New opportunity – fresh perspective

Verbund

Power for the Future

Interim report quarters 1–2/2014

Contents

At a glance 4
Report of the Executive Board 5
Investor relations 6

Group interim management report 7
- Business performance 7
- Risk management 15
- Outlook 16
- Operating segments 17
- Events after the balance sheet date 22

Consolidated interim financial statements 23
- Income statement 23
- Statement of comprehensive income 24
- Balance sheet 25
- Statement of changes in equity 26
- Cash flow statement 28
- Selected explanatory notes 30

Responsibility statement of the legal representatives 56

At a glance

- Water supply below long-term average
- Average contract prices achieved for electricity have fallen further
- Decisions on thermal power plant portfolio influence the result
- Lower cash flow from operating activities
- Programme to reduce costs and increase efficiency eases the burden on future results

Key figures

	Unit	Q1–2/2013[1]	**Q1–2/2014[1]**	Change
Revenue	€m	1,648.3	**1,398.8**	– 15.1%
EBITDA	€m	806.2	**354.8**	– 56.0%
EBITDA adjusted	€m	631.8	**421.0**	– 33.4%
Operating result	€m	– 78.7	**196.7**	–
Loss after tax from discontinued operations	€m	– 412.8	**– 25.1**	– 93.9%
Group result	€m	406.4	**56.6**	– 86.1%
Group result adjusted	€m	238.0	**93.6**	– 60.7%
Earnings per share	€	1.17	**0.16**	– 86.1%
EBIT margin	%	– 4.8	**14.1**	–
EBITDA margin	%	48.9	**25.4**	–
Cash flow from operating activities	€m	483.7	**345.0**	– 28.7%
Capex for intangible assets and property, plant and equipment	€m	208.9	**250.4**	19.9%
Free cash flow after dividend	€m	483.9	**– 322.8**	–
Average number of employees		3,312	**3,269**	– 1.3%
Electricity sales volume	GWh	26,023	**24,366**	– 6.4%
Hydro coefficient		1.11	**0.93**	–

	Unit	31/12/2013	**30/6/2014**	Change
Total assets	€m	12,833.4	**11,974.2**	– 6.7%
Equity	€m	5,552.9	**5,221.3**	– 6.0%
Equity ratio (adjusted)	%	44.5	**45.0**	–
Net debt	€m	3,706.3	**4,082.6**	10.2%
Gearing	%	66.7	**78.2**	–

[1] The comparative figures were adjusted retrospectively due to the initial application of IFRS 11. The loss after tax from discontinued operations (corresponds to the loss after tax attributable to the the French Pont-sur-Sambre and Toul combined cycle gas turbine power plants classified as held for sale) is included in the calculation of the key figures.

Report of the Executive Board

Dear Shareholders, the dramatic transformation of the European electricity markets is still ongoing. Despite signs indicating wholesale prices have bottomed out, the trading environment is characterised by considerable uncertainty. Profitability of conventional generation facilities in Europe – including those with hydroelectric power – is rapidly declining. The situation of gas power plants is a particularly precarious one. From VERBUND's perspective, previous attempts at reform have been inadequate in bringing a balance to the security of supply, affordability and sustainability of the electricity supply industry. Overcapacities in Europe and market distortions from subsidies are reflected in profit warnings and lower dividends from the utilities. We introduced a series of measures to counteract these negative developments:

- In May, VERBUND approved the restructuring of thermal generation. This includes the temporary decommissioning of the combined cycle gas turbine power plants in Mellach, Austria, as well as in Pont-sur-Sambre and Toul in France. In addition, the Dürnrohr hard coal power plant and the Neudorf-Werndorf oil-fired district heating plant will be closed. This significantly reduces future cash outflows.
- VERBUND is reducing costs and tightening its investment programme. We are primarily investing in the regulated Austrian high-voltage grid with stable results and a predictable return. An additional important step is our programme to increase efficiency and reduce costs. In this way, we will save a total of €130m by 2015.
- We are meeting the current challenges with a market initiative as well as with new services on the basis of renewable energy. We are continuously expanding the portfolio for our approximately 320,000 retail customers. In addition, we are developing innovative energy-related services for the industrial and the commercial segments such as the VERBUND Power Pool.

Despite the countermeasures that have been introduced, the results are showing a decline. EBITDA fell by 56.0% to €354.8m, and the Group result fell by 86.1% to €56.6m. The sharp decrease is primarily attributable to the considerable, positive non-recurring effects in 2013 resulting from the asset swap with E.ON. But even adjusted for these non-recurring effects, results are lower. Adjusted EBITDA declined by 33.4% to €421.0m and the Group result fell by 60.7% to €93.6m. There are three main reasons for this: substantially lower hydropower generation due to lower water supply, the even lower wholesale prices for electricity as well as non-recurring expenses for thermal power plants.

Based on average own generation from hydropower in the second half of the year, our expectations now are for EBITDA to be approximately €690m and the Group result to be approximately €70m for financial year 2014. The planned payout ratio for 2014 remains at approximately 50% of the Group result of approximately €150m after adjustment for non-recurring effects.

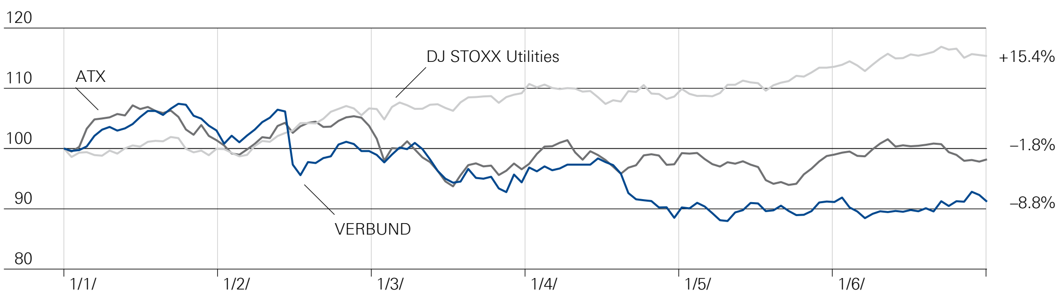
Dipl-Ing. Wolfgang Anzengruber | Dr. Johann Sereinig | Dr. Peter F. Kollmann | Dr. Günther Rabensteiner

Investor relations

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

The performance of international stock markets was affected favourably in the first half of 2014 by persistently low interest rate levels. Fears concerning a more rapid return to the expansionary policies by the US Federal Reserve and the crisis in the Ukraine resulted in temporary price declines in the first quarter. In the second quarter, there was a slight upward trend accompanied only by slight fluctuations. Even the lowered economic forecasts, particularly for the US, had no significant effect on price trends, since central bank policies continued to provide an attractive environment for shares. Thus, as at 30 June 2014, the Euro Stoxx 50 gained 3.8% over its closing level at the end of 2013. The US stock market index Dow Jones Industrial closed trading at the end of June at 16,826.60 points, the highest point ever on the last trading day of a quarter. The index was thus able to recover the slight decline of the first quarter and achieve a 1.5% increase over 31 December 2013. The Japanese leading Nikkei 225 index, which increased significantly in 2013, recorded a decline of 6.9%.

VERBUND share price: relative performance 2014



Upcoming dates:
Interim report quarters 1–3/2014:
29 October 2014

VERBUND shares once again recorded price losses in the first half of 2014. Following a brief upward trend at the beginning of the year, there was a significant price adjustment in mid-February following the publication of the earnings projection for 2014. After the ex-dividend date in mid-April, there was another price decline which could not be recouped by the end of June. VERBUND shares closed at €14.2 on 30 June 2014, down 8.8% from 31 December 2013. Their performance was therefore weaker than the ATX (–1.8%) and DJ STOXX Utilities sector index (15.4%).

Shares: key figures

	Unit	Q1–2/2013	**Q1–2/2014**	Change
Share price high	€	19.9	**16.7**	– 16.1%
Share price low	€	14.3	**13.7**	–4.5%
Closing price	€	14.6	**14.2**	– 3.1%
Performance	%	– 22.2	**–8.8**	–
Market capitalisation	€m	5,068.8	**4,914.2**	–3.1%
ATX weighting	%	2.8	**2.2**	–
Value of shares traded	€m	909.2	**639.7**	– 29.6%
Shares traded per day	Shares	451,067	**353,179**	– 21.7%

Group interim management report

Since 1 January 2014, IFRS 11 “Joint Arrangements” has replaced the previous rules under IAS 31 “Interests in Joint Ventures”. As a result of the new rules, the interest in Ennskraftwerke Aktiengesellschaft is to be classified as a joint operation. Thus, the interest in Ennskraftwerke Aktiengesellschaft is no longer accounted for under the equity method. Instead, VERBUND’s interest in the assets and liabilities and/or income and expenses is to be included in the consolidated financial statements proportionately. The new standard was applied retroactively as of 1 January 2013. Further details and adjustments for the reporting period and previous year are presented in the selected explanatory notes.

In addition, the comparative figures have been adjusted retrospectively due to the change in accounting for a business acquisition (asset swap with E.ON) which was classified as “preliminary” in the same period in 2013. Details and adjustments for the previous year are presented in the selected explanatory notes.

Business performance

Electricity supply and sales volumes

At 15,587 GWh, VERBUND’s own generation in the first half of 2014 was 2,796 GWh lower than in the first half of 2013.

Group electricity supply GWh

	Q1–2/2013	**Q1–2/2014**	Change
Hydropower[1]	16,070	14,402	–10.4%
Wind/solar power	251	394	57.0%
Thermal power	2,062	791	–61.6%
Own generation	18,383	**15,587**	–15.2%
Electricity purchased for trading and sales	7,416	8,499	14.6%
Electricity purchased for grid loss and balancing energy volumes	1,532	1,756	14.6%
Electricity supply	27,331	**25,841**	–5.5%

[1] incl. purchase rights

Generation from hydropower fell by 1,668 GWh. At 0.93, the hydro coefficient of the run-of-river power plants was 7% below the long-term average and 18 percentage points below the previous year’s figure. Generation from annual storage power plants was reduced by 4.7%. This decrease despite increased generation from pumping can be attributed to the following causes: storage levels that were already low at the beginning of the year, lower inflows and technical limitations.

Wind power and photovoltaic installations generated 143 GWh more electricity. The increase can be explained by the new plants in Romania and Germany that were commissioned in 2013. In contrast, generation from thermal power fell by 1,271 GWh under extremely unfavourable market conditions. The Mellach combined cycle gas turbine power plant produced only 45 GWh in quarters 1–2/2014 (quarters 1–2/2013: 287 GWh). Generation from VERBUND’s other thermal power plants in Austria fell by

537 GWh. The two thermal power plants in France produced a total of 492 GWh less electricity than in the first half of 2013.

Purchases of electricity from third parties for trading and sales increased by 1,083 GWh. Electricity purchased from third parties for grid losses and balancing energy increased by 224 GWh.

Group electricity sales volume and own use GWh

	Q1–2/2013	**Q1–2/2014**	Change
Consumers	4,979	4,584	–7.9%
Resellers	11,223	10,366	–7.6%
Traders	9,565	9,098	–4.9%
Electricity sales volume	25,767	**24,048**	–6.7%
Own use	1,308	1,476	12.8%
Balancing energy volumes	256	318	24.2%
Electricity sales volume and own use	27,331	**25,841**	–5.5%

VERBUND's electricity sales volume decreased by 1,719 GWh in the first half of 2014. Electricity volumes delivered to consumers declined (–395 GWh). The increase in Austria (+169 GWh) was more than offset by foreign consumers (–564 GWh). Lower sales to resellers (–857 GWh) can be attributed in particular to lower demand in Germany and France. Electricity deliveries to trading firms decreased by 467 GWh. The main reason was lower sales over energy exchanges due to lower generation. Own use of electricity rose by 168 GWh. This can be attributed in particular to higher generation from pumping.

Electricity sales volume by country GWh

	Q1–2/2013	**Q1–2/2014**	Change
Austria	12,516	12,696	1.4%
Germany	11,596	10,108	–12.8%
France	1,243	752	–39.5%
Romania	127	238	87.4%
Others	285	254	–10.9%
Electricity sales volume	25,767	**24,048**	–6.7%

In quarters 1–2/2014, approximately 53% of the electricity sold by VERBUND went to the Austrian market. The focus of international trading and distribution activities is the German market, which accounts for 89% of all volumes sold abroad.

Financial performance

Although the result attributable to the French combined cycle gas turbine power plants is to be presented separately from continuing operations in accordance with IFRS 5, to enhance comparability, the analysis of financial performance relates to the combined result from the Group's continuing and discontinued operations.

Results €m

	Q1–2/2013	Q1–2/2014	Change
Revenue	1,648.3	1,398.8	–15.1%
EBITDA	806.2	354.8	–56.0%
Operating result	–78.7	196.7	–
Group result	406.4	56.6	–86.1%
Earnings per share in €	1.17	0.16	–86.1%

Electricity revenue

Electricity revenue fell in quarters 1–2/2014 by €184.2m to €1,197.1m as a result of decreases in volumes and prices. The volume sold in the first quarter declined year-on-year by 6.7% or 1,719 GWh. In addition, the overall lower price level led to a significant negative price variation.

Grid revenue

Grid revenue decreased by 11.4% to €152.6m in the first half of 2014 compared to the same period in 2013. On one hand, this can be attributed to lower international grid revenue due to the auctioning of marginal capacities as well as lower ITC income, and on the other hand to lower national grid revenue due to lower rates. In addition, the higher expense for balancing energy had a negative impact in comparison with 2013. There were no significant effects from the provisions related to the System Charges Order (SNE-VO) and the System Usage Rates Directives (SNT-VO) in comparison with the first half of 2013.

Other revenue and other operating income

Other revenue decreased by €45.6m to €49.2m. This decrease can be attributed to lower revenue from gas deliveries as well as lower proceeds from green electricity certificates and emission rights. Other operating income decreased by €166.7m to €27.5m. Most of this significant decrease was due to the repurchase of 60% of the electricity supply commitment from the Zemm/Ziller (Tyrol) storage power plant group accounted for in 2013 as a result of the asset swap with E.ON. In quarters 1–2/2013, the positive effect resulting from this amounted to €166.6m.

Expenses for electricity, grid, gas and certificate purchases

Expenses for electricity, grid, gas and certificate purchases increased by 8.0% to €660.3m. The purchase of electricity from third parties for trading and sales as well as for grid losses and balancing energy increased by a total of 1,307 GWh.

This increase was partially compensated by reduced purchase prices as well as lower reimbursements of expenses for purchase rights. Expenses for electricity purchases thus increased by €42.7m compared with quarters 1–2/2013. Expenses for grid purchases increased slightly (€5.4m). Expenses for gas purchases increased by €5.3m to €9.0m. The natural gas supply agreement for the Mellach CCGT has had to be recognised at fair value through profit or loss since quarter 3/2012. The resulting impact on profit in the first half of 2014 was €+12.2m (quarters 1–2/2013: €+44.4m). This was counteracted by lower expenses for gas purchases.

Fuel expenses

Fuel and other usage-dependent expenses fell by 32.5% to €80.0m. The sharp decrease can be attributed primarily to the considerably lower use of thermal power plants due to market conditions. Generation from thermal power decreased by 1,271 GWh to 791 GWh in quarters 1–2/2014. In contrast, the write-down of coal inventories due to current measurement and the adjustment of the provision for expected losses in connection with a district heating supply commitment increased expenses.

Personnel expenses

Personnel expenses rose by €16.6m to €190.3m. Expenses for current employees (excluding pensioners and employees in partial retirement) increased by €2.6m mainly due to the consolidation of Grenzkraftwerke GmbH and Innwerk AG as well as collective agreement adjustments in 2014. This was offset, among other things, by the decision to freeze hiring of external personnel as part of the programme to reduce costs and increase efficiency. With regard to severance payments and pensions, the additional expense (€14.0m) resulted mainly from initial allocations to the provision for part-time retirement in connection with the restructuring in the thermal sector.

Amortisation and depreciation

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €27.7m to €194.4m. The majority of the increase resulted from the acquisition of equity interests in Bavarian hydropower plants as part of the asset swap with E.ON in quarter 2/2013 as well as the wind farms in Romania and Germany that were commissioned in 2013.

Other operating expenses

Other operating expenses decreased by €1.9m to €139.9m. The decrease resulted in particular from lower maintenance costs in the area of hydropower as well as the reversal of a provision related to the Töging power plant. This was offset by expenses of €24.2m in connection with a verdict issued by the ICC International Court of Arbitration on the natural gas supply agreement between Pont-sur-Sambre Power S.A.S. and ENI S.p.A. terminated in 2012.

Effects from impairment tests

Effects from impairment tests in quarters 1–2/2014 amounting to €+35.3m (quarters 1–2/2013: €–709.3m) resulted mainly from the reversal of impairment losses for the combined cycle gas turbine power plants in Mellach (€+36.7m) and Pont-sur-Sambre (€+17.0m) and the impairment of the Dürnrohr hard coal power plant (€–8.9m), the Toul combined cycle gas turbine power plant (€–3.8m) as well as a wind farm in Romania (preliminary project costs €–5.5m). The impairment tests of the previous year related mainly to the impairment of the Mellach, Pont-sur-Sambre and Toul combined cycle gas turbine power plants.

Operating result

As a consequence of the above developments, the operating result increased by €275.4m to €196.7m. The operating result before effects from impairment tests declined by €469.1m to €161.5m.

Result from equity interests

The result from interests accounted for using the equity method increased by €114.4m to €13.3m. The contribution from foreign interests increased by €116.2m to €–1.6m. This can be attributed to the Italian entity Sorgenia S.p.A. (Group). The contribution of Sorgenia S.p.A. (Group) to the result from interests accounted for using the equity method in quarters 1–2/2014 was zero (quarters 1–2/2013: €–112.6m) – the equity interest has been recognised as "held for sale" since 31 December 2013. Income from domestic interests accounted for using the equity method amounted to €15.0m (quarters 1–2/2013: €16.7m). This mainly included the earnings contribution of KELAG in the amount of €14.7m (quarters 1–2/2013: €16.5m).

Interest income and expenses

Interest income decreased by €1.6m compared with quarters 1–2/2013 to €16.0m. Interest expenses increased by €23.6m to €109.7m. This is primarily due to the elimination of the losses attributable to the other partners of VERBUND Thermal Power GmbH & Co KG. This was offset by lower interest on other liabilities from electricity supply commitments which can in particular be attributed to the repurchase of 60% of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group as part of the asset swap with E.ON in 2013.

Other financial result

Other financial result decreased by €14.0m to €–2.9m in quarters 1–2/2014. This resulted mainly from the measurement of derivative financial instruments in the amount of €–8.5m (quarters 1–2/2013: €+3.0m) as well as the year-on-year decrease in foreign exchange gains (€–6.0m).

Effects from impairment tests on the financial result

Effects from impairment tests amounted to €–13.3m in quarters 1–2/2014 (quarters 1–2/2013: €–446.1m) and resulted mainly from the impairment of Shkodra Region Beteiligungsholding GmbH (€–9.4m) and Energie AG Oberösterreich (€–3.9m). The impairment tests of the previous year related mainly to the impairment of Sorgenia S.p.A. (Group) and Energie AG Oberösterreich.

Effects from business acquisitions

Effects from business acquisitions totalled €0.0m in Q1–2/2014. Effects in quarters 1–2/2013 in the amount of €+1,184.4m resulted from the asset swap with E.ON.

Financial result

The financial result consequently fell by €668.2m from €581.6m to €–86.6m. The financial result before effects from impairment tests and from business acquisitions increased by €83.4m to €–73.3m.

Group result

After taking into account the effective tax rate of 25.4% (given a corporate tax rate of 25% in Austria) and non-controlling interests in the amount of €25.5m, the Group result amounted to €56.6m. This corresponds to a decrease of 86.1% compared to the previous year. Earnings per share amounted to €0.16 (quarters 1–2/2013: €1.17) for 347,415,686 shares. The Group result after adjustment for non-recurring effects amounted to €93.6m.

Financial position

Consolidated balance sheet (short version)

€m

	31/12/2013	Share	**30/6/2014**	**Share**	Change
Non-current assets	11,092.1	86.4%	11,113.4	92.8%	0.2%
Current assets	1,603.9	12.5%	711.2	5.9%	–55.7%
Non-current assets held for sale	137.5	1.1%	149.6	1.2%	8.8%
Total assets	12,833.4	100.0%	**11,974.2**	**100.0%**	–6.7%
Equity	5,552.9	43.3%	5,221.3	43.6%	–6.0%
Non-current liabilities	5,766.0	44.9%	5,290.2	44.2%	–8.3%
Current liabilities	1,514.5	11.8%	1,462.7	12.2%	–3.4%
Liabilities	12,833.4	100.0%	**11,974.2**	**100.0%**	–6.7%

Assets

VERBUND's assets decreased by 6.7% in quarters 1–2/2014. With respect to property, plant and equipment, capital expenditure of €172.3m was offset by depreciation of €190.6m. The most important additions related to the conversion of reversion rights for a run-of-river power plant on the Bavarian Inn River to contingent reversion rights, which were to be recognised as subsequent cost (€52.0m), as well as capital expenditure for the Reißeck II/Carinthia pumped storage power plant (€23.7m). The Mellach combined cycle gas turbine power plant underwent impairment testing resulting in the reversal of an impairment loss of €37.8m. As a result of the decision to shut down the Dürnrohr hard coal power plant, the plant was written off in full (€–8.9m). The carrying amount of the interests accounted for using the equity method remained largely unchanged.

The decrease in current receivables resulted mainly from the repayment of the principal amounts of loans, a decrease in trade receivables as well as a decrease in short-term investments of excess liquidity in the money market.

Equity and liabilities

The decrease in equity is mainly attributable to the distribution of the VERBUND AG dividend. Net debt increased by €376.3m to €4,082.6m compared to 31 December 2013. Current and non-current financial liabilities decreased in particular due to scheduled repayments of loans. An increase resulted from new bank borrowing. Trade payables and outstanding capital expenditure invoices also decreased compared to 31 December 2013.

Cash flows

Cash flow statement (short version) €m

	Q1–2/2013	Q1–2/2014	Change
Cash flow from operating activities	483.7	345.0	–28.7%
Cash flow from investing activities	–44.1	448.6	–
Cash flow from financing activities	–495.4	–846.8	70.9%
Change in cash and cash equivalents	–55.8	–53.2	–4.7%
Cash and cash equivalents as at 30/6/	65.9	**30.2**	–54.2%

Cash flow from operating activities

Cash flow from operating activities in quarters 1–2/2014 amounted to €345.0m and therefore decreased by €138.7m compared to quarters 1–2/2013.

The decrease resulted in particular from lower profit contributions from the Electricity segment of around €–210m. Primarily the decrease in income tax payments (€+52.8m) had an opposing effect.

Cash flow from investing activities

Cash flow from investing activities changed by €+492.7m in quarters 1–2/2014. The medium-term investments with banks made in 2013 were repaid in full in quarters 1–2/2014 (€1.12bn). Payments for interests accounted for using the equity method dropped by €137.5m compared to quarters 1–2/2013.

This was offset by the discontinuation of payments received from the disposal of the equity-accounted interest in SSG in the previous year (€–270.9m), the discontinuation of payments received from the asset swap in the previous year (€–377.0m), higher cash outflow from capital expenditure for intangible assets and property, plant and equipment (€–41.5m) and higher cash disbursements for short-term investments (€–29.6m).

Cash flow from financing activities

Cash flow from financing activities amounted to €–846.8m in quarters 1–2/2014, a change of €–351.4m. This change was due to higher scheduled repayments of loans and financial liabilities (€–421.2m) and higher dividend payments (€–112.8m). A loan taken out (€+100.0m) and cash inflows and outflows from money market transactions (€+84.7m) had an opposing effect.

Risk management

Europe's energy market is currently undergoing a fundamental transformation. The performance of the economy is weak. Declining electricity consumption and the preference for feeding in new renewable energy sources is reducing the value of conventional power generators. The measures introduced by VERBUND against this backdrop also include legal steps. In particular, the measures are aimed at improving the company's risk-bearing capacity. However, they can lead to deviations from the expected earnings performance and/or to significant cash flows.

Operating result: low electricity prices and volatility

Electricity generation from hydropower depends largely on hydrological trends. Low wholesale prices in the medium term lead to falling profit contributions and thus to potential impairment losses. Disinvestment projects and procedures to adjust contracts can cause fluctuations in the result. Taking into account the annual power generation priced in as at the 30 June 2014 reporting date, a change of 1.0% in the following factors – all else remaining equal – would be reflected in the operating result for 2014 as follows:

- Generation of more or less electricity from hydropower: +/– €4.3m
- Wholesale electricity prices (hydropower plants and thermal power plants): +/– €1.2m

Financial result: measurement effects

Potential fluctuations in the financial result can arise from the following areas:

- Contributions from domestic equity interests
- Exchange rate developments with respect to a yen bond to be redeemed in 2015

A change of 1.0% either way in the exchange rate – all else remaining equal – would be reflected as a €+/–0.4m change in the financial result expected for 2014 as at the 30 June 2014 reporting date.

In addition, a ratings downgrade for VERBUND AG could increase cost or collateral from existing credit agreements.

Significant transactions with related parties requiring disclosure are presented in the selected explanatory notes.

Outlook

Performance of the VERBUND result is significantly affected by the following factors: wholesale prices for electricity, own generation and further changes in the area of thermal power plants.

Wholesale electricity prices have fallen considerably due to the weak economy and existing excess capacities – particularly as a result of the heavy subsidisation of new renewable energy sources – as well as a still non-functioning CO_2 market. We anticipate that electricity prices will remain at this low level in the second half of 2014. We have already contracted almost 90% of planned own generation for 2014.

Own generation performance depends largely on the water supply. An average water supply overall can no longer be assumed for full year 2014 due to the water supply of 93% in the first half of the year which is significantly lower than the long-term average. For the current earnings projection, average water supply has been assumed for the rest of 2014.

In May 2014, VERBUND decided to temporarily shut down the Mellach, Pont-sur-Sambre and Toul combined cycle gas turbine power plants and to close the Dürnrohr hard coal power plant and the Neudorf/Werndorf II oil-fired district heating plant. There are expenses related to the temporary and final closure of the power plants and for the remeasurements of the thermal power plants temporarily shut down.

Based on average own generation from hydropower in the second half of the year, our expectations are for EBITDA to be approximately €690m and the Group result to be approximately €70m for financial year 2014. The planned payout ratio for 2014 remains at approximately 50% of the Group result of approximately €150m after adjustment for non-recurring effects.

Operating segments

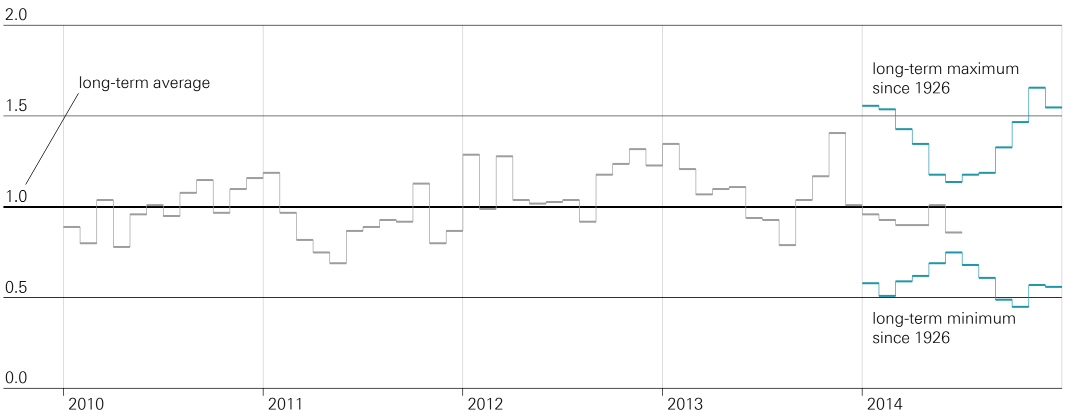
Electricity

Electricity supply – Electricity segment GWh

	Q1–2/2013	**Q1–2/2014**	Change
Hydropower[1]	16,070	14,402	–10.4%
Wind/solar power	251	394	57.0%
Thermal power	2,062	791	–61.6%
Own generation	18,383	**15,587**	–15.2%
Electricity purchased for trading and sales	7,416	8,499	14.6%
Intragroup	109	85	–22.0%
Electricity supply	25,908	**24,171**	–6.7%

[1]incl. purchase rights

Hydro coefficient (monthly averages)



Electricity generation

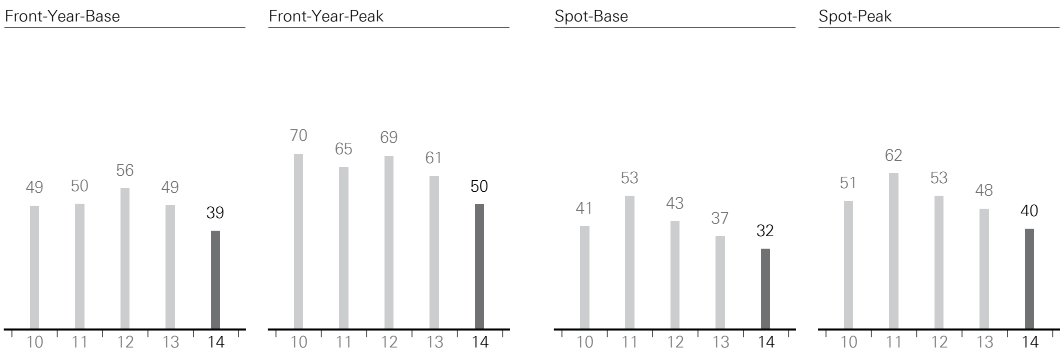
At 15,587 GWh, VERBUND's total generation in the Electricity segment was 15.2% lower in the first half of 2014 than in the first half of 2013. Generation from hydropower fell by 10.4%. At 0.93, the hydro coefficient of the run-of-river power plants was 7.0% below the long-term average and 18 percentage points below the prior-period figure. The annual storage power plants produced 4.7% less electricity. The main reasons were the storage levels, which were already low at the beginning of the year, lower inflows and technical limitations.

In contrast, generation from wind power and photovoltaic installations increased by 57.0%. This was primarily due to the commissioning of installations in Romania and Germany. In quarters 1–2/2014, approximately 95% of VERBUND's own generation came from renewable energy.

Generation from thermal power was reduced by 61.6% due to market conditions. The main reason for this was the persistently unfavourable ratio of gas to electricity prices. The purchase of electricity from third parties for trading and sales rose by 14.6%. As a result of the lower generation, the need to fulfil electricity supply agreements was increasingly covered by means of additional purchases on the exchanges.

Futures prices €/MWh

Spot market prices €/MWh for quarters 1–2



Futures prices traded in the year before the supply. The stated years are the years of supply respectively. Average prices. *source: EEX, EPEX Spot*

Electricity prices

At an average of €39.1/MWh, prices for electricity futures contracts applicable to financial year 2014 (front-year base 2014) were down 20.7% from the previous year's level. As a result of its hedging strategy, VERBUND had already included the majority of its own generation in its pricing calculation in 2013 via the futures market. Spot market prices (base price) fell by 13.5% to €32.4/MWh. Spot price performance was driven above all by low demand as a result of the economy as well as the low prices for fuel and emission rights.

Prices for primary energy developed in different ways in quarter 2/2014. The price of Brent crude oil increased from \$105/bbl at the start of the quarter to \$112/bbl at the end of June. The price for CIF ARA hard coal deliveries (6,000 kcal/kg) showed a sideways movement from approximately \$76/t at the beginning of the second quarter to \$74/t at the end of the quarter.

Spot market prices on the Net Connect Germany (NCG) gas hub developed more weakly due to seasonal influences. They fell from €21.0/MWh to €16.7/MWh since April 2014. Prices on the forward market for natural gas showed a sideways tendency: the price for the front-year future for 2015 from the beginning of the quarter remained unchanged at €23.9/MWh at the NCG trading point. The price for EUAs (European Union Allowances) rose from €5.0/t at the beginning of April to €5.8/t at the end of June.

Electricity sales volume

Electricity sales and own use – Electricity segment

GWh

	Q1–2/2013	Q1–2/2014	Change
Consumers	4,979	4,584	–7.9%
Resellers	10,150	9,042	–10.9%
Traders	9,498	8,989	–5.4%
Intragroup	380	457	20.3%
Electricity sales volume	25,007	**23,072**	–7.7%
Own use	901	1,100	22.1%
Electricity sales volume and own use	25,908	**24,171**	–6.7%

VERBUND's electricity sales volume and own use fell by 6.7% in quarters 1–2/2014 compared to the same period in 2013. Sales to resellers declined by 10.9% and sales to trading firms by 5.4%. Sales volumes in the domestic consumer market increased by 6.0%. In Austria, VERBUND had around 320,000 consumers in the household/agriculture and commercial segment consuming up to 100,000 kWh of electricity annually at the end of the second quarter. However, international sales volume to industrial consumers declined. The increase in own use can be explained by the more favourable market situation for pumped storage power plants.

Expansion of generation from hydropower

At the Reißeck II/Carinthia pumped storage power plant, injection work in the mountains is ongoing in all construction areas. From a current perspective, the work in the headwaters will be completed by the end of 2014 so that a first filling will be possible by the turn of the year 2014/2015. Commissioning can begin after completion of the tail water area – from a current perspective in February 2015. If everything proceeds according to plan, the power plant will be commissioned in quarter 2/2015.

Expansion of generation from wind power

Final inspections of the Hollern II and Petronell-Carnuntum II wind farms in Lower Austria, with a total capacity of 36 MW, will be completed shortly. From the beginning of May, both plants have been feeding all generated electricity generated into the Austrian grid. VERBUND receives the subsidised feed-in rate stipulated in the Green Electricity Act (Ökostromgesetz) for this.

Construction on the Bruck-Göttlesbrunn wind farm with a planned capacity of 21 MW began in quarter 1/2014. The cable infrastructure has already been constructed, and the foundations and deep foundations are currently being built. With these plants, VERBUND will more than double its total wind capacity in Austria from 2015 onwards with 106 MW.

Grid

The energy volumes relevant to billing transmitted over the 380/220 kV grid (excluding electricity used for pumping) increased by 16.0% compared to the prior year to 11,881 GWh in quarters 1–2/2014. Based on the transmission schedules, the APG control area imported a net amount of 7,529 GWh.

Electricity supply – Grid segment GWh

	Q1–2/2013	**Q1–2/2014**	Change
Electricity purchased for grid loss and balancing energy volumes	1,532	1,756	14.6%
Intragroup	380	457	20.3%
Electricity supply	1,912	**2,212**	15.7%

Electricity sales and own use – Grid segment GWh

	Q1–2/2013	**Q1–2/2014**	Change
Resellers	1,072	1,324	23.5%
Traders	68	110	61.8%
Intragroup	109	85	–22.0%
Electricity sales volume	1,249	**1,519**	21.6%
Own use	407	376	–7.6%
Balancing energy volumes	256	318	24.2%
Electricity sales volume and own use	1,912	**2,212**	15.7%

Security of supply and bottleneck management

In quarter 2/2014, APG had to intervene even more frequently in power plant use to maintain the grid security of supply in Austria. Technical network measures were no longer sufficient to ease the critical grid situation. The high north-south loads together with the shutdown of lines for construction of the third and fourth systems of the 380 kV Dürnrohr-Southeast Vienna line were the main causes of these interventions. In addition, increased availability of certain thermal power plants had to be contractually guaranteed for individual weeks at an associated cost.

Rate directives

APG recognised corresponding provisions for the rescission of the rate directives (SNT-VO/SNE-VO) and/or the fee components. The statutory provisions on the regulatory account [Section 50 of the 2010 Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG 2010)] ensure that repayments are covered in future system usage fees.

Rate regulation

In the 2014 cost calculation process, the draft cost decision is expected by the end of July. The goal for the 2014 tariff review continues to be securing the return on capital employed – in particular through the ex-ante financing of investments associated with the approved APG Network Development Plan.

380 kV Salzburg line: environmental impact assessment in progress

The public, oral EIA negotiations for the second section of the 380 kV Salzburg line were held by the authorities from 2 to 5 June 2014. The goal of the joint project applicants APG and Salzburg Netz GmbH – comprehensive negotiations – was reached. The protocol of the negotiations and the objections raised in writing during the negotiations are currently being worked upon. The environmental impact report amended by the official experts is expected to be available for comments in October 2014.

Equity interests

Foreign

Sorgenia S.p.A. (Group)

The contribution of Sorgenia S.p.A. (Group) in quarters 1–2/2014 to the result from interests accounted for using the equity method was zero (quarters 1–2/2013: €–112.6m). The equity interest has been recognised as “held for sale” since 31 December 2013, and a sales process has been initiated.

Due to Sorgenia’s strained financial position, there is an extensive negotiation process between the banks and the majority shareholder CIR with the goal of developing a sustainable solution for Sorgenia in the long term. By the end of quarter 2/2014, it had not been possible to reach a formal solution between the banks and the shareholders or a stand-still agreement between the banks and Sorgenia.

Domestic

KELAG – Kärntner Elektrizitäts-Aktiengesellschaft

The equity interest in KELAG performed according to plan. Its contribution to the result from interests accounted for using the equity method amounted to €14.7m in quarters 1–2/2014 (quarters 1–2/2013: €16.5m).

Events after the balance sheet date

VERBUND, CIR Compagnie Industriali Riunite S.p.A. and the creditor banks of Sorgenia S.p.A. (Group) signed an agreement on the restructuring of Sorgenia S.p.A. (Group) on 23 July 2014 with the following content: a capital increase will be carried out at Sorgenia S.p.A. (Group) in the amount of €400m by means of debt/equity swaps on the part of the creditor banks. VERBUND will not participate in any capital increases at Sorgenia S.p.A. (Group). As a result, VERBUND'S interest in Sorgenia S.p.A. (Group) will be reduced to less than 1%. VERBUND will subsequently sell its remaining equity interest.

Consolidated interim financial statements

of VERBUND

Income statement

€m

In accordance with IFRSs	Notes	Q1–2/2013[1]	Q1–2/2014	Q2/2013[1]	Q2/2014
Revenue		1,602.9	**1,389.4**	773.6	**718.6**
Electricity revenue	1	1,336.1	1,187.7	657.8	641.7
Grid revenue	2	172.3	152.6	67.1	65.1
Other revenue		94.5	49.1	48.7	11.9
Other operating income	3	194.0	27.5	177.6	15.2
Expenses for electricity, grid, gas and certificate purchases	4	–610.6	–660.0	–259.9	–339.6
Fuel expenses and other usage-dependent expenses	5	–73.7	–69.4	–24.3	–42.4
Personnel expenses	6	–171.8	–188.7	–92.9	–104.4
Amortisation of intangible assets and depreciation of property, plant and equipment		–158.3	–194.4	–87.3	–98.1
Other operating expenses		–129.6	–104.8	–83.7	–67.1
Operating result before effects from impairment tests		652.9	199.7	403.1	82.3
Effects from impairment tests	7	–318.8	22.1	–315.0	22.3
Operating result		334.1	**221.8**	88.1	**104.5**
Result from interests accounted for using the equity method	8	–101.1	13.3	–51.1	10.8
Other result from equity interests	9	1.7	9.9	1.7	4.6
Interest income	10	17.6	16.0	9.3	8.0
Interest expenses	11	–86.1	–109.7	–27.4	–56.1
Other financial result	12	11.1	–2.9	5.3	0.3
Financial result before effects from impairment testing and business acquisitions		–156.7	–73.3	–62.2	–32.5
Effects from impairment tests	13	–446.1	–13.3	–446.1	–13.3
Effects from business acquisitions	14	1,184.4	0.0	1,184.4	0.0
Financial result		581.6	**–86.6**	676.1	**–45.8**
Profit before tax		915.7	**135.3**	764.2	**58.7**
Taxes on income		–54.9	–28.0	–12.7	–11.5
Profit after tax from continuing operations		860.8	**107.3**	751.5	**47.2**
Loss after tax from discontinued operations[2]	15	–412.8	**–25.1**	–400.7	**–18.4**
Profit for the period		448.0	**82.2**	350.8	**28.8**
Attributable to the shareholders of VERBUND AG (Group result)		406.4	56.6	329.5	15.7
Attributable to non-controlling interests		41.6	25.5	21.4	13.1
Earnings per share in €[3]		1.17	**0.16**	0.95	**0.05**

[1] The comparative figures have been adjusted retrospectively in accordance with IFRS 5 and due to the initial application of IFRS 11 as well as changes in the accounting treatment of a business acquisition that was still classified as "provisional" in the previous year. // [2] The loss after tax from discontinued operations corresponds to the loss after tax attributable to the French Pont-sur-Sambre and Toul combined cycle gas turbine power plants which are held for sale. // [3] Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

€m

In accordance with IFRSs	Notes	Q1–2/2013[1]	**Q1–2/2014**	Q2/2013[1]	**Q2/2014**
Profit for the period		448.0	**82.2**	350.8	**28.8**
Remeasurements of the net defined benefit liability	16	–40.2	–13.6	–40.2	–14.2
Other comprehensive income from interests accounted for using the equity method		0.3	–2.3	0.0	0.0
Total of items that will not be reclassified subsequently to the income statement		–39.9	**–15.8**	–40.2	**–14.2**
Differences from currency translation		–0.6	2.9	–1.3	2.5
Measurements of available-for-sale financial instruments		–4.5	4.4	–5.7	2.8
Measurements of cash flow hedges		13.8	13.7	0.4	–22.7
Other comprehensive income from interests accounted for using the equity method		168.6	0.2	167.4	0.0
Total of items that will be reclassified subsequently to the income statement		177.3	**21.2**	160.8	**–17.5**
Other comprehensive income before tax		137.4	**5.3**	120.6	**–31.7**
Taxes on income relating to items that will not be reclassified subsequently to the income statement		10.3	3.5	10.3	3.6
Taxes on income relating to items that will be reclassified subsequently to the income statement		–2.3	–4.3	1.3	5.1
Other comprehensive income after tax		145.4	**4.5**	132.2	**–22.9**
Total comprehensive income for the period		593.5	**86.6**	483.1	**5.9**
Attributable to the shareholders of VERBUND AG		555.8	61.4	465.7	–6.7
Attributable to non-controlling interests		37.7	25.2	17.3	12.6

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

Balance sheet

€m

	Notes	1/1/2013[1]	31/12/2013[1]	**30/6/2014**
Non-current assets		9,807.5	11,092.1	**11,113.4**
Intangible assets		662.5	799.3	802.7
Property, plant and equipment		7,452.1	9,465.1	9,474.8
Interests accounted for using the equity method		888.1	243.2	242.4
Other equity interests	19	134.6	87.1	83.3
Investments and other receivables	19	670.3	497.3	510.3
Current assets		1,274.0	1,603.9	**711.2**
Inventories	17	129.3	84.9	88.9
Trade receivables and other receivables	19	1,023.0	1,435.6	592.2
Cash and cash equivalents	19	121.8	83.3	30.2
Non-current assets held for sale	18	1,331.8	137.5	**149.6**
Total assets		12,413.3	12,833.4	**11,974.2**

€m

	Notes	1/1/2013[1]	31/12/2013[1]	**30/6/2014**
Equity		5,105.4	5,552.9	**5,221.3**
Attributable to the shareholders of VERBUND AG		4,464.4	4,947.3	4,661.5
Attributable to non-controlling interests		641.0	605.6	559.8
Non-current liabilities		6,062.4	5,766.0	**5,290.2**
Financial liabilities	19	3,935.3	3,359.5	2,893.5
Provisions		666.9	717.7	737.6
Deferred tax liabilities		204.1	616.9	585.9
Contributions to building costs and grants		649.6	685.1	705.3
Deferred income – cross-border leasing		53.6	52.0	51.2
Other liabilities	19	552.9	334.7	316.7
Current liabilities		1,245.5	1,514.5	**1,462.7**
Financial liabilities	19	385.8	654.2	694.1
Provisions		191.9	289.0	271.7
Current tax liabilities		37.2	36.1	85.1
Trade payables and other liabilities	19	630.6	535.1	411.8
Total liabilities		12,413.3	12,833.4	**11,974.2**

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

Statement of changes in equity

In accordance with IFRSs	Share capital	Capital reserves	Retained earnings	Remeasure-ments of the net defined benefit liability
Notes				16
As at 1/1/2013	347.4	954.3	3,493.4	–130.5
Change in accounting policies	–	–	7.2	–1.1
As at 1/1/2013 adjusted retrospectively	347.4	954.3	3,500.6	–131.6
Profit for the period	–	–	406.4	–
Other comprehensive income	–	–	–	–25.7
Total comprehensive income for the period	–	–	406.4	–25.7
Dividends	–	–	–208.5	–
Other changes in equity	–	–	–1.3	–
As at 30/6/2013	347.4	954.3	3,697.2	–157.4
As at 1/1/2014	**347.4**	**954.3**	**3,873.3**	**–158.8**
Profit for the period	–	–	56.6	–
Other comprehensive income	–	–	–	–11.5
Total comprehensive income for the period	**–**	**–**	**56.6**	**–11.5**
Shifts between shareholder groups	–	–	0.1	–
Dividends	–	–	–347.4	–
Other changes in equity	–	–	0.1	–
As at 30/6/2014	**347.4**	**954.3**	**3,582.8**	**–170.3**

€m

	Difference from currency translation	Measure-ments of available-for-sale financial instruments	Measure-ments of cash flow hedges	Other components of other compre-hensive income	Equity attributable to the share-holders of VERBUND AG	Equity attributable to non-controlling interests	Total equity
	–128.9	6.8	–91.1	7.1	4,458.4	641.0	5,099.4
	0.0	0.0	0.0	0.0	6.1	0.0	6.1
	–128.9	6.8	–91.1	7.1	4,464.4	641.0	5,105.4
	–	–	–	–	406.4	41.6	448.0
	125.8	–4.4	53.0	0.6	149.3	–3.9	145.4
	125.8	–4.4	53.0	0.6	555.8	37.7	593.5
	–	–	–	–	–208.5	–97.0	–305.5
	–	–	–	1.3	0.0	0.0	0.0
	–3.1	2.3	–38.1	9.0	4,811.6	581.7	5,393.3
	–3.5	**3.2**	**–78.3**	**9.6**	**4,947.3**	**605.6**	**5,552.9**
	–	–	–	–	56.6	25.5	82.2
	2.6	3.1	10.3	0.2	4.8	–0.3	4.5
	2.6	**3.1**	**10.3**	**0.2**	**61.4**	**25.2**	**86.6**
	–	–	–	–	0.1	–0.1	0.0
	–	–	–	–	–347.4	–70.9	–418.3
	–	–	–	0.0	0.1	0.0	0.2
	–0.9	**6.3**	**–67.9**	**9.8**	**4,661.5**	**559.8**	**5,221.3**

Cash flow statement

€m

In accordance with IFRSs	Notes	Q1–2/2013[1]	**Q1–2/2014**
Profit for the period		448.0	**82.2**
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		884.9	**159.1**
Impairment losses on investments (net of reversals of impairment losses)		41.6	**13.5**
Result from interests accounted for using the equity method (net of dividends received)		528.5	**0.7**
Result from the disposal of non-current assets		4.4	**–0.1**
Change in non-current provisions and deferred tax liabilities		11.6	**–25.5**
Change in contributions to building costs and grants		1.9	**20.2**
Income from the reversal of deferred income from cross-border leasing transactions		–0.8	**–0.8**
Other non-cash expenses and income	20	–1,428.8	**–15.2**
Subtotal		491.3	**234.1**
Change in inventories		27.5	**–4.0**
Change in trade receivables and other receivables		–3.7	**135.2**
Change in trade payables and other liabilities		–57.2	**–52.0**
Change in current provisions and current tax liabilities		25.8	**31.7**
Cash flow from operating activities[2]	20	483.7	**345.0**

[1] The comparative figures have been adjusted retrospectively due to the initial application of IFRS 11. // [2] Cash flow from operating activities includes taxes paid on income of €–22.2m (quarters 1–2/2013: €–75.0m), interest paid of €–75.9m (quarters 1–2/2013: €–83.9m), interest received of €21.8m (quarters 1–2/2013: €19.8m) and dividends received of €22.1m (quarters 1–2/2013: €14.9m).

€m

In accordance with IFRSs	Notes	Q1–2/2013[1]	**Q1–2/2014**
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		–208.9	–250.4
Cash inflow from the disposal of intangible assets and property, plant and equipment		4.4	1.4
Cash outflow from capital expenditure for investments		–560.9	–17.7
Cash inflow from the disposal of investments		40.9	575.2
Cash inflow from capital expenditure for subsidiaries		377.0	0.0
Cash outflow from capital expenditure for interests accounted for using the equity method		–137.5	–0.3
Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method		270.9	0.0
Cash inflow from the disposal of current investments		170.0	140.4
Cash flow from investing activities		–44.1	**448.6**
Cash inflow (previous year: outflow) from money market transactions		–60.5	24.2
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		2.1	100.0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		–131.4	–552.6
Dividends paid		–305.5	–418.3
Cash flow from financing activities		–495.4	**–846.8**
Change in cash and cash equivalents		–55.8	**–53.2**
Cash and cash equivalents as at 1/1/		121.8	**83.3**
Cash and cash equivalents as at 30/6/		65.9	**30.2**

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

Selected explanatory notes

Financial reporting principles

Basic principles

These consolidated interim financial statements of VERBUND as at 30 June 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial statements as adopted by the European Union.

The condensed format of VERBUND's consolidated interim financial statements is consistent with IAS 34 "Interim Financial Reporting"; for further information and disclosures please refer to VERBUND's consolidated financial statements as at 31 December 2013 which form the basis for these consolidated interim financial statements of VERBUND.

Group of consolidated companies

Effective 5 March 2014, VERBUND Solutions GmbH was formed as a wholly owned subsidiary of VERBUND AG and subsequently consolidated.

AQUANTO GmbH was established effective 12 March 2014 as a 50:50 joint venture between VERBUND AG and Sales & Solutions GmbH (a subsidiary of the EnBW Group) and included in the consolidated financial statements using equity method accounting. In accordance with VERBUND's accounting policies, the proportionate equity interest is adjusted no later than one quarter following the underlying changes.

In addition, VERBUND Beteiligungsholding GmbH, VERBUND International Finance GmbH and VERBUND International GmbH were merged with VERBUND AG, VERBUND Management Service GmbH with VERBUND Service GmbH (as at 31 December 2013 still VERBUND Telekom Service GmbH) and VERBUND International Frankreich with VERBUND Trading GmbH (as at 31 December 2013 still VERBUND Trading AG) in quarters 1–2/2014.

Accounting policies

With the exception of the new IASB accounting standards described below, the same accounting policies were applied in these consolidated interim financial statements of VERBUND as in VERBUND's consolidated financial statements as at 31 December 2013.

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

New accounting standards

Newly applicable or applied accounting standards

Standard or interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Effects on the consolidated interim financial statements of VERBUND
IAS 27	Separate Financial Statements	12/5/2011 (11/12/2012)	1/1/2014	none
IAS 28	Investments in Associates and Joint Ventures	12/5/2011 (11/12/2012)	1/1/2014	none
IFRS 10	Consolidated Financial Statements	12/5/2011 (11/12/2012)	1/1/2014	none

Newly applicable or applied accounting standards

Standard or interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Effects on the consolidated interim financial statements of VERBUND
IFRS 11	Joint Arrangements	12/5/2011 (11/12/2012)	1/1/2014	Classification of an independent vehicle, previously treated as a joint venture, as a joint operation, with the resulting transition from recognition using equity-method accounting to inclusion of the share of assets, liabilities, income and expenses.
IFRS 12	Disclosures of Interests in Other Entities	12/5/2011 (11/12/2012)	1/1/2014	none
IFRS 10 IFRS 11 IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	28/6/2012 (4/4/2013)	1/1/2014	none
IFRS 10 IFRS 12 IAS 27	Investment Entities	31/10/2012 (20/11/2013)	1/1/2014	none

The accounting policies for joint ventures, joint operations and jointly controlled assets in IAS 31 as well as those for non-monetary contributions by venturers in SIC 13 were replaced by IFRS 11; IAS 28 was renamed as a result. IFRS 11 eliminates the option of consolidating equity interests in joint ventures proportionately; they must now be recognised using equity method accounting. In addition, joint ventures are more clearly contrasted against joint operations, which now also include jointly controlled assets. If the parties of a jointly controlled entity have direct rights to the assets of the jointly controlled entity and/or obligations arising from the entity's liabilities based on the legal form, the contractual agreement, or other facts and circumstances, this does not represent a joint venture, but instead a joint operation. The assets and liabilities of a joint operation as well as its income and expenses must be recognised proportionately in the joint operator's consolidated IFRS financial statements. Until now, VERBUND has accounted for all equity interests in entities that are controlled jointly with one or more parties using the equity method. However, the existence of electricity supply agreements that essentially entitle the partners of jointly controlled entities to proportionately purchase the electricity generated by the entity suggests the existence of a joint operation (and not a joint venture). Based on the criteria of IFRS 11, all equity-accounted interests in companies that are managed jointly with one or more parties – with the exception of one investment – are to be classified as joint ventures and will therefore continue to be accounted for using the equity method. Due to the circumstances and fact that Ennskraftwerke Aktiengesellschaft's operations are solely geared towards supplying both parties with the electricity produced at production cost (including a fixed profit margin) and therefore the liabilities entered into by Ennskraftwerke Aktiengesellschaft can essentially only be settled through the payments flowing to it as a result of the sale of the electricity to the parties, the equity-accounted interest in Ennskraftwerke Aktiengesellschaft (equity interest ratio of VERBUND to Energie AG: 50:50) is to be classified as a joint operation. As a consequence, Ennskraftwerke Aktiengesellschaft may no longer be accounted for using the equity method. The proportion of assets and liabilities and/or revenue and expenses attributable to VERBUND is to be included in VERBUND's consolidated financial statements, whereby the size of the proportion is determined by the ratio of electricity deliveries to both parties. Ennskraftwerke Aktiengesellschaft owns and operates twelve hydropower plants along the Enns and Steyr rivers. The ratio of electricity deliveries to the two parties differs from power plant to power plant. From a cost-benefit perspective, Ennskraftwerke Aktiengesellschaft's total assets and total liabilities and/or revenue and expenses are included in the consolidated financial statements of VERBUND based on the average ratio of total electricity deliveries (VERBUND 62% and Energie AG 38%). The change in accounting policy has been applied retrospectively effective 1 January 2013 in accordance with IAS 8 by adjusting all comparative figures. The adjustments for earlier reporting periods were not determined for cost-benefit reasons. The adjustments determined for the reporting period and the previous year were as follows:

Adjustments to income statement items €m

	Q1–2/2013	**Q1–2/2014**	Q2/2013	**Q2/2014**
Revenue	–1.9	**–1.4**	–1.1	**–1.3**
Operating result	1.1	**0.7**	0.9	**0.6**
Financial result	–0.5	**–0.5**	–0.2	**–0.6**
Profit for the period	0.6	**0.2**	0.7	**0.0**
Attributable to the shareholders of VERBUND AG (Group result)	0.6	0.2	0.7	0.0
Earnings per share in €[1]	0.0	**0.0**	0.0	**0.0**

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

Adjustments to comprehensive income statement items

€m

	Q1–2/2013	**Q1–2/2014**	Q2/2013	**Q2/2014**
Profit for the period	0.6	**0.2**	0.7	**0.0**
Total of items that will not be reclassified subsequently to the income statement	–0.4	**–0.2**	–0.6	**0.1**
Total of items that will be reclassified subsequently to the income statement	0.0	**0.1**	0.0	**0.0**
Other comprehensive income after tax	–0.2	**–0.1**	–0.6	**0.2**
Total comprehensive income for the period	0.3	**0.1**	0.1	**0.2**
Attributable to the shareholders of VERBUND AG	0.3	0.1	0.1	0.2

Adjustments to balance sheet items

€m

	1/1/2013	31/12/2013	**30/6/2014**
Non-current assets	25.6	47.4	**19.0**
Intangible assets	0.4	0.3	0.2
Property, plant and equipment	66.2	66.5	66.2
Interests accounted for using the equity method	–20.7	–20.9	–20.9
Other equity interests	0.0	0.0	0.0
Investments and other receivables	–20.3	1.4	–26.4
Current assets	0.4	–22.6	**6.3**
Inventories	0.1	0.1	0.1
Trade receivables and other receivables	0.2	–22.7	6.1
Cash and cash equivalents	0.1	0.1	0.2
Total assets	26.0	24.8	**25.4**

Adjustments to balance sheet items

€m	1/1/2013	31/12/2013	**30/6/2014**
Equity	6.1	6.4	**6.4**
Attributable to the shareholders of VERBUND AG	6.1	6.4	6.4
Non-current liabilities	16.1	15.8	**15.5**
Provisions	12.9	12.5	12.3
Deferred tax liabilities	3.2	3.2	3.2
Contributions to building costs and grants	0.0	0.0	0.0
Other liabilities	0.0	0.1	0.0
Current liabilities	3.7	2.7	**3.4**
Provisions	2.6	1.5	2.2
Trade payables and other liabilities	1.2	1.2	1.2
Total liabilities	26.0	24.8	**25.3**

Discontinued operations

The two French Pont-sur-Sambre and Toul combined cycle gas turbine power plants, including intangible assets and/or other receivables (closely) associated with the combined cycle gas turbine power plants, have been classified as “held for sale” since 11 December 2013. Because the French combined cycle gas turbine power plants represent a geographical area of operation, the result attributable to them must be presented separately from continuing operations. Prior-year figures in the income statement were adjusted accordingly:

Adjustments to income statement items

€m

	Q1–2/2013	**Q1–2/2014**	Q2/2013	**Q2/2014**
Revenue	–45.4	**–9.4**	–13.1	**0.2**
Electricity revenue	–45.2	–9.4	–12.9	0.2
Other revenue	–0.2	0.0	–0.2	0.0
Other operating income	–0.2	0.0	0.7	0.0
Expenses for electricity, grid, gas and certificate purchases	0.6	0.3	0.2	0.1
Fuel expenses and other usage-dependent expenses	44.7	10.6	11.0	1.5
Personnel expenses	1.9	1.6	1.1	0.8
Amortisation of intangible assets and depreciation of property, plant and equipment	8.4	0.0	3.7	0.0
Other operating expenses	12.2	35.2	6.5	28.9
Operating result before effects from impairment tests	22.3	**38.2**	10.2	**31.6**
Effects from impairment tests	390.5	–13.1	390.5	–13.1
Operating result	412.8	**25.1**	400.7	**18.4**
Profit after tax from continuing operations	412.8	**25.1**	400.7	**18.4**
Loss after tax from discontinued operations	–412.8	**–25.1**	–400.7	**–18.4**
Profit for the period	0.0	**0.0**	0.0	**0.0**

Adjustment business acquisitions

The adjustment of the accounting treatment of a business acquisition as at 31 December 2013 that was still classified as provisional as at 30 June 2013 had the following impact on the income statement for quarters 1–2/2013:

Adjustments to income statement items

€m

	Q1–2/2013	Q2/2013
Other operating income	9.0	9.0
Operating result	9.5	9.5
Effects from business acquisitions	–59.4	–59.4
Financial result	–59.4	–59.4
Profit before tax	–49.9	–49.9
Taxes on income	7.6	7.6
Profit for the period	–42.3	–42.3
Attributable to the shareholders of VERBUND AG (Group result)	–42.3	–42.3
Attributable to non-controlling interests	0.0	0.0
Earnings per share in €[1]	–0.1	–0.1

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

Segment reporting

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

€m

	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
Q1–2/2014					
External revenue	1,158.6	225.2	5.6	0.0	1,389.4
Internal revenue	70.6	22.9	38.1	– 131.5	0.0
Total revenue	1,229.1	248.1	43.7	– 131.5	1,389.4
Operating result	229.6	9.5	– 17.6	0.4	221.8
Depreciation and amortisation	– 155.6	– 34.5	– 4.9	0.6	– 194.4
Effects from impairment tests	22.1	0.0	0.0	0.0	22.1
Other material non-cash items	– 67.8	5.1	2.0	– 5.1	– 65.7
Result from equity interests	–	–	9.9	0.0	9.9
Of which result from interests accounted for using the equity method	–	–	13.3	0.0	13.3
Of which effects from impairment tests	–	–	– 13.3	0.0	– 13.3
Capital employed	7,806.8	996.8	7,836.3	– 7,573.7	9,066.2
Of which carrying amount of interests accounted for using the equity method	2.2	1.4	238.8	0.0	242.4
Additions to intangible assets and property, plant and equipment	133.6	43.1	2.2	0.0	178.8
Additions to equity interests	0.0	0.0	0.6	0.0	0.6

€m

	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
Q1–2/2013					
External revenue	1,356.1	239.7	7.2	–	1,602.9
Internal revenue	92.4	40.6	43.6	–176.6	0.0
Total revenue	1,448.5	280.3	50.7	–176.6	1,602.9
Operating result	**298.5**	**23.1**	**–18.9**	**31.4**	**334.1**
Depreciation and amortisation	–118.7	–33.9	–6.5	0.8	–158.3
Effects from impairment tests	–318.8	0.0	0.0	0.0	–318.8
Other material non-cash items	266.5	–30.4	1.5	31.0	268.6
Result from equity interests	–	–	638.9	0.0	638.9
Of which result from interests accounted for using the equity method	–	–	–101.1	0.0	–101.1
Of which effects from impairment tests	–	–	–446.1	0.0	–446.1
Of which effects from business acquisitions	–	–	1,184.4	0.0	1,184.4
Capital employed	**7,990.7**	**967.2**	**9,397.5**	**–8,725.9**	**9,629.6**
Of which carrying amount of interests accounted for using the equity method	2.2	1.3	334.6	0.0	338.1
Additions to intangible assets and property, plant and equipment	2,819.4	33.5	5.8	0.0	2,858.7
Additions to equity interests	0.0	0.0	0.0	0.0	0.0

Notes to the income statement

(1) Electricity revenue

Electricity revenue by customer areas €m

	Q1–2/2013 Domestic	**Q1–2/2014 Domestic**	Q1–2/2013 Foreign	**Q1–2/2014 Foreign**	Q1–2/2013 Total	**Q1–2/2014 Total**	Change
Electricity deliveries to resellers	16.5	30.1	503.6	443.2	520.1	473.3	–9.0%
Electricity deliveries to traders	232.8	227.9	143.5	105.1	376.4	333.0	–11.5%
Electricity deliveries to consumers	381.6	317.2	103.3	73.7	484.9	390.8	–19.4%
Electricity revenue by customer areas	630.9	**575.2**	750.4	**621.9**	1,381.3	**1,197.1**	–13.3%
Electricity deliveries to discontinued operations					5.3	3.0	–43.1%
Electricity deliveries of discontinued operations					–50.5	–12.4	75.5%
Electricity revenue					1,336.1	**1,187.7**	–11.1%

(2) Grid revenue

Grid revenue by customer areas €m

	Q1–2/2013 Domestic	**Q1–2/2014 Domestic**	Change	Q1–2/2013 Foreign	**Q1–2/2014 Foreign**	Change
Electric power companies	104.6	78.0	–25.4%	0.0	0.0	n.a.
Industrial clients	8.7	7.3	–16.2%	0.0	0.0	n.a.
Other	21.4	34.5	61.0%	37.5	32.8	–12.6%
Grid revenue	134.7	**119.8**	–11.1%	37.5	**32.8**	–12.6%

(3) Other operating income

In the previous year, €166.6m of other operating income related to the repurchase of 60% of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group as part of the acquisition (of additional) Bavarian hydropower plant capacities.

(4) Expenses for electricity, grid, gas and certificate purchases

Expenses for electricity, grid, gas and certificate purchases

€m

	Q1–2/2013	**Q1–2/2014**	Change
Expenses for electricity purchases	519.8	562.6	8.2%
Expenses for grid purchases (system use)	83.0	88.6	6.7%
Expenses for gas purchases[1]	3.7	9.0	141.3%
Purchases of emission rights (trade)	3.3	–0.8	–123.3%
Purchases of proof of origin and green certificates	0.7	0.5	–33.9%
Expenses for electricity, grid, gas and certificate purchases	610.6	**660.0**	8.1%

[1] VERBUND and EconGas GmbH have entered into a long-term natural gas supply agreement which, as a consequence of its management, had to be cassified as a freestanding derivative and recognised at fair value through profit or loss (see: (19) Additional disclosures regarding financial instruments). In quarters 1–2/2014, the resulting impact on profit or loss amounted to €12.2m (quarters 1–2/2013: €44.4m).

(5) Fuel expenses and other usage-dependent expenses

Fuel expenses and other usage-dependent expenses

€m

	Q1–2/2013	**Q1–2/2014**	Change
Fuel expenses[1]	63.6	60.3	–5.1%
Emission rights acquired in exchange for consideration	5.0	2.4	–52.5%
Other usage-dependent expenses	5.1	6.7	30.8%
Fuel expenses and other usage-dependent expenses	73.7	**69.4**	–5.9%

[1] Fuel expenses in quarters 1–2/2014 included a write-down of coal inventories to net realisable value in the amount of €16.9m (quarters 1–2/2013: €7.7m).

(6) Personnel expenses

Personnel expenses

€m

	Q1–2/2013	**Q1–2/2014**	Change
Wages and salaries	130.9	133.4	1.9%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	29.6	30.2	2.3%
Other social expenses	2.0	1.9	–7.7%
Subtotal	162.5	**165.5**	1.8%
Expenses for severance payments	4.3	1.9	–56.2%
Expenses for pensions and similar obligations	4.9	21.3	n.a.
Personnel expenses	171.8	**188.7**	9.9%

(7) Effects from impairment tests

Effects from impairment tests

€m

	Q1–2/2013	Q1–2/2014	Change
Mellach combined cycle gas turbine power plant	–277.5	37.8	113.6%
Change in deferred grants for the Mellach combined cycle gas turbine power plant	7.6	–1.1	–114.1%
Dürnrohr coal-fired power plant[1]	0.0	–8.9	n.a.
Preliminary project costs for a wind farm in Romania[2]	0.0	–5.5	n.a.
Bruck/Hollern/Petronell-Carnuntum wind farms	–25.7	0.0	100.0%
Change in deferred grants for the Bruck/Hollern/Petronell-Carnuntum wind farms	0.0	0.0	–100.0%
Gössendorf and Kalsdorf run-of-river power plants	–19.3	0.0	100.0%
Change in deferred grants for the Gössendorf and Kalsdorf run-of-river power plants	1.3	0.0	–100.0%
Kavarna wind farm	–3.1	0.0	100.0%
Other	–2.2	–0.1	93.2%
Effects from impairment tests	–318.8	**22.1**	106.9%

[1] An impairment loss was recognised in the amount of the residual carrying amount as a result of the decision to shut down the Dürnrohr coal-fired power plant. // [2] An impairment loss was recognised in the amount of the previously incurred and capitalised preliminary project costs as a result of the decision not to pursue a project to build a wind farm in Romania.

Impairment test – Mellach combined cycle gas turbine power plant

	31/12/2013	30/6/2014
Cash-generating unit	Combined cycle gas turbine power plant (installed electrical capacity: 848 MW)	Combined cycle gas turbine power plant (installed electrical capacity: 848 MW)
Indications of a (reduction in) impairment	Lower market prices for electricity futures and lower electricity price forecasts	Decision to temporarily decommission
Basis for recoverable amount	Fair value (level 3) less costs of disposal	Fair value (level 3) less costs of disposal
Valuation method	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	VERBUND Thermal Power GmbH & Co KG in Liqu. budgets (based mainly on near-market data)	VERBUND Thermal Power GmbH & Co KG in Liqu. budgets (based mainly on near-market data)
Volume	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8%)	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8%)

Impairment test – Mellach combined cycle gas turbine power plant

	31/12/2013	**30/6/2014**
Price	Energy futures price listings and price forecasts from two reputable market research institutes and information service providers in the energy market that are continued after the end of the study at a steady price increase of 2%; estimate of maintenance and decommissioning costs by the responsible managers; rates of price increases for annual expenses of 1.9% to 2.5%	Energy futures price listings and price forecasts from two reputable market research institutes and information service providers in the energy market that are continued after the end of the study at a steady price increase of 2%; estimate of maintenance and decommissioning costs by the responsible managers; rates of price increases for annual expenses of 1.7% to 2.5%
Planning period[1]	Total capacity of around 150.000 equivalent operating hours (reached on average in 2049)	Total capacity of around 100,000 equivalent operating hours (reached on average in 2040)
Key valuation assumptions	Development of clean spark spreads and discount rate	Development of clean spark spreads and discount rate
Discount rate	WACC after taxes: 6.75%	WACC after taxes: 6.75%
Recoverable amount	€144.5m	€179.5m
Impairment losses or impairment reversals in the period[2]	€–277.5m	€37.8m

[1] The estimate concerning the maximum equivalent operating hours was revised as a result of the clear reduction in the number of operating hours expected in the next few years. It is assumed that the useful business operating life ends with 100,000 equivalent operating hours. Without this change in the estimate, the recoverable amount of the Mellach combined cycle gas turbine power plant as at 30 June 2014 would be €57.3m higher. // [2] The impairment loss and/or reversal of impairment losses was reduced by the amount of the change in deferred government grants. The previous year's impairment loss was already recognised as at 30 June 2013 and confirmed as at 31 December 2013.

Result from interests accounted for using the equity method

€m

	Q1–2/2013 Domestic	**Q1–2/2014 Domestic**	Change	Q1–2/2013 Foreign	**Q1–2/2014 Foreign**	Change
Income or expenses (excluding impairment losses and reversals of impairment losses)	16.7	**15.0**	–10.6%	–117.8	**–1.6**	98.6%

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

In the previous year, the result from equity-accounted interests in foreign energy supply companies was influenced in particular by impairment losses recognised by Sorgenia S.p.A. (Group) on its equity-accounted interest in Tirreno Power S.p.A. as well as by impairment losses recognised by VERBUND due to fair value adjustments from hidden reserves that were released in relation to the equity-accounted interest in Tirreno Power S.p.A. as a result of capital increases and share acquisitions.

(9) Other result from equity interests

Income of €2.5m was recognised in quarters 1–2/2014 as part of the sale of the 50.1% equity interest in POWEO Outre-mer Solaire S.A.S. (Group) classified as "held for sale" as at 31 December 2013.

In the previous year, effects on profit or loss of €–4.1m resulting from reclassification adjustments from other comprehensive income were recognised as part of the disposal of the equity-accounted interest in STEWEAG-STEG GmbH.

(10) Interest income

Interest income €m

	Q1–2/2013	Q1–2/2014	Change
Interest from investments under closed items on the balance sheet	13.8	14.1	1.5%
Interest from money market transactions	1.1	0.8	–24.6%
Other interest and similar income	2.7	1.1	–57.0%
Interest income	17.6	**16.0**	–13.8%

(11) Interest expenses

Interest expenses €m

	Q1–2/2013	Q1–2/2014	Change
Interest on bonds	51.3	49.6	–3.3%
Interest on bank loans	22.3	24.4	9.0%
Interest on financial liabilities under closed items on the balance sheet	13.9	14.1	1.3%
Net interest expense on personnel-related liabilities	10.9	11.7	6.9%
Interest on other liabilities from electricity supply commitments	17.6	8.9	–49.2%
Interest on other non-current provisions	2.9	2.5	–11.7%
Profit or loss attributable to limited partners	–31.6	0.1	100.2%
Borrowing costs capitalised in accordance with IAS 23	–7.7	–8.5	–10.7%
Other interest and similar expenses	6.5	7.0	7.5%
Interest expenses	86.1	**109.7**	27.4%

(12) Other financial result

Other financial result €m

	Q1–2/2013	Q1–2/2014	Change
Income from securities and loans	2.6	2.6	–2.5%
Foreign exchange gains	10.7	4.7	–56.4%
Foreign exchange losses	–5.3	–1.6	69.5%
Measurement of derivatives in the finance area	3.0	–8.5	n.a.
Other financial result	11.1	**–2.9**	139.6%

(13) Effects from impairment tests

Effects from impairment tests

€m

	Q1–2/2013	Q1–2/2014	Change
Equity-accounted interest in Shkodra Region Beteiligungsholding GmbH	–8.5	–9.4	–10.3%
Other equity interest in Energie AG Oberösterreich[1]	–41.6	–3.9	90.7%
Equity-accounted interest in Sorgenia S.p.A. (Group)	–396.0	–	n.a.
Effects from impairment tests	–446.1	**–13.3**	**97.0%**

[1] The fair value of the equity interest in Energie AG Oberösterreich has been determined based on the market multiples method since 30 June 2013. The recognised impairment can be attributed to an update of the trading multiple (derived from a peer group).

Impairment test – Shkodra Region Beteiligungsholding GmbH

	31/12/2013	30/6/2014
Cash-generating unit	VERBUND and EVN AG joint venture that holds 100% of the interest in Ashta Shpk, which in turn operates a two-stage Hydromatrix power plant (installed capacity: 53 MW) in Albania	VERBUND and EVN AG joint venture that holds 100% of the interest in Ashta Shpk, which in turn operates a two-stage Hydromatrix power plant (installed capacity: 53 MW) in Albania
Indications of impairment	Non-payment by Korporata Elektroenergjetike Shqiptare (KESH)	Increase in the country risk premium (rating deterioration of Republic of Albania)
Basis for recoverable amount	Value in use	Value in use
Valuation method	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	Budgets of Energji Ashta Shpk	Budgets of Energji Ashta Shpk
Volume	The annual output corresponding to the mean energy capability of 242 GWh	The annual output corresponding to the mean energy capability of 242 GWh
Price	Electricity price forecasts of the VERBUND Energy Market Model (VEMM); 2.0% price increase rate for annual expenses	Electricity price forecasts of the VERBUND Energy Market Model (VEMM); 2.0% price increase rate for annual expenses
Planning period	Detailed planning phase: 6 years, rough planning phase: 94 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)	Detailed planning phase: 6 years, rough planning phase: 94 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)
Key valuation assumptions	Electricity price forecasts, duration of the hydropower plant concession and discount rate	Electricity price forecasts, duration of the hydropower plant concession and discount rate
Discount rate	WACC before taxes: 14.75%	WACC before taxes: 18.00%
Recoverable amount[1]	€–31.7m	€–42.7m
Impairment[2]	€–25.7m	€–9.4m

[1] The carrying amount of the equity interest in Shkodra Region Beteiligungsholding GmbH was reduced to zero in the 2013 reporting period. However, VERBUND also holds long-term loans to Shkodra Region Beteiligungsholding GmbH, which, based on their economic substance, represent an increase in the net investment in Shkodra Region Beteiligungsholding. // [2] €8.5m of the previous year's impairment loss was recognised as at 30 June 2013 and €17.2m as at 31 December 2013.

(14)
Effects from business acquisitions

The effects from business acquisitions in the previous year related to the acquisition of (additional) Bavarian hydropower plant capacities.

(15)
Loss after tax from discontinued operations

Loss after tax from discontinued operations[1]

€m

	Q1–2/2013	Q1–2/2014	Change
Revenue	50.7	**12.4**	–75.5%
Electricity revenue	50.5	12.4	–75.5%
Other revenue	0.2	0.0	–83.4%
Other operating income	0.2	0.0	–83.4%
Expenses for electricity, grid, gas and certificate purchases	–6.0	–3.4	43.7%
Fuel expenses and other usage-dependent expenses	–44.7	–10.6	76.4%
Personnel expenses	–1.9	–1.6	17.5%
Amortisation of intangible assets and depreciation of property, plant and equipment	–8.4	0.0	99.9%
Other operating expenses[2]	–12.2	–35.2	–188.0%
Operating result before effects from impairment tests	–22.3	**–38.2**	–71.2%
Effects from impairment tests	–390.5	13.1	103.4%
Operating result	–412.8	**–25.1**	93.9%
Taxes on income	0.0	0.0	n.a.
Loss after tax from discontinued operations[3]	–412.8	**–25.1**	93.9%
Earnings per share in €[4]	–1.2	**–0.1**	93.9%

[1] The loss after tax from discontinued operations was determined using the incremental approach. This shows which income and expenses are still or are no longer expected after the sale has been completed. // [2] In quarters 1–2/2014 this includes expenses of €24.2m relating to a decision by the ICC International Court of Arbitration regarding the natural gas supply agreement between Pont-sur-Sambre Power S.A.S. and ENI S.p.A. which was dissolved in 2012. // [3] The loss after tax from discontinued operations can be entirely attributed to the shareholders of VERBUND AG in quarters 1–2/2014 and quarters 1–2/2013. // [4] Diluted and basic earnings per share correspond to one another.

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

	31/12/2013	30/6/2014
Cash-generating unit	Pont-sur-Sambre and Toul combined cycle gas turbine power plants (installed capacity: 420 and 422 MW respectively)	Pont-sur-Sambre and Toul combined cycle gas turbine power plants (installed capacity: 420 and 422 MW respectively)
Indications of a (reduction in) impairment	Lower market prices for electricity futures and lower electricity price forecasts	Decision to temporarily decommission
Basis for recoverable amount	Fair value (level 3) less costs of disposal	Fair value (level 3) less costs of disposal
Valuation method	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	Pont sur Sambre Power S.A.S. and Toul Power S.A.S. budgets (based primarily on near-market data)	Pont sur Sambre Power S.A.S. and Toul Power S.A.S. budgets (based primarily on near-market data)

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

	31/12/2013	**30/6/2014**
Volume	Optimisation model with primary inputs: installed capacity and efficiency at full capacity (52.0%)	Optimisation model with primary inputs: installed capacity and efficiency at full capacity (52.0%)
Price	Energy futures price listings and price forecasts from two reputable market research institutes and information service providers in the energy market that are continued after the end of the study at a steady price increase of 2%; estimate of maintenance and decommissioning costs by the responsible managers; rates of price increases for annual expenses of 1.9%	Energy futures price listings and price forecasts from two reputable market research institutes and information service providers in the energy market that are continued after the end of the study at a steady price increase of 2%; estimate of maintenance and decommissioning costs by the responsible managers; rates of price increases for annual expenses of 1.9%
Planning period[1]	Total capacity of around 150,000 equivalent operating hours for each plant (Pont-sur-Sambre: reached on average in 2032; Toul: reached on average in 2035)	Total capacity of around 100,000 equivalent operating hours for each plant (Pont-sur-Sambre: reached on average in 2028; Toul: reached on average in 2030)
Key valuation assumptions	Development of clean spark spreads, applied capacity premiums and discount rate	Development of clean spark spreads, applied capacity premiums and discount rate
Discount rate	WACC after taxes: 6.50%	WACC after taxes: 6.50%
Recoverable amount	Pont-sur-Sambre: €61.0m Toul: €75.4m	Pont-sur-Sambre: €77.9m Toul: €71.6m
Impairment loss and/or reversal of impairment losses[2]	Pont-sur-Sambre: €–172.5m Toul: €–145.9m	Pont-sur-Sambre: €16.9m Toul: €–3.8m

[1] The estimate concerning the maximum equivalent operating hours was revised as a result of the clear reduction in the number of operating hours expected in the next few years. It is assumed that the useful business operating life ends with 100,000 equivalent operating hours. Without this change in the estimate, the recoverable amounts of the combined cycle gas turbine power plants would respectively be €42.8m (Pont-sur-Sambre) and €53.0m (Toul) higher as at 30 June 2014. // [2] Impairment losses of €198.7m (Pont-sur-Sambre) and €191.8m (Toul) were recognised as at 30 June 2013 in the previous period. As at 31 December 2013, the impairment recognised over the course of the year decreased respectively by €26.2m (Pont-sur-Sambre) and €45.9m (Toul).

Notes to the statement of comprehensive income

(16) Remeasurements of the net defined benefit liability

Existing personnel-related provisions were measured on the basis of an actuarial report updated on 30 June 2014. The discount rate for this was 3.25% (30 June 2013 and 31 December 2013: 3.50%).

Notes to the balance sheet

(17)
Inventories

Inventories €m

	31/12/2013	30/6/2014	Change
Inventories of primary energy sources held for generation	58.2	**49.9**	–14.3%
Natural gas held for trading	5.8	13.9	138.8%
Measurements of natural gas held for trading	0.2	–2.0	n.a.
Natural gas held for trading	6.0	**11.9**	97.8%
Emission rights held for trading	8.7	8.7	0.0%
Measurements of emission rights held for trading	1.6	3.5	118.7%
Fair value of emission rights held for trading	10.3	**12.2**	18.3%
Proof of origin and green electricity certificates	5.7	**10.0**	77.0%
Other	4.7	**4.9**	4.3%
Inventories	84.9	**88.9**	4.7%

The measurement benchmark for inventories of natural gas and emission rights held for trading by VERBUND is the fair value less costs to sell in accordance with the exception provided for raw materials and commodity broker-traders (brokerage exemption). The stock exchange price for front-month gas forwards on the Central European Gas Hub (CEGH) or NetConnect Germany (NCG) is the relevant price for inventories of natural gas held for trading. The fair value of emission rights held for trading corresponds to the price quoted on the European Energy (EEX). The fair values are based on level-1 measurements.

(18)
Non-current assets held for sale

The two French Pont-sur-Sambre and Toul combined cycle gas turbine power plants, including intangible assets and other receivables (closely) associated with the combined cycle gas turbine power plants, continue to be classified as “held for sale” as at 30 June 2014. The sale is intended to take place by 31 December 2014.

As at 30 June 2014, the 45.75% equity interest in the Italian entity Sorgenia S.p.A. (Group) continued to be classified as “held for sale”. A capital increase is to be carried out at Sorgenia S.p.A. (Group) by the creditor banks prior to the sale of the equity interest in which VERBUND and CIR Compagnie Industriali Riunite S.p.A. will not participate. As a result, VERBUND’s interest in Sorgenia S.p.A. (Group) will be reduced to less than 1%. This equity interest is to be sold as part of a future share deal. The sale is intended to take place by 31 December 2014.

The 50.1% equity interest in POWEO Outre-mer Solaire S.A.S. (Group) classified as “held for sale” as at 31 December 2013 was sold to Quadran S.A.S. as part of a share deal effective 27 May 2014. The effect on profit or loss from the sale was recognised in other result from equity interests.

(19) Additional disclosures regarding financial instruments

Carrying amounts and fair values by measurement categories 30/6/2014 €m

Assets – balance sheet items	Measurement categories in accordance with IAS 39	Level	Carrying amount	Fair value
Interests in non-consolidated subsidiaries	FAAC	–	1.0	–
Other equity interests	FAAFS	2	61.8	61.8
Other equity interests	FAAC	–	20.5	–
Other equity interests			**83.3**	
Securities	FAAFS	1	91.3	91.3
Securities	FAAFS	2	2.7	2.7
Securities	FAAC	–	3.0	–
Securities – closed items on the balance sheet	LAR	2	48.8	44.0
Other loans – closed items on the balance sheet	LAR	2	224.8	249.3
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	90.3	90.3
Loans to investees	LAR	2	42.3	44.8
Other loans	LAR	2	1.4	1.4
Other	–	–	5.8	–
Other non-current investments and non-current other receivables			**510.3**	
Trade receivables	LAR	–	201.0	–
Receivables from investees and non consolidated subsidiaries	LAR	–	60.6	–
Loans to investees	LAR	2	3.5	3.9
Other loans	LAR	2	0.3	0.3
Other loans – closed items on the balance sheet	LAR	2	0.8	1.1
Derivatives in the energy area	FAHFT	2	154.5	154.5
Money market transactions	LAR	2	5.0	5.0
Emission rights	IAS 38, IAS 2	–	3.2	–
Other	LAR	–	32.3	–
Other	–	–	130.9	–
Trade receivables and current other receivables			**592.2**	
Cash and cash equivalents	**LAR**	**–**	**30.2**	**–**
Aggregated by measurement categories				
Financial assets at cost	FAAC[1]		24.5	
Loans and receivables	LAR[2]		651.1	
Financial assets available-for-sale	FAAFS[3]		155.8	
Financial assets held for trading	FAHFT[4]		244.8	

[1] Financial Assets at Cost // [2] Loans and Receivables // [3] Financial Assets Available for Sale // [4] Financial Assets Held for Trading

Carrying amounts and fair values by measurement categories 30/6/2014

€m

Liabilities – balance sheet items	Measurement categories in accordance with IAS 39	Level	Carrying amount	Fair value
Bonds	FLAAC	2	1,630.7	1,839.5
Financial liabilities to banks and to others	FLAAC	2	1,589.8	1,625.5
Financial liabilities to banks – closed items on the balance sheet	FLAAC	2	87.9	138.0
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	276.8	276.8
Capital shares attributable to limited partners	IAS 32	–	2.2	–
Non-current and current financial liabilities			3,587.5	
Electricity supply commitment	–	–	181.8	–
Obligation to return an interest	FLAAC	3	83.1	83.1
Derivatives in the energy area	FLHFT	3	41.8	41.8
Trade payables	FLAAC	–	2.0	–
Deferred income for grants (emission rights)	IAS 20	–	0.7	–
Other	FLAAC	–	7.4	–
Non-current other liabilities			316.7	
Trade payables	FLAAC	–	115.5	–
Derivatives in the energy area	FLHFT	1	4.6	4.6
Derivatives in the energy area	FLHFT	2	111.6	111.6
Derivatives in the energy area	FLHFT	3	11.5	11.5
Derivatives in the finance area	FLHFT	2	43.9	43.9
Other	FLAAC	–	60.4	–
Other	–	–	64.1	–
Trade payables and current other liabilities			411.8	
Aggregated by measurement categories				
Financial liabilities at amortised cost	FLAAC[1]		3,576.9	
Financial liabilities at fair value through profit or loss	FLAFVPL[2]		276.8	
Financial liabilities held for trading	FLHFT[3]		213.4	

[1] Financial Liabilities at Amortised Cost // [2] Financial Liabilities at Fair Value through Profit or Loss // [3] Financial Liabilities Held for Trading

Carrying amounts and fair values by measurement categories 31/12/2013

€m

Assets – balance sheet items	Measurement categories in accordance with IAS 39	Level	Carrying amount	Fair value
Interests in non-consolidated subsidiaries	FAAC	–	1.2	–
Other equity interests	FAAFS	2	65.7	65.7
Other equity interests	FAAC	–	20.2	–
Other equity interests			**87.1**	
Securities	FAAFS	1	86.9	86.9
Securities	FAAFS	2	2.7	2.7
Securities	FAAC	–	3.0	–
Securities – closed items on the balance sheet	LAR	2	49.7	43.2
Other loans – closed items on the balance sheet	LAR	2	226.0	227.4
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	84.3	84.3
Loans to investees	LAR	2	37.9	41.2
Other loans	LAR	2	1.2	1.2
Other	–	–	5.6	–
Other non-current investments and non-current other receivables			**497.3**	
Trade receivables	LAR	–	304.7	–
Receivables from investees and non consolidated subsidiaries	LAR	–	76.6	–
Loans to investees	LAR	2	16.8	17.1
Other loans	LAR	2	560.3	563.5
Derivatives in the energy area	FAHFT	2	160.2	160.2
Derivatives in the finance area	FAHFT	2	2.5	2.5
Money market transactions	LAR	2	145.4	144.9
Emission rights	IAS 38, IAS 2	–	14.8	–
Other	LAR	–	54.3	–
Other	–	–	100.0	–
Trade receivables and current other receivables			**1,435.6**	
Cash and cash equivalents	**LAR**	**–**	**83.3**	**–**
Aggregated by measurement categories				
Financial assets at cost	FAAC[1]		24.4	
Loans and receivables	LAR[2]		1,556.2	
Financial assets available-for-sale	FAAFS[3]		155.3	
Financial assets held for trading	FAHFT[4]		247.1	

[1] Financial Assets at Cost // [2] Loans and Receivables // [3] Financial Assets Available for Sale // [4] Financial Assets Held for Trading

Carrying amounts and fair values by measurement categories 31/12/2013 €m

Liabilities – balance sheet items	Measurement categories in accordance with IAS 39	Level	Carrying amount	Fair value
Bonds	FLAAC	2	2,137.8	2,329.8
Financial liabilities to banks and to others	FLAAC	2	1,513.8	1,534.3
Financial liabilities to banks – closed items on the balance sheet	FLAAC	2	86.0	100.3
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	273.9	273.9
Capital shares attributable to limited partners	IAS 32	–	2.2	–
Non-current and current financial liabilities			**4,013.8**	
Electricity supply commitment	–	–	183.7	–
Obligation to return an interest	FLAAC	3	80.6	80.6
Derivatives in the energy area	FLHFT	3	54.9	54.9
Trade payables	FLAAC	–	2.6	–
Other	FLAAC	–	12.9	–
Non-current other liabilities			**334.7**	
Trade payables	FLAAC	–	165.3	–
Derivatives in the energy area	FLHFT	1	1.0	1.0
Derivatives in the energy area	FLHFT	2	132.8	132.8
Derivatives in the energy area	FLHFT	3	10.5	10.5
Derivatives in the finance area	FLHFT	2	32.3	32.3
Other	FLAAC	–	135.3	–
Other	–	–	57.8	–
Trade payables and current other liabilities			**535.1**	
Aggregated by measurement categories				
Financial liabilities at amortised cost	FLAAC[1]		4,134.4	
Financial liabilities at fair value through profit or loss	FLAFVPL[2]		273.9	
Financial liabilities held for trading	FLHFT[3]		231.6	

[1] Financial Liabilities at Amortised Cost // [2] Financial Liabilities at Fair Value through Profit or Loss // [3] Financial Liabilities Held for Trading

Of the derivative financial instruments in the energy area classified as FAHFT and FLHFT in the above table, positive fair values of €54.9m (31 December 2013: €51.8m) and negative fair values of €78.4m (31 December 2013: €94.6m) relate to hedging relationships designated as cash flow hedges. These fair values represent gross amounts; following the inter-portfolio netting carried out in accordance with VERBUND's accounting policies, cash flow hedges can no longer be isolated.

Valuation methods and input factors for determining fair values

Level	Financial instruments	Valuation method	Input factor
1	Listed securities	Market approach	Nominal values, stock exchange price
1	Listed energy forwards	Market approach	Settlement price published by the stock exchange
2	Other assets and liabilities measured at fair value in the finance area	Net present value approach	Cash flows already fixed or determined via forward rates, yield curve, credit risk of the contracting parties
2	Securities and other loans under closed items on the balance sheet, long-term loans, liabilities to banks, bonds and other financial liabilities	Net present value approach	Payments associated with the financial instruments, yield curve, credit risk of the contracting parties (credit default swaps or credit spread curves)
2	Non-listed energy forwards	Net present value approach	Forward price curve derived from stock exchange, yield curve, credit risk of the contracting parties
3	Non-listed energy forwards (natural gas supply contract for the Mellach combined cycle gas turbine power plant)	Net present value approach	Price forecasts for natural gas and crude oil, take-or-pay volumes optimised according to utilisation for a monthly period, contractual term, yield curve, credit risk of the contracting parties, likelihood of winning the competition law proceedings
–	Cash and cash equivalents, trade receivables and payables, current other receivables, other borrowing within current credit lines as well as current other liabilities	–	Carrying amounts as a realistic estimate of fair value
–	Interests in non-consolidated subsidiaries and other equity interests	–	Reliable estimate of future cash flows mostly not possible; no comparable transactions for fair value measurement using analogy methods

Level 3 measurement of financial instruments: natural gas supply contract

€m

	2013	2014
Carrying amount as at 1/1/	60.4	**65.4**
Measurement gains or losses (recognised in expenses for electricity, grid, gas and certificate purchases)	–44.4	–12.2
Carrying amount as at 30/6/	16.0	**53.3**

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

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

Sensitivity analysis for significant, non-observable input factors[1] €m

	Assumption	Change in assumption	If assumption increases, operating result changes by	If assumption decreases, operating result changes by
Forecast (oil-indexed) contract price for natural gas[2]	€29.5/MWh	± 10%	–44.7	27.7
Forecast wholesale price for natural gas[3]	€29.4/MWh	± 10%	31.0	–42.4
Term[4]	2026	n.a.	n.a.	n.a.
Annual take-or-pay volume[5]	3,125 GWh	n.a.	n.a.	n.a.
Scenarios relating to the outcome of the anti-competitive conduct proceedings[6]	n.a.	n.a.	n.a.	n.a.

[1] In the sensitivity analysis, one unobservable input factor was changed at a time while the other factors of influence remained constant. In reality, however, the changes in unobservable input parameters may also correlate. // [2] The contractual price shown relates to the year 2020. This is the first year in which the price is determined using the average price forecasts from two reputable market research institutes and information service providers in the energy market. The sensitivity analysis varies the forecast price constantly over the duration of the natural gas supply agreement. // [3] The wholesale price shown for natural gas relates to the year 2020. This is the first year in which the price is determined using the average price forecasts from two reputable market research institutes and information service providers in the energy market. The sensitivity analysis varies the forecast price constantly over the duration of the natural gas supply agreement. // [4] A 20 year term lasting until 2031 was negotiated in the natural gas supply agreement. However, both contractual parties have a one-off opportunity to terminate the agreement after 15 years. The fair value was determined based on a 15 year term, since the contractual partner who is disadvantaged at that time will presumably terminate the natural gas supply agreement. // [5] A fixed annual take-or-pay volume was negotiated over the entire term of the natural gas supply agreement. Therefore, the annual take-or-pay volume can only be changed if the agreement is amended. // [6] The note disclosures on the scenarios for the outcome of the proceedings to redress the anti-competitive conduct by EconGas GmbH as well as on the sensitivity of this input factor have been omitted because it is likely that their inclusion would seriously prejudice VERBUND's position in the anti-competitive conduct proceedings.

Notes to the cash flow statement

(20) Cash flow from operating activities

Cash flow from operating activities in quarters 1–2/2014 includes variation margin payments from futures contracts in the energy area in the amount of €2.1m (quarters 1–2/2013: €2.7m).

Cash flow from operating activities attributable to the Pont-sur-Sambre and Toul combined cycle gas turbine power plants classified as "held for sale" amounted to €–26.8m (quarters 1–2/2013: €4.3m).

The other non-cash expenses and income in quarters 1–2/2013 mainly comprised non-cash fair value measurements in the course of business acquisitions of (additional) Bavarian hydropower plant capacities, the associated reclassification adjustments ("recyclings") of other comprehensive income to the income statement and the income from the repurchase of 60% of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group.

Other note disclosures

Dividends paid

Dividends paid

	Total (€m)	Number of ordinary shares	Per share (€)
Dividend paid in 2014 for financial year 2013[1]	347.4	347,415,686	1.00
Dividend paid in 2013 for financial year 2012	208.5	347,415,686	0.60

[1] The €1.00 dividend paid per share consists of a basic dividend of €0.55 and a special dividend of €0.45.

Purchase commitments

Purchase commitments for property, plant and equipment, intangible assets and other services

€m

	30/6/2014	of which payable in 2014	of which payable 2015–2019
Total commitment	**497.3**	271.5	213.4

Contingent liabilities

VERBUND'S last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 30 June 2014, VERBUND's subsidiary liability for the non-redeemed portion of lease liabilities from cross-border leasing transactions amounted to €456.6m (31 December 2013: €478.6m). Of the rights of recourse against primary debtors, a total of €322.7m (31 December 2013: €349.7m) was secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €185.8m (31 December 2013: €179.5m) was covered by off-balance sheet investments.

As at 30 June 2014, other liabilities included contingent liabilities of €31.8m (31 December 2013: €29.9m) in the form of guarantees issued by VERBUND for Verbundplan Birecik Baraji Isletme Ltd. Sti. (VBOC), which is not consolidated.

Transactions with related parties

Transactions with investees accounted for using the equity method

€m

	Q1–2/2013	Q1–2/2014	Change
Income statement			
Electricity revenue	50.1	22.7	–54.6%
Grid revenue	14.4	5.0	–65.1%
Other revenue	3.8	–0.1	–103.7%
Other operating income	1.8	0.6	–69.1%
Expenses for electricity, grid, gas and certificate purchases	–20.5	–14.3	30.4%
Fuel expenses and other usage-dependent expenses	0.0	0.0	100.0%
Other operating expenses	–0.6	–0.2	62.9%
Interest income	0.9	1.0	7.3%
Interest expenses	0.0	0.0	93.5%
Other financial result	0.6	1.2	111.2%

	31/12/2013	30/6/2014	Change
Balance sheet			
Investments and other non-current receivables	37.9	21.4	–43.6%
Trade receivables and other current receivables	44.9	40.7	–9.2%
Contributions to building costs and grants	255.5	262.6	2.8%
Current provisions	0.1	0.0	–8.3%
Trade payables and other current liabilities	2.6	8.3	n.a.

When determining the above disclosures, it was correspondingly taken into account that, in quarters 1–2/2013, STEWEAG-STEG GmbH, Enerjisa Enerji A.S. (Group), Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH were in part still related parties of VERBUND within the meaning of IAS 24.

Electricity revenue with equity-accounted investees was generated mainly with KELAG-Kärntner Elektrizitäts-AG (€18.3m; quarters 1–2/2013: €22.7m). Electricity revenue of €23.2m was generated with STEWEAG-STEG GmbH in quarter 1/2013 before the equity interest was sold. Electricity revenue was offset by electricity purchases from KELAG-Kärntner Elektrizitäts-AG in the amount of €13.0m (quarters 1–2/2013: €10.4m). Electricity amounting to €5.7m was purchased in quarters 1–2/2013 from Österreichisch-Bayerische Kraftwerke AG, which still qualified in part as a related party in quarters 1–2/2013 and has been consolidated since quarter 2/2013.

Electricity revenue with companies controlled or significantly influenced by the Republic of Austria in quarters 1–2/2014 totalled €28.9m (quarters 1–2/2013: €23.8m). The electricity was purchased primarily by Bundesbeschaffungs GmbH (BBG), OMV, Telekom Austria and Autobahnen- and Schnellstraßen-Finanzierungs-AG (ASFINAG). Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €0.3m in quarters 1–2/2014 (quarters 1–2/2013: €0.3m). The electricity was delivered primarily by Österreichische Bundesbahnen (ÖBB). Gas purchased from companies significantly influenced by the Republic of Austria and included under fuel expenses amounted to €0.0m in quarters 1–2/2014 (quarters 1–2/2013: €20.3m). Gas purchases from EconGas GmbH were discontinued when an application for redress for competition law infringements by EconGas GmbH was filed on 29 May 2013. The effect on profit or loss of the fair value measurement of the natural gas supply agreement with EconGas GmbH to be qualified as a free-standing derivative that is being called into question under cartel laws amounted to €12.2m in quarters 1–2/2014 (quarters 1–2/2013: €44.4m). The corresponding derivative financial instrument in the energy area was recognised in non-current other liabilities in the amount of €41.8m (31 December 2013: €54.9m) and in current other liabilities in the amount of €11.5m (31 December 2013: €10.5m).

VERBUND's expenses for monitoring by Energie-Control in quarters 1–2/2014 amounted to a total of €5.8m (quarters 1–2/2013: €6.4m).

Audit or review

These consolidated interim financial statements of VERBUND were neither the subject of an audit nor a review.

Events after the balance sheet date

VERBUND, CIR Compagnie Industriali Riunite S.p.A. and the creditor banks of Sorgenia S.p.A. (Group) signed an agreement on the restructuring of Sorgenia S.p.A. (Group) on 23 July 2014 with the following content: a capital increase will be carried out at Sorgenia S.p.A. (Group) in the amount of €400m by means of debt/equity swaps on the part of the creditor banks. VERBUND will not participate in any capital increases at Sorgenia S.p.A. (Group). As a result, VERBUND'S interest in Sorgenia S.p.A. (Group) will be reduced to less than 1%. VERBUND will subsequently sell its remaining equity interest.

Responsibility statement of the legal representatives

We confirm according to the best of our knowledge that the condensed consolidated interim financial statements of VERBUND as at 30 June 2014, prepared in accordance with the accounting standards for interim financial reports under International Financial Reporting Standards (IFRSs), give a true and fair view of the assets and liabilities, financial position and profit or loss of the Group as required under stock exchange regulations.

We also confirm that the Group interim management report of VERBUND gives a true and fair view of the assets and liabilities, financial position and profit or loss of the Group as required under stock exchange regulations with respect to the important events during the first six months of the financial year and their effects on the condensed consolidated interim financial statements as at 30 June 2014 as well as with respect to the principle risks and uncertainties in the remaining six months of the financial year and with respect to the major related party transactions which must be disclosed.

Vienna, 28 July 2014
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

Notes

Notes

EDITORIAL DETAILS

Published by: VERBUND AG
Am Hof 6a, 1010 Vienna, Austria

This **Interim Report** was produced in-house with FIRE.sys.
Chart and table concept:
Roman Griesfelder, aspektum gmbh
Creative concept and design: Brainds
Design and consulting: Grayling
Translation and linguistic consulting:
Austria Sprachendienst International
Printing: Lindenau Productions

Contact:
VERBUND AG
Am Hof 6a, 1010 Vienna, Austria
Phone: +43(0)50313-0
Fax: +43(0)50313-54191
E-mail: info@verbund.com
Website: www.verbund.com
Commercial register number: FN 76023z
Commercial register court: Commercial Court of Vienna
VAT No.: ATU14703908
DPR No.: 0040771
Registered office: Vienna, Austria

Investor relations:
Andreas Wollein
Phone: +43(0)50313-52604
E-mail: investor-relations@verbund.com

Group communication:
Beate McGinn
Phone: +43(0)50313-53702
E-mail: media@verbund.com

Shareholder structure:
– Republic of Austria (51.0%)
– Syndicate (>25.0%) consisting of EVN AG (the shareholders of which are: Niederösterreichische Landes-Beteiligungsholding GmbH 51%, EnBW Energie Baden-Württemberg AG 32.5%) and Wiener Stadtwerke (whose sole shareholder is the City of Vienna)
– TIWAG-Tiroler Wasserkraft AG (>5.0%, the sole shareholder is the province of Tyrol)
– Free float (<20.0%): no further information is available concerning proprietors of shares in free float.

Legal and statutory limitations of voting rights:
With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder at the Annual General Meeting are restricted to 5% of share capital.

Regulatory body/trade associations:
E-Control GmbH/E-Control Kommission
Bundesministerium für Wissenschaft, Forschung und Wirtschaft
Wirtschaftskammer Österreich
Oesterreichs Energie

Object of the Group:
The Group focus is the generation, transportation, trading with and sale of electrical energy.

Executive Board:
Wolfgang Anzengruber (Chairman),
Johann Sereinig (Vice-Chairman),
Peter F. Kollmann,
Günther Rabensteiner

Supervisory Board:
Gilbert Frizberg (Chairman), Peter Püspök (1st Vice-Chairman), Reinhold Süßenbacher (2nd Vice-Chairman), Alfred H. Heinzel, Harald Kaszanits, Herbert Kaufmann, Peter Layr, Martin Krajcsir, Christa Wagner, Anton Aichinger, Ingeborg Oberreiner, Kurt Christof, Harald Novak, Joachim Salamon

Purpose of publication:
Information for customers, partners and the general public about the utilities sector and the Group.

Specific laws applicable:
Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) with associated regulations and implementation laws. These laws can be accessed via the legal information system of the Federal Chancellery of the Republic of Austria under www.ris.bka.gv.at.

UW 790 – printed in accordance with the Printed Materials Guideline of the Austrian Environmental Label

Verbund
Power for the Future