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VERBUND AG
Annual Report 2015

Contents

Three-year comparison	6
Board members	7
Report of the Supervisory Board	10
Management report	13
Report on business performance and economic position	14
Report on the environment, research, development and social aspects	28
Report on significant risks and uncertainties	41
Report on branch offices	45
Internal control and risk management system	46
Shareholder structure and capital information	47
Report on the expected performance of the Company	49
Events after the reporting date	51
Annual financial statements	53
Balance sheet	54
Income statement	55
Statement of changes in fixed assets	56
Statement of changes in untaxed reserves	58
Maturity schedules	59
Notes to the annual financial statements	62
Disclosure of equity interests in accordance with Section 238(2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)	79
Auditor's report	81
Proposed appropriation of profits	83
Documentation of electricity by source	84
Glossary	85

Note on rounding: The addition of rounded amounts and the calculation of percentages may lead to rounding differences due to the use of computing software.

Three-year comparison

	€m, %		
	2013	2014	2015
Revenue	2,726.7	1,618.3	407.4
Earnings before interest and taxes (EBIT)	-259.7	243.2	166.2
Profit or loss on ordinary activities before taxation	-672.6	69.1	39.4
Net income/net loss for the year	-546.9	279.2	143.7
Net profit	347.4	100.8	121.6
Total assets	5,582.6	6,311.4	5,537.0
Fixed assets	4,753.8	5,816.5	5,082.2
Capital expenditure for property, plant and equipment	2.8	1.6	0.9
Depreciation of property, plant and equipment	1.8	1.8	1.7
Equity	2,336.8	2,268.6	2,311.6
Return on sales (ROS)	-9.5%	15.0%	40.8%
Return on equity (ROE)	-21.7%	3.0%	1.7%
Return on investment (ROI)	-4.6%	4.4%	2.6%
Return on capital employed (ROCE)	-3.6%	3.2%	2.3%
Equity ratio	41.9%	36.0%	41.8%
Debt repayment period	-	12.8	26.1
Cash flow from operating activities	-285.3	214.4	428.2
Gearing	128.8%	164.6%	114.2%
Working capital	-686.4	-327.2	-400.2
Net dept	3,011.7	3,738.4	2,643.4
Current liabilities	1,386.6	1,174.9	585.9
Current assets	700.2	847.7	185.6
Share price high	19.9	16.7	17.3
Share price low	14.3	13.7	11.6
Closing price	15.5	15.3	11.9
(Proposed) dividend per share	1.00	0.29	0.35
Dividend yield	6.44%	1.90%	2.95%
Operational headcount	172.8	181.4	152.7
Group electricity sales volume (GWh)¹	53,589	54,359	55,238

¹ incl. system requirements

Board members

Executive Board

Name	Year of birth	Date of initial appointment	End of current term of office
Dipl.-Ing. Wolfgang Anzengruber CEO and Chairman of the Executive Board	1956	1/1/2009	31/12/2018
Dr. Johann Sereinig Deputy CEO and Vice-Chairman of the Executive Board	1952	1/1/1994	31/12/2018
Dr. Peter F. Kollmann CFO and 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

Name	Year of birth	Date of initial appointment	End of current term of office
Dr. Gilbert Frizberg Chairman CEO of FI Beteiligungs- und Finanzierungs GmbH; CEO of Transfer Industries GmbH; managing shareholder of Franz Heresch & Co GmbH	1956	16/3/2000	AGM 2020
Dkfm. Peter Püspök 1 st Vice-Chairman	1946	16/3/2000	22/4/2015
Prof. Dipl.-Ing. Dr. Michael Süß 1 st Vice-Chairman CEO of Georgsmarienhütte Holding GmbH; member of the supervisory boards 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 2 nd Vice-Chairman	1949	7/4/2010	22/4/2015
Mag. Elisabeth Engelbrechtsmüller-Strauß 2 nd Vice-Chairman CEO of Fronius International	1970	22/4/2015	AGM 2020
Dipl.-Betriebswirt Alfred H. Heinzel Managing partner in several companies of the Heinzel Group	1947	16/3/2000	22/4/2015
Mag. Harald Kaszanits Head of Cabinet of the Vice-Chancellor and Federal Minister; Secretary-General Federal Ministry of Science, Research and Economy	1963	7/4/2010	AGM 2020
Mag. Herbert Kaufmann Former board member of Flughafen Wien AG	1949	26/3/2008	22/4/2015

Name	Year of birth	Date of initial appointment	End of current term of office
Mag. Dr. Martin Krajcsi CEO of WIENER STADTWERKE Holding AG; member of the supervisory boards 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 Speaker of the managing board of EVN AG; chairman of the supervisory boards of Netz Niederösterreich GmbH, Rohöl-Aufsuchungs AG and RAG Beteiligungs-AG	1953	13/4/2011	AGM 2020
Mag. Werner Muhm Director of the Vienna Chamber of Labour and the Federal Chamber of Labour; member of the supervisory boards 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 boards of Wüstenrot Versicherungs-AG (chairwoman), Wüstenrot stambena šteditonica d.d., Croatia (chairwoman), Wüstenrot životno osiguranje d.d., Croatia (chairwoman), Wüstenrot Fundamenta-Lakáskassa 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 Internationalisierungszentrum 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 appointments in publicly listed companies and other significant companies have been listed in relation to (ancillary) functions. Full-time functions are listed where appropriate.

Employee representatives

Name	Year of birth		
Anton Aichinger Chairman of the Group's employee representatives	1955	since 25/10/2006	appointed by the employee representatives
Kurt Christof Chairman of the Central Works Council, Member of the supervisory boards of Stadtwerke Voitsberg GmbH (vice-chairman) and of Sparkasse Voitsberg/Köflach Bankaktiengesellschaft	1964	since 8/3/2004	appointed by the employee representatives
Ing. Wolfgang Liebscher Chairman of the Central Works Council	1966	since 1/11/2013	appointed by the employee representatives
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.

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 Reißeck 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 – also 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. Moreover, the Audit Committee 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 the 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 (Aktengesetz, AktG). The management report by the Executive Board was approved, as was the profit appropriation proposal. The consolidated financial statements and the Group management report were also 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

Management report

Report on business performance and economic position

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.

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-Control¹. 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 amid substantial fluctuations 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.

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.

¹ Österreichische Gesellschaft für die Regulierung in der Elektrizitäts- und Erdgaswirtschaft mit beschränkter Haftung (Energie-Control GmbH)

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).

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.

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 previous 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 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.

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.

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

At EU level, the structure of the energy and electricity market and environmental protection were at the very top of the political agenda 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 price 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 both on the Energy Union strategy and on the proposal for a revised ETS directive as well as in relation to the respective 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 1.74% 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 towards reviving emissions trading and creating a more stable energy environment.

German-Austrian electricity price 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 (Austrian Power Grid AG), supported by all of the Austrian advocacy groups and enterprises such as VERBUND AG, 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 price zones is currently being conducted. The analysis will also consider the joint German-Austrian price zone. The findings of the analysis are expected in 2017.

VERBUND is in any case vehemently opposed to splitting up the joint German-Austrian price 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.

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 EU's Directorate General for the Environment no later than March 2016. The plan must also have been published nationally by that time.

The EU Water Framework Directive remains a central topic for hydropower and thus also for 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 prior-year 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.

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 prior-year 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.

Electricity supply and sales volumes

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 prior-year 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 Dürnrrohr power plant on 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 from third parties (trading)	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 reported under Austria even when services are provided to German grid operators. 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%
Retailers	19,232	18,112	-5.8%
Electricity sales volume	50,823	51,375	1.1%
Own use	2,943	3,100	5.3%
Control power volumes	593	762	28.5%
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 volume 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

Revenue and result

	Unit	2014	2015
Revenue	€k	1,618,333.0	407,371.5
Earnings before interest and taxes (EBIT)	€k	243,160.8	166,203.2
Profit or loss on ordinary activities before taxation	€k	69,127.9	39,389.8
Net income/net loss for the year	€k	279,156.9	143,744.4
Net profit	€k	100,750.5	121,595.5
Return on equity (ROE)	%	3.0	1.7
Return on investment (ROI)	%	4.4	2.6
Return on capital employed (ROCE)	%	3.2	2.3
Return on sales (ROS)	%	15.0	40.8

Revenue

The significant decrease in revenue is mainly attributable to the transfer of the electricity business to VERBUND Trading GmbH in the previous year. In the previous year, revenue for this area for the months of January to August was still included in VERBUND AG's revenue. Because of this, the absolute amounts are not comparable.

Electricity revenue generated in foreign countries, primarily Germany, amounted to 5.5% (previous year: 41.3%).

Electricity sales volume rose within the Group by 552.0 GWh or 1.1% compared to the previous year.

Other operating income

Other operating income fell by €43,124.8k to €28,320.2k. This is mainly due to lower reversals of provisions amounting to €177.4k (previous year: €6,235.9k), income from disposals of investments amounting to €2.2k (previous year: €6,411.8k), the loss of €22,263.2k in income recognized in the previous year from the termination of a natural gas storage management agreement and lower income from billing of services to Group companies.

Expenses for electricity purchases

Expenses for electricity purchases fell by 84.9% to €198,179.1k. The decrease in electricity purchases is mainly attributable to the transfer of the electricity business to VERBUND Trading GmbH in the previous year. VERBUND AG's electricity purchases for the previous year for this area still included the expenses for the months of January to August. Because of this, the absolute amounts are not comparable.

Personnel expenses

Current personnel expenses decreased by €1,379.3k to €26,527.5k. The 1.9% to 2.1% increase in salaries and ancillary expenses under the collective agreement and the biennial pay rises under the collective agreement contributed to an increase in personnel expenses. The decrease in current personnel expenses was offset by a slight increase in bonuses and remuneration. Expenses for employee benefits relating to pensions and termination benefits decreased by €8,861.8k. As an interest rate adjustment

from 3.5% to 2.0% took place in the previous year and, with the exception of a slight interest rate increase from 2.0% to 2.25% for obligations similar to pensions, calculation parameters remained unchanged in the financial year, the decrease is mainly attributable to the effect of the adjustment on the previous year. Overall, the operational headcount fell by 28 to 153.

Other operating expenses

Other operating expenses decreased by €37,042.7k to €39,054.3k. This decrease is primarily attributable to a lower level of advisory services (€5,268.1k), the loss of expenses for operating a fictitious gas storage facility (€24,847.1k), lower advertising and entertainment expenses (€1,846.5k) as well as the decline in intragroup invoicing.

Profit or loss on ordinary activities before taxation

Profit or loss on ordinary activities before taxation decreased from €69,127.9k to €39,389.8k as a result of the influencing factors described above, despite another significant improvement in the financial result (€18,987.8k) compared with the previous year (€-19,716.7k). The financial result changed mainly due to lower results from equity interests of €352,241.6k (previous year: €498,294.8k) and lower transfers of losses of €3,319.0k (previous year: €79,514.6k) which were partly offset by lower depreciation and amortisation and provisions for investees amounting to €283,408.6k (previous year: €394,710.5k).

Financial position

Financial position

	Unit	2014	2015
Fixed assets	€k	5,816,638.8	5,082,168.2
Current assets	€k	128,588.8	99,246.8
Working capital	€k	-327,210.5	-400,249.4
Net debt	€k	3,738,414.9	2,643,373.8
Equity	€k	2,268,617.7	2,311,613.9
Current liabilities	€k	1,174,924.8	585,879.7
Current assets	€k	847,714.3	185,630.3
Equity ratio	%	36.0	41.8

Fixed assets

Intangible assets and property, plant and equipment increased by €6,232.0k. Additions primarily related to electricity purchase rights of €7,296.1k, office adaptations of €543.2k, office and plant equipment of €385.7k and software of €51.4k. Amortisation on intangible assets and depreciation on property, plant and equipment amounted to €2,012.4k in the financial year.

Investments relating to investees increased by €28,804.0k, on the one hand due to the increase in carrying amounts for domestic equity interests (€6,510.8k) and the increase from the transfer of foreign equity interests of VERBUND Renewable Power GmbH to VERBUND AG (€18,743.4k), and on the other hand from the reversal of an impairment loss recognised on an Austrian equity interest (€3,549.9k).

Other investments decreased in total by €769,506.7k. Of this amount, €45,000.0k was attributable to the elimination of a loan through the merger of VERBUND Renewable GmbH with VERBUND AG. Loans were granted in the amount of €11,150.0k, while loans of €726,635.1k were repaid. Securities decreased by €9,287.9k.

Current assets

The decrease in current assets by €29,344.0k to €99,246.8k mainly resulted from the reduction in the receivable from Toul Power SAS in the amount of €48,653.7k. In addition, the receivable from the tax authorities for excess corporate tax prepayments decreased by €9,764.5k. This was offset by an increase in receivables from affiliated companies of €22,667.7k.

Equity

Equity increased by €42,996.2k to €2,311,613.9k due to the result for the year, reduced by the distribution for financial year 2014. The equity ratio rose from 36.0% to 41.8%.

Liabilities

Non-current and current liabilities decreased by €1,093,598.1k to €2,704,263.6k. In financial year 2015, the net movement in borrowing from and repayments to banks was €-898,616.3k. Liabilities to affiliated companies fell by €98,988.4k in connection with cash management. In addition, a financial liability to affiliated companies in the amount of €55,000.0k was repaid.

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.

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 AG 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 AG 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.

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

KPIs – finance

	Unit	2014	2015
Cash flow from operating activities	€k	214,446.7	428,226.0
Cash flow from investing activities	€k	-695,573.9	703,795.2
Cash flow from financing activities	€k	475,740.0	-1,132,013.4
Financial result	€k	-19,716.7	18,987.8
Gearing	%	164.6	114.2
Debt repayment period	years	12.8	26.1

Compared with the previous year, the financial result improved by €38,704.5k to €18,987.8k mainly because there were no impairment losses on equity interests and investments during the financial year (previous year: €216,151.5k). An additional factor were transfers of losses which were lower by €76,195.6k. These have to be seen alongside results from equity interests which had declined by €146,053.2k. A provision of €281,885.1k (previous year: €178,559.1k) was recognised for expected losses from investees. In the area of investments, there was also an impairment loss reversal of €3,549.9k (previous year: €17,538.7k) and income from disposals of investments of €5,881.8k (previous year: €8,600.7k). Interest income improved by €20,017.2k.

A decline in interest-bearing net debt by €1,095,041.0k and the simultaneous increase in adjusted equity by €42,994.4k resulted in a decrease in gearing of 50.4 percentage points to 114.2%. The greater percentage reduction in cash inflow from ordinary activities of 60.9% compared with the debt reduction of 20.2% resulted in the debt repayment period increasing from 12.8 years in the previous year to 26.1 years.

The composition of cash in hand and cash at banks (cash and cash equivalents) is presented under note (5) in the notes to the annual financial statements.

Cash flow statement

(1) Cash flow from operating activities

Cash flow from operating activities was determined using the indirect method and resulted in a cash inflow of €428,226.0k (previous year: cash inflow of €214,446.7k).

The change in trade receivables and other receivables is primarily attributable to the closing of the sale of French equity investments (€49,587.3k), the decrease in deferred tax assets of €6,400.1k and the decrease in other accruals and deferrals in the amount of €3,293.7k. In addition, the reduction of the surplus in corporate tax prepayments resulted in a decrease in other receivables of €9,764.5k.

Changes in trade payables and other liabilities were mainly the result of scheduled repayments of an electricity supply liability.

The change in current provisions and tax liabilities is attributable mainly to the recognition of a provision in connection with investments in the amount of €281,885.1k.

(2) Cash flow from investing activities

Net cash flow from investing activities resulted in a total cash inflow of €703,795.2k (previous year: cash outflow of €695,573.9k), resulting primarily from the repayment of loans amounting to €726,375.4k and the sale of securities totalling €10,930.1k. These have to be seen alongside the granting of loans in the amount of €11,150.0k and additions to equity interests in the amount of €8,155.0k.

Capital expenditure for intangible assets and property, plant and equipment primarily comprised capital expenditure relating to rights in the amount of €7,296.1k, relating to office adaptations in the amount of €543.2k, relating to office and plant equipment totalling €385.7k and relating to software in the amount of €51.4k.

Of the payments for investments in intangible assets and property, plant and equipment, €11,620.0k is related to payment of open invoices assumed as part of the merger of VERBUND Renewable Power GmbH with VERBUND AG.

(3) Cash flow from financing activities

As part of the dividend distribution approved for financial year 2014, €100,750.5k was paid out to shareholders. This was equivalent to a dividend of €0.29 per share.

Group clearing resulted in a cash outflow of €88,098.7k (previous year: cash inflow of €872,367.5k).

There were repayments at maturity in the amount of €691,193.5k, unscheduled repayments in the amount of €156,535.0k, scheduled payments by instalment in the amount of €45,407.1k and repayments in the amount of €55,000.0k for other financial liabilities to affiliated companies.

Cash flow statement

		2014	2015
	Notes		
Net income/net loss for the year		279,156.9	143,744.4
Amortisation of intangible assets and depreciation of property, plant and equipment		2,586.1	2,012.4
Amortisation and reversal of impairment of financial assets		198,612.7	-3,549.9
Result from disposal of non-current assets		-7,043.4	-4,438.3
Change in non-current provisions and deferred tax liabilities		709.8	-4,003.1
Income from the reversal of contributions to building costs		-35.1	-35.1
Other non-cash expenses and income		44,310.1	-52,456.9
Change in inventories		14,892.0	-41.4
Change in trade receivables and other receivables		-160,973.1	72,882.2
Change in trade payables and other liabilities		-236,886.1	-3,438.7
Change in current provisions		79,116.7	277,550.4
Cash flow from operating activities	(1)	214,446.7	428,226.0
Cash outflow from capital expenditure on intangible assets and property, plant and equipment		-18,892.6	-18,817.5
Cash inflow from the disposal of intangible assets and property, plant and equipment		30,499.0	33.1
Cash outflow from capital expenditure on investments		-979,177.7	-19,351.9
Cash inflow from the disposal of investments		271,997.5	741,931.5
Cash flow from investing activities	(2)	-695,573.9	703,795.2
Cash inflow (outflow) from money market transactions		28.6	-28.6
New non-current loans		600,000.0	0.0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		-649,240.4	-943,135.6
Cash inflow (outflow) from increases (decreases) in Group clearing balances		872,367.5	-88,098.7
Dividends paid		-347,415.7	-100,750.5
Cash flow from financing activities	(3)	475,740.0	-1,132,013.4
Change in cash and cash equivalents		-5,387.2	7.9
Cash and cash equivalents as at 1/1/		5,397.9	10.7
Cash and cash equivalents as at 31/12/¹		10.7	18.6

¹ Also see note (5) in the notes of the annual financial statements.

Report on the environment, research, development and social aspects

Environmental performance

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

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/Reifseck hydropower plants and our thermal generation plants in Mellach and Dürnröhr 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.

Use of power and greenhouse gas emissions

Due to the high share of renewable energy sources which represent 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.

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.

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.

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.

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.

Environmental costs

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

Please refer to the 2015 Group integrated annual report for detailed environmental information as well as further information on generation, use of materials, energy consumption, facility areas within protected areas, waste, etc.

Innovation, research and development

KPIs – R & D

	Unit	2013	2014 ²	2015
Number of R&D projects	Number	82.0	75.0	65.0
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's total share 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. SMATRICES

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.

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 specific 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, SMATRICS GmbH & Co KG – 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.

Please refer to the 2015 Group integrated annual report for further information as well as additional details on innovation, research and development.

Human resources and social responsibility

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 Group 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 prior-year 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 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.

Demographic challenge

The demographic trend which has already been observable for many 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 business.

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.

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.

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 Group after employees leave. The loss of employee-specific knowledge and valuable experiences is particularly critical. Keeping this knowledge within the Group 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 businesses 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 firm by the Austrian Federal Ministry of Science, Research and Economy.

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 past programmes to increase efficiency and to the current economic situation. Despite the changes within the Group, the work climate and morale continue to be rated highly. Loyalty to management and commitment to the Group continue to be strong. From the employee perspective, VERBUND continues to achieve higher ratings than other businesses 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 executive 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 about 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 the quality of leadership 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

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 business 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.

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 Freudenu 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 businesses 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 business 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

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.

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. 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.

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 Services GmbH.

The annual safety briefing for all employees is completed via e-learning at the office sites. 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.

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 total volume of assistance offered by the VERBUND Electricity Relief Fund in collaboration with Caritas has been €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.

More than 60,000 people with speech impediments live in Austria. With the aid of the VERBUND Empowerment Fund run by Diakonie, a Protestant humanitarian assistance organisation, help was provided to around 9,000 people during the past five years to enable them to live a considerably more independent life by using modern technologies.

In total, aids and assistive 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 which focus on 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.

Volunteering

More and more, our employees are showing their responsibility to society with the utmost 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 Regenbogental therapeutic farm.
- Employees of VTR prepared meals for homeless and socially disadvantaged in the “Gruft” (an institution of Caritas Vienna for homeless people).

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 accommodations. 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.

Please refer to the 2015 Group integrated annual report for further information as well as additional details on human resources and social responsibility.

Report on significant risks and uncertainties

Risk and opportunity management

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

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

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.).

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 VERBUND's 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.

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).

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. 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.

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 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.

Outlook: risks and opportunities for 2016

The planned operating result for 2016 may fluctuate as a result of impairment losses, volume and price risks of own generation and default risks.

VERBUND AG's financial result is being increasingly influenced by the earnings contributions from its equity interests. The result from equity interests reflects the following factors: the operating business activities of the equity interests, changes in the market environment for the energy sector, restructuring expenses, the potential impairment of the carrying amounts of equity interests and the potential crystallisation of liabilities and guarantees.

The financial result fluctuates based upon changes in market prices and interest rates.

Financial instruments

Primary financial instruments include, in particular, investments such as securities, loans and equity interests, trade receivables, cash at banks, securitised and non-securitised financial liabilities and trade payables.

Finance area

Derivative financial instruments serve exclusively as hedges against existing currency and interest rate risks. The fluctuations in value of these hedging instruments are balanced out by the fluctuations in value of the hedged items. The change in value of those transactions to which hedge accounting is not applied is always recognised in profit or loss.

Additional information on accounting treatment and measurement can be found in Section III (2) of the notes.

As at 11 February 2016, no risks were foreseeable for 2016, the effects of which – either individually or in interaction with other risks – could pose a threat to the continued existence of VERBUND AG.

Report on branch offices

There were no branch offices in the financial year under review.

Internal control and risk management system

in accordance with Section 243a(2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)

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

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 beginning to 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)

1. 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.
2. In accordance with constitutional law, which regulates the ownership structure of companies in the Austrian electricity sector (Federal Law Gazette I [BGBl] 1998/143(2)) and also forms the basis for the Company's Articles of Association, the following voting restriction applies: "With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder at the Annual General Meeting are restricted to 5% of the share capital." VERBUND AG is unaware of any other restrictions that affect voting rights or the transfer of shares.
3. The shareholder structure of VERBUND AG is largely defined by the majority holding of the Republic of Austria. In accordance with constitutional law, 51% of the share capital is owned by the Republic of Austria. A syndicate 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.
4. There are no shares with special control rights.
5. VERBUND does not offer any employee participation programmes.
6. In accordance with the rules of procedure for the Supervisory Board, the last nomination to the Executive Board must be prior to the nominee's 65th birthday. Pursuant to the Austrian Code of Corporate Governance, a Nomination Committee has been established within the Supervisory Board and makes arrangements for the appointment of Executive Board members on behalf of the Supervisory Board. The rules of the Code with respect to the appointment and dismissal of the members of the Executive Board and the Supervisory Board are complied with (see VERBUND 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.
7. **Authorised capital:** In the Extraordinary General Meeting held on 24 September 2010, the Executive Board was authorised under Section 169 of the Stock Corporation Act (Aktengesetz, AktG) to increase the share capital with the approval of the Supervisory Board by 23 September 2015 by up to €154,100,000.00 by issuing up to 154,100,000.00 new bearer or registered ordinary shares (no-par value shares) against a cash contribution – made in several instalments, if applicable. The issue amount, the terms of issue and the further details of the implementation of the capital increase are to

be determined with the approval of the Supervisory Board. The prerequisite is that the Republic of Austria subscribes for new shares within the scope of a capital increase from the authorised capital, and that the shareholding of the federal government in the Company thereby does not fall below 51% of the Company's share capital even after completion of such a capital increase from authorised capital. Subsequently, the Executive Board resolved a capital increase with the Supervisory Board's approval on 24 November 2010 by issuing 39,215,686 no-par value shares, whereby the share capital rose to €347,415,686.00. After this capital increase, the Executive Board was authorised to increase the share capital with the approval of the Supervisory Board by 23 September 2015 from the current nominal value of €347,415,686.00 by up to €114,884,314.00 through the issue of up to 114,884,314 new bearer or registered ordinary shares (no-par value shares). 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 is available on our website at www.verbund.com > Investor Relations > Financial Reports.

Report on the expected performance of the Company

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 is the main reason 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. Based on the forecast at the beginning of the year, VERBUND AG expects a profit on ordinary activities before taxation of around €222m 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

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

Balance sheet

Assets		€k	
	Notes	2014	2015
A. Fixed assets			
I. Intangible assets	(1)	6,388.1	13,380.8
II. Property, plant and equipment		24,509.3	23,748.6
III. Investments	(2)	5,785,741.5	5,045,038.8
		5,816,638.8	5,082,168.2
B. Current assets			
I. Inventories	(3)	112.8	154.2
II. Receivables and other assets	(4)	128,465.3	99,074.0
III. Cash in hand, cash at banks	(5)	10.7	18.6
		128,588.8	99,246.8
C. Prepayments and accrued income			
	(6)	366,162.3	355,542.0
		6,311,390.0	5,536,956.9
Rights of recourse	(7)	949,258.7	1,230,842.2
Less counter-guarantees from cross-border leasing		-433,386.0	-468,113.1
		515,872.7	762,729.2
Liabilities			
	Notes	2014	2015
A. Equity			
I. Share capital	(8)	347,415.7	347,415.7
II. Capital reserves		971,720.3	971,720.3
III. Revenue reserves	(9)	848,731.1	870,882.4
IV. Net profit of which profit carried forward €0.0k; previous year: €0.0k	(10)	100,750.5	121,595.5
		2,268,617.7	2,311,613.9
B. Untaxed reserves			
	(11)	2,939.7	2,937.3
C. Provisions			
	(12)	240,954.6	517,269.9
D. Liabilities			
	(13)	3,797,861.7	2,704,263.6
E. Accruals and deferred income			
	(14)	1,016.4	872.2
		6,311,390.0	5,536,956.9
Contingent liabilities	(15)	949,258.7	1,230,842.2
less counter-guarantees from cross-border leasing		-433,386.0	-468,113.1
		515,872.7	762,729.2

Income statement

		2014	2015
	Notes		
1. Revenue	(16)	1,618,333.0	407,371.5
2. Change in total services not yet billable		-61.4	0.0
3. Other operating income	(17)	71,444.9	28,320.2
4. Operating income (subtotal of lines 1 to 3)		1,689,716.5	435,691.7
5. Expenses for electricity, grid/gas purchases and purchases of emission rights and other purchased production services and other services		-1,485,264.3	-347,567.2
6. Personnel expenses	(18)	-36,924.5	-26,655.7
7. Depreciation and amortisation	(19)	-2,586.1	-2,012.4
8. Other operating expenses	(20)	-76,097.0	-39,054.3
9. Operating result (subtotal of lines 4 to 8)		88,844.6	20,402.0
10. Income from equity interests		498,294.8	352,241.6
11. Income from other securities and loans classified as financial assets		74,625.9	65,962.6
12. Other interest and similar income		37,161.4	10,065.6
13. Income from the disposal and reversal of impairment losses on investments		26,139.4	9,431.6
14. Expenses from investments		-481,905.4	-291,900.1
15. Interest and similar expenses		-174,032.8	-126,813.4
16. Financial result (subtotal of lines 10 to 15)	(21)	-19,716.7	18,987.8
17. Profit or loss on ordinary activities before taxation		69,127.9	39,389.8
18. Differences from mergers		73,894.3	21,850.0
19. Taxes on income	(22)	182,766.4	82,504.6
20. Changes to net worth as result of the spin-off		-46,631.7	0.0
21. Net income for the year		279,156.9	143,744.4
22. Reversal of untaxed reserves		32.6	2.4
23. Allocation to revenue reserves		-178,439.0	-22,151.3
24. Net profit		100,750.5	121,595.5

Statement of changes in fixed assets

	As at 1/1/2015	Additions/ disposals from mergers	Additions	Disposals	Reclassifications
I. Intangible assets					
1. Industrial property rights, electricity purchase rights, usage fees and similar rights and benefits as well as licences derived therefrom	326,250.8	0.0	7,347.4	321.2	0.0
	326,250.8	0.0	7,347.4	321.2	0.0
II. Property, plant and equipment					
1. Land, land rights and buildings, including buildings on third-party land					
a. With residential buildings	77.6	0.0	0.0	0.0	0.0
b. With plant and other plant facilities	26,925.9	0.0	146.0	0.0	0.0
2. Electrical installations	5,311.9	0.0	74.8	109.5	0.0
3. Office and plant equipment	19,611.3	0.0	385.7	278.4	0.0
4. Effected advance payments and plants under construction	0.0	0.0	322.4	0.0	0.0
	51,926.7	0.0	928.9	388.0	0.0
Property, plant and equipment and intangible assets	378,177.5	0.0	8,276.4	709.1	0.0
III. Investments					
1. Shares in affiliated companies	3,322,895.5	61,057.4	6,880.0	2,746.2	0.0
2. Loans to affiliated companies	2,450,951.5	-45,000.0	10,000.0	699,878.4	0.0
3. Equity interests	353,737.5	0.0	1,275.0	68,840.0	0.0
4. Loans to equity interests	220,666.7	0.0	0.0	175,666.7	0.0
5. Securities (loan stock rights) under fixed assets	20,175.9	5.4	46.9	11,356.1	0.0
6. Other loans	65,903.1	0.0	1,150.0	3,852.5	0.0
	6,434,330.3	16,062.8	19,351.9	962,339.9	0.0
Fixed assets	6,812,507.8	16,062.8	27,628.3	963,049.0	0.0

Base value of land as at 31/12/2015: €3,340.7k (previous year: €3,340.7k).

€k					
As at 31/12/2015	Accumulated depreciation, amortisation and write-downs	Net carrying amount as at 31/12/2015	Net carrying amount as at 31/12/2014	Reversal of impairment 2015	Depreciation and amortisation 2015
333,277.1	319,896.3	13,380.8	6,388.1	0.0	354.7
333,277.1	319,896.3	13,380.8	6,388.1	0.0	354.7
77.6	76.8	0.8	1.4	0.0	0.6
27,071.9	17,804.4	9,267.6	9,701.0	0.0	579.5
5,277.2	2,881.0	2,396.2	2,669.0	0.0	347.1
19,718.6	7,957.0	11,761.6	12,137.9	0.0	730.4
322.4	0.0	322.4	0.0	0.0	0.0
52,467.6	28,719.1	23,748.6	24,509.3	0.0	1,657.7
385,744.7	348,615.4	37,129.3	30,897.3	0.0	2,012.4
3,388,086.7	428,037.2	2,960,049.5	2,936,070.3	0.0	0.0
1,716,073.1	0.0	1,716,073.1	2,450,951.5	0.0	0.0
286,172.5	33,227.7	252,944.8	248,120.0	3,549.9	0.0
45,000.0	0.0	45,000.0	67,637.8	0.0	0.0
8,872.1	1,101.4	7,770.8	17,058.7	0.0	0.0
63,200.7	0.0	63,200.7	65,903.1	0.0	0.0
5,507,405.2	462,366.3	5,045,038.8	5,785,741.5	3,549.9	0.0
5,893,149.9	810,981.7	5,082,168.2	5,816,638.8	3,549.9	2,012.4

Statement of changes in untaxed reserves

	As at 1/1/2015	Additions/ reclassifications	Reversals/ disposals	€k As at 31/12/2015
Valuation reserve due to special tax deductions				
1. Early depreciation in accordance with Section 7a of the Austrian Income Tax Act (EStG) 1988				
1.1. Electrical installations	108.7	0.0	2.4	106.3
1.2. Office and plant equipment	82.6	0.0	0.0	82.6
	191.3	0.0	2.4	188.9
2. Transfer of hidden reserves in accordance with Section 12 of the Austrian Income Tax Act (EStG)				
2.1. Office and plant equipment	904.9	0.0	0.0	904.9
2.2. Shares in affiliated companies	1,811.1	0.0	0.0	1,811.1
2.3. Securities	32.4	0.0	0.0	32.4
	2,748.4	0.0	0.0	2,748.4
Untaxed reserves	2,939.7	0.0	2.4	2,937.3

Maturity schedule 2015

	€k			
	Residual term to maturity as at			31/12/2015
	< 1 year	> 1 year	> 5 years	Total
Loans				
1. Loans to affiliated companies	76,871.9	859,567.9	779,633.3	1,716,073.1
2. Loans to equity interests	0.0	45,000.0	0.0	45,000.0
3. Other loans	4,182.2	14,392.0	44,626.5	63,200.7
	81,054.1	918,959.9	824,259.8	1,824,273.8
Receivables and other assets				
1. Trade receivables	11,430.2	0.0	0.0	11,430.2
2. Receivables from affiliated companies	61,743.0	0.0	0.0	61,743.0
3. Receivables from investees	9,316.1	0.0	0.0	9,316.1
4. Other receivables and assets	16,584.7	0.0	0.0	16,584.7
	99,074.0	0.0	0.0	99,074.0
Liabilities				
1. Bonds	26,357.7	913,106.4	627,823.0	1,567,287.1
2. Liabilities to banks	58,268.2	620,626.6	254,158.3	933,053.1
3. Trade payables	13,879.1	15.7	0.0	13,894.8
4. Liabilities to affiliated companies	2,174.9	0.0	0.0	2,174.9
5. Liabilities to equity interests	2,255.1	0.0	0.0	2,255.1
6. Other liabilities	9,473.3	28,332.1	147,793.2	185,598.6
	112,408.4	1,562,080.8	1,029,774.5	2,704,263.6

Maturity schedule 2014

	€k			
	Residual term to maturity as at 31/12/2014			Total
	< 1 year	> 1 year	> 5 years	
Loans				
1. Loans to affiliated companies	688,908.4	890,899.6	871,143.5	2,450,951.5
2. Loans to equity interests	0.0	45,000.0	0.0	45,000.0
3. Other loans	3,563.6	14,212.9	48,126.7	65,903.1
	692,472.0	950,112.5	919,270.1	2,561,854.7
Receivables and other assets				
1. Trade receivables	14,326.5	0.0	0.0	14,326.5
2. Receivables from affiliated companies	39,075.2	0.0	0.0	39,075.2
3. Receivables from investees	52,037.1	0.0	0.0	52,037.1
4. Other receivables and assets	23,026.4	0.0	0.0	23,026.4
	128,465.3	0.0	0.0	128,465.3
Liabilities				
1. Bonds	597,609.5	878,010.8	828,273.8	2,303,894.1
2. Liabilities to banks	203,825.5	631,433.6	296,263.5	1,131,522.7
3. Trade payables	13,975.3	0.0	0.0	13,975.3
4. Liabilities to affiliated companies	150,262.2	0.0	0.0	150,262.2
5. Liabilities to equity interests	25.2	0.0	0.0	25.2
6. Other liabilities	15,859.0	26,779.5	155,543.7	198,182.2
	981,556.8	1,536,223.9	1,280,081.0	3,797,861.7

Notes

I. Accounting policies

Note on rounding

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

Fixed assets

As a rule, depreciable fixed assets are measured at cost less depreciation and amortisation. VERBUND's schedule of uniform depreciation and amortisation rates specifies the following depreciation and amortisation rates:

	Rate of depreciation/ amortisation in %	Useful life in years
Intangible assets		
Rights to telecommunications installations	10	10
Rights to software products	25	4
Other rights	5	20
Buildings		
Residential and office buildings	2 or 3	33.3 or 50
Plant(s)	3	33.3
Technical installations and machinery		
Machinery	4 or 5	20 or 25
Electrical installations	5	20
Telecommunications installations	10	10
Office plant and equipment	10–25	4–10

Property, plant and equipment and intangible assets used for longer than six months of the financial year are depreciated or amortised at the full annual rate, whereas those that are used for less than six months are depreciated or amortised at half the annual rate.

Purchased intangible assets are recognised at cost and – to the extent that they are amortizable – amortised over their standard useful life.

In addition to direct material and production costs, the cost of internally generated plant and equipment also includes appropriate indirect material and production costs. The Company has chosen not to apply the measurement option relating to the inclusion of social security expenses, termination benefits or pensions and similar obligations within the meaning of Section 203(3) of the Austrian Commercial Code (UGB); it has also opted not to capitalise borrowing costs (Section 203(4) of the Austrian Commercial Code (UGB)). Low-value assets are fully written off in the year of acquisition in accordance with Section 226(3) of the Austrian Commercial Code (UGB).

Shares in affiliated companies and equity interests are recognised at cost or at lower fair value. Securities and loan stock rights under fixed assets are measured at cost or at lower fair value; impairment is not reversed. Interest-bearing loans are recognised at their nominal amount. Impairment losses are recognised if the impairment is expected to be permanent; impairment is not reversed. Receivables with a maturity of more than one year are reported under financial assets as loans.

Services not yet billable are recognised at production cost. Production cost includes direct material and production costs as well as appropriate indirect material and production costs. The Company has chosen not to apply the measurement option concerning the inclusion of social security expenses and borrowing costs (Sections 203(3) and (4) of the Austrian Commercial Code (UGB)).

Inventories recognised using the moving average price method are measured at cost in accordance with the strict lower of cost or market value principle.

Receivables and other assets are measured at nominal value, unless a lower amount is to be recognised if there are identifiable individual risks. Receivables in foreign currencies are measured at the mean rate of exchange prevailing at the recognition date or the lower foreign exchange reference rate of the European Central Bank (ECB) prevailing at the reporting date (unless the exchange rate is otherwise hedged).

Cash at banks in foreign currency is also measured using the ECB foreign exchange reference rate in accordance with the strict lower of cost or market value principle.

If tax relief is expected in subsequent years, the option to recognise deferred tax assets is applied, whereby the deferred taxes attributable to Group members based on tax allocation are presented under the current result in their balance sheets.

This prepayment results from differences between the financial and tax accounts with respect to line items that can only be deducted as expenses for tax purposes in income statements of future periods.

Provisions take all foreseeable risks into account that can be allocated to a financial year that has already been completed and include those amounts that it was necessary to recognise based on prudent business judgement.

Provisions for termination benefits are allocated at the full actuarial amount based on the projected unit credit method typically used in international accounting. The accumulation period for provisions for termination benefits is 25 years. Employees whose service began after 31 December 2002 are no longer entitled to a direct claim against their employer for statutory termination benefits. For those employment contracts, the employer pays 1.53% of salary monthly into an employee pension fund in which the contributions are deposited in an account of the employee. Collective bargaining agreement requirements for energy supply companies which exceed statutory claims are recognised in provisions for termination benefits.

Due to labour-management agreements and contracts, VERBUND is obligated to make pension payments to employees after they retire. These defined benefit obligations are partially covered by pension plan assets earmarked for this purpose by APK Pensionskasse AG. The provision determined in accordance with the projected unit credit method typically used in international accounting is presented after offset with pension plan assets. The employer is obligated to provide additional funding to the extent that these defined benefit obligations are required to be fulfilled by APK Pensionskasse AG.

Provisions for current pensions, vested pension benefits and similar obligations are determined using the PUC method.

The interest expense is shown in the financial result, in line with international practice.

The calculations are based on "AVÖ 2008-P – Actuarial Assumptions for Pension Insurance – Pagler & Pagler".

The calculations as at 31 December 2015 and 2014 have been based on the following assumptions:

Current assets

Prepayments and accrued income, accruals and deferred income

Provisions

	%	
	2014	2015
Interest rate		
Pensions and similar obligations	2.00	2.00 or 2.25
Termination benefits	2.00	2.00
Trend		
Pension increases	2.25	2.25
Salary increases	2.25	2.25
Contributions to obligations similar to pensions – old contracts	6.50	6.50
Contributions to obligations similar to pensions – new contracts	4.00	4.00
Employee turnover	0.00 – 4.00	0.00 – 4.00
Retirement age – women	56.5 – 65 y.	56.5 – 65 y.
Retirement age – men	61.5 – 65 y.	61.5 – 65 y.
Expected non-current return on plan assets	2.00	2.00

The same interest rate is applied for the expected return on plan assets as is used to determine the corresponding provision. The discount rates differ according to the residual term of the commitments and in line with the total contained therein (employees and pensioners).

Liabilities

Liabilities are recognised at their redemption amount based on the principle of prudence. Trade payables denominated in foreign currency are measured at the ECB foreign exchange reference rate prevailing at the reporting date, provided that this rate is higher than the rate prevailing at the time of origination.

Liabilities from bonds and loans denominated in foreign currency are measured at the ECB foreign exchange reference rate prevailing at the reporting date, provided that this rate is higher than the rate prevailing at the time of origination. The result of this measurement is presented under the corresponding liabilities. Discounts and the cost of procuring credit were capitalised and repaid systematically until 1983 and in financial years 1994 to 1997 in accordance with Section 198(7) of the Austrian Commercial Code (UGB).

Derivative financial instruments

In individual cases of external financing, interest rate swaps (variable for fixed rate) were entered into in order to hedge cash flows. Individual interest rate swaps (variable for fixed rate) were also entered into for intragroup hedging of cash flows and underlying assets.

Taxes on income

VERBUND AG is the parent of the tax group as defined by Section 9(8) of the Austrian Corporate Income Tax Act (Körperschaftsteuergesetz, KStG) 1988.

The tax group parent charges or (in the event of a loss) credits the group members with the corporate income tax amounts attributable to them by means of a tax allocation. The recharging of the tax allocations results in an adjustment decreasing or increasing the tax expense in the parent's income statement.

The tax recharges to Group members are only adjusted for subsequent deviations if these are material.

II. Notes to the balance sheet and to the income statement

VERBUND Renewable Power GmbH Per the merger agreement dated 24 November 2015, VERBUND Renewable Power GmbH was merged with the parent company VERBUND AG on 30 September 2015 in accordance with Section 96 of the Limited Liability Companies Act (Gesetz betreffend die Gesellschaften mit beschränkter Haftung, GmbHG) in conjunction with Sections 220 ff. of the Stock Corporation Act (AktG) and in accordance with Article I of the Reorganisation Tax Act (Umgründungssteuergesetz, UmgrStG) claiming the benefits under the UmgrStG and the Capital Transfer Tax Act (Kapitalverkehrssteuergesetz, KVG). In doing so, the acquiring company VERBUND AG opts to carry forward the carrying amounts in accordance with Section 202(2) of the Austrian Commercial Code (UGB). As at 30 September 2015, the carrying amounts were as follows:

Corporate law
matters

Net assets	€k
	30/9/2015
Fixed assets	18,755.4
Current assets	61,678.4
Prepayments and accrued income	79.3
Provisions	- 13,253.9
Liabilities	- 45,409.1
	21,850.0

Of the carrying amounts disclosed, the following carrying amounts were attributable to the receiving company:

Current assets €33.6k, liabilities €45,119.4k. These have to be seen alongside accrued interest and liabilities in the same amount at the receiving company. The carrying amount of the equity interest in VERBUND Renewable Power GmbH at VERBUND AG amounted to €0.0.

The merger profit from the assumption of the net assets of VERBUND Renewable Power GmbH thus amounted to €21,850.0k.

In the interest of clear presentation, individual line items in the balance sheet and the income statement have been aggregated. These line items are explained separately in the notes to the annual financial statements. The individual line items of the balance sheet and income statement are presented in accordance with VERBUND's Group-wide requirements with respect to form and content.

General

In accordance with Section 223(7) of the Austrian Commercial Code (UGB), balance sheet and income statement line items with a carrying amount of zero in both the financial year and the previous year are not reported. The designations of the items have been shortened or expanded to reflect their actual content in accordance with Section 223(4) of the Austrian Commercial Code (UGB) to the extent that this appeared expedient in order to present annual financial statements that are clear and easy to understand.

If the presentation has changed year to year, the prior-year amounts are adjusted in accordance with Section 223(2) of the Austrian Commercial Code (UGB) or explained separately in the corresponding item.

Notes on assets

A. Fixed assets

For details see separate "Statement of changes in fixed assets".

(1) I. Intangible assets

The net carrying amount of the rights of use of plants acquired by affiliated companies is €1,145.8k (previous year: €1,432.2k).

(2) III. Investments

The disclosures in accordance with Section 238(2) of the Austrian Commercial Code (UGB) are presented separately in "Disclosures of equity interests in accordance with Section 238(2) of the Austrian Commercial Code (UGB)".

Loans to affiliated companies: for details see separate "Maturity schedule".

Securities (loan stock rights) under fixed assets: they consist primarily of Austrian investment fund units and bonds. Securities under fixed assets in the amount of €0.0k (previous year: €0.0k) are pledged as collateral. The impairment reversals not carried out in accordance with Section 208(3) of the Austrian Commercial Code (UGB) amount to €571.2k (previous year: €2,029.6k).

B. Current assets**(3) I. Inventories**

	2014	2015
Goods	112.8	154.2
	112.8	154.2

(4) II. Receivables and other assets

For details see separate "Maturity schedule".

Of receivables from affiliated companies, €0.0k (previous year: €594.1k) relate to trade receivables and €61,743.0k (previous year: €15,342.7k) to other receivables. Of receivables from investees, €9,200.9k (previous year: €2,315.0k) relate to trade receivables and €115.2k (previous year: €44,375.6k) to other receivables.

	2014	2015
Other receivables and assets		
Accrued interest income and commissions from bonds and loans	474.4	469.5
Tax authorities	22,492.5	16,048.1
Payroll	8.9	4.8
Effectuated advance payments	18.3	2.9
Other	32.3	59.5
	23,026.4	16,584.7

(5) III. Cash in hand, cash at banks		€k
	2014	2015
Cash in hand	7.1	16.1
Cash at banks	3.7	2.5
	10.7	18.6

(6) C. Prepayments and accrued income		€k
	2014	2015
Prepayments for electricity purchases	27,656.7	25,719.1
Deferred tax assets	280,579.3	274,179.2
Discounts, flotation costs and exchange rate differences relating to bonds and non-current loans	9,314.7	8,388.1
Other	48,611.7	47,255.6
	366,162.3	355,542.0

Deferred tax assets are the result of differences between the financial and taxable result in respect of line items that can only be deducted as expenses for tax purposes in income statements of future periods. The calculation was based on a tax rate of 25%.

(7) Rights of recourse

Rights of recourse amounted to a total of €1,230,842.2k (previous year: €949,258.7k). In addition to rights of recourse vis-à-vis Group companies, rights of recourse exist primarily vis-à-vis financial institutions, state energy companies and regional authorities from cross-border leasing transactions carried out at VERBUND Hydro Power GmbH in the amount of €468,113.1k (previous year: €433,386.0k). See note (15) Contingent liabilities.

A. Equity

(8) I. Share capital

There were 347,415,686 shares in circulation at the reporting date.

Composition	Stock (shares)	Proportion
Bearer shares category A	170,233,686	49%
Registered shares category B	177,182,000	51%
Authenticated by an interim certificate made out in the name of the Republic of Austria (deposited with the Federal Ministry of Finance)		
	347,415,686	100%

Authorised capital: In the Extraordinary General Meeting held on 24 September 2010, the Executive Board was authorised under Section 169 of the Stock Corporation Act (Aktiengesetz, AktG) to increase the share capital with the approval of the Supervisory Board by 23 September 2015 by up to €154,100,000.00 by issuing up to 154,100,000.00 new bearer or registered ordinary shares (no-par 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

Notes on equity and liabilities

for new shares within the scope of a capital increase from the authorised capital, and that the shareholding of the federal government in the Company thereby does not fall below 51% of the Company's share capital even after completion of such a capital increase from authorised capital. Subsequently, the Executive Board resolved a capital increase with the Supervisory Board's approval on 24 November 2010 by issuing 39,215,686 no-par value shares, whereby the share capital rose to €347,415,686.00. After this capital increase, the Executive Board was authorised to increase the share capital with the approval of the Supervisory Board by 23 September 2015 from the current nominal value of €347,415,686.00 by up to €114,884,314.00 through the issue of up to 114,884,314 new bearer or registered ordinary shares (no-par value shares). The Executive Board did not exercise this authority.

(9) III. Revenue reserves

	2014	2015
Statutory reserves	19,884.0	19,884.0
Distributable reserves	828,847.1	850,998.4
	848,731.1	870,882.4

The allocated capital reserves and the statutory reserves amount to a total of €991,604.3k, which is more than 10% of the share capital.

(10) IV. Net profit

	€k
As at 31/12/2014	100,750.5
Distribution of dividends	-100,750.5
Profit carried forward	0.0
Net income/net loss for the year	143,744.4
Changes in reserves	-22,148.9
As at 31/12/2015	121,595.5

(11) B. Untaxed reserves

For details see separate "Statement of changes in untaxed reserves".

Changes in untaxed reserves in the group of companies (as defined by Section 9(8) of the Austrian Corporate Income Tax Act (KStG)) resulted in a tax charge in the amount of €1,299.8k (previous year: tax charge of €1,491.4k).

(12) C. Provisions

1. Provisions for termination benefits

	2014	2015
Premium reserve based on actuarial calculations	10,053.1	9,375.7
Taxed proportion of provisions	10,053.1	9,375.7

In 2002, the provision permitted under Section 14 of the Austrian Income Tax Act (EStG) was transferred tax-free to a reserve qualifying as taxed (Section 124b(68) of the Austrian Income Tax Act (EStG)).

2. Provisions for pensions

	€k	
	2014	2015
Provisions for pension obligations	37,110.3	33,423.8
of which obligations similar to pensions	6,908.6	6,154.4

3. Provisions for taxes

	€k	
	2014	2015
Other tax provisions	579.1	573.3
	579.1	573.3

4. Other provisions

	€k	
	2014	2015
Trade receivables not yet billed	3,267.0	4,091.3
Electricity/grid purchases	1,919.6	0.0
Other	178,559.1	460,444.2
	183,745.8	464,535.5

Of the provisions, €460,444.2k (previous year: €178,559.1k) related to affiliated companies due to VERBUND AG's legal commitment to provide funds to cover costs in connection with handling the liquidation of VERBUND Thermal Power GmbH & Co KG in Liqu.

	€k	
Other personnel-related provisions	2014	2015
Bonuses	3,934.9	3,686.6
Unused holidays	3,252.3	3,206.8
Holiday allowance	798.1	746.7
Early retirement benefits	965.4	644.7
Death grant	0.0	529.1
Compensatory time credit	167.7	135.9
Other	348.0	411.9
	9,466.3	9,361.6

(13) D. Liabilities

For details see separate "Maturity schedule".

Of the liabilities to affiliated companies, €0.0k (previous year: €149,250.1k) related to financial liabilities and €87.3k (previous year: €7.0k) to trade payables.

	€k	
Other liabilities	2014	2015
Long-term electricity supply commitment	180,399.7	176,125.3
Related to social security	323.3	304.3
Payroll	1,038.0	149.1
From taxes	5,182.7	0.0
Other	11,238.5	9,019.8
	198,182.2	185,598.6

(14) E. Accruals and deferred income

	€k	
	2014	2015
Contributions to building costs	771.8	736.7
From electricity business	0.0	135.5
Other guarantee payments	189.5	0.0
Other	55.0	0.0
	1,016.4	872.2

(15) Contingent liabilities

Contingent liabilities that are recognised below the line are primarily for letters of comfort and liabilities assumed for subsidiaries as part of the financing that VERBUND AG carries out centrally as well as other assumptions of liabilities, excluding the contingent liabilities in connection with cross-border leasing transactions in the total amount of €297,290.8k (previous year: €101,897.3k). Of this, €294,770.8k (previous year: €51,565.1k) is attributable to affiliates and €0.0k (previous year: €50,332.2k) to investees.

The subsidiary VERBUND Hydro Power GmbH (formerly VERBUND Hydro Power AG) entered into several cross-border leasing transactions during financial years 1999 to 2001. The figures reported in the balance sheet of VERBUND Hydro Power GmbH are all denominated in US dollars. With the exception of one transaction, there was originally full balance sheet cover for all obligations by way of corresponding acquisition of securities or through loans to financial institutions. Now all items are closed.

Beginning in 2009, and continuing during the 2010 reporting period, due also to the financial market crisis, about 85% of the original volume of the transactions were terminated. The last remaining transaction has an off-balance sheet financing structure. Some of the transactions were terminated early in their entirety; that is, all associated liabilities were repaid. However, some of the transactions were only partially terminated, whereby the transactions with the investors and the associated A-loans were repaid, while VERBUND Hydro Power GmbH continued the existing B-loans and the corresponding investments.

In connection with these cross-border leasing transactions, VERBUND AG issued guarantee bonds for VERBUND Hydro Power GmbH, which for the most part still exist for the transactions that have not been terminated as well as for the liabilities transferred to VERBUND Hydro Power GmbH totalling €933,551.4k (previous year: €847,361.5k). Of the rights of recourse against the primary debtors, €468,113.1k (previous year: €433,386.0k) were secured through counter-guarantees from financial institutions, state energy companies and regional authorities (from guarantors' liabilities). These counter-guarantees are presented under total rights of recourse (see note (7)). Thus, a total of

€465,438.3k (previous year: €413,975.5k) remains in contingent liabilities from cross-border leasing transactions after deducting these counter-guarantees.

Minimum ratings for the guarantors are stipulated in the agreements with lenders and with equity investors. The downgrade of VERBUND AG's credit rating by S&P in 2014 triggered a head lease filing for VERBUND Hydro Power GmbH with lending banks. As an alternative to the entry in the land register, negotiations over a compensation of risk (waiver) through payment of a one-time fee were entered into in 2014 and successfully completed during the reporting period. A further downgrade in the ratings of VERBUND AG would trigger the head lease filing with equity investors as well.

The ratings of the contractual partners as well as the rating of VERBUND AG exceeded the contractually agreed thresholds as at 31 December 2015, with the exception of the situation described above. Thus, there is currently no need for VERBUND AG or VERBUND Hydro Power GmbH to exchange individual contractual parties or investments.

As part of the restructuring of VERBUND's telecommunications segment, liabilities were assumed for former tele.ring Telekom Service GmbH and KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

(16) 1. Revenue

		€k	
		2014	2015
Revenue from electricity deliveries			
Domestic ¹	Energy supply companies	729,136.8	52,370.1
	Industrial customers and consumers	194,965.3	207,136.7
	Other customers	57,450.5	111,121.9
		981,552.6	370,628.7
EU	Energy supply companies	75,717.5	0.0
	Industrial customers and consumers	2,286.6	0.0
	Other customers	513,271.1	21,408.4
		591,275.2	21,408.4
Third countries	Other customers	4,577.3	0.0
		4,577.3	0.0
		1,577,405.1	392,037.1
Invoicing of grid tariffs; user and management fees		2,948.2	3,127.9
Other revenue (including emission rights and gas trading)		37,979.7	12,206.5
		1,618,333.0	407,371.5

¹ of which €124,498.4k (previous year: € 114,188.6k) from recharged grid fees

Notes to the income statement

(17) 3. Other operating income

€k

	2014	2015
a) Income from disposal of fixed assets with the exception of investments	6,411.8	2.2
b) Income from reversal of provisions	8,268.8	177.4
c) Other	56,764.3	28,140.5
	71,444.9	28,320.2

(18) 6. Personnel expenses

€k

	2014	2015
a) Salaries	23,461.8	22,705.2
b) Expenses for termination benefits and payments to employee pension funds		
Termination benefits	724.8	2,127.8
Contributions to employee pension funds	203.6	183.5
Change in the provision for termination benefits	61.8	-968.7
Expenses/income and takeovers/transfers within the Group	-127.4	-205.7
	862.8	1,136.8
c) Expenses for pensions and similar obligations		
Early retirement benefits and pension payments	3,032.2	2,519.1
Change in the provisions for pensions and similar obligations	4,560.6	-4,465.9
Expenses/income and takeovers/transfers within the Group	-108.6	41.8
Change in the provisions for early retirement benefits	-656.2	-352.1
Pension fund contributions (including obligation to provide additional funding)	1,059.3	1,008.6
	7,887.3	-1,248.6
d) Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	4,445.0	3,822.3
e) Other social security expenses	267.6	240.0
	36,924.5	26,655.7

(19) 7. Depreciation and amortisation

€k

	2014	2015
a) Amortisation of intangible fixed assets and depreciation of property, plant and equipment		
Depreciation and amortisation	2,512.6	1,962.9
Immediate write-off of low-value assets in accordance with Section 13 of the Austrian Income Tax Act (EStG)	73.5	49.5
	2,586.1	2,012.4

(20) 8. Other operating expenses

	2014	2015
		€k
a) Taxes other than taxes on income	111.4	184.6
b) Other		
Advertising and market development costs	13,014.4	11,139.2
Other administrative expenses	5,998.1	5,510.5
Operating costs for buildings, rent and leasing	30,116.4	4,927.3
Legal, audit and consulting expenses	9,106.3	3,838.2
IT support, electronic data processing	3,735.7	2,554.2
Membership fees	1,733.0	1,611.9
Telecommunications services, data services	1,206.7	592.0
Training and continuing education	411.3	431.6
Temporary personnel and provision of personnel	343.8	273.2
Reimbursement of costs for services	2,222.3	116.4
Other	8,097.6	7,875.3
	75,985.6	38,869.7
	76,097.0	39,054.3

(21) 16. Financial result

	2014	2015
		€k
Income from equity interests		
from affiliated companies	480,292.2	334,383.9
of which from profit pools	112,009.0	72,290.2
Income from other securities and loans in financial assets		
from affiliated companies	70,139.8	62,370.8
Other interest and similar income		
from affiliated companies	5,650.3	2,293.7
Income from disposals and impairment loss reversals of investments		
disposal of shares in affiliated companies	8,009.6	4,291.9
Expenses relating to investments		
from affiliated companies	308,587.0	288,037.6
of which from profit pools	79,514.6	3,319.0
Interest and similar expenses		
of which interest for long-term personnel provisions	1,410.2	917.6
from affiliated companies	400.0	293.7

(22) 19. Taxes on income	€k	
	2014	2015
Consolidated taxes on income	51,894.2	13.0
of which recharged to members of the Group	– 101,755.4	– 88,817.5
Additional amounts/credit notes from previous periods	3,360.1	– 179.5
Deferred taxes	– 136,265.2	6,479.4
	– 182,766.4	– 82,504.6

III. Other disclosures

1. Total amount of other financial obligations

	€k		
Material items:	Total commitment	2016	2016–2020
Rent, lease and insurance agreements	¹	4,115.7	13,069.2
Purchase commitments	5,632.0	5,171.2	5,632.0
of which to affiliated companies	¹	9.5	47.5

¹ The amount of the total commitment cannot be determined due to unspecified contract periods.

There is an electricity supply agreement with Ennskraftwerke AG according to which the energy generated in their power plants, less electricity purchase rights of other participating partners, must be delivered to VERBUND AG in exchange for reimbursement of the recognised expenses plus a reasonable return on equity.

There are electricity supply agreements with Österreichisch-Bayerische Kraftwerke AG and Donaukraftwerk Jochenstein Aktiengesellschaft according to which half of the energy generated in their power plants must be delivered to VERBUND AG in exchange for reimbursement of recognised expenses plus a reasonable return on equity.

In accordance with an electricity supply agreement, Innwerk AG is obliged to deliver half of the energy generated in the Ering and Obernberg power plants to VERBUND AG at total production costs plus an agreed mark-up.

There is an agreement with VERBUND Services GmbH for the invoicing of IT, insurance, procurement, financial accounting, payroll, telecommunications and administrative services.

An agreement has been entered into with VERBUND Finanzierungsservice GmbH for the invoicing of the provision of payment transactions and cash management services.

For electricity distribution and trading, there are contractor agreements with VERBUND Trading GmbH and VERBUND Sales GmbH.

Due to labour-management agreements and contracts, VERBUND is obligated under certain conditions to make pension payments to employees after they retire. The employer is obligated to provide additional funding to the extent that these pension obligations are required to be fulfilled by APK Pensionskasse AG. Due to the developments on the financial markets, APK Pensionskasse AG reported an obligation for additional funding in the amount of €170.9k (previous year: €0.0k) to cover defined retirement benefit obligations.

As at the reporting date, one employee had a letter of loyalty granting a higher degree of employment protection. The prerequisites were at least 20 years of service at VERBUND and a minimum age of 45.

Outstanding contribution commitments to investees amount to €5,000.0k (previous year: €6,880.0k).

Finance area

There are interest rate swaps to hedge increases in interest rates for financial liabilities bearing variable interest with an outstanding principal amount of €384,562.5k (previous year: €433,187.5k) as at 31 December 2015. These interest rate hedges consist of the interest rate swaps and the underlying loans. As there is a documented hedge strategy and detailed hedge documentation, and ongoing measurements of effectiveness are being conducted, it is not necessary to recognise a separate provision for onerous contracts for the negative fair values amounting to €23,756.0k (previous year: €34,618.3k). 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.

To avoid fluctuations in future cash flows from interest payments for loans granted to Group companies at variable rates of interest amounting to a total principal amount of €203,925.0k (previous year: €236,660.0k), interest rate hedges were entered into with banks in late 2012 and during the first half of 2013. At the same time, the outstanding credit agreements with the Group companies involved in this hedging transaction were converted to the fixed interest rate terms contractually agreed with the respective bank. As here, too, there is a documented hedge strategy and detailed hedge documentation, and ongoing measurements of effectiveness are being conducted, recognition of a separate provision for onerous contracts for the negative fair values is not required. The reporting date measurement of these transactions resulted in a negative fair value totalling €10,035.2k (previous year: positive fair value of €12,346.9k) as at 31 December 2015.

Average	2014	2015
Salaried employees	181	153
		€k
	2014	2015
Members of the Executive Board, former members of the Executive Board and their surviving dependants	1,272.0	1,034.1
Other employees	7,478.0	-1,145.9
	8,750.1	-111.8

A company pension plan has been set up for members of the Executive Board in the form of a defined contribution pension fund agreement. In financial year 2015, contributions to the pension fund were paid for the Executive Board in the amount of €213,975 (previous year: €172,675).

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 financial year 2015, termination benefits and pensions amounting to €384,644 (previous year: €525,892) were paid out to beneficiaries.

Expenses for termination benefits and pensions and similar obligations (post-employment benefits) amounted to €107,826 (previous year: €362,082). Expenses for pensions and similar obligations for

2. Disclosures regarding financial instruments

3. Number of employees

4. Expenses for termination benefits and pensions

former members of the Executive Board and their surviving dependants amounted to a total of €-1,141,911 (previous year: €909,953).

5. Board members

Disclosures regarding the Boards of the Company (members of the Executive Board and the Supervisory Board) are presented before the management report.

Remuneration of members of the Executive Board

Name	Fixed remuneration	Variable remuneration ¹	Total
Dipl.-Ing. Wolfgang Anzengruber	805,882	381,175	1,187,057
Dr. Johann Sereinig	770,376	365,262	1,135,638
Dr. Peter F. Kollmann	763,232	217,125	980,357
Dipl.-Ing. Dr. Günther Rabensteiner	571,992	162,887	734,879

¹ Variable remuneration is always paid at the beginning of the following year, because whether or not targets have been achieved can only be determined at the end of the year. The variable components reported as paid to the members of the Executive Board in 2015 therefore relate to financial year 2014.

Remuneration for the four members of the Executive Board totalled €4,143,855 in 2015 (previous year: €3,810,420), which included €105,924 of payments in kind (previous year: €106,279).

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% in financial year 2014. 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 financial year 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 VERBUND 2015 project 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.

As in the previous year, no loans or advances were paid out to any Board members of the Group or their subsidiaries. As in the previous year, neither the members of the Executive Board nor senior management staff of VERBUND have stock options.

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

Remuneration scheme for the members of the Supervisory Board (in accordance with Rule 51 of the Austrian Code of Corporate Governance):

	2014	2015
Chairman	25,000	25,000
Vice-Chairman (two)	15,000	15,000
Members	10,000	10,000
Attendance fee	500	500

These arrangements also apply mutatis mutandis for the Supervisory Board's Working Committee.

Agreements with members of the Supervisory Board, or with businesses that are closely associated with individual members of the Supervisory Board, which require consent under Rule 49 of the Austrian Code of Corporate Governance:

During financial year 2015, no agreements which were not at arm's length were entered into with members of the Supervisory Board or with enterprises with which a member of the Supervisory Board is associated. Services were rendered for various companies in the VERBUND Group; these contracts were approved by the Supervisory Board.

VERBUND AG is the parent company within the VERBUND Group and therefore required to prepare consolidated financial statements. In accordance with Section 237(14) of the Austrian Commercial Code (UGB), the Company elects not to disclose the expenses for the auditor.

There are profit and loss transfer agreements with VERBUND Finanzierungsservice GmbH, VERBUND Services GmbH, VERBUND Sales GmbH, VERBUND Solutions GmbH and VERBUND Trading GmbH.

In addition to the division into business areas (formal unbundling) that already existed in financial year 1999, VERBUND also implemented legal unbundling by establishing independent companies under corporate law with separate managing entities and accounting departments.

Business transactions as defined by Section 8(3) of the Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz; EIWOG) were entered into with the following companies in particular:

Electricity deliveries VERBUND Hydro Power GmbH, Ennskraftwerke Aktiengesellschaft, Innwerk AG, Österreichisch-Bayerische Kraftwerke Aktiengesellschaft, Donaukraftwerk Jochenstein Aktiengesellschaft, KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

Electricity trading and sales VERBUND Trading GmbH, VERBUND Sales GmbH, VERBUND Trading & Sales Deutschland GmbH

Telecommunications VERBUND Services GmbH

Services VERBUND Services GmbH

Financing VERBUND Finanzierungsservice GmbH

Provision of personnel VERBUND Hydro Power GmbH, VERBUND Trading GmbH, VERBUND Services GmbH, VERBUND Sales GmbH

6. Transactions with related parties

7. Intra-Group relationships

8. Unbundling

9. Disclosures in accordance with Section 78 of the Austrian Electricity Industry and Organisation Act (EIWOG)

Result of the documentation of electricity by source	Proportion	2015 kWh
Hydropower	100.0%	1,360,687,000
Total volume of electricity supplied in Austria to consumers for their own use	100.0%	1,360,687,000
100% of the proofs of origin used for the documentation come from Austria.		
Impact of electricity generation on the environment		2015
Radioactive waste (mg/kWh)		0.0
CO ₂ emissions (g/kWh)		0.0

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

Disclosure of equity interests

in accordance with Section 238(2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)

	Head- quarters	% Share- holding as at 31/12/2015	Most recent annual financial state- ments	(+) (-)	Net income/loss for the year	€k Equity ¹
Consolidated affiliated companies²						
Austrian Power Grid AG	Vienna	100.00	2015	+	41,626.7	368,015.2
Innwerk AG	Landshut	100.00	2015	+	25,195.1	152,855.2
VERBUND Finanzierungsservice GmbH	Vienna	100.00	2015	+	49.6	218.1
VERBUND Photovoltaics Ibérica, S.L. ³	Madrid	100.00	2015	+	581.2	5,731.9
VERBUND Sales GmbH	Vienna	100.00	2015	+	5,377.9	10,351.9
VERBUND Services GmbH	Vienna	100.00	2015	+	7,826.9	5,659.7
VERBUND Solutions GmbH	Vienna	100.00	2015	-	3,319.0	9,915.0
VERBUND Thermal Power GmbH	Neudorf ob Wildon	100.00	2015	+	850.7	4,298.5
VERBUND Trading GmbH	Vienna	100.00	2015	+	59,047.2	100,000.0
VERBUND Wind Power Deutschland GmbH	Wörrstadt	100.00	2015	+	0.0	25.0
VERBUND Thermal Power GmbH & Co KG in Liqu.	Neudorf ob Wildon	99.99	2015	-	281,885.1	-460,444.2
CAS Regenerabile S.R.L. ^{3,4}	Bukarest	99.90	2015	-	4,014.0	16,147.3
Alpha Wind S.R.L. ^{3,4}	Bukarest	90.00	2015	-	15,012.6	13,233.2
Ventus Renew Romania SRL ^{3,4}	Bukarest	90.00	2015	-	958.9	9,611.9
Windpark Dichtelbach GmbH & Co. KG	Wörrstadt	95.00	2015	+	128.3	3,145.5
Windpark Dörrebach GmbH & Co. KG	Wörrstadt	95.00	2015	+	37.0	3,200.0
Windpark Eichberg GmbH & Co. KG	Wörrstadt	95.00	2015	+	93.3	4,582.2
Windpark Ellern GmbH & Co. KG	Wörrstadt	95.00	2015	-	144.1	6,099.4
Windpark Hochfels GmbH & Co. KG	Wörrstadt	95.00	2015	+	26.5	3,313.5
Windpark Rheinböllen GmbH & Co. KG	Wörrstadt	95.00	2015	+	103.1	4,593.3
Windpark Schönborn GmbH & Co. KG	Wörrstadt	95.00	2015	+	213.9	4,721.7
Windpark Seibersbach GmbH & Co. KG	Wörrstadt	95.00	2015	+	82.2	4,783.9
Windpark Stetten I GmbH & Co. KG	Wörrstadt	95.00	2015	-	63.5	4,314.6
Windpark Utschenwald GmbH & Co. KG	Wörrstadt	95.00	2015	-	26.9	1,595.6

						€k
	Head- quarters	% Share- holding as at 31/12/2015	Most recent annual financial state- ments	(+) (-)	Net income/loss for the year	Equity ¹
Infrastruktur Oberheimbach I GmbH & Co. KG	Wörrstadt	81.00	2015	+	0.1	69.6
VERBUND Hydro Power GmbH	Vienna	80.54	2015	+	193,128.4	1,310,712.4
VERBUND Innkraftwerke GmbH	Töging	70.27	2015	+	13,149.9	306,232.1
Infrastrukturgesellschaft Bischheim GmbH & Co. KG	Wörrstadt	61.26	2015	+	0.0	43.4
Donaukraftwerk Jochenstein Aktiengesellschaft	Passau	50.00	2015	+	986.4	15,568.7
Grenzkraftwerke Gesellschaft mit beschränkter Haftung	Simbach	50.00	2015	+	2,409.0	7,085.4
Österreichisch-Bayerische Kraftwerke Aktiengesellschaft	Simbach	50.00	2015	+	3,220.3	58,159.3
Associates						
AQUANTO GmbH ⁵	Unterföhring	50.00	2014	-	1,028.3	471.7
Ennskraftwerke Aktiengesellschaft ⁶	Steyr	50.00	2015	+	407.7	14,644.8
KELAG-Kärntner Elektrizitäts- Aktiengesellschaft ⁵	Klagenfurt	35.17	2014	+	75,436.6	705,264.3
PÖYRY Energy GmbH	Vienna	25.10	2014	-	494.4	11,499.3

¹ Equity as defined by Section 224(3)A of the Austrian Commercial Code (UGB) or local law // ² Consolidation in accordance with Sections 253–261 of the Austrian Commercial Code (UGB) // ³ Annual financial statements in accordance with local law // ⁴ Figures translated using the exchange rate at the reporting date // ⁵ Accounted for using the equity method in accordance with Sections 263–264 of the Austrian Commercial Code (UGB) // ⁶ Proportionate consolidation in accordance with Sections 250–258, 260 and 261 UGB

Auditor's report

Report on the annual financial statements

We have audited the accompanying annual financial statements of VERBUND AG, Vienna, for the financial year from 1 January 2015 to 31 December 2015, including the accounting system. These annual financial statements comprise the balance sheet as at 31 December 2015, the income statement for the financial year ended 31 December 2015 and the notes to the annual financial statements.

Management's responsibility for the annual financial statements and for the accounting system

The Company's management is responsible for the accounting system and for the preparation, contents and fair presentation of the annual financial statements in accordance with Austrian corporate law and special legislation. That responsibility involves: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with the laws and regulations applicable in Austria and the principles of proper performance of audits of financial statements. Those standards require that we comply with professional guidelines and that we plan and perform the audit so as to obtain reasonable assurance as to whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the annual financial statements and presentation of a true and fair view of the assets and liabilities, financial position and profit or loss in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the legal representatives, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Audit opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the annual financial statements comply with legal requirements and give a true and fair view of the financial position of VERBUND AG as at 31 December 2015 and its cash flows and profit or loss for the financial year from 1 January 2015 to 31 December 2015 in accordance with Austrian Generally Accepted Accounting Principles.

I The annual financial statements may only be published or reproduced together with our auditor's report in the version audited by us. This auditor's report only relates to the complete annual financial statements in German, including the management report. Section 281(2) of the Austrian Commercial Code (UGB) applies to versions differing from the version audited by us.

Comments on the management report

Pursuant to statutory provisions, the management report is to be examined as to whether it is consistent with the annual financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the annual financial statements and whether the disclosures pursuant to Section 243a of the Austrian Commercial Code (UGB) are appropriate.

In our opinion, the management report is consistent with the annual financial statements. The disclosures pursuant to Section 243a of the Austrian Commercial Code (UGB) are appropriate.

Vienna, 11 February 2016

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Gerhard Marterbauer
Certified Public Accountant

MMag. Dr. Klaus Bernhard Gröhs
Certified Public Accountant

Proposed appropriation of profits

The Executive Board proposes (in accordance with section 96(1) of the Austrian Stock Corporation Act (AktG)) to distribute a dividend of €0.35 per share to 347,415,686 no-par value shares from the distributable profit of financial year 2015, i.e. a total of €121,595,490.10.

Documentation of electricity by source

Documentation in accordance with Section 78 of the Austrian Electricity Industry and Organisation Act (EIWOG)

Result of the documentation of electricity by source	Proportion	2015 kWh
Hydropower	100.0%	1,360,687,000
Total volume of electricity supplied in Austria to consumers for their own use	100.0%	1,360,687,000

100% of the proofs of origin used for the documentation come from Austria.

Impact of electricity generation on the environment	2015
Radioactive waste (mg/kWh)	0.0
CO ₂ emissions (g/kWh)	0.0

Audit opinion

We have fulfilled our audit obligations in accordance with Section 79(6) of the Austrian Electricity Industry and Organisation Act (EIWOG) and have audited the documentation prepared by VERBUND AG, Vienna, for financial year 2015 in accordance with Section 78 of the Austrian Electricity Industry and Organisation Act (EIWOG).

The statutory proof used for the documentation of electricity by source was provided by VERBUND AG. Within the scope of the audit procedures performed we have not found any facts that would lead us to assume that the submitted documentation as required under the law does not correspond to actual circumstances.

Vienna, 11 February 2016
Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Gerhard Marterbauer
Certified Public Accountant

MMag. Dr. Klaus Bernhard Gröhs
Certified Public Accountant

Glossary

Cash flow

Balance from the inflow and outflow of cash and cash equivalents; is usually broken down into cash flow from operating activities, investing activities and financing activities.

EBIT

Earnings before interest (including personnel-related interest) and taxes.

Equity ratio

Equity plus untaxed reserves and investment grants adjusted for deferred taxes in relation to total capital.

FFO (Funds from operations)

Operating result plus depreciation and amortisation, interest income and effective taxes.

Gearing

Net debt in relation to equity plus untaxed reserves and investment grants adjusted for deferred taxes.

Net debt

Interest-bearing debt less cash and cash equivalents (including securities and shares held as current assets), adjusted for the asset and liability portions of closed items (e.g. in the case of cross-border leasing transactions).

Notional debt repayment period

Ratio of debt to surplus funds from ordinary activities.

RCF (Retained cash flow)

Funds from operations (FFO) less dividends paid.

ROCE (Return on capital employed)

Earnings before interest (including personnel-related interest) less applicable taxes in relation to average capital employed.

ROE (Return on equity)

Profit or loss on ordinary activities before taxation in relation to equity including untaxed reserves and investment grants adjusted for deferred taxes at the beginning of the financial year.

ROI (Return on investment)

Earnings before interest (including personnel-related interest) and taxes in relation to total capital at the beginning of the financial year.

ROS (Return on sales)

Earnings before interest (including personnel-related interest) and taxes in relation to revenue.

Working capital

Current assets (including current loans and current prepayments and accrued income) less current liabilities (including current accruals and deferred income).

EDITORIAL DETAILS

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