: €22.1m) were measured based on assumptions and estimates made on the reporting date. The primary factors of influence were the expected dismantling dates, any possible expert reports to ascertain the dismantling and decontamination costs or proceeds from the sale of scrap, the valorisation of these costs and the discount rate of 2.50% (previous year: 3.25%).

Contingent liabilities

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

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.

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.

In accordance with Section 8(3) of the Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und organisationsgesetz, ElWOG), integrated electricity companies must publish separate balance sheets and income statements for electricity generation, electricity trading and supply activities as well as for transmission activities. However, in accordance with IFRS 8, VERBUND's segment reporting must be based on the 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 gas to consumers. In reporting period 2015, VERBUND Sales Deutschland GmbH, which was first consolidated effective 12 June 2015, was assigned to the Energy segment. The 100% equity interest in Haos Invest EAD was assigned to the Energy segment until its deconsolidation effective 6 March 2015 and the 100% equity interest in VERBUND Renewable Power GmbH was assigned to the Energy segment until the merger effective 15 December 2015 (see: Financial reporting principles).

Grid

The Grid segment equates 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.

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 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. The equity interest in VERBUND GETEC Energiecontracting GmbH, which was newly established effective 5 January 2015 and accounted for using the equity method, was assigned to the Equity Interests & Services segment the same as the equity interest in SOLAVOLTA Energie- und Umwelttechnik GmbH, which was acquired effective 18 August 2015 and accounted for using the equity method.

**Notes to the
operating segment
data**

The internal measurement of the operating segments' performance is based primarily on the operating result. The operating result for each operating segment corresponds to the total operating result of the subsidiaries included in the respective segment, taking 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: (30) Assets and liabilities held for sale).

All segment data are measured in accordance with IFRSs.

Operating segment data	€m				
	Energy	Grid	Equity Interests & Services	Elimination	Total Group
2015					
External revenue	2,229.6	724.7	15.4	0.0	2,969.6
Internal revenue	212.6	108.6	72.1	-393.3	0.0
Total revenue	2,442.2	833.2	87.5	-393.3	2,969.6
Operating result	277.9	180.1	-24.4	-23.1	410.6
Depreciation	-278.6	-72.8	-9.9	1.3	-360.0
Effects from impairment tests	-118.0	0.0	0.0	0.0	-118.0
Other material non-cash items	52.5	64.4	4.7	-33.4	88.2
Result from equity interests	-	-	47.5	-	47.5
of which result from interests accounted for using the equity method	-	-	27.3	-	27.3
of which effects from impairment tests	-	-	13.3	-	13.3
Capital employed	7,019.1	1,097.8	7,131.3	-6,567.2	8,681.0
of which carrying amount of interests accounted for using the equity method	2.4	1.3	264.1	0.0	267.8
Additions to intangible assets and property, plant and equipment	164.1	114.0	6.4	0.0	284.6
Additions to equity interests	0.0	5.0	10.3	0.0	15.3

**Operating segment
data**

Operating segment data

€m

	Energy	Grid	Equity Interests & Services	Elimination	Total Group
2014					
External revenue	2,366.0	494.5	10.6	0.0	2,871.1
Internal revenue	143.2	110.6	77.0	-330.8	0.0
Total revenue	2,509.3	605.1	87.5	-330.8	2,871.1
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	0.0	0.0	16.9	0.0	16.9
of which result from interests accounted for using the equity method	0.0	0.0	33.0	0.0	33.0
of which effects from impairment tests	0.0	0.0	-13.3	0.0	-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

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 total assets is shown below:

Reconciliation from capital employed to total assets

€m

	2014	2015
Capital employed	9,236.4	8,681.0
Assets not used in the performance and commercialisation process	1,047.1	1,103.8
Non-interest-bearing debt	1,963.8	1,978.2
Total assets of VERBUND	12,247.3	11,763.0

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.

Entity-wide disclosures

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

Geographical segment reporting: revenue

	€m	
	2014	2015
Domestic deliveries of electricity	1,156.2	1,061.5
Electricity deliveries abroad	1,271.2	1,274.9
of which in Germany	1,147.5	1,072.9
of which in other EU countries	115.7	197.1
of which in other countries	8.0	4.8
Electricity deliveries to discontinued operations	3.1	0.0
Electricity deliveries of discontinued operations	- 12.4	0.0
Electricity revenue	2,418.1	2,336.4
Domestic grid services	280.2	355.8
Foreign grid services	71.2	83.8
of which in EU member states	70.0	83.8
of which in other countries	1.2	0.0
Grid revenue	351.4	439.6
Domestic other revenue	94.8	187.0
Foreign other revenue	6.7	6.6
Other revenue	101.6	193.6
Total revenue	2,871.1	2,969.7

Geographical segment reporting: non-current assets

	€m	
	2014	2015
Intangible assets and property, plant and equipment	10,232.9	10,006.6
of which in Austria	6,947.9	6,830.2
of which in Germany	3,087.3	2,993.6
of which in other EU countries	197.8	182.8
Interests accounted for using the equity method	260.4	267.8
of which in Austria	259.8	266.6
of which in Germany	0.6	1.2
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
	2014 Domestic	2015 Domestic	2014 Foreign	2015 Foreign	2014 Total	2015 Total
Electricity deliveries to resellers	677.0	592.4	151.9	201.2	828.8	793.6
Electricity deliveries to traders	40.5	56.0	893.2	880.7	933.7	936.7
Electricity deliveries to end consumers	438.7	413.1	226.1	193.0	664.9	606.1
Electricity revenue by customer areas	1,156.2	1,061.5	1,271.2	1,274.9	2,427.4	2,336.4
Electricity deliveries to discontinued operations					3.1	0.0
Electricity deliveries of discontinued operations					-12.4	0.0
Electricity revenue¹					2,418.1	2,336.4

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 €2,176.6m higher in reporting period 2015 (previous year: €2,529.7m).

**(2)
Grid revenue**

Grid revenue by customer areas					€m
	2014 Domestic	2015 Domestic	2014 Foreign	2015 Foreign	
Electric utilities ¹	199.4	279.3	0.0	3.1	
Industrial clients	14.9	17.3	0.0	0.0	
Other	65.9	59.2	71.2	80.8	
Grid revenue	280.2	355.8	71.2	83.8	

¹ Provisions for electricity and grid deliveries in the amount of €37.1m and valuation allowances on receivables in the amount of €3.3m were reversed as a result of legal settlements (see: Discretionary judgements and key assumptions concerning the future).

**(3)
Other revenue**

Other revenue		€m
	2014	2015
Revenue from gas deliveries or trading ¹	27.5	110.4
Revenue from the sale of proof of origin and green electricity certificates	27.4	25.8
Revenue from district heating deliveries	16.0	18.1
Revenue from consulting or planning services as well as from other services	12.6	20.1
User and management fees	6.6	6.8
Provision of personnel	5.5	3.6
Revenue from the sale of waste products	1.0	1.2
Revenue from the sale of emission rights	0.8	3.7
Other	4.0	3.8
Other revenue	101.6	193.6

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 €1,067.8m higher in reporting period 2015 (previous year: €684.5m)

Other operating income	€m	
	2014	2015
Changes in inventory and own work capitalised	28.1	26.2
Income from various goods and services	8.5	14.4
Reversals of contributions to building costs	1.8	9.3
Income from the disposal of property, plant and equipment and intangible assets	8.9	6.1
Income from insurance compensation	2.8	5.6
Income from the sale of materials	1.9	3.2
Rent and lease income	2.9	2.5
Planned reversals of the deferred income item from cross-border leasing	1.6	1.6
Changes in inventory of proof of origin and green electricity certificates ¹	-2.4	0.0
Other	1.6	1.6
Other operating income	55.7	70.5

**(4)
Other operating
income**

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

Expenses for electricity, grid, gas and certificates purchases	€m	
	2014	2015
Expenses for electricity purchases	1,060.1	1,108.7
Expenses for grid purchases (system use)	224.0	182.7
Expenses for gas purchases ¹	42.7	120.4
Expenses for proof of origin and green electricity certificate purchases	1.0	0.4
Purchase of emission rights (trade)	0.6	3.6
Expenses for electricity, grid, gas and certificates purchases	1,328.4	1,415.8

**(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 2015 amounted to €8.4m (previous year: income of €2.1m).

Fuel expenses and other usage-dependent expenses	€m	
	2014	2015
Use of natural gas	27.3	58.4
Use of coal and heating oil ¹	86.9	52.5
Emission rights acquired in exchange for consideration	6.3	11.9
Other usage-dependent expenses	17.2	15.8
Fuel expenses and other usage-dependent expenses	137.8	138.7

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

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

(7) Personnel expenses	Personnel expenses		€m
	2014	2015	
Wages and salaries	257.9	254.5	
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	56.9	56.7	
Other social expenses	3.9	3.7	
Subtotal	318.7	314.9	
Expenses for pensions and similar obligations	32.5	13.5	
Expenses for termination benefits	8.2	4.5	
Personnel expenses	359.3	332.9	

The pension fund contributions to the defined contribution investment and risk association amounted to €8.0m (previous year: €8.0m) in the 2015 reporting period. Expenses for termination benefits included a total of €1.4m (previous year:€1.1m) in contributions to an employee provision fund.

(8) Depreciation of property, plant and equipment and amortisation of intangible assets	Depreciation of property, plant and equipment and amortisation of intangible assets		€m
	2014	2015	
Depreciation of property, plant and equipment	385.6	353.0	
Amortisation of intangible assets	7.4	7.1	
Depreciation of property, plant and equipment and amortisation of intangible assets	392.9	360.0	

(9) Other operating expenses	Other operating expenses		€m
	2014	2015	
Third-party maintenance of power plants and line systems	81.9	75.7	
Other third-party services received	16.5	19.7	
Advertising expenses	17.6	15.9	
Expenses for supervision by E-Control	13.0	12.9	
IT expenses	10.3	11.8	
Legal, consulting and audit expenses	18.3	10.2	
Expenses from the disposal of property, plant and equipment and intangible assets	2.4	10.1	
Travel expenses, advanced training	9.5	9.2	
Costs for personnel provided, temporary personnel	10.3	7.7	
Material costs for motor vehicle operation and maintenance	9.6	7.6	
Rent, lease expenses	17.7	7.2	
Compensation payments	3.9	5.6	
Insurance	5.3	5.3	
Operating costs	4.1	3.8	
Fees	4.2	3.8	
Purchased telecommunication services	3.6	3.7	
Membership fees	3.4	3.2	
Concession fees	2.7	2.7	
Reversal of provisions	-6.3	-0.7	
Other	12.2	48.8	
Other operating expenses	240.4	264.1	

Effects from impairment tests	€m	
	2014	2015
Mellach combined cycle gas turbine power plant	12.2	-115.6
Deferred grants for the Mellach combined cycle gas turbine power plant	-0.5	3.1
Romanian wind farms ¹	-150.2	-5.3
Dürnrrohr hard coal power plant ²	-8.9	0.0
Lärchwand inclined lift	-7.6	0.0
Kavarna wind farm	-7.1	0.0
Preliminary project costs for a wind farm in Romania	-5.5	0.0
Gössendorf and Kalsdorf run-of-river power plants	10.6	0.0
Deferred grants for the Gössendorf and Kalsdorf run-of-river power plants	-0.7	0.0
Freudenau run-of-river power plant	26.6	0.0
Deferred contributions to building costs for the Freudenau run-of-river power plant	-6.6	0.0
Braunau-Simbach, Jochenstein, Oberaudorf-Ebbs, Passau-Ingling and Schärding-Neuhaus run-of-river power plants	83.6	0.0
Other impairment losses	-1.8	-0.1
Effects from impairment tests	-55.9	-118.0

¹ An impairment loss was recognised on the Ventus wind farm in Romania due to updated electricity price forecasts and increased operating costs. In the previous year, impairment losses had to be recognised as a result of updated electricity price forecasts and revised estimates with regard to the possibility of selling Romanian green electricity certificates as well as an updated discount rate. // ² An impairment loss was recognised in the previous year in the amount of the residual carrying amount as a result of the decision to close the Dürnrrohr hard coal power plant.

In reporting period 2015 and the previous year, 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.

Other result from equity interests	€m	
	2014	2015
Income from equity interests and non-consolidated subsidiaries	10.6	10.6
Income from the disposal of equity interests and non-consolidated subsidiaries	3.1	0.3
Expenses arising from equity interests and non-consolidated subsidiaries	-3.7	-4.0
Expenses from the disposal of equity interests and non-consolidated subsidiaries	-12.9	0.0
Other result from equity interests	-2.9	6.9

(10)
Effects from
impairment tests

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

(12)
Other result from
equity interests

(13) Interest income	Interest income	€m	
		2014	2015
	Interest from investments under closed items on the balance sheet	28.2	28.8
	Interest from money market transactions	1.2	0.6
	Other interest and similar income	7.9	2.2
	Interest income	37.4	31.7

(14) Interest expenses	Interest expenses	€m	
		2014	2015
	Interest for bonds	88.6	63.9
	Interest for bank loans	39.9	31.0
	Interest for financial liabilities under closed items on the balance sheet	28.2	28.5
	Expenses from the repurchase of bonds ¹	0.0	23.8
	Interest for other liabilities from electricity supply commitments	17.8	17.5
	Net interest expense on personnel-related liabilities	23.3	15.9
	Interest for other non-current provisions	4.2	1.5
	Profit attributable to limited partners	0.1	0.2
	Borrowing costs capitalised in accordance with IAS 23	-17.0	-13.6
	Other interest and similar expenses	11.7	15.5
	Interest expenses	196.8	184.2

¹ In the course of VERBUND's active balance sheet management, debt securities with a principal amount totalling €156.5m that were associated with the 2009–2019 bond were repurchased in reporting period 2015. The repurchased debt securities were retired and cancelled. The difference between the carrying amount of the derecognised financial liabilities amounted to €23.8m.

(15)
Other financial result

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

Other financial result	€m	
	2014	2015
Income from financial instruments	9.1	2.7
Measurement of derivatives in the finance area	-14.2	2.1
Measurement of the long position: Gemeinschaftskraftwerk Inn GmbH	17.1	0.8
Foreign exchange gains	0.2	0.6
Expenses arising from financial instruments	-1.5	-0.3
Foreign exchange losses	-0.5	-5.4
Measurement of an obligation to return an interest	-18.6	-6.0
Other	-7.2	3.8
Other financial result	-15.5	-1.7

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: Gemeinschaftskraftwerk 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).

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.

Effects from impairment tests

	€m	
	2014	2015
Reversal of impairment loss (previous year: impairment loss) on the equity-accounted interest in Shkodra Region Beteiligungsholding GmbH	-9.4	13.3
Impairment loss on the other equity interest in Energie AG Oberösterreich	-3.9	0.0
Effects from impairment tests	-13.3	13.3

(16)
Effects from
impairment tests

Taxes on income

	€m	
	2014	2015
Current tax expenses ¹	81.1	11.4
Future tax expense for subsequent taxation of transfers of losses from foreign members of the tax group	6.0	-1.4
Changes in deferred income taxes	11.2	43.5
Taxes on income	98.3	53.5

(17)
Taxes on income

¹ Current tax expenses include income from prior periods of €3.2m (previous year: income €1.3m).

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

Tax reconciliation

	€m	
	2014	2015
Computed income tax expense (25.0%)	63.5	76.0
Impairment testing of property, plant and equipment	40.7	1.3
Impairment testing of equity-accounted and other interests	10.9	-3.3
Disposal of equity interests	4.5	0.1
Interests accounted for using the equity method	-8.3	-6.8
Tax-exempt investment income	-2.4	-2.7
Differences from other line items (each <€2m)	-0.2	-2.3
Income tax expenses for the period	108.8	62.3
Income tax expenses or income from prior periods (current and deferred)	-10.5	-8.8
Recognised income tax expenses	98.3	53.5
Effective tax rate	38.7%	17.6%

(18)
Profit/loss after tax
from discontinued
operations

Profit/loss after tax from discontinued operations corresponds to the share of profit/loss attributable to the 100% equity interests Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. until they were deconsolidated in the previous year. The sale of the other equity interests remaining after deconsolidation was completed effective 6 March 2015 (see: (30) Assets and liabilities held for sale).

(19)
Earnings per share

Determination of earnings per share		€m	
	2014	2015	
Profit for the period	180.5	250.3	
Profit for the period attributable to non-controlling interests	-54.4	-42.6	
Group result	126.1	207.7	
Weighted average number of shares in circulation	347,415,686	347,415,686	
Earnings per share in €¹	0.36	0.60	

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

(20)
Reclassification
adjustments to the
income statement

Reclassification adjustments to the income statement		€m			
	2014	2014	2015	2015	
Differences from currency translation					
Measurement gains or losses recognised in equity	1.1		0.3		
Reclassification adjustment to the income statement	0.0	1.1	0.0	0.3	
Measurements of available-for-sale financial instruments					
Measurement gains or losses recognised in equity	26.2		3.9		
Reclassification adjustment to the income statement	0.0	26.2	-2.9	1.0	
Measurements of cash flow hedges					
Measurement gains or losses recognised in equity	51.8		71.7		
Reclassification adjustment to the income statement	-20.8		-4.7		
Basis adjustments	0.0	31.0	0.0	67.0	
Other comprehensive income from interests accounted for using the equity method					
Measurement gains or losses recognised in equity	0.1		0.0		
Reclassification adjustment to the income statement	12.9		0.0		
Basis adjustments	0.0	13.0	0.0	0.0	
Other comprehensive income		71.3		68.4	

Taxes on income on other comprehensive income							€m
	2014 Before taxes	2014 Taxes	2014 After taxes	2015 Before taxes	2015 Taxes	2015 After taxes	
Remeasurements of the net defined benefit liability	-131.0	33.4	-97.6	16.6	-4.1	12.5	
Other comprehensive income from interests accounted for using the equity method	-3.8	-	-3.8	-8.3	-	-8.3	
Total of items that will not be reclassified subsequently to the income statement	-134.8	33.4	-101.5	8.3	-4.1	4.2	
Differences from currency translation	1.1	-	1.1	0.3	-	0.3	
Measurements of available-for-sale financial instruments	26.2	-5.5	20.7	1.0	-0.2	0.8	
Measurements of cash flow hedges	31.0	-7.8	23.3	67.0	-16.7	50.2	
Other comprehensive income from interests accounted for using the equity method	13.0	-	13.0	0.0	-	0.0	
Total of items that will be reclassified subsequently to the income statement	71.3	-13.2	58.1	68.4	-17.0	51.4	
Other comprehensive income	-63.5	20.1	-43.4	76.7	-21.1	55.6	

(21)
Income tax on other comprehensive income

Notes to the balance sheet

(22)
Intangible assets

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

Intangible assets			€m
	Concessions, rights, licences	Goodwill	Total
2015			
Cost as at 1/1	121.2	766.8	888.0
Additions	15.3	0.0	15.3
Disposals	-1.7	0.0	-1.7
Reclassifications	0.7	0.0	0.7
Cost as at 31/12	135.6	766.8	902.4
Accumulated amortisation as at 1/1	66.3	25.3	91.6
Depreciation	7.1	0.0	7.1
Impairment losses	0.4	0.0	0.4
Disposals	-1.5	0.0	-1.5
Reclassifications	0.0	0.0	0.0
Accumulated amortisation as at 31/12	72.3	25.3	97.6
Net carrying amount as at 31/12	63.3	741.5	804.8
Net carrying amount as at 1/1	54.9	741.5	796.4

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	0.0	-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
Depreciation	7.4	0.0	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

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.

(23)
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
2015							
Cost as at 1/1	7,500.1	4,400.0	3,347.1	1,310.7	174.1	623.2	17,354.9
Foreign exchange differences	-0.6	-2.4	-0.1	0.0	0.0	-0.1	-3.2
Additions	14.2	43.3	52.4	5.4	8.9	145.2	269.3
Disposals	-12.5	-12.6	-30.6	-0.3	-5.8	-0.3	-62.1
Reclassifications	29.9	33.9	72.3	0.7	0.2	-137.7	-0.7
Cost as at 31/12	7,531.0	4,462.2	3,441.0	1,316.5	177.5	630.2	17,558.1
Accumulated depreciation as at 1/1	2,874.2	2,238.2	2,011.7	668.2	119.1	7.1	7,918.3
Foreign exchange differences	-0.1	-1.7	0.0	0.0	0.0	-0.1	-1.9
Depreciation	98.4	102.8	114.1	24.9	12.6	0.0	353.0
Impairment losses	15.5	82.9	17.4	4.0	0.0	0.8	120.7
Disposals	-1.5	-5.3	-21.9	0.0	-5.2	0.0	-33.8
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation as at 31/12	2,986.6	2,416.9	2,121.4	697.2	126.5	7.9	8,356.2
Net carrying amount as at 31/12	4,544.5	2,045.3	1,319.6	619.3	51.0	622.3	9,201.9
Net carrying amount as at 1/1	4,625.9	2,161.8	1,335.3	642.5	55.1	616.0	9,436.6

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.

The additions can be presented in detail as follows:

Additions	€m	
	2014	2015
Reißeck II power plant	81.7	46.6
Kaprun grid area: 380-kV expansion Kaprun substation – Tauern grid hub	15.6	18.6
Expansion of Austrian wind farms	18.6	17.1
Ybbs-Persenbeug power plant (modernisation of machinery and the control system)	9.1	16.2
Optimisation programme for transformers	14.1	13.5
Automation of hydropower plants	5.9	11.6
Schwarzenbach substation: 380/110-kV grid connection Tauernmoos power plant	11.5	0.4
Töging power plant	52.0	0.2
Sarasdorf substation: 3+4th system, 380-kV line	13.8	0.2
Other additions (< €10.0m)	190.0	144.9
Total additions to property, plant and equipment	412.3	269.3

Interests accounted for using the equity method	€m	
	2014	2015
Amortised cost as at 1/1	304.1	321.2
Additions	0.8	3.5
Dividends	-14.2	-14.2
Result from equity accounting ¹	34.3	26.5
Other comprehensive income from equity accounting	-3.7	-8.3
Amortised cost as at 31/12	321.2	328.7
Accumulated value adjustments as at 1/1	60.8	60.8
Impairment losses ¹	0.0	0.0
Reversals of impairment losses ¹	0.0	0.0
Accumulated value adjustments as at 31/12	60.8	60.8
Net carrying amount as at 31/12	260.4	267.8
Net carrying amount as at 1/1	243.2	260.4

(24)
Interests accounted for using the equity method

¹ The carrying amount of the equity interest in Shkodra Region Beteiligungsholding GmbH was already reduced to zero in 2013 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 2015, the positive results from recognition based on equity method accounting in the amount of €0.8m (previous year: negative result of €-1.2m) and the reversal of impairment losses in the amount of €13.3m (previous year: impairment loss of €9.4m) increased the (residual) carrying amount of these non-current loans. They were not taken into account in the above table.

Additions to interests accounted for using the equity method in reporting period 2015 relate to the establishment of VERBUND GETEC Energiecontracting GmbH, the acquisition of SOLAVOLTA Energie- und Umwelttechnik GmbH and capital increases at AQUANTO GmbH.

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.

(25)
Other equity
interests

Other equity interests			€m
	Interests in non- consolidated subsidiaries	Other equity interests	Total
2015			
(Amortised) cost as at 1/1	1.0	140.2	141.1
Additions from acquisitions of interests and capital increases	6.9	5.0	11.8
Disposals	-0.2	-3.0	-3.2
Reclassifications	3.0	-3.0	0.0
(Amortised) cost as at 31/12	10.7	139.1	149.8
Accumulated value adjustments as at 1/1	0.2	38.6	38.8
Impairment losses	0.0	1.9	1.9
Fair value measurement in OCI	0.0	-3.5	-3.5
Disposals	-0.2	-2.8	-2.9
Accumulated value adjustments as at 31/12	0.0	34.2	34.2
Net carrying amount as at 31/12	10.7	104.9	115.6
Net carrying amount as at 1/1	0.8	101.5	102.3

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
Reclassifications	0.0	0.0	0.0
(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
Reclassifications	0.0	0.0	0.0
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

Additions in reporting period 2015 mainly related to the capital increases at SMATRICS GmbH & Co KG (€6.9m; previous year: €0.9m) and the acquisition of 5% of the equity interest in the French entity H.G.R.T. (€4.8m).

Investments and non-current other receivables	€m	
	2014	2015
Investments – closed items on the balance sheet	317.1	358.2
Interest rate swaps – closed items on the balance sheet	113.8	123.1
Other investments and other receivables	140.0	213.7
Total	571.0	695.0

(26)
Investments and
non-current other
receivables

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	
2015				
Amortised cost as at 1/1	57.0	260.1	317.1	
Foreign exchange differences	6.2	27.4	33.6	
Additions	2.4	2.0	4.3	
Capitalised interest	0.0	10.3	10.3	
Disposals	-1.4	-5.8	-7.2	
Amortised cost as at 31/12	64.2	294.0	358.2	

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	

As at 31 December 2015, the securities consisted of medium-term notes with a principal amount of \$67.5m (previous year: \$66.7m) or €64.2m (previous year: €57.0m).

Securities in the amount of €64.2m (previous year: €57.0m) and loans in the amount of €294.0m (previous year: €260.1m) 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
2015				
Cost as at 1/1	83.2	111.2	1.4	195.8
Additions	0.0	40.8	4.7	45.5
Disposals	0.0	-0.1	-0.1	-0.1
Reclassifications	-3.5	-3.3	-0.1	-7.0
Cost as at 31/12	79.7	148.5	5.9	234.2
Accumulated value adjustments as at 1/1	42.3	18.5	0.0	60.8
Fair value measurement in OCI	0.0	-0.4	0.0	-0.4
Reclassification adjustments ("recycling")	0.0	-2.9	0.0	-2.9
Result from interests accounted for using the equity method ¹	-0.8	0.0	0.0	-0.8
Reversals of impairment losses on interests accounted for using the equity method ¹	-13.3	0.0	0.0	-13.3
Grants for interests accounted for using the equity-method ¹	-6.0	0.0	0.0	-6.0
Disposals	0.0	0.0	0.0	0.0
Reclassifications	0.0	-0.4	0.0	-0.4
Accumulated value adjustments as at 31/12	22.2	14.7	0.0	36.9
Net carrying amount as at 31/12	57.5	133.8	5.9	197.3
Net carrying amount as at 1/1	40.9	92.7	1.4	134.9
Net carrying amount of other non-current receivables as at 31/12²				139.6
Net carrying amount of other non-current receivables as at 1/1 ²				118.9
Net carrying amount total as at 31/12				336.9
Net carrying amount total as at 1/1				253.9

¹ The carrying amount of the equity interest in Shkodra Region Beteiligungsholding GmbH was already reduced to zero in 2013 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. Negative results and impairment losses reduce the carrying amount of the net investment. In contrast, positive results, reversals of impairment losses and shareholder contributions increase it. // 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
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
Acquisition costs 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
Total net carrying amount as at 31/12				253.9
Total net carrying amount as at 1/1				221.7

¹ The carrying amount of the equity interest in Shkodra Region Beteiligungsholding GmbH was already reduced to zero in 2013 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. Negative results and impairment losses reduce the carrying amount of the net investment. In contrast, positive results, reversals of impairment losses and shareholder contributions increase it. // ² incl. carrying amount of interest rate swaps – closed items on the balance sheet

Securities in the amount of €133.8m (previous year: €92.7m) primarily include shares in investment funds to cover employee benefit obligations and were classified as "available for sale".

Non-current other receivables contain derivative financial instruments measured at fair value in the amount of €123.1m (previous year: €113.8m) which relate to financial liabilities under closed items on the balance sheet.

(27)
Inventories

Inventories	€m	
	2014	2015
Heating oil	6.2	0.1
Coal	64.5	33.8
Natural gas	0.0	1.8
Less write downs	-39.0	-30.0
Inventories of primary energy sources held for generation	31.6	5.7
Natural gas held for trading	8.2	0.0
Measurements of natural gas held for trading	0.6	0.0
Fair value of natural gas held for trading	8.8	0.0
Emission rights held for trading	8.3	5.1
Measurements of emission rights held for trading	3.0	3.9
Fair value of emission rights held for trading	11.3	9.0
Proof of origin and green electricity certificates	0.2	0.2
Additives and consumables	4.3	4.1
Other	0.3	0.0
Inventories	56.5	19.1

(28)
**Trade receivables
and other receivables**

Trade receivables and other receivables	€m			
	2014 Non-current	2015 Non-current	2014 Current	2015 Current
Trade receivables	0.0	0.0	264.9	302.5
Receivables from equity interests classified as "held for sale"	0.0	0.0	150.4	0.0
Receivables from investees	0.0	0.0	65.7	31.7
Other loans	-	-	0.4	1.0
Loans to investees	-	-	3.5	3.5
Other receivables and assets	118.9	139.6	487.6	291.3
Trade receivables and other receivables	118.9	139.6	972.5	630.0

Other receivables with a maturity of more than one year were recognised under investments and non-current other receivables (see: (26) Investments and non-current other receivables).

Other receivables and assets

	€m			
	2014	2015	2014	2015
	Non-current	Non-current	Current	Current
Derivatives in the energy area	0.0	0.0	125.6	184.0
Money market transactions	0.0	0.0	265.2	0.0
Receivables from tax clearing	0.0	0.0	27.4	19.8
Long position: Gemeinschaftskraftwerk Inn GmbH	0.0	0.0	17.1	18.0
Guarantees in electricity trading	0.0	0.0	13.4	8.3
Emission rights	-	-	7.2	12.0
Receivables from accrued interest	0.0	0.0	0.5	0.5
Derivatives in the finance area	113.8	123.1	0.0	0.0
Other	5.1	16.5	31.2	48.9
Other receivables and assets	118.9	139.6	487.6	291.3

The most significant allowances and/or payment defaults (overdue payments) were as follows:

Allowances

	€m			
	Receivables net (carrying amount)	of which: impaired as at reporting date	Allowances	Receivables gross
2015				
Trade receivables	302.5	13.5	3.6	306.1
Receivables from investees	31.7	0.0	0.0	31.7
Loans	4.5	0.0	0.0	4.5
Other receivables and assets	291.3	0.0	0.0	291.4
Total	630.0	13.5	3.6	633.7
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

Overdue amounts 2015

€m

	Carrying amount	of which not impaired or overdue as at reporting date	of which not impaired at reporting date but overdue in the periods shown			
			up to 30 days	31 to 120 days	121 to 360 days	> 360 days
Trade receivables	302.5	281.1	7.2	0.3	0.0	0.4
Receivables from investees	31.7	31.5	0.1	0.0	0.0	0.0
Loans	4.5	4.5	0.0	0.0	0.0	0.0
Other receivables and assets	291.3	291.0	0.2	0.0	0.0	0.1
Total	630.0	608.1	7.5	0.3	0.0	0.5

Overdue amounts 2014

€m

	Carrying amount	of which not impaired or overdue as at reporting date	of which not impaired but overdue in the periods shown			
			up to 30 days	31 to 120 days	121 to 360 days	> 360 days
Trade receivables	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

Non-current other receivables were neither overdue nor impaired in reporting period 2015 or in the previous year.

**(29)
Cash and cash equivalents****Cash and cash equivalents**

€m

	2014	2015
Cash at banks	41.6	28.8
Cash in hand	0.1	0.1
Cash and cash equivalents	41.7	28.9

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.

The sale to KKR Credit Advisors (US) of the 100% other equity interests in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. classified as “held for sale” as at 31 December 2014 was completed effective 6 March 2015 (closing). Impairment losses on receivables from Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. were recognised in the amount of €0.5m as other operating expenses as a result of the sale.

The sale of the 100% equity interest in Haos Invest EAD to Inwind SpLtd. and Inovent Holding AD was completed effective 6 March 2015 (closing). Since VERBUND lost control on this date, the assets and liabilities of Haos Invest EAD classified as “held for sale” as at 31 December 2014 were deconsolidated effective 6 March 2015. A conditional purchase price component that became due on 11 May 2015 was taken into account when determining the gain on disposal in the amount of €3.4m that was recognised as other operating income (see: Financial reporting principles).

The creditor banks of the 45.75% other equity interest in Sorgenia S.p.A. (Group) classified as “held for sale” as at 31 December 2014 carried out a €400m capital increase (debt/equity swaps) at Sorgenia S.p.A. (Group) as part of an Italian restructuring process (“128 bis Agreement”) effective 27 March 2015. As a result, VERBUND’s interest in Sorgenia S.p.A. (Group) decreased to less than 1%. Subsequently, VERBUND also sold the remaining equity interest in Sorgenia S.p.A. (Group) effective 27 March 2015 to Nuova Sorgenia Holding S.p.A. (a newly formed company of the creditor banks of Sorgenia S.p.A. (Group)). The sale had no impact on profit for the period.

All equity interests classified by VERBUND as “held for sale” in the previous year were assigned to the Equity Interests & Services segment. The assets and liabilities of the disposed entity Haos Invest EAD were part of the Energy segment.

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.

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.

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.

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 2015 prepared in accordance with the Austrian Commercial Code (Unternehmensgesetzbuch, UGB). For financial year 2015, this profit for the reporting period that had not yet been approved amounted to €121.6m (previous year: €100.7m). The Annual General Meeting will recommend a dividend of €0.35 per share (previous year: €0.29 per share).

(30)
Assets and liabilities
held for sale

(31)
Share capital

(32)
Capital reserves

(33)
Retained earnings

(34)
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.L.

(35)
Non-controlling
interests

Non-controlling interests		in %	
	2014	2015	
VERBUND Innkraftwerke GmbH	29.73	29.73	
VERBUND Tourismus GmbH	19.66	19.54	
VERBUND Hydro Power GmbH	19.58	19.46	
VERBUND Wind Power Austria GmbH	19.78	19.46	
Alpha Wind S.R.L.	10.00	10.00	
Ventus Renew Romania S.R.L.	10.00	10.00	

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.

(36)
Non-current and
current financial
liabilities

Non-current and current financial liabilities		€m		
	2014 Non-current	2015 Non-current	2014 Current	2015 Current
Bonds	1,537.7	1,384.2	580.2	21.1
Financial liabilities to banks	929.3	875.9	226.1	364.3
Financial liabilities to others	0.3	0.2	0.0	0.0
Capital shares attributable to limited partners	2.3	2.5	0.0	0.0
Subtotal	2,469.5	2,262.8	806.3	385.4
Financial liabilities to banks – closed items on the balance sheet	431.0	481.3	0.0	0.0
Non-current and current financial liabilities	2,900.5	2,744.1	806.3	385.4

Non-current and current financial liabilities¹	€m	
	2014	2015
Carrying amount as at 1/1	3,653.8	3,275.8
Borrowings	590.1	0.0
Net change in money market transactions	25.1	280.5
Changes in capital shares attributable to limited partners	0.1	0.2
Foreign exchange gains or losses	-0.1	3.0
Changes in interest accruals	-9.5	-18.1
Unscheduled repayments	-66.0	-156.5
Disposals due to loss of control	-328.6	0.0
Scheduled repayments	-588.9	-736.7
Carrying amount as at 31/12	3,275.8	2,648.2
of which non-current liabilities	2,469.5	2,262.8
of which current liabilities	806.3	385.4

¹ excluding financial liabilities from closed items on the balance sheet

Financial liabilities – closed items on the balance sheet	€m	
	2014	2015
Carrying amount as at 1/1	360.0	431.0
Foreign exchange gains or losses	29.9	31.6
Capitalisation	28.2	28.5
Repayments and/or disposals	-16.6	-19.0
Market value changes	29.5	9.3
Carrying amount as at 31/12	431.0	481.3
of which non-current liabilities	431.0	481.3

No non-current financial liabilities were incurred in reporting period 2015 (previous year: €590.1m). The scheduled repayments of financial liabilities (excluding financial liabilities related to the early termination of cross-border leasing transactions) amounted to €736.7m (previous year: €588.9m). The unscheduled principal repayments in the amount of €156.5m in reporting period 2015 (previous year €66.0m) relate to the repurchase of part of a €840m bond. In addition, current financial liabilities (cash advances) were incurred in the amount of €280.5m (previous year: cash advance of €25.1m). With respect to the underlying terms of the existing non-current financial liabilities, there were no changes in the terms or interest rates of the individual loans. With regard to financial liabilities from cross-border leasing transactions that were terminated early, capitalisations in the amount of €28.5m (previous year: €28.2m) were recognised. Repayments and disposals came to €19.0m (previous year: €16.6m).

VERBUND had no mortgage-backed liabilities on 31 December 2015 or 31 December 2014.

The share of the profit attributable to limited partners in reporting period 2015 and the previous year related solely to the limited partners of ten wind farms and two infrastructure companies in the Hunsrück area of Rhineland-Palatinate.

Non-current and current financial liabilities 2015

	Longest Maturity	Issue volume	Carrying amount as at 31/12	1 year or less
Bonds				
Euro currency	2024	1,612.7	1,405.3	21.1
Total bonds		1,612.7	1,405.3	21.1
of which at a fixed interest rate	2024	1,612.7	1,405.3	21.1
Financial liabilities to banks				
Euro currency	2037	1,514.7	1,240.2	364.3
Total financial liabilities to banks		1,514.7	1,240.2	364.3
of which at a fixed interest rate	2037	828.7	704.0	37.5
of which at a variable interest rate	2030	685.9	536.3	326.8
Financial liabilities to others				
Euro currency	2021	0.3	0.2	0.0
Total financial liabilities to others		0.3	0.2	0.0
of which at a fixed interest rate	2021	0.3	0.2	0.0
Financial liabilities to banks – closed items on the balance sheet¹				
Foreign currencies (\$)	2030		481.3	0.0
Total financial liabilities to banks – closed items on the balance sheet			481.3	0.0
of which at a fixed interest rate	2030		481.3	0.0
Capital shares attributable to limited partners		–	2.5	0.0
Total financial liabilities			3,129.5	385.4

¹ For these financial liabilities there is balance sheet cover on the asset side.

								€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	0.0	679.7	199.0	491.0	3.61%	4.28%	1,537.2
	14.5	0.0	679.7	199.0	491.0	3.61%	4.28%	1,537.2
	14.5	0.0	679.7	199.0	491.0	3.61%	4.28%	1,537.2
	283.7	251.7	43.7	42.2	254.5	1.96%	2.76%	1,276.0
	283.7	251.7	43.7	42.2	254.5	1.96%	2.76%	1,276.0
	262.6	168.6	22.6	27.6	184.9	3.21%	3.32%	742.7
	21.1	83.1	21.1	14.6	69.6	0.32%	1.37%	533.2
	0.1	0.0	0.0	0.0	0.0	5.44%	4.22%	0.2
	0.1	0.0	0.0	0.0	0.0	5.44%	4.22%	0.2
	0.1	0.0	0.0	0.0	0.0	5.44%	4.22%	0.2
	0.0	0.0	0.0	0.0	481.3	-	-	521.0
	0.0	0.0	0.0	0.0	481.3	-	-	521.0
	0.0	0.0	0.0	0.0	481.3	-	-	521.0
	2.5	0.0	0.0	0.0	0.0	-	-	-
	300.8	251.7	723.4	241.2	1,226.9			

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 For these financial liabilities there is balance sheet cover on the asset side.

								€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
	0.0	14.5	0.0	834.3	688.9	4.00%	4.27%	2,274.6
	0.0	0.0	0.0	0.0	0.0	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%	2,314.3
	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			

(37)
Additional
disclosures regarding
financial instruments
in accordance with
IFRS 7

Carrying amounts and fair values by measurement categories 2015

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

Carrying amounts and fair values by measurement categories 2015

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

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 equity interests classified as “held for sale”		–	150.4	–
Loans to investees	LAR	2	3.5	3.9
Other loans	LAR	2	0.4	0.4
Derivatives in the energy area	LAR	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		22.1	
Loans and receivables	LAR		1,179.1	
Available-for-sale financial assets	FAAFS		172.9	
Financial assets held for trading	FAHFT		256.6	

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	–
Non-current other 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		3,806.5	
Financial liabilities at fair value through profit or loss	FLAFVPL		331.5	
Financial liabilities held for trading	FLHFT		201.9	

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 2015 and the amount that VERBUND would have to pay upon maturity is €63.0m (previous year: €68.7m). The amount due upon maturity was translated at the rate (€1=\$) on the reporting date of 1.0887 (previous year: 1.2141). 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 €85.2m (previous year: €41.6m) and negative fair values in the amount of €34.3m (previous year: €47.1m) relate to hedging relationships designated as cash flow hedges. These fair values represent gross amounts; following the inter-portfolio netting carried out in accordance with VERBUND's accounting policies (see: Financial instruments and risk management), cash flow hedges can no longer be isolated.

Level 3 measurement of financial instruments: natural gas supply contract¹		€m
	2014	2015
Carrying amount as at 1/1	65.4	63.4
Measurement gains or losses (recognised under expenses for electricity, grid, gas and certificates purchases)	-2.1	8.4
Carrying amount as at 31/12	63.4	71.8

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
	2014	2015
Carrying amount as at 1/1	-	17.1
Additions	0.0	0.0
Measurement gains or losses (recognised in other financial result)	17.1	0.8
Carrying amount as at 31/12	17.1	18.0

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, long-term loans, liabilities to banks, bonds and other financial liabilities	Net present value approach	Payments associated with the financial instruments, yield curve, credit risk of the contracting parties (credit default swaps or credit spread curves)
2	Other equity interest in Energie AG Oberösterreich	Market approach	Trading multiple
2	Non-listed energy forwards	Net present value approach	Forward price curve derived from stock exchange, yield curve, credit risk of the contracting parties

Valuation techniques and input factors for determining fair values

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, 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

Expected cash outflows as at 31/12/2015

	€m			
Maturity	2016	2017	2018–2020	From 2021
Bonds	50.4	65.0	1,000.2	530.0
Financial liabilities to banks	367.8	291.7	353.2	278.4
Financial liabilities to others	0.0	0.1	0.0	0.0
Financial liabilities to banks – closed items on the balance sheet ¹	21.1	21.1	66.8	533.9
Capital shares attributable to limited partners	0.0	2.5	0.0	0.0
Cash outflows on financial liabilities	439.4	380.5	1,420.2	1,342.3
Trade payables	118.8	0.4	3.7	0.2
Derivatives in the energy area	334.7	149.3	46.6	0.0
Derivatives in the finance area ²	14.2	9.9	10.5	2.5
Other	122.1	12.8	3.7	127.9
Cash outflows on trade payables and other payables	589.9	172.3	64.6	130.6
Cash outflows on liabilities in accordance with IFRS 7	1,029.2	552.7	1,484.8	1,472.9

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.

Expected 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

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			
	2014 Net result	2014 of which (reversal of) impairment losses	2015 Net result	2015 of which (reversal of) impairment losses
Financial assets at cost	-0.1	-2.9	-1.6	-1.9
Available-for-sale financial assets	-3.8	-3.9	3.6	0.0
Loans and receivables	31.1	-3.1	35.8	2.2
Financial liabilities at amortised cost	-34.8	-	-16.7	-
Financial liabilities at fair value through profit or loss	-55.4	-	-34.0	-
Financial assets and/or liabilities held for trading	43.5	-	1.3	-
Total interest expenses		-168.4		-162.7
Total interest income		46.5		34.4
Measurements in other comprehensive income ¹		26.2		3.9
Reclassifications from other comprehensive income recognised in the income statement ¹		0.0		-2.9

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.

Non-current and current provisions	€m			
	2014 Non-current	2015 Non-current	2014 Current	2015 Current
Provisions for pensions	431.8	420.2	–	–
Provisions for termination benefits	165.6	156.5	–	–
Provisions for obligations similar to pensions	165.4	151.0	–	–
Provisions for partial retirement	43.2	29.8	14.4	12.8
Other personnel-related provisions	9.1	15.1	20.4	21.2
Other provisions	29.5	95.5	158.4	93.0
Non-current and current provisions	844.7	868.1	193.2	126.9

(38)
Non-current and current provisions

Provisions for pensions and similar obligations

Reconciliation from defined benefit obligation to provisions

	€m			
	2014 Pension obligations	2015 Pension obligations	2014 Obligations similar to pensions	2015 Obligations similar to pensions
Defined benefit obligation covered by plan assets	253.5	248.5	–	–
Fair value of plan assets	–161.8	–152.8	–	–
Net value of obligations covered by plan assets	91.7	95.7	–	–
Defined benefit obligation not covered by plan assets	340.1	324.5	165.4	151.0
Carrying amount of provisions as at 31/12	431.8	420.2	165.4	151.0

Pension expenses

	€m			
	2014 Pension obligations	2015 Pension obligations	2014 Obligations similar to pensions	2015 Obligations similar to pensions
Service costs (vested claims)	2.7	3.6	2.1	2.8
Net interest expense	11.7	8.3	4.7	3.3
Pension expenses (recognised in profit for the period)	14.4	11.9	6.8	6.1
Remeasurements of the net liability	90.6	0.2	27.1	–16.6
Pension expenses (recognised in total comprehensive income for the period)	105.0	12.1	33.9	–10.5

Reconciliation of defined benefit obligation

	€m			
	2014 Pension obligations	2015 Pension obligations	2014 Obligations similar to pensions	2015 Obligations similar to pensions
Defined benefit obligation as at 1/1	514.6	593.6	135.2	165.4
Service costs (vested claims)	2.7	3.6	2.1	2.8
Pension payments or contributions to supplementary health insurance (benefit payments)	-35.8	-34.7	-3.7	-3.9
Interest expenses	17.4	11.5	4.7	3.3
Remeasurements based on experience adjustments	5.1	-1.0	-4.4	-10.0
Remeasurements arising from changes in financial assumptions	89.5	0.0	31.5	-6.6
Defined benefit obligation as at 31/12	593.6	573.0	165.4	151.0

As at 31 December 2015, the weighted average duration of the pension obligation is 13 years (previous year: 13 years) and that of the obligations similar to pensions is 19 years (previous year: 19 years).

Reconciliation of plan assets

	€m			
	2014 Pension obligations	2015 Pension obligations	2014 Obligations similar to pensions	2015 Obligations similar to pensions
Fair value of plan assets as at 1/1	162.7	161.8	-	-
Contributions by VERBUND	0.1	0.0	-	-
Payouts (benefit payments)	-10.8	-11.0	-	-
Interest income	5.7	3.2	-	-
Other gains (+) or losses (-)	4.1	-1.2	-	-
Fair value of plan assets as at 31/12	161.8	152.8	-	-

The investment and risk association in the pension fund attributable to VERBUND realised a gain of €2.0m in reporting period 2015 (previous year: gain of €9.7m). The deficit represents the portion of pension obligations not covered by plan assets; these relate primarily to direct commitments to pension recipients. In the 2016 reporting period, current contributions to the pension fund for coverage of defined contribution plans in the amount of €2,7m (previous year: €0m) are expected.

Plan assets						in %
	Quoted	Unquoted	2014 Total	Quoted	Unquoted	2015 Total
Shares	29.8	0.0	29.8	39.6	0.0	39.6
Bonds	56.1	0.0	56.1	43.0	0.0	43.0
Money market	9.8	0.0	9.8	9.9	0.0	9.9
Other investments	4.4	0.0	4.4	7.4	0.0	7.4
Total	100.0	0.0	100.0	100.0	0.0	100.0

VERBUND regularly coordinates the general investment guidelines with APK Pensionskasse AG. Risk management in 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 termination benefits

Analysis of the provisions for termination benefits			€m
	2014	2015	
Provisions for statutory termination benefits	161.0	154.4	
Provisions for termination benefits from special agreements in accordance with social plan	4.6	2.1	
Carrying amount of provisions as at 31/12	165.6	156.5	

Expense for termination benefit costs			€m
	2014	2015	
Service costs	1.6	1.7	
Net interest expense	5.0	3.2	
Expense for termination benefit costs (recognised in profit for the period)	6.6	4.9	
Remeasurements of termination benefits	13.3	-0.3	
Expenses for termination benefit cost (recognised in total comprehensive income for the period)	19.9	4.6	

Reconciliation of defined benefit obligation for statutory termination benefits			€m
	2014	2015	
Defined benefit obligation as at 1/1	151.1	161.0	
Service costs (vested claims)	1.6	1.7	
Interest expenses	5.0	3.2	
Termination benefits (benefit payments)	-10.0	-11.2	
Remeasurements based on experience adjustments	3.5	-0.3	
Remeasurements arising from changes in financial assumptions	9.8	0.0	
Defined benefit obligation as at 31/12	161.0	154.4	

The weighted average duration of the termination benefits is eight years as at 31 December 2015 (previous year: eight years).

Provisions for partial retirement

Reconciliation from defined benefit obligation to provisions

	€m	
	2014	2015
Defined benefit obligation covered by plan assets	59.3	43.7
Fair value of plan assets	-1.6	-1.1
Carrying amount of the provisions as at 31/12	57.7	42.6

Expenses for partial retirement

	€m	
	2014	2015
Service costs	0.1	0.3
Net interest expense	1.1	1.0
Remeasurements	17.8	-2.0
Expenses for partial retirement (recognised in profit for the period)	19.0	-0.7

Reconciliation of defined benefit obligation

	€m	
	2014	2015
Defined benefit obligation as at 1/1	48.9	59.3
Service costs (vested claims)	0.1	0.3
Net interest expense	1.1	1.0
Payments for early retirement	-8.6	-14.9
Remeasurements	17.8	-2.0
Defined benefit obligation as at 31/12	59.3	43.7

Reconciliation of plan assets

	€m	
	2014	2015
Fair value of plan assets as at 1/1	2.6	1.6
Decrease (due to surplus cover)	0.0	-0.4
Contributions by VERBUND	0.0	0.0
Other gains (+) or losses (-)	-1.0	-0.1
Fair value of plan assets as at 31/12	1.6	1.1

Plan assets

	in %	
	2014	2015
Bonds	100.0	100.0
Total	100.0	100.0

Other personnel-related provisions

Analysis of other personnel-related provisions

	€m			
	2014 Non-current	2015 Non-current	2014 Current	2015 Current
Provision for bonuses from the performance-based remuneration system	–	–	18.3	20.8
Provision for anniversary bonuses	8.2	8.8	0.0	0.0
Other	0.9	6.3	2.1	0.4
Other personnel-related provisions	9.1	15.1	20.4	21.2

Reconciliation of other personnel-related provisions

	€m	
	2014	2015
Carrying amount as at 1/1	31.5	29.5
of which non-current	7.8	9.1
of which current	23.7	20.4
New provisions	15.9	23.7
Interest accrued	0.2	0.2
Appropriation	–17.0	–17.1
Reversal	–1.1	0.0
Carrying amount as at 31/12	29.5	36.3
of which non-current	9.1	15.1
of which current	20.4	21.2

Other provisions

Reconciliation of other provisions 2015

	€m				
	Provisions for onerous contracts	Dismantling and decontamin- ation costs	Electricity and grid delivery	Other	Total
Carrying amount as at 1/1/2015	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
New provisions	10.4	2.4	0.0	84.8	97.6
Interest accrued	0.0	1.5	0.3	0.3	2.1
Appropriation	–32.9	0.0	–15.7	–8.3	–56.9
Reversal	–2.6	–1.7	–37.1	–0.6	–42.1
Currency translation	0.0	–0.1	0.0	0.0	–0.1
Carrying amount as at 31/12/2015	24.0	24.2	0.6	139.7	188.5
of which non-current	22.3	23.0	0.0	50.2	95.5
of which current	1.7	1.1	0.6	89.5	93.0

Reconciliation of other provisions 2014

	€m				
	Provisions for onerous contracts	Dismantling and decontamination 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
Additions or disposals from acquisitions	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
Reclassifications	0.0	0.0	0.0	0.0	0.0
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

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

(39)
Deferred tax liabilities

Deferred taxes		€m	
	2014	2015	
Deferred tax refund claims	543.3	466.5	
of which from provisions for pensions and termination benefits	124.7	119.8	
of which from allowances on receivables	125.9	82.9	
of which from impairment losses from equity interests	62.5	58.9	
of which from loss carryforwards	46.8	67.4	
of which from the liquidation of subsidiaries	136.0	113.3	
of which from other items	47.5	24.3	
Deferred tax liabilities	-1,029.6	-1,016.0	
of which from property, plant and equipment (different useful lives, fair value adjustments on purchase price allocations)	-842.1	-831.5	
of which from special tax deductions	-97.4	-96.1	
of which from tax-deductible goodwill	-31.7	-44.9	
of which from other items	-58.3	-43.5	
Deferred tax refund claims (+) or tax liabilities (-) netted	-486.3	-549.5	

In the 2015 reporting period and in the previous year, the net position for deferred taxes changed as follows:

Deferred taxes	€m	
	2014	2015
As at 1/1	-616.9	-486.3
Changes recognised in profit or loss	-14.9	-42.1
Changes recognised in other comprehensive income	20.1	-21.1
Changes as a result of the sale of companies	125.9	0.0
Other changes	-0.5	0.0
As at 31/12	-486.3	-549.5

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:

At 31 December 2015 (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 2015 (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 €976.2m (previous year: €1,024.3m) for temporary differences in the amount of €3,904.8m (previous year: €4,018.5m) relating to interests in subsidiaries, branch offices, associates and joint arrangements was not recognised at 31 December 2015.

No current tax assets are recognised for tax losses and deductible temporary differences attributable to the Romanian subsidiaries Alpha Wind S.R.L., CAS Regenerabile S.R.L. and Ventus Renew Romania S.R.L. because it is unlikely due to the earnings situation that a future taxable net profit will be available against which the deferred tax assets can be utilised.

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).

(40)
Contributions to building costs and grants

Contributions to building costs and grants	€m	
	2014	2015
Contributions to building costs	704.6	716.7
Government grants	35.4	31.4
Contributions to building costs and grants	740.0	748.1

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 2015, this item still amounted to €48.8m (previous year: €50.4m).

(41)
Deferred income – cross-border leasing

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

Other non-current liabilities	€m	
	2014	2015
Electricity supply commitment ¹	180.4	176.1
Obligation to return an interest ²	104.2	116.8
Derivatives in the energy area	54.3	66.5
Trade payables	2.5	4.1
Other	30.9	27.6
Other non-current liabilities	372.2	391.1

(42)
Other non-current liabilities

¹ The electricity supply commitment corresponds to the obligation arising from a 20-year electricity supply agreement, which was entered into in the 2009 reporting period as part of the consideration for the acquisition of Kraftwerksgruppe Inn GmbH (now VERBUND Innkraftwerke GmbH). // ² This return obligation refers to the obligation to transfer the 50% interest in Donaukraftwerk Jochenstein AG newly acquired in the 2013 reporting period back to the Federal Republic of Germany or the Free State of Bavaria without exchange of consideration effective 31 December 2050.

Current tax liabilities	€m	
	2014	2015
Taxes on income	54.9	29.3
Other taxes	0.7	0.6
Current tax liabilities	55.6	30.0

(43)
Current tax liabilities

(44) Trade payables and current other liabilities	Trade payables and current other liabilities		€m
		2014	2015
	Trade payables	144.2	118.8
	Derivatives in the energy area	100.8	94.9
	Outstanding receipts for investments	60.1	37.2
	Derivatives in the finance area	47.0	33.8
	Other personnel-related liabilities	34.9	33.3
	Other liabilities for maintenance expenses	43.8	31.2
	Other liabilities from electricity and grid deliveries	27.4	27.3
	Liabilities to tax authorities	15.4	12.5
	Liabilities to ECRA	7.2	12.0
	Liabilities to investees	1.6	5.4
	Liabilities from social security (including social insurance institutions)	5.0	4.9
	Other liabilities for legal, audit and consulting expenses	6.7	4.7
	Electricity supply commitment	3.9	4.5
	Other	19.2	17.1
	Trade payables and current other liabilities	517.3	437.6

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

Outstanding items with respect to current liabilities arose in connection with additions to intangible assets and property, plant and equipment in the amount of €37.2m (previous year: €60.1m).

(45) Cash inflow from the disposal of equity interests

Cash inflow from the disposal of subsidiaries as well as interests accounted for using the equity method and other equity interests mainly resulted from the disposal of the French other equity interests in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. as well as the consolidated Bulgarian entity Haos Invest EAD.

(46) Additional information on cash flow from financing activities

Additional information on cash flow from financing activities		€m
	2014	2015
Dividends paid to non-controlling interests	-70.9	-57.9
Dividends paid to the shareholders of VERBUND AG	-347.4	-100.8

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 KPIs 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.

Finance area

Financial instruments

The primary financial instruments held by VERBUND include, in particular, investments such as securities, loans, equity interests, trade receivables, cash at banks, securitised and non-securitised financial liabilities and trade payables.

The derivative financial instruments used in the finance area comprise the following and are recognised under the balance sheet items listed:

Derivative financial instruments in other receivables				€m
	Reference value ¹	Positive fair values 31/12/2014	Positive fair values 31/12/2015	
Interest rate swaps – closed items on the balance sheet (fixed interest recipient)	\$251,2m (previous year: \$248,4m)	113.8	123.1	

¹The 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 31/12/2014	Negative fair values 31/12/2015	
Interest rate swaps – hedges (fixed interest recipient)	€384,6m (previous year: €433,2m)	34.2	23.8	
Interest rate swap relating to financial liabilities (freestanding)	€203,9m (previous year: €236,7m)	12.7	10.0	

¹The reference value includes the reference basis of the derivative instruments. The actual cash flows only represent a fraction of these values.

The derivative financial instruments listed serve exclusively to hedge financially against existing currency and interest rate risks.

The fluctuations in the value of interest rate swaps related to the closed items on the balance sheet (see: Accounting policies) serve to balance the fluctuations in the value of the corresponding liabilities which are measured at fair value through profit or loss.

There are interest rate swaps in the notional amount of €384.6m (previous year: €433.2m) 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 eleven years (2016 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 notional value of €203.9m as at 31 December 2015 (previous year: €236.7m) 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 syndicate. This credit line was not drawn down. 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: (37) 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 rule, counterparty risk is not insured. Therefore, there was no insurance coverage for trade receivables at 31 December 2015 and in the previous year.

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

Financial instruments with credit risk by assigned rating group 2015									€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	19.3	0.0	0.0	2.7	0.0	3.8	0.6	
B	up to A3	235.2	0.0	11.4	84.2	0.0	67.0	0.9	
C	up to Baa3	103.6	0.0	0.0	142.7	123.1	77.2	28.0	
D	below Baa3	0.0	0.0	0.0	21.0	0.0	36.0	0.0	
Not rated		0.0	133.8	138.5	51.9	0.0	0.0	6.3	
Total		358.2	133.8	149.9	302.5	123.1	184.0	35.8	

¹ incl. 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.

Financial instruments with credit risk by assigned rating group 2014									€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	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	

¹ incl. 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.

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 practical to have credit ratings for investees.

With respect to trade receivables, the amounts presented as “not 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, it also includes receivables for which no credit assessments were carried out 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 2015, the portion of financial liabilities (taking interest rate swaps into account) for which VERBUND was exposed to a corresponding interest rate risk was 20.3% (previous year: 7.8%). The increase can be attributed to increased money market transactions (cash advances) that are considered to bear interest at a variable rate due to the short terms.

A 1.0% increase in the interest rate would result in a decrease of €5.5m p.a. (previous year: €2.8m p.a.) in profit before taxes with the loan portfolio in existence as at the reporting date, including the money market transactions. 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 2015, there are interest rate swaps (notional amount: \$251.2m; previous year: \$248.4m) 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 2015, there were additional interest rate swaps over a total notional amount of €384.6m (previous year: €433.2m). These swaps exchange variable interest for a fixed interest rate in order to also secure the existing low interest level for the long 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 €203.9m (previous year: €236.7m) for which no hedging relationships could be presented from a Group perspective. For the fair value of the non-current financial liabilities see: (37) Additional disclosures regarding financial instruments in accordance with IFRS 7. The average remaining term for the entire portfolio is 4.3 years (previous year: 4.7 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 2015, the foreign exchange risk of all financial liabilities (in yen) can be presented as follows:

Liability	€m	
Foreign currency	31/12/2014	31/12/2015
¥0.0m. (previous year: ¥5,550.0m.)	38.2	0.0

A yen bond was redeemed in full as planned in the reporting period. Therefore, there is no longer any corresponding foreign exchange risk as of 31 December 2015.

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 early 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 amounts to \$251.2m (previous year: \$248.4m).

The financial assets and liabilities related to closed items on the balance sheet are not netted on the balance sheet (if there is no current legally enforceable right to recharge the amounts recognised). In the event of insolvency, the interest rates swaps (€123.1m; previous year: €113.8m) can be netted against the financial liabilities to banks recognised at fair value (€368.5m; previous year: €331.5m). The net liability from both of these items therefore amounted to €245.4m as at 31 December 2015 (previous year: €217.7m).

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 head lease filing, negotiations over a risk waiver based on payment of a one-off fee were taken up in the 2014 reporting period that were successfully completed in the 2015 reporting period. 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 would have to be implemented.

The ratings of contractual parties as well as VERBUND's rating exceeded the contractually agreed thresholds on 31 December 2015. 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 the existence of guarantor's liabilities from regional authorities for individual contractual parties.

Energy area

Within its core business, VERBUND is active in international energy markets and is thus exposed to market, counterparty and operational risks 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 2015, 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) could be broken down as follows:

Cash flow hedges (sales and procurement) as at 31/12/2015

	Positive fair values	Negative fair values	Net
Futures	45.3	25.3	20.0
Forwards	23.1	9.0	14.0
Options	16.6	0.0	16.6
Swaps	0.0	0.0	0.0
Total before netting	85.0	34.3	50.7
of which current	67.7	31.1	36.6
of which non-current	17.3	3.2	14.1
of which in other comprehensive income			50.7

Wholesale as at 31/12/2015

	Positive fair values	Negative fair values	Net
Futures	27.0	72.1	-45.1
Forwards	150.1	89.7	60.4
Swaps	0.0	0.0	0.0
Options	3.4	0.0	3.4
Natural gas supply agreement	0.0	71.8	-71.8
Total before netting	180.6	233.6	-53.0
of which current	151.1	232.0	-80.9
of which non-current	29.5	1.7	27.8
Futures already realised			-24.2
Total			-77.2

Trading as at 31/12/2015

	Positive fair values	Negative fair values	Net
Futures	4.6	4.1	0.5
Forwards	315.8	315.7	0.0
Total before netting	320.3	319.8	0.5
of which current	215.6	215.6	0.0
of which non-current	104.8	104.2	0.5

Total as at 31/12/2015			€m
	Positive fair values	Negative fair values	Net
Futures	76.9	101.5	-24.6
Forwards	489.0	414.5	74.5
Swaps	0.0	0.0	0.0
Options	20.0	0.0	20.0
Natural gas supply agreement	0.0	71.8	-71.8
Total before netting	585.9	587.7	-1.9
Including netting agreements	-401.8	-401.8	0.0
Total after netting	184.1	186.0	-1.9
EEX/ECX clearing variation margins of futures	0.0	-24.6	
Recognised under other receivables or liabilities	184.1	161.4	22.6

At 31 December 2014, 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) could 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

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 receivables or liabilities	125.6	155.0	-29.4	

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 €5.8m (previous year: €0.2m) and on equity (not including deferred taxes) in the amount of €-74.0m (previous year: €-43.9m). At present, a 10.0% decline in the market price would have an impact on the operating result in the amount of €-5.8m (previous year: €-0.2m) and on equity (not including deferred taxes) in the amount of €+74.0m (previous year: €+43.9m). The future sales and procurement transactions hedged by cash flow hedges will occur over the next four years (2016 to 2019) and be recognised in profit or loss accordingly. At 31 December 2015, there were no ineffective portions of cash flow hedges to be recognised in profit or loss in accordance with IAS 39.

In the 2015 reporting period, €56.5m (previous year: €68.1m) was recognised in other comprehensive income with a resulting increase in equity. In the same period, a gain of €14.2m (previous year: €30.8m) 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 KPIs: 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 after dividends of > €100m and a ROCE of > 7.0% (profit or loss from discontinued operations is taken into account when determining the KPIs).

Net debt/EBITDA	€m	
	2014	2015
Net debt	4,059.6	3,685.4
EBITDA	808.8	888.7
Net debt/EBITDA	5.0	4.1

Free cash flow (after dividends)	€m	
	2014	2015
Cash flow from operating activities	717.6	674.0
Cash flow from investing activities excluding cash inflows and outflows from investments and/or disposals in investments	-432.9	-122.6
Dividend	-418.3	-158.6
Free cash flow (after dividends)	-133.6	392.7

Return on capital employed	€m	
	2014	2015
NOPAT	304.1	348.7
Average capital employed	9,499.2	8,958.7
Return on capital employed	3.2%	3.9%

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

At 31 December 2015, 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 2015, VERBUND's secondary liability amounted to €575.4m (previous year: €530.3m) for the non-redeemed portion of the leasing liability from this cross-border leasing transaction. Of the rights of recourse against the primary debtors, €402.0m (previous year: €375.4m) is secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €239.1m (previous year: €203.8m) 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).

VERBUND and EconGas GmbH signed a long-term natural gas supply agreement on 24 June 2008. An application for redress for competition law infringements by EconGas GmbH was filed with the Higher Regional Court of Vienna as the cartel court on 29 May 2013 and the purchase of gas from EconGas GmbH was discontinued (see also: Discretionary judgements and key assumptions concerning the future). No disclosures have been provided in respect of any contingent liabilities or provisions that may arise from the competition law proceedings because it is likely that such note disclosures would seriously prejudice VERBUND's position in the proceedings.

On 11 September 2014, upon application by Energie Steiermark Wärme GmbH ("Wärme GmbH"), VERBUND was served a temporary injunction by the Graz West district court (decision dated 5 September 2014), which was subsequently amended on 26 November 2014 (decision handed down by the Graz-West district court on 26 November 2014), as well as a request for arbitration by the Economic Chamber of Lower Austria on 24 September 2014. The subject of the legal dispute between VERBUND and Wärme GmbH was divergent views concerning the outage reserves of an additional power plant block for district heating deliveries by the Mellach power plant based on the existing district heating agreement. On 8 September 2015, the presiding arbitral tribunal decided that VERBUND was in no way obligated to maintain an additional power plant block as an outage reserve at the Mellach site. Thus, the arbitral tribunal wholeheartedly confirmed VERBUND's legal interpretation. The temporary injunction in the amended version dated 26 November 2014 that obligated VERBUND for the duration of its existence to have an operational outage reserve thermally ready at the Mellach site for the delivery of a maximum of 200 MW in each case during the period from 15 November to 31 March of the subsequent year was cancelled effective 1 October 2015. Due to the unjustified requirement to maintain an outage reserve in the past, an amount of around €79.1m (plus default interest) as measured by experts accrued to VERBUND under the laws of unjust enrichment – a claim that was now being litigated before a court of arbitration. Claims related to these proceedings will be recognised as soon as an inflow of economic benefits is virtually certain.

On 19 May 2015, VERBUND was served notice of an action by EVN AG (the action was brought before the Vienna Commercial Court on 5 May 2015). The subject of this action is EVN AG's action for a declaratory judgement to the effect that VERBUND's termination of the operating provisions of the construction, operation and management agreement from 1980 effective 30 June 2015 in connection with the completed shutdown of VERBUND's power plant block at the site of the power plant joint venture in Dürnrohr is unlawful and that EVN AG lost benefits from the synergy effects of joint management. No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in

Contingent liabilities

Pending court proceedings

relation to this action because it is likely that such note disclosures would seriously prejudice VERBUND's position in the proceedings.

In reporting period 2015, several parties raised claims for damages related to the flood on the Drau in 2012. The damages claimed currently amount to a total of around €98.3m. VERBUND is contesting these claims on the merits and with respect to the amount. No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in relation to these claims for damages because it is likely that such note disclosures would seriously prejudice VERBUND's position in the proceedings.

In accordance with Section 9(7) of the Corporate Income Tax Act (KStG) in the version of the 2005 Tax Reform Act (Steuerreformgesetz, StRefG), Official Federal Gazette (BGBl) I 2004/57, group members or a group parent are entitled to amortise goodwill by up to 50% of the cost of the investment upon the acquisition of equity interest in a domestic company that becomes a member of the group, but not upon acquisition of shares in foreign companies. With respect to the granting of goodwill amortisation only if a domestic company is acquired, the Austrian Supreme Administrative Court directed a request for a preliminary ruling to the European Court of Justice in a decision handed down on 30 January 2014 regarding case 2013/15/0186. The European Court of Justice decided in a ruling on 6 June 2015 (case C-66/14) that freedom of establishment precludes a rule that allows the amortisation of goodwill upon acquisition of domestic shares in connection with group taxation, but not upon acquisition of shares in a foreign company. The Austrian Supreme Administrative Court has so far not issued a decision regarding the pending case. If goodwill amortisation can also be utilised for equity interests in foreign group members the same as for equity interests in domestic group members, this means that VERBUND can amortise goodwill for two foreign investees in the total amount of €580.5m (thus a €145.1m reduction of future tax payments). This will be recognised in accordance with VERBUND's accounting policies as soon as the possibility to assert the claim is reasonable certain (see: Accounting policies).

Contracts and purchase commitments

Contracts and purchase commitments 2015				€m
	Total commitment as at 31/12/2015	Commitment within one year	Commitment within 5 years	
Rental, lease and insurance agreements	n/a ¹	29.8	133.1	
Purchase commitment for property, plant and equipment, intangible assets and other services	318.5	243.1	301.6	

Contracts and purchase commitments 2014				€m
	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	

¹ The amount of the total commitment cannot be determined due to unspecified contract periods.

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. For deliveries in the 2016 reporting period, procurement contracts were previously formed with Weglokoks S.A. over 150,000t and with OKD S.A. over 50,000t.

VERBUND and EconGas GmbH signed a long-term natural gas supply agreement on 24 June 2008. 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 (pro-rata) electricity purchase rights by providing contributions to building costs for power plants on the Danube and Drau rivers and for the Malta power plant group. Due to these electricity supply agreements, VERBUND is obligated to deliver a portion of the electricity generated in these power plants to the provincial energy companies in exchange for reimbursement of the contractually predetermined recognised expenses (excluding depreciation, amortisation and interest).

In the 2011 reporting period, an agreement was reached with the Free State of Bavaria to convert the existing reversion rights for the Wasserburg, Teufelsbrück and Gars run-of-river power plants into so-called contingent reversion rights – these are only triggered in the event that VERBUND permanently ceases to operate the power plants or permanently shuts them down. In exchange, VERBUND undertook to implement certain water management measures and environmental and infrastructure measures on the Bavarian Inn River by 2021.

There is a district heating supply and purchase agreement between VERBUND Thermal Power GmbH & Co KG in Liqu. and Steirische Gas-Wärme GmbH to meet the district heating demand of the metropolitan area of Graz. The Mellach 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.

Purchase contracts

Other commitments

Average number of employees

	2014	2015	Change
Salaried employees	2,997	2,863	-134
Wage earners	55	45	-11
Apprentices	193	182	-11
Average number of employees ¹	3,245	3,089	-155

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

Average number of employees

As at the reporting date, 162 (previous year: 190) 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 2015 reporting period, an average of 18 (previous year: 29) employees were assigned to PÖYRY Energy GmbH to complete various engineering and consulting tasks. VERBUND holds a 25.1% equity 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 24 secondments (previous year: 31) to non-consolidated subsidiaries of VERBUND in the 2015 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 2014 and 2015 was Deloitte Audit Wirtschaftsprüfungs GmbH.

Expenses for services provided by the Group auditor				€k
	Deloitte ¹ 2014	Deloitte¹ 2015	Network 2014	Network 2015
Audit services relating to consolidated and separate financial statements	296.9	295.8	196.4	196.7
Other assurance services	202.1	28.3	0.0	0.0
Tax consulting services	9.6	7.5	0.0	0.0
Other advisory services	68.0	52.8	0.0	0.0
Total expenses	576.6	384.4	196.4	196.7

¹ Deloitte Audit Wirtschaftsprüfungs GmbH

The following expenses for Group auditor/Group auditor network services were incurred by VERBUND's joint ventures: €15.4k (previous year: €9.0k) for audit services relating to the consolidated and separate financial statements (of which to Deloitte Audit Wirtschaftsprüfungs GmbH: €15.4k; previous year: €9.0k) and €0.0k (previous year: €0.0k) for other assurance services (of which to Deloitte Audit Wirtschaftsprüfungs GmbH: €0.0k; previous year: €0.0k).

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	
	2014	2015
Income statement		
Electricity revenue	0.0	0.1
Grid revenue	0.0	0.0
Other revenue	0.7	0.7
Other operating income	0.0	0.1
Expenses for electricity, grid, gas and certificates purchases	-0.1	-0.1
Fuel expenses and other usage-dependent expenses	0.0	0.0
Other operating expenses	0.0	0.0
Interest expenses	0.0	0.0
Interest income	1.9	1.9
Other financial result	2.3	2.2

Transactions with joint ventures

€m

	31/12/2014	31/12/2015
Balance sheet		
Investments and non-current other receivables	23.8	40.4
Trade receivables and current other receivables	36.8	12.4
Contributions to building costs	1.0	1.0
Trade payables and current other liabilities	1.5	2.4

Investments at 31 December 2015 included a non-current loan to Energji Ashta Shpk in the amount of €36.4m (previous year: €19.8m) as well as a current other receivable in the amount of €12.2m (previous year: €36.8m). Both mainly served the financing of construction services relating to an Albanian hydropower plant concession.

Transactions with associates

KELAG-Kärntner Elektrizitäts-AG has acquired (proportionate) 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. Based on these electricity supply agreements, VERBUND is obligated to deliver a portion of the electricity generated in these power plants to KELAG-Kärntner Elektrizitäts-AG in exchange for reimbursement of the contractually predetermined recognised expenses (excluding depreciation, amortisation and interest).

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

Transactions with associates

€m

	2014	2015
Income statement		
Electricity revenue	49.8	58.8
Grid revenue	18.9	22.9
Other revenue	0.2	0.3
Other operating income	2.3	3.3
Expenses for electricity, grid, gas and certificates purchases	-29.8	-28.3
Fuel expenses and other usage-dependent expenses	0.0	0.0
Other operating expenses	-0.8	-1.5
Interest income	0.0	0.0
	31/12/2014	31/12/2015
Balance sheet		
Trade receivables and current other receivables	7.3	11.6
Contributions to building costs	279.2	285.5
Trade payables and current other liabilities	0.1	0.3

Electricity revenue was realised mainly with KELAG-Kärntner Elektrizitäts-AG (€38.6m; previous year: €38.2m) and OeMAG Abwicklungsstelle für Ökostrom AG (€20.2m; previous year: €11.6m). The electricity revenue had to be seen alongside electricity purchases from KELAG-Kärntner Elektrizitäts-AG in the amount of €23.0m (previous year: €29.8m) and OeMAG Abwicklungsstelle für Ökostrom AG (€5.3m; previous year: €0.0m). Grid revenue was only realised with KELAG-Kärntner Elektrizitäts-AG. KELAG-Kärntner Elektrizitäts-AG made contributions to building costs of €15.2m (previous year: €31.0m) in the 2015 reporting period.

As at 31 December 2015, other liabilities included contingent liabilities of €8.2m (previous year: €29.9m) in the form of guarantees issued by VERBUND for Verbundplan Birecik Baraji Isletme Ltd. Sti. (VBOC), which is not consolidated. VBOC is entrusted with the operation of the Birecik hydropower plant on the Euphrates River in Turkey as part of an operator model (build operate transfer, BOT) over 15 years. The guarantees relate to 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 2015, there are contribution commitments to investees in the amount of €5.0m (previous year: €6.9m).

**Other commitments
to investees**

Electricity deliveries from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €28.7m (previous year: €56.2m) in the 2015 reporting period. The primary buyers of this electricity were Bundesbeschaffungs GmbH, Telekom Austria and ASFINAG. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €0.2m in the 2015 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**

In the 2015 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 €-8.4m (previous year: €2.1m; see also: (37) 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 €66.5m (31 December 2014: €54.3m) and in current other liabilities in the amount of €5.3m (31 December 2014: €9.1m). 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 €12.9m in the 2015 reporting period.

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

Detailed disclosures regarding the Boards of VERBUND AG are presented in the corporate governance report. The following disclosures focus on the remuneration of members of the Executive Board and the Supervisory Board.

Current remuneration of the Executive Board (incl. variable remuneration)					€
	Current remuneration	2014 (of which variable portion)	Current remuneration	2015 (of which variable portion)	
Dipl.-Ing. Wolfgang Anzengruber	1,158,513	(366,601)	1,187,058	(381,175)	
Dr. Johann Sereinig	1,057,908	(302,104)	1,135,638	(365,262)	
Dipl.-Ing. Dr. Günther Rabensteiner	737,720	(175,336)	734,879	(162,887)	
Dr. Peter F. Kollmann	750,000	(0)	980,357	(217,125)	

Remuneration of the members of the Executive Board totalled €4,143,855 in 2015 (previous year: €3,810,420), including €105,924 (previous year: €106,279) in remuneration in kind.

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 2015 reporting period for the 2014 reporting period.

Variable remuneration depends upon performance and is limited to a specific percentage of the respective fixed remuneration. For reporting period 2014, this percentage rate ranged between 30% and 50%; this percentage rate also applies for the current 2015 reporting period. The level of performance-based remuneration components depends on the extent to which the targets agreed for the financial year are reached. In the 2014 reporting period, the agreed goals were based 50% on consolidated profit or loss, 15% on meeting objectives in the thermal area (exit from France and Italy, closing of unprofitable thermal power plants) and 35% on intermediate goals (two-year period, partly qualitative), for example the meeting of specific cost goals related to the “VERBUND 2015” project and the market initiative (e.g. increasing the market share, new services and products, expanding the B2B operations). 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 2015 reporting period, contributions to the pension fund were paid for the Executive Board in the amount of €213,975 (previous year: €172,675).

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 2015 reporting period, €384,644 was paid out for pensions (previous year: €525,892) and €0 for termination benefits in favour of beneficiaries (previous year: €0).

Profit or loss for the period included expenses for termination benefits and pensions and similar obligations - i.e. post-employment benefits - in the amount of €68,313 (previous year: €83,689). 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 €100,629 (previous year: €151,640). In addition, remeasurement income in the amount of €1,203,027 (previous year: expenses amounting to €1,036,706) was recognised in other comprehensive income.

Remuneration for members of the Supervisory Board (including the reimbursement of recharged business/travel expenses) amounted to a total of €312,665 (previous year: €318,543). 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	2014 VERBUND Innkraftwerke GmbH	VERBUND Hydro Power GmbH	2015 VERBUND Innkraftwerke GmbH
Revenue	863.9	82.7	733.7	74.3
Profit after tax from continuing operations	322.8	12.6	206.6	1.7
Profit for the period	322.8	12.6	206.6	1.7
Ownership interest of non-controlling interests	19.58%	29.73%	19.46%	29.73%
Profit for the period attributable to non-controlling interests	63.2	3.7	40.2	0.5
Other comprehensive income	-37.7	-5.7	4.2	0.2
Total comprehensive income for the period	285.1	6.9	210.8	1.9
Ownership interest of non-controlling interests	19.58%	29.73%	19.46%	29.73%
Total profit or loss for the period attributable to non-controlling interests	55.8	2.0	41.0	0.6

Subsidiaries with significant, non-controlling interests: Balance sheet

	€m			
	VERBUND Hydro Power GmbH	31/12/2014 VERBUND Innkraftwerke GmbH	VERBUND Hydro Power GmbH	31/12/2015 VERBUND Innkraftwerke GmbH
Non-current assets	4,762.3	732.1	4,791.2	700.6
Current assets	370.5	22.6	14.1	24.6
Non-current liabilities	-2,336.4	-87.4	-2,399.0	-86.6
Current liabilities	-697.9	-13.4	-347.2	-12.6
Net assets	2,098.5	654.0	2,059.0	625.9
Ownership interest of non-controlling interests	19.58%	29.73%	19.46%	29.73%
Net assets attributable to non-controlling interests	410.9	194.5	400.8	186.1

Subsidiaries with significant, non-controlling interests: Cash flows

€m

	VERBUND Hydro Power GmbH	31/12/2014 VERBUND Innkraftwerke GmbH	VERBUND Hydro Power GmbH	31/12/2015 VERBUND Innkraftwerke GmbH
Cash flow from operating activities	458.6	51.1	313.1	48.5
Cash flow from investing activities	-153.9	-67.1	-105.2	-9.3
Cash flow from financing activities	-304.6	16.0	-207.9	-39.2
Change in cash and cash equivalents	0.0	0.0	0.0	0.0
Dividends paid to non-controlling interests	58.9	11.9	48.7	8.9

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 cash and cash equivalents available to distribute the entire profit; a distribution of the entire profit would not leave enough cash and cash equivalents 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 2015 (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
	2014	2015
Revenue	1.8	0.5
Depreciation and amortisation	-0.1	-0.1
Interest income	11.9	11.6
Interest expense	-7.7	-7.5
Taxes on income	-4.1	-0.3
Profit/loss after tax from continuing operations	-2.5	1.6
Ownership interest of VERBUND	50.01%	50.01%
Profit or loss for the period attributable to VERBUND	-1.2	0.8
Differences due to the application of the equity method of accounting	0.0	0.0
Result from joint ventures accounted for using the equity method	-1.2	0.8
Profit/loss after tax from continuing operations	-2.5	1.6
Other comprehensive income	0.0	0.0
Total comprehensive income for the period	-2.5	1.6
Ownership interest of VERBUND	50.01%	50.01%
Total comprehensive income for the period attributable to VERBUND	-1.2	0.8
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	-1.2	0.8
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
	2014	2015
Loss after tax from continuing operations	-0.1	-1.5
Loss for the period attributable to VERBUND	-0.1	-0.8
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	-0.1	-0.8
Loss after tax from continuing operations	-0.1	-1.5
Other comprehensive income	0.0	0.0
Total comprehensive income for the period	-0.1	-1.5
Total comprehensive income for the period attributable to VERBUND	-0.1	-0.8
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	-0.1	-0.8

Shkodra Region Beteiligungsholding GmbH: Balance sheet

€m

	31/12/2014	31/12/2015
Non-current assets	141.4	134.0
Current assets ¹	33.5	12.5
Non-current liabilities ²	- 125.9	- 115.4
Current liabilities ³	- 46.2	- 26.6
Net assets	2.9	4.5
Ownership interest of VERBUND	50.01%	50.01%
Net assets attributable to VERBUND	1.4	2.3
Differences due to the application of the equity method of accounting	- 1.4	- 2.3
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: €0.1m). // ² Non-current liabilities include non-current financial liabilities (with the exception of trade payables, other liabilities and provisions) in the amount of €118.9m (previous year: €125.9m). // 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: €7.8m).

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 €17.0m (previous year: €50.0m). As at 31 December 2015, €8.3m (previous year: €32.8m) of the limit had been drawn down.

Individually immaterial joint ventures: Balance sheet

€m

	31/12/2014	31/12/2015
Net assets	8.1	9.6
Net assets attributable to VERBUND	2.9	3.6
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	2.9	3.7

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 2015 (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

	2014 KELAG-Kärntner Elektrizitäts- Aktien- gesellschaft	2015 KELAG-Kärntner Elektrizitäts- Aktien- gesellschaft
Revenue	1,447.1	1,442.3
Profit after tax from continuing operations	96.4	77.5
Ownership interest of VERBUND	35.17%	35.17%
Profit for the period attributable to VERBUND	33.9	27.3
Differences due to the application of the equity method of accounting	0.0	0.0
Share of profit from associates accounted for using the equity method	33.9	27.3
Profit after tax from continuing operations	96.4	77.5
Other comprehensive income	-10.6	-23.6
Total comprehensive income for the period	85.8	53.9
Ownership interest of VERBUND	35.17%	35.17%
Total comprehensive income for the period attributable to VERBUND	30.2	19.0
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	30.2	19.0
Dividends received from associates	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

	2014	2015
Profit after tax from continuing operations	1.8	0.1
Profit for the period attributable to VERBUND	0.4	0.0
Differences due to the application of the equity method of accounting	0.0	0.0
Share of profit from associates accounted for using the equity method	0.4	0.0
Profit after tax from continuing operations	1.8	0.1
Other comprehensive income	0.0	0.0
Total comprehensive income for the period	1.8	0.1
Total comprehensive income for the period attributable to VERBUND	0.4	0.0
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	0.4	0.0

Individually material associates: Balance sheet

€m

	31/12/2014 KELAG-Kärntner Elektrizitäts- Aktien- gesellschaft	31/12/2015 KELAG-Kärntner Elektrizitäts- Aktien- gesellschaft
Non-current assets	1,515.1	1,619.7
Current assets	235.6	197.1
Non-current liabilities	-771.4	-825.3
Current liabilities	-252.0	-250.2
Net assets	727.4	741.3
Ownership interest of VERBUND	35.17%	35.17%
Net assets attributable to VERBUND	255.8	260.7
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	256.1	261.0

Individually immaterial associates: Balance sheet

€m

	31/12/2014	31/12/2015
Net assets	5.7	6.2
Net assets attributable to VERBUND	1.4	1.7
Differences due to the application of the equity method of accounting	0.0	1.5
Carrying amount of associates accounted for using the equity method	1.4	3.2

List of Group companies

The following list of Group companies prepared in accordance with Section 245a(1) in conjunction with Section 265(2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) comprises VERBUND's subsidiaries, joint ventures and associates. In addition, this list also includes non-consolidated subsidiaries and other joint ventures and equity interests of VERBUND not accounted for using the equity method with an interest of $\geq 20\%$.

Group companies

Company	Head- quarters	Consoli- dation method	2014		2015		Parent company's share of equity	
			Parent company	Parent comp- any's share of equity	Head- quarters	Consoli- dation method		
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.	Bucha- rest	CS	VRP	99.99%	Bucha- rest	CS	VH	99.99%
Donaukraftwerk Jochenstein Aktiengesellschaft	Passau	CS	VH VHP-IW	50.00% 50.00%	Passau	CS	VH VHP-IW	50.00% 50.00%

Group companies

Company	Head- quarters	Consoli- dation method	Parent company	2014		Head- quarters	Consoli- dation method	Parent company	2015	
				Parent comp- any's share of equity					Parent comp- any's share of equity	
Grenzkraftwerke Gesellschaft mit beschränkter Haftung	Simbach	CS	VH VHP-IW	50.00% 50.00%		Simbach	CS	VH VHP-IW	50.00% 50.00%	
Innwerk AG (VHP-IW)	Stamm- ham	CS	VH	100.00%		Stamm- ham	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 Finanzierungs- service GmbH	Vienna	CS	VH	100.00%		Vienna	CS	VH	100.00%	
VERBUND Photovoltaics Ibérica S.L.	Madrid	CS	VRP	100.00%		Madrid	CS	VH	100.00%	
VERBUND Sales GmbH (VSA)	Vienna	CS	VH	100.00%		Vienna	CS	VH	100.00%	
VERBUND Sales Deutschland GmbH	-	-	-	-		Munich	CS	VSA	100.00%	
VERBUND Services GmbH	Vienna	CS	VH	100.00%		Vienna	CS	VH	100.00%	
VERBUND Solutions GmbH (VSO)	Vienna	CS	VH	100.00%		Vienna	CS	VH	100.00%	
VERBUND Thermal Power GmbH & Co KG in Liqu.	Neudorf ob Wildon	CS	VH	100.00%		Neudorf ob Wildon	CS	VH	100.00%	
VERBUND Thermal Power GmbH (VTP GmbH)	Neudorf ob Wildon	CS	VH	100.00%		Neudorf ob Wildon	CS	VH	100.00%	
VERBUND Tourismus GmbH	Vienna	CS	VHP LESTIN	99.90% 0.10%		Vienna	CS	VHP LESTIN	99.90% 0.10%	
VERBUND Trading GmbH	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	VHP LESTIN	99.75% 0.25%		Vienna	CS	VHP	100.00%	

Group companies

Company	Head- quarters	Consoli- dation method	Parent company	2014	Head- quarters	Consoli- dation method	Parent company	2015
				Parent comp- any's share of equity				Parent com- pany's share of equity
VERBUND Wind Power Deutschland GmbH (VRP-DE)	Wörr- stadt	CS	VH	100.00%	Wörr- stadt	CS	VH	100.00%
Windpark Dichtelbach GmbH & Co. KG	Wörr- stadt	CS	VH	95.00%	Wörr- stadt	CS	VH	95.00%
Windpark Dörrebach GmbH & Co. KG	Wörr- stadt	CS	VH	95.00%	Wörr- stadt	CS	VH	95.00%
Windpark Eichberg GmbH & Co. KG	Wörr- stadt	CS	VH	95.00%	Wörr- stadt	CS	VH	95.00%
Windpark Ellern GmbH & Co. KG	Wörr- stadt	CS	VH	95.00%	Wörr- stadt	CS	VH	95.00%
Windpark Hochfels GmbH & Co. KG	Wörr- stadt	CS	VH	95.00%	Wörr- stadt	CS	VH	95.00%
Windpark Rheinböllen GmbH & Co. KG	Wörr- stadt	CS	VH	95.00%	Wörr- stadt	CS	VH	95.00%
Windpark Schönborn GmbH & Co. KG	Wörr- stadt	CS	VH	95.00%	Wörr- stadt	CS	VH	95.00%
Windpark Seibersbach GmbH & Co. KG	Wörr- stadt	CS	VH	95.00%	Wörr- stadt	CS	VH	95.00%
Windpark Stetten I GmbH & Co. KG	Wörr- stadt	CS	VH	95.00%	Wörr- stadt	CS	VH	95.00%
Windpark Utschenwald GmbH & Co. KG	Wörr- stadt	CS	VH	95.00%	Wörr- stadt	CS	VH	95.00%
Alpha Wind S.R.L.	Bucha- rest	CS	VRP	90.00%	Bucha- rest	CS	VH	90.00%
Ventus Renew Romania S.R.L.	Bucha- rest	CS	VRP	90.00%	Bucha- rest	CS	VH	90.00%
Infrastruktur Oberheimbach I GmbH & Co. KG	Wörr- stadt	CS	VH	81.00%	Wörr- stadt	CS	VH	81.00%
VERBUND Hydro Power GmbH	Vienna	CS	VH	80.42%	Vienna	CS	VH	80.54%
Infrastrukturgesell- schaft Bischheim GmbH & Co. KG	Wörr- stadt	CS	VH	76.00%	Wörr- stadt	CS	VH	61.26%
VERBUND Innkraftwerke GmbH	Töging	CS	VH	70.27%	Töging	CS	VH	70.27%

Group companies

Company	Head- quarters	Consoli- dation method	Parent company	2014	Head- quarters	Consoli- dation method	Parent company	2015
				Parent comp- any's share of equity				Parent com- pany's share of equity
Ennskraftwerke Aktiengesellschaft	Steyr	JO	VH	50.00%	Steyr	JO	VH	50.00%
Shkodra Region Beteiligungsholding GmbH (VHP-AL-HI)	Vienna	EM ²	VHP	50.01%	Vienna	EM ²	VHP	50.01%
AQUANTO GmbH	Unterföhr- ing	EM ²	VH	50.00%	Unterföh- ring	EM ²	VH	50.00%
SOLAVOLTA Energie- und Umwelttechnik GmbH	–	–	–	–	Sankt Marga- rethen im Bglld	EM	VSO	50.00%
VERBUND GETEC Energiecontracting GmbH	–	–	–	–	Vienna	EM ²	VSO	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%
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 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	100.00%	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	VSO	50.00%	Vienna	NC	VSO	76.78%

Group companies

Company	Head- quarters	Consoli- dation method	Parent company	2014	Head- quarters	Consoli- dation method	Parent company	2015
				Parent comp- any's share of equity				Parent com- pany's share of equity
SMATRICS GmbH & Co KG (2014: E- Mobility Provider Austria GmbH & Co KG)	Vienna	NC ²	VSO	50.00%	Vienna	NC	VSO	76.78%
smart Energy Services GmbH	Vienna	NC ²	VSA	50.00%	Vienna	NC ²	VSA	50.00%
PÖYRY Energy GmbH	Vienna	NC	VH	25.10%	Vienna	NC	VH	25.10%
Haos Invest EAD	Sofia	CS ¹	VRP	100.00%	-	-	-	-
Pont-sur-Sambre Power S.A.S.	Boulogne Billan- court	NC ¹	VH	100.00%	-	-	-	-
			VH	17.22%				
Sorgenia S.p.A.	Milan	NC	SOR- GENIA	81.57%	-	-	-	-
Sorgenia Holding S.p.A. (SORGENIA)	Milan	NC	VH	34.97%	-	-	-	-
Toul Power S.A.S.	Boulogne Billan- court	NC ¹	VH	100.00%	-	-	-	-
VERBUND Renewable Power GmbH (VRP)	Vienna	CS	VH	100.00%	-	-	-	-
Blaringhem Power S.A.R.L.	Paris	NC	VTR VH	60.00% 40.00%	-	-	-	-
VERBUND EcoSales GmbH	Vienna	NC	VSA	100.00%	-	-	-	-
VERBUND Trading Hungária Kft. "végelszámolás"	Budapest	NC	VTR	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 venture

Events after the reporting date

There were no events requiring disclosure between the reporting date of 31 December 2015 and authorisation for issue on 11 February 2016.

Vienna, 11 February 2016

The Executive Board

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

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

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

Dr. Peter F. Kollmann
Member of the Executive Board

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, 11 February 2016
The Executive Board

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

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

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

Dr. Peter F. Kollmann
Member of the Executive Board

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 2015 to 31 December 2015. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2015, 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 2015 as well as the notes to the consolidated financial statements.

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and the additional requirements under section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

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 Austrian Standards on Auditing. These principles require the application of International Standards on Auditing. Those standards require that we comply with the ethical requirements and plan and perform the audit 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 judgment, including the assessment of the risks of material misstatement of the consolidated 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 the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and the additional requirements under section 245a UGB.

**Management's
responsibility for the
consolidated
financial statements**

**Auditor's
responsibility**

Audit opinion

Comments on the Group management report

Pursuant to statutory provisions, the management report for the Group 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 Group's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB are appropriate.

Vienna, 11 February 2016

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Gerhard Marterbauer
Certified Public Accountant

MMag. Dr. Klaus-Bernhard Gröhs
Certified Public Accountant

GRI Content Index 2015

G4 GENERAL STANDARD DISCLOSURES		Assured	Reported where?
G4-1	Relevance of sustainability to the Group		Report of the Executive Board, sections entitled Strategy and Strategic targets
G4-2	Economic, environmental and social impacts of the Group, risks and opportunities		Section entitled Risk and opportunity management
G4-3 to G4-9	Organisational profile	G4-9	VERBUND at a glance
G4-10 to G4-11	Employee-related KPIs		Section entitled Human resources and social responsibility, EDO
G4-12	Supply chain	G4-12	Section entitled Procurement, DMA
G4-13	Changes in the reporting period		Footnotes to and explanatory notes on KPI tables
EU1	Installed capacity, broken down by energy source		Section entitled Energy
EU2	Net energy output	EU2	Section entitled Energy
EU3	Number of consumers		Section entitled Energy
EU4	Length of transmission and distribution lines		Section entitled Grid
EU5	Allocation of CO₂ emissions allowances	EU5	Section entitled Energy
G4-14	Precautionary principle		Section entitled Risk and opportunity management
G4-15	Endorsement of external initiatives		DMA
G4-16	Memberships		DMA
G4-17	Included entities		Ownership structure on the inside cover
G4-18	Definition of the report content and Aspects	G4-18	EDO
G4-19	Identified material Aspects	G4-19	EDO
G4-20 to G4-21	Aspect boundaries		EDO
G4-22 to G4-23	Effects of restatements		Footnotes to and explanatory notes on KPIs
G4-24 to G4-27	Stakeholder engagement		Section entitled Stakeholder relations, DMA, EDO
G4-28 to G4-32	Report profile and GRI Content Index		Section entitled Information about the integrated report
G4-33	External assurance of the report		Independent Assurance Report
G4-34 to G4-55	Governance structure, governance bodies, remuneration		Section entitled Corporate Governance Report, DMA
G4-56 to G4-58	Ethics and integrity		DMA

G4 SPECIFIC STANDARD DISCLOSURES		Assured	Reported where?
ECONOMIC			
Economic performance			
EU-DMA	Availability and reliability (formerly EU6, now DMA)		DMA
EU-DMA	Demand-side management (formerly EU7, now DMA) Research and development (formerly EU8, now DMA)		Section entitled Innovation, research and development
G4-EC1	Direct economic value generated and distributed		EDO
G4-EC2	Financial implications and other risks and opportunities due to climate change		Section entitled Risk and opportunity management
G4-EC3	Coverage of defined benefit plan obligations		EDO
G4-EC4	Financial assistance received from government		EDO
EU9	Decommissioning of nuclear power sites		Not applicable
EU10	Planned capacity against projected electricity demand over the long term		Section entitled Energy
EU11	Average generation efficiency of thermal plants		Section entitled Energy
EU12	Transmission and distribution losses		Section entitled Grid, EDO
Market presence			
G4-EC5	Ratio of standard entry-level wage to local minimum wage		Section entitled Human resources and social responsibility
G4-EC6	Local senior management at significant locations of operation		Not relevant
Indirect economic impacts			
G4-EC7	Development and impact of infrastructure investments and services supported		DMA
G4-EC8	Significant indirect economic impacts		Section entitled Energy, EDO and project descriptions at www.verbund.com
Procurement practices			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation		Section entitled Procurement
ENVIRONMENTAL			
Materials			
G4-EN1	Materials used by weight or volume		Section entitled Environmental performance
EU-DMA	Long-term phasing-out of PCBs		DMA
G4-EN2	Percentage of materials used that are recycled input materials		EDO
Energy			
G4-EN3	Energy consumption within the organisation	EN3	Section entitled Environmental performance
G4-EN4	Energy consumption outside of the organisation		
G4-EN5	Energy intensity		EDO
G4-EN6	Reduction of energy consumption		Section entitled Environmental performance
G4-EN7	Reductions in energy requirements of products and services (>> see EN27)		Section entitled Innovation, research and development

G4 SPECIFIC STANDARD DISCLOSURES		Assured	Reported where?
Water			
EU-DMA	Water management		DMA
G4-EN8	Total water withdrawal		EDO
G4-EN9	Water sources significantly affected		DMA
G4-EN10	Water recycled and reused		Not material
Biodiversity			
G4-EN11	Operational sites in protected areas and areas of high biodiversity value		EDO
G4-EN12	Impacts on biodiversity in protected areas and areas of high biodiversity value		DMA
EU-DMA	Impacts on biodiversity along line routes		DMA
G4-EN13	Habitats protected or restored		Section entitled Energy
EU13	Biodiversity of offset habitats		DMA
G4-EN14	IUCN Red List species and national conservation list species		Ascertained in EIA processes for projects and made available for public inspection.
Emissions			
G4-EN15 to G4-EN21	Greenhouse gas emissions	EN15 EN16 EN17	Section entitled Environmental performance
Effluents and waste			
EU-DMA	Management strategy for nuclear waste		Not applicable
G4-EN22	Total water discharge		EDO
G4-EN23	Total weight of waste		EDO
EU-DMA	Thermal discharges and PCB waste		EDO
G4-EN24	Significant spills		DMA
G4-EN25	Movement of waste		Not relevant
G4-EN26	Water bodies significantly affected by discharges of water and runoff		DMA
Products and services			
G4-EN27	Mitigation of environmental impacts of products and services		DMA
G4-EN28	Products and packaging reclaimed		Not relevant
Compliance			
EN29	Fines and non-monetary sanctions for non-compliance with environmental laws and regulations		EDO
Transport			
G4-EN30	Environmental impacts of transportation		Not material
Overall			
G4-EN31	Environmental protection expenditures and investments		Section entitled Environmental performance
Supplier environmental assessment			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria		Section entitled Procurement, EDO , DMA
G4-EN33	Environmental impacts in the supply chain		Section entitled Procurement, EDO , DMA
Environmental grievance mechanisms			
G4-EN34	Formal grievances about environmental impacts		DMA

G4 SPECIFIC STANDARD DISCLOSURES		Assured	Reported where?
SOCIAL			
Labour practices and decent work			
EU-DMA	Maintaining a skilled workforce (formerly EU14, now DMA) Health and safety of employees and contractor employees (formerly EU16, now DMA)		DMA
G4-LA1	New employee hires and employee turnover Average length of tenure of employees who left the Company during the reporting period	LA1	Section entitled Human resources and social responsibility, EDO Section entitled Human resources and social responsibility, EDO
G4-LA2	Benefits that are only provided to full-time employees		DMA
G4-LA3	Return to work and retention rates after parental leave		Not ascertained due to low number of employees taking parental leave and low employee turnover
EU15	Percentage of employees eligible to retire in the next five and ten years	EU15	Section entitled Human resources and social responsibility
EU17	Days worked by contractor and subcontractor employees		Not ascertained
EU18	Percentage of contractor and subcontractor employees that have undergone health and safety training		DMA
Labour/management relations			
G4-LA4	Minimum notice periods regarding operational changes		DMA
Occupational health and safety			
G4-LA5	Occupational health and safety programmes	LA5	DMA
G4-LA6	Type and rates of injuries, occupational diseases and fatalities, by region and gender Occupational health and safety indicators for contractor employees working at VERBUND sites.	LA6	Section entitled Human resources and social responsibility DMA
G4-LA7	Workers with high incidence or high risk of diseases		Not applicable
G4-LA8	Health and safety topics covered in formal agreements with trade unions		DMA
Training and education			
G4-LA9	Training and education per employee	LA9	Section entitled Human resources and social responsibility
G4-LA10	Programmes for skills management and lifelong learning		DMA
G4-LA11	Regular performance and career development reviews by gender and employee category	LA11	Section entitled Human resources and social responsibility
Diversity and equal opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees according to indicators of diversity		Section entitled Corporate Governance Report
Equal remuneration for women and men			
G4-LA13	Ratio of basic salary and remuneration of women to men		Section entitled Human resources and social responsibility
Supplier assessment for labour practices			
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria		Section entitled Procurement, DMA, EDO
G4-LA15	Significant negative impacts for labour practices in the supply chain		Not relevant
Labour practices grievances mechanisms			
G4-LA16	Formal grievances about labour practices		None

G4 SPECIFIC STANDARD DISCLOSURES		Assured	Reported where?
HUMAN RIGHTS			
Investment			
G4-HR1	Screening of investments and suppliers for		Not relevant
G4-HR2	human rights, employee training		
Non-discrimination			
G4-HR3	Incidents of discrimination and corrective actions taken		Section entitled Corporate Governance Report
Freedom of association and collective bargaining			
G4-HR4	Freedom of association		DMA
G4-HR5 to G4-HR12	Human rights, in particular child, forced and compulsory labour, particularly in connection with international projects		Not relevant
SOCIETY			
Local communities			
EU-DMA	Stakeholder participation (formerly EU 19, now DMA) Management in the event of displacements (formerly EU 20, now DMA)		DMA, EDO
G4-SO1	Local community engagement		DMA, EDO
G4-SO2	Significant negative impacts on local communities		DMA
EU-DMA	Disaster/emergency planning and response (formerly EU21, now DMA)		Section entitled Risk and opportunity management, DMA
EU22	Number of displacements		No displacements
Anti-corruption			
G4-SO3	Identification of risks related to corruption		100.0%
G4-SO4	Communication and training on anti-corruption		Section entitled Corporate Governance Report
G4-SO5	Confirmed incidents of corruption and actions taken		No incidents
Public policy			
G4-SO6	Political contributions		0
Anti-competitive behaviour			
G4-SO7	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices		No legal actions
Compliance			
G4-SO8	Significant fines and non-monetary sanctions for non-compliance with laws and regulations		Section entitled Corporate Governance Report
Supplier assessment for impacts on society			
G4-SO9	New suppliers that were screened for impacts on society		DMA
G4-SO10	Significant negative impacts on society in the supply chain		Not relevant
Grievance mechanisms for impacts on society			
G4-SO11	Formal grievances about impacts on society		EDO
PRODUCT RESPONSIBILITY			
Customer health and safety			
EU-DMA	Community health risks		DMA
G4-PR1	Product and service categories for which health and safety impacts are assessed		DMA
G4-PR2	Non-compliance with regulations concerning the health and safety impacts of products and services		No incidents

G4 SPECIFIC STANDARD DISCLOSURES		Assured	Reported where?
EU-DMA	Access to electricity (formerly EU23, now DMA)		DMA
EU-DMA	Removal of barriers to accessing electricity (formerly EU24, now DMA)		DMA
EU25	Third-party injuries and fatalities		No incidents
EU26	Population unserved in service areas		Not applicable
EU27	Disconnections for non-payment		EDO
EU28	Power outages/amount of electricity not supplied		Section entitled Grid
EU29	Power outage duration		No interruption to supply
EU30	Average plant availability		Section entitled Energy
Product and service labelling			
G4-PR3	Product and service labelling requirements		Section entitled Energy
G4-PR4	Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling		Section entitled Corporate Governance Report
G4-PR5	Surveys measuring customer satisfaction		Section entitled Energy
Marketing communications			
G4-PR6	Sale of banned or disputed products		Not relevant
G4-PR7	Non-compliance with regulations and voluntary codes concerning marketing communications, promotion and sponsorship		No incidents
Customer privacy			
G4-PR8	Substantiated complaints regarding breaches of customer privacy		No complaints
Compliance			
G4-PR9	Significant fines for non-compliance with laws and regulations concerning products and services		No fines

Independent Statement

Independent Statement

Courtesy translation of the Independent Statement on Specific Non-Financial Topics of the Integrated Annual Report 2015 of VERBUND AG *)

Introduction

We were requested to perform a limited assurance engagement on specific non-financial topics of the Integrated Annual Report 2015 (hereafter “the Report”) of VERBUND AG.

The Report and the underlying procedures, systems and structures including subject matters and criteria are the responsibility of the management of VERBUND AG. Our responsibility is to make an assessment based on our review.

We conducted our review in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised), “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and the “Fachgutachten des Fachsenats für Unternehmensrecht und Revision über die Durchführung von sonstigen Prüfungen (KFS/PG 13)” in order to obtain limited assurance on the subject matters. In a limited assurance engagement the evidence-gathering procedures are more limited than in a reasonable assurance engagement and therefore, less assurance can be obtained.

The basis for this engagement are the “General Conditions of Contract for the Public Accounting Professions”, as issued by the Chamber of Public Accountants and Tax Advisors in Austria on March 8, 2000, revised on February 21, 2011 (“AAB 2011”). In accordance with chapter 8 AAB 2011, our liability shall be limited to intent and gross negligence. In cases of gross negligence the maximum liability is limited to EUR 726,730. This amount constitutes a total maximum liability cap which may only be utilized up to this maximum amount even if there is more than one claimant or more than one claim has been asserted.

Subject matters

Review of the procedures, systems and structures for collecting, gathering, aggregating and validating of the following in the Report disclosed Non-Financial Standard Disclosures (as defined in GRI G4):

- General Standard Disclosures: G4-9, G4-12, G4-18, G419, EU2, EU5
- Specific Standard Disclosures – Ecological Performance Indicators: G4-EN 3, G4-EN15, G4-EN16, G4-EN17
- Specific Standard Disclosures – Social Performance Indicators: G4-LA1, G4-LA5, G4-LA6, G4-LA9, G4-LA11, EU 15

Criteria

Based on an assessment of materiality and risk we have evaluated the information and supporting documents obtained with respect to the conformity of the subject matters with the Sustainability Reporting Guidelines (Version G4) and G4 Sectors Disclosures “Electric Utilities” issued by the Global Reporting Initiative (GRI).

Proceedings

Our work included analytical procedures as well as interviews with employees from the headquarters in Vienna notified by the Executive board of VERBUND AG.

Restriction in use

Our engagement is limited to the above mentioned subject matters. We did not review any other content in the Report. We have not tested comparative data from previous years. The scope of our review was limited to samples. Our work was performed on a sample basis as deemed necessary in the particular case, but did not include any substantial testing. Therefore, the assurance that we obtained is limited.

Summarized conclusions

Based on our work described above nothing has come to our attention that causes us to believe that the procedures, systems and structures for collecting, gathering, aggregating and validating of the:

- General Standard Disclosures: G4-9, G4-12, G4-18, G419, EU2, EU5
- Specific Standard Disclosures – Ecological Performance Indicators: G4-EN 3, G4-EN15, G4-EN16, G4-EN17
- Specific Standard Disclosures – Social Performance Indicators: G4-LA1, G4-LA5, G4-LA6, G4-LA9, G4-LA11, EU 15

were not appropriate.

In this regard we would like to note that we were informed by VERBUND AG that the disclosures regarding omissions were – for reasons of readability – not disclosed in the report itself but in the „EDO – Extra Document to the 2015 Integrated Annual Report“.

Vienna, 11 February 2016
 Deloitte Audit
 Wirtschaftsprüfungs GmbH

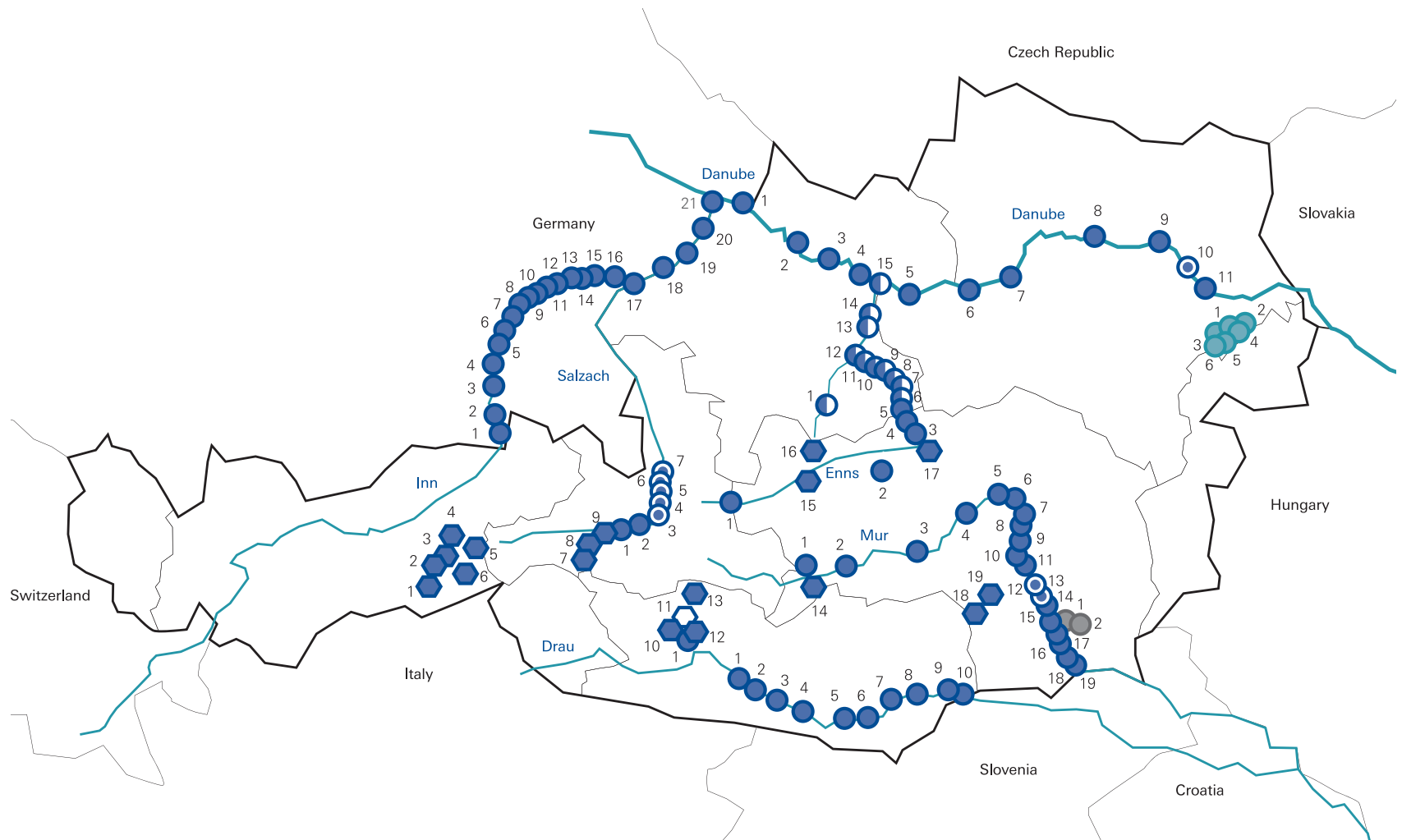
Mag. Gerhard Marterbauer
 Engagement Partner

p.p.a. Dipl.-Ing. Hannes Senft
 Engagement Manager

*The German text of the signed Statement, which refers to the German Version of the Report, is the only binding one. The English translation is not binding and shall not be used for the interpretation of the English Version of the Report.

Certified VERBUND power plants and
APG grid facilities

Certified VERBUND power plants



- Storage power plant
- ◐ Storage power plant under construction
- Run-of-river plant > 5 MW
- Run-of-river plant under construction
- ◉ Joint venture power generating VERBUND Hydro Power GmbH
- ◌ VERBUND participation
- Thermal power plant
- Wind farm

* Plant certified to ISO 14001
 ** Plant certified to EMAS and ISO 14001

Storage power plants

- 1 Roßhag *
- 2 Bösdornau *
- 3 Mayrhofen *
- 4 Gerlos *
- 5 Häusling *
- 6 Funsingau *
- 7 Kaprun Oberstufe *
- 8 Kaprun Hauptstufe *
- 9 Schwarzach **
- 10 Reißeck-Kreuzeck **
- 11 Reißeck II
- 12 Malta Hauptstufe **
- 13 Malta Oberstufe **
- 14 Bodendorf-Paal *
- 15 Sölk *
- 16 Salza *
- 17 Hieflau *
- 18 St. Martin *
- 19 Arnstein *

Run-of-river plants on the Inn

- 1 Oberaudorf-Ebbs
- 2 Nußdorf
- 3 Rosenheim *
- 4 Feldkirchen *
- 5 Wasserburg *
- 6 TW Wasserburg *
- 7 Teufelsbruck *
- 8 Gars *
- 9 TW Gars *
- 10 Jettenbach 1 *
- 11 Jettenbach 2 *
- 12 Töging *
- 13 Aubach *
- 14 Neuötting *
- 15 Perach *
- 16 Stammham *
- 17 Braunau-Simbach
- 18 Ering-Frauenstein
- 19 Eggfing-Obernberg
- 20 Schärding-Neuhaus
- 21 Passau-Ingling

Run-of-river plants on the Salzach

- 1 Wallnerau *
- 2 St. Veit *
- 3 St. Johann
- 4 Urreiting
- 5 Bischofshofen
- 6 Kreuzbergmaut
- 7 Werfen/Pfarrwerfen

Run-of-river plants on the Danube

- 1 Jochenstein
- 2 Aschach *
- 3 Ottensheim-Wilhering *
- 4 Abwinden-Asten *
- 5 Wallsee-Mitterkirchen *
- 6 Ybbs-Persenbeug *
- 7 Melk *
- 8 Altenwörth *
- 9 Greifenstein *
- 10 Nußdorf *
- 11 Freudenau *

Run-of-river plants on the Enns

- 1 Mandling *
- 2 Triebenbach *
- 3 Landl *
- 4 Krippau *
- 5 Altenmarkt *
- 6 Schönau *
- 7 Weyer *
- 8 Großraming *
- 9 Losenstein *
- 10 Ternberg *
- 11 Rosenau *
- 12 Garsten-St. Ulrich *
- 13 Staning *
- 14 Mühlradung *
- 15 St. Pantaleon *

Run-of-river plant on the Steyr

- 1 Klaus *

Run-of-river plant on the Möll

- 1 Malta Unterstufe **

Run-of-river plants on the Mur

- 1 Bodendorf-Mur *
- 2 St. Georgen *
- 3 Fischening *
- 4 Leoben *
- 5 Dionysen *
- 6 Pernegg *
- 7 Laufnitzdorf *
- 8 Rabenstein *
- 9 Peggau *
- 10 Friesach *
- 11 Weinzödl *
- 12 Gössendorf *
- 13 Kalsdorf *
- 14 Mellach *
- 15 Lebring *
- 16 Gralla *
- 17 Gabersdorf *
- 18 Obervogau *
- 19 Spielfeld *

Run-of-river plant on the Drau

- 1 Paternion **
- 2 Kellerberg **
- 3 Villach **
- 4 Rosegg-St. Jakob **
- 5 Feistritz-Ludmannsdorf **
- 6 Ferlach-Maria Rain **
- 7 Annabrücke **
- 8 Edling **
- 9 Schwabeck **
- 10 Lavamünd **

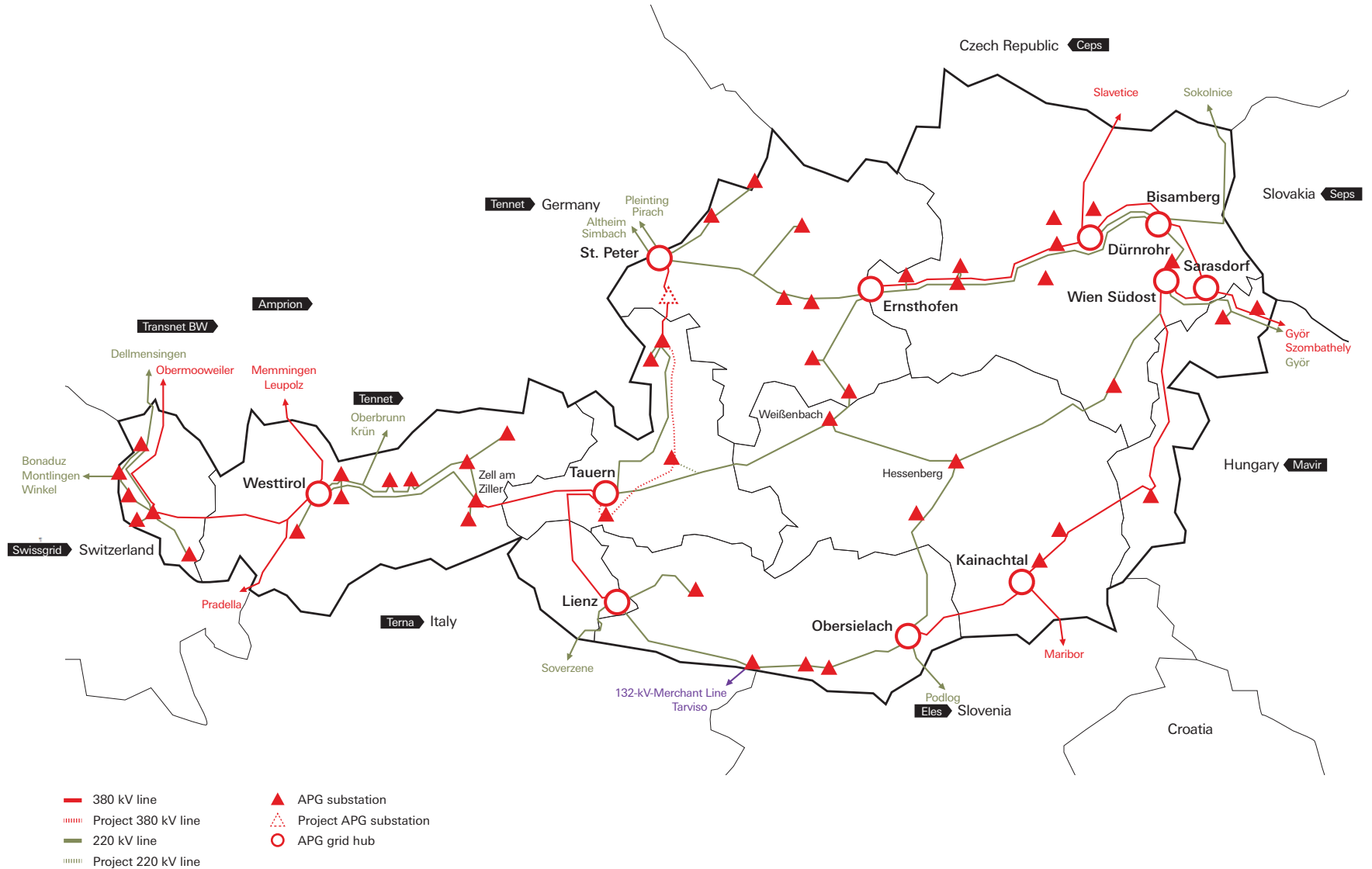
Thermal power plants

- 1 FHKW Mellach **
- 2 GDK Mellach **

Wind farm

- 1 Petronell Carnuntum *
- 2 Petronell Carnuntum II
- 3 Hollern *
- 4 Hollern II
- 5 Bruck/Leitha *
- 6 Bruck/Göttlesbrunn

Certified grid facilities 220/380 kV



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. Operating result from discontinued operations is also reflected in adjusted EBITDA. EBITDA is our most important internal earnings performance indicator and an indicator of the sustainable profitability of our business.

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 non-controlling interests). Beyond that, 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.

Carbon leakage

Relocation of production and related CO₂ emissions to countries subject to little or no carbon constraints.

Cash flow

Net balance of the inflow and outflow of cash and cash equivalents; made up of cash flow from operating activities, investing activities and 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 taken 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.

DMA (Disclosures on Management Approach)

Disclosures on management approach are a Global Reporting Initiative (GRI) requirement. DMA explain how the Group manages the economic, environmental and social impacts of its activities on the material Aspects it has identified. VERBUND combines those processes and management systems in one document and publishes it on the website (www.verbund.com > Investor Relations > Financial Reports).

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.

EDO (Extra Document)

The Extra Document to VERBUND's 2015 Integrated Annual Report contains up-to-date information on selected topics from the 2015 reporting period which, due to space constraints, could not be presented in the Integrated Annual Report itself.

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.

Employee turnover

Employee turnover refers to the percentage of employees who 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 reporting date.

Enterprise value (EV)

Enterprise value corresponds to market capitalisation plus net debt and reflects the market value of the whole business.

Equity method

Method used 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.

Free cash flow after dividends

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 current 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. This 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.

RCF/net debt

Retained cash flow (RCF): funds from operations (FFO) less dividends distributed.

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

Total number 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.

Notes

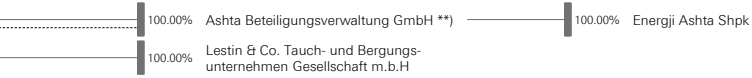
VERBUND Group structure

as at 31 December 2015



*) in liquidation

**) the company has issued a proportionate loss absorption agreement to its shareholder(s)



Legend

- Full consolidation
- Proportionate consolidation
- Equity method
- Joint venture, Equity method
- Not consolidated
- Profit and loss transfer agreement



EDITORIAL DETAILS

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Shareholder structure:

– Republic of Austria (51.0%)

– Syndicate (>25.0 %) consisting of EVN AG (the shareholders of which are:

Niederösterreichische

Landes-Beteiligungsholding GmbH, 51 %,

EnBW Energie Baden-Württemberg AG, 32.5 %) and Wiener Stadtwerke (whose sole shareholder is the City of Vienna)

– TIWAG-Tiroler Wasserkraft AG (>5.0 %, the sole shareholder is the province of Tyrol)

– Free float (<20.0 %): no further information is available concerning owners of shares in free float.

Legal and statutory limitations of voting rights:

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

Regulatory body/trade associations:

E-Control GmbH/E-Control Kommission
Bundesministerium für Wissenschaft,
Forschung und Wirtschaft
Wirtschaftskammer Österreich
Österreichs Energie

Object of the Group:

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

Executive Board:

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

Supervisory Board:

Gilbert Frizberg (Chairman), Michael Süß (1st Vice-Chairman), Elisabeth Engelbrechtsmüller-Strauß (2nd Vice-Chairwoman), Harald Kaszanits, Martin Krajcsir, Peter Layr, Werner Muhm, Susanne Riess, Jürgen Roth, Christa Wagner, Anton Aichinger, Ingeborg Oberreiner, Kurt Christof, Wolfgang Liebscher, Joachim Salamon

Specific laws applicable:

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



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