Values. To us, management means creating values: for people, society and the environment.

Verbund
Power for the Future

Annual Report 2012

Design concept for charts and tables

The depiction of charts and tables corresponds to the concept of "SIMPLE, UNIFORM, CLEAR" from Roman Griesfelder (aspektum gmbh). They are prepared according to the recommendations of Prof. Rolf Hichert.

EINFACH
EINHEITLICH
EINDEUTIG

Column/bar width

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

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

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

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

Colours

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

Five-year comparison

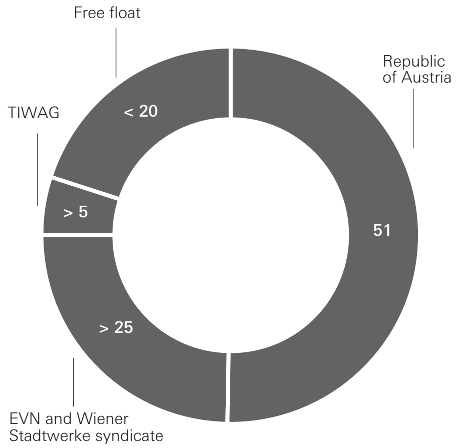
VERBUND Group 2012

	Unit	2008	2009	2010	2011	**2012**
Revenue[1]	€m	3,744.7	3,483.1	3,307.9	3,027.7	**3,174.3**
Operating result[2]	€m	1,138.6	1,042.3	828.5	1,030.0	**900.2**
Operating result before effects from impairment tests[2]	€m	1,138.6	1,042.3	828.5	827.8	**955.9**
EBITDA[2]	€m	1,321.8	1,251.5	1,059.2	1,069.5	**1,233.9**
Group result[2]	€m	686.6	644.4	400.8	355.8	**389.3**
Balance sheet total	€m	8,293.8	10,345.2	11,291.0	11,859.3	**12,387.3**
Equity[2]	€m	3,128.1	3,409.7	4,372.4	4,919.1	**5,099.4**
Net debt[2, 5, 6]	€m	2,753.2	4,788.9	4,233.9	4,050.1	**3,311.7**
Additions to property, plant and equipment	€m	440.3	471.9	635.7	581.4	**680.3**
Cash flow from operating activities	€m	934.2	968.0	778.2	829.9	**1,034.7**
Free cash flow	€m	–187.5	–1,075.7	–355.8	43.6	**272.6**
EBITDA margin[1, 2]	%	35.3	35.9	32.0	35.3	**38.9**
Return on sales (EBIT margin)[1, 2]	%	30.4	29.9	25.0	34.0	**28.4**
Return on capital employed (ROCE)[2, 5]	%	16.7	12.9	8.2	6.9	**6.3**
Return on equity (ROE)[2]	%	27.3	22.4	12.9	10.0	**10.0**
Equity ratio (adjusted)[2]	%	41.3	34.3	39.9	43.0	**42.6**
Gearing[2]	%	88.0	140.4	96.8	82.3	**64.9**
Gross debt coverage (FFO)[2]	%	36.3	20.2	17.6	19.5	**20.6**
Gross interest cover (FFO)[2, 3]	X	7.1	4.8	3.6	3.9	**4.5**
Share price high	€	59.30	38.13	32.12	32.47	**23.00**
Share price low	€	29.74	23.73	24.24	17.91	**14.50**
Closing price	€	32.56	29.71	27.88	20.74	**18.76**
Market capitalisation	€m	10,034.99	9,156.62	9,685.95	7,203.66	**6,517.52**
Earnings per share[2, 4]	€	2.23	2.09	1.28	1.02	**1.12**
Cash flow per share[4]	€	3.03	3.14	2.49	2.39	**2.98**
Carrying amount per share[2]	€	9.30	10.12	11.62	12.42	**12.83**
Price/earnings ratio (last trading day)[2]	X	14.61	14.21	21.71	20.25	**16.74**
Price/cash flow ratio[4]	X	10.74	9.46	11.18	8.68	**6.30**
Price/book value ratio[2]	X	3.50	2.94	2.40	1.67	**1.46**
(Proposed) dividend per share	€	1.05	1.00	0.55	0.55	**0.60**
Special dividend per share	€	–	0.25	–	–	**–**
Dividend yield	%	3.22	4.21	1.97	2.65	**3.20**
Payout ratio[2]	%	47.13	59.79	47.67	53.71	**53.54**
Enterprise value/EBITDA[2]	X	9.7	11.1	13.1	10.5	**8.0**
Average number of employees		2,541	2,820	3,015	3,045	**3,100**
Electricity sales volume[1]	GWh	56,057	51,289	55,729	46,887	**47,483**
Hydro coefficient		1.01	1.06	0.99	0.89	**1.11**

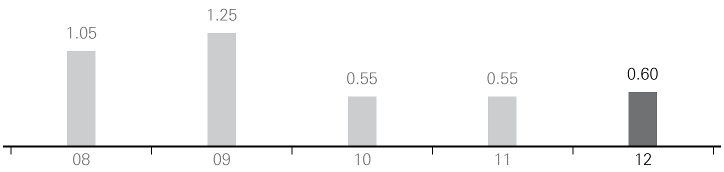
[1] The key figures were adjusted to reflect the changes in accounting treatment for energy derivatives in the wholesale portfolio. The change was implemented retrospectively effective 1 January 2011 in accordance with IAS 8. The values for the years prior to 2011 have not been adjusted. // [2] The key figures were adjusted to reflect the (early application of) changes in accounting treatment for employee benefits in accordance with IAS 19 (2011). The change was implemented retrospectively effective 1 January 2011 in accordance with IAS 8. The values for the years prior to 2011 have not been adjusted. // [3] Interest expenses without the profit shares attributable to the limited partners // [4] For calculating the earnings per share and the cash flow per share, the average number of shares was determined exactly to the day. // [5] Key figures were revised. The previous year's values were adjusted. // [6] Net debt is calculated as at the balance sheet date. As a result of the planned asset swap of the Turkish equity interest for shares in German hydropower plants, net debt will increase in subsequent periods after the closing due to the addition of the German hydropower plants.

Investor relations

Shareholder structure %

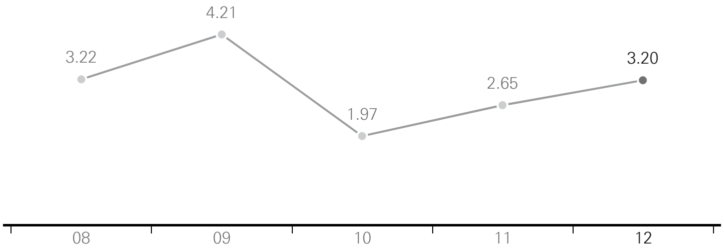


(Proposed) dividend per share €



In 2009 there was a special dividend of €0.25 per share.

Dividend yield %



In 2009 there was a special dividend of €0.25 per share.

Basic information

Share capital (€)	347,415,686
Stock (shares)	347,415,686
Official quotation	
Vienna	VER
Information systems	
Bloomberg	VER AV
Reuters	VERB.VI
ISIN	AT0000746409
Rating agencies	
Standard & Poor's	A–/stable outlook
Moody's	A2/negative outlook

Capital market calendar 2013

Event	Date
Annual result 2012	06/03/2013
Publication of Annual Report	06/03/2013
Annual general meeting	17/04/2013
Dividend ex-date	24/04/2013
Interim Report quarter 1/2013	02/05/2013
Dividend payment date	07/05/2013
Interim Report quarter 1–2/2013	31/07/2013
Interim Report quarter 1–3/2013	29/10/2013

VERBUND
Annual Report 2012

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Report of the Executive Board

Dear Shareholders, In the past year, we streamlined VERBUND's strategy and took key steps for the Group's future. In what was probably our most important decision, we will be exchanging our Turkish equity interest for shares in Bavarian hydropower plants from German energy group E.ON. This move will improve our risk profile and strengthen our renewable generation portfolio by focusing on hydropower.

Clear strategic focus VERBUND is today one of Europe's leading hydropower groups. We plan to continue on the path we have chosen and to keep investing in renewable hydropower and wind power. In the process, we will concentrate all activities from generation to sales on our most important markets of Austria and Germany. With this focus and our in-depth market expertise, we are very well positioned to meet the new challenges arising from the fact that the electricity market is currently undergoing the most far-reaching changes since deregulation in 1999. Due to the transition of the European electricity generation system towards increased renewable energy, the failure of the CO_2 market and weak electricity demand as a result of economic factors, electricity prices remain at a persistently low level.

Concentration on hydropower and wind power Underlining the importance of hydropower for VERBUND is the acquisition of shares in 8 Bavarian run-of-river power plants with additional generation of more than 2 TWh per year, which is expected to be completed in the first half of 2013. Our largest hydropower project at present – the Reisseck II/Carinthia pumped storage power plant (430 MW) – is in the assembly phase, with the start of commissioning planned for 2014. The expansion of electricity generation is making progress on the Mur River in Styria, where we opened the Gössendorf power plant (19 MW) in 2012 and construction of the Kalsdorf power plant (19 MW) is progressing as scheduled. In addition, we are constantly modernising existing power plants, such as the Ybbs-Persenbeug/Lower Austria Danube power plant, to increase their efficiency.

We also continuously work to expand electricity generation from wind power: 172 MW are already in operation and approximately 238 MW are under construction or ready for construction. In August 2012, we purchased 5 wind farms in Germany (86 MW). We are currently building 3 wind farms with a total of 57 MW in the Lower Austrian Bruck an der Leitha district, which will more than double our wind power capacity in Austria. In Romania, the Casimcea I wind farm (99 MW) was put into operation in September 2012, and the second wind farm (102 MW) is under construction.

Core markets of Austria and Germany In December 2012, we announced an asset swap with E.ON. This entails VERBUND relinquishing its equity interest in Enerjisa Enerji A.S., its Turkish joint venture, and in return acquiring ownership of shares in Bavarian hydropower plants. The asset swap is set to be completed in the first half of 2013. The transaction will enable us to capitalise on the enterprise value we have successfully built up in Turkey. It will improve the risk profile of VERBUND and strengthen our financing power.

We sell approximately 94% of our electricity in Austria and Germany, which thus already constitute VERBUND's most important sales markets. In the future, we plan to focus our investments on these countries. We also see interesting growth opportunities in Southeast Europe over the medium to long-term. France and Italy can no longer be seen as growth markets. VERBUND will honour its existing commitments, but does not plan to make any new investments in the medium term.

Capital structure strengthened and investment portfolio streamlined In 2012, we streamlined our investment portfolio by divesting non-strategic minority interests (Gletscherbahnen Kaprun AG (GBK), Kärntner Restmüllverwertungs GmbH (KRV), Energie Klagenfurt GmbH (EKG) and STEWEAG-STEG (SSG)). This has increased our flexibility in a persistently difficult market environment and strengthens the financing power of VERBUND. The measures taken are already bearing fruit. Rating agencies Moody's and Standard & Poor's have confirmed VERBUND's rating in the single-A range in a generally deteriorating rating environment for utilities.

Thermal power – a necessary addition The Mellach/Styria CCGT (848 MW) went into operation at the start of 2012. All over Europe, gas power plants are currently under massive pressure. However, with the increased expansion of renewables, the flexibility of gas power plants is needed more and more to compensate for weather-related fluctuations in wind and sun and to guarantee the security of supply. Our goal is to optimise our existing portfolio of gas power plants. In the year under review, we recorded initial successes in restructuring our gas supply contracts: the long-term contract for the Pont-sur-Sambre/France CCGT (420 MW) was cancelled by court order. With respect to Sorgenia, our Italian equity interest, as well as our Mellach CCGT, negotiations on further optimisations are under way.

Trading and sales gain in significance Rapid expansion of new renewable energy and the resulting decentralised as well as volatile generation are posing new challenges for trading and sales. VERBUND identified these challenges early on and made preparations to ensure that the Group's own generation would continue to be optimally marketed. For example, the power plant utilisation centre was modernised, intraday trading established and new, innovative services offered. We have thus succeeded in increasing both electricity sales volumes and revenues. Our trading and sales strategy is focussing on developing additional new energy products and services.

Grid and innovations In March 2012, VERBUND subsidiary Austrian Power Grid AG (APG) was certified as an independent transmission system operator. In September, APG submitted the second part of the 380 kV Salzburg line for environmental impact assessment in Salzburg and Upper Austria.

For many years, VERBUND has additionally dedicated itself to the issue of future energy supplies. In 2012, together with Siemens, we established E-Mobility Provider Austria. It is planned for this company to develop an extensive network of charging stations and an electromobility package for business and private consumers in the coming years.

Good earnings trend Despite the difficult situation on the energy markets and in the general economy, VERBUND's business has performed well. EBITDA rose by 15.4% as a result of an above-average water supply. The operating result decreased by 12.6% on the previous year. The decline was primarily due to impairment tests performed on VERBUND power plants in the previous year, which had a net effect of €+202.2 m on the operating result for 2011. However, taking the operating result before effects from impairment tests results in an increase of 15.5% in 2012.

The Group result increased by 9.4% due to a significant improvement in the financial result. We also succeeded in maintaining profitability in financial year 2012: the EBITDA margin reached an outstanding 38.9% and the gearing declined to 64.9%.

Dividends and outlook for 2013 At the Annual General Meeting on 17 April 2013, we will propose a dividend of €0.60 per share. This corresponds to a year-on-year increase of approximately 9%. The payout ratio for 2012 will thus amount to 53.5%. For financial year 2013, we plan to increase the dividend and pay a total of €1/share to our shareholders. This assumes successful completion of the asset swap announced in December 2012, the profits from which we will share with our shareholders. On the basis of average own generation from hydropower, we expect EBITDA to amount to approximately €1 billion for the financial year 2013.

Dipl.-Ing. Wolfgang Anzengruber | Dr. Johann Sereinig | Dr. Ulrike Baumgartner-Gabitzer | Dipl.-Ing. Dr. Günther Rabensteiner

Report of the Supervisory Board

VERBUND – Austria's leading utility – was faced with difficult conditions during financial year 2012 due to the tense state of the market. However, thanks to additional restructuring and cost reduction measures and an above-average water supply, VERBUND was again able to generate satisfactory earnings while continuing to pursue its strategy of profitable and sustainable growth, despite the unfavourable market and sector climate. The Supervisory Board actively monitored and fostered these positive developments. During the year under review, it did, during six plenary meetings, perform the tasks and exercise the powers that are incumbent upon it by virtue of the law and the Articles of Association. The overall attendance rate of all the members of the Supervisory Board exceeded 91%. In addition, the Chairman of the Supervisory Board maintained regular contact with the members of the Supervisory Board in regard to important matters and obtained the opinion of individual members if they were absent. As a result, every member of the Supervisory Board was always involved in material matters. The Supervisory Board was kept regularly and comprehensively informed by the Executive Board on a real-time basis, both verbally and in writing, about all relevant questions relating to the enterprise's business performance as well as about the position and strategy of the Group and those of the important Group companies, as well as about the Group's risk position and risk management activities. The Supervisory Board continuously monitored the Executive Board's management activities based on its extensive reporting. Supervision, which took place within the scope of open and constructive discussion between the Executive Board and the Supervisory Board, did not reveal any grounds for criticism.

Significant resolutions of the Supervisory Board In addition to approving the annual financial statements and the Group budget, one of the Supervisory Board's most important decisions involved the asset swap with E.ON, which consists of the acquisition of Bavarian hydropower plants in return for relinquishment of the Group's equity interest in Enerjisa, the Turkish joint venture, and represents a crucial strategic course of action. Other important topics comprised the acquisition of wind power projects in Germany and adjustment of the investment portfolio through the sale of shares in SSG and EKG as well as the shares in GBK and KRV. Finally, the Supervisory Board approved capital borrowing on a number of occasions, and the furnishing of guarantees and letters of comfort.

Code of Corporate Governance, Supervisory Board Committees As a leading listed enterprise, VERBUND committed early to complying with the Austrian Code of Corporate Governance. The Supervisory Board too sees itself as committed to the Code and in 2012 reaffirmed its commitment with respect to the current version of the Code. The Supervisory Board endeavours to consistently comply with the provisions of the Code that relate to the Supervisory Board. In this spirit, all rules relating to the Supervisory Board's collaboration with the Executive Board and the Supervisory Board itself are complied with in full with the exception of one minor, explained deviation. Pursuant to the requirement of the Austrian Code of Corporate Governance (Rule 36), the Supervisory Board again conducted a self-evaluation during the past financial year. This took place in the context of an extensive, open discussion at a Supervisory Board meeting, which dealt above all with the efficiency of the Supervisory Board's work and its organisation as well as the reports from the committees. Suggestions for improvements will be taken up and implemented in the current year. In addition, the Supervisory Board discussed possible conflicts of interest, including those arising from the approval of contracts with companies with respect to which individual Supervisory Board members are related parties; no conflicts of interest were determined. The Supervisory Board's Working Committee met six times during the year under review (above all to plan plenary meetings and to approve important projects at subsidiaries). The Audit Committee also met 6 times, dealing, above all, with the half-year financial statements and preparation of the approval of the annual financial statements, the appointment of the auditor and approval of the auditor's work. In addition, it occupied itself in detail with the control, auditing and risk management system and with the audits performed by internal audit. In accordance with the Code of Corporate Governance and the rules of procedure, two other Supervisory Board committees – a Nomination Committee and a Remuneration Committee – were again formed in 2012. These committees executed the tasks assigned to them by way of the rules of procedure. The Remuneration Committee held one meeting to discuss target agreements and the variable compensation for the Executive Board. The Nomination Committee met in December 2012 to prepare a public tender regarding the seats on the Executive Board that will become vacant at the end of the current year. Further information about the composition, the operation and the meetings of the Supervisory Board and its committees and about the remuneration of its members is contained in the corporate governance report. There were no changes to the composition of the Supervisory Board or its committees.

Annual financial statements, consolidated financial statements The annual financial statements, together with the management report, the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs) and the consolidated management report for financial year 2012, were audited by Deloitte Audit Wirtschaftsprüfungs GmbH and given an unqualified auditors' report. The auditor reported on the results in writing and found that the Executive Board had provided the explanations and evidence that had been requested, that the accounts, annual financial statements and consolidated financial statements were in accordance with the legal requirements and, in conformity with the principles of proper accounting, presented fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the Company and the Group and that the management report and consolidated management report were consistent with the annual financial statements and the consolidated financial statements. Following their in-depth examination and discussion by the Audit Committee and the Supervisory Board, the Supervisory Board approved the annual financial statements for financial year 2012 presented by the Executive Board. As a result, they are final for the purposes of Section 96(4) of the Austrian Stock Corporation Act (Aktiengesetz, AktG). The management report by the Executive Board was approved, as was the profit appropriation proposal. The consolidated financial statements and the consolidated management report were also acknowledged and approved by the Supervisory Board, as was the corporate governance report submitted by the Executive Board, which was audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Finally, the Supervisory Board would like to thank the Executive Board and all the employees for their high level of dedication and their successful work during financial year 2012. The Supervisory Board would also like to thank the Group's shareholders, customers and business associates for their trust.

Vienna, March 2013

Dr. Gilbert Frizberg
Chairman of the Supervisory Board

Strategy

By generating and marketing electricity from renewable energy, we preserve and create sustainable value for the future. The strategy of VERBUND is geared toward hydro and wind power technologies in our key markets of Austria and Germany. Moreover, VERBUND has made a clear commitment to value-based management and is striving for a stable credit rating in the single-A range.

Cost-effectiveness and profitability

Cost-effective, profitable action, financial stability and sustainability: these are the pillars of our strategy for overcoming the challenges of today and tomorrow. We make targeted investments in innovations to create a basis for future earnings. We ensure the sustainability of our economic performance through consistent implementation of our initiative to increase efficiency in all corporate sectors and realise cost savings potentials.

Defining values: VERBUND gears its strategy toward hydropower and wind power. The Group's core markets are Austria and Germany.

Hydropower and wind power

VERBUND is one of the leading hydropower groups in Europe. Electricity generation from hydropower is our core competency and forms the basis of our generation portfolio. The planned acquisition of shares in Bavarian hydropower plants underlines the significance of this renewable resource for VERBUND. In the future, we will continue to focus on developing hydropower. Priority will be given to capital expenditure in our key markets of Austria and Germany. In addition to constructing new hydropower plants, we will increase the efficiency of our existing plants. Having a flexible power plant portfolio will allow us to compensate for weather-related fluctuations in wind power and solar energy in the best manner possible and therefore support the transition to new sources of energy.

In past years, we have continuously developed electricity generation from wind power. We have a portfolio of wind power plants located in Austria, Germany, Romania and Bulgaria. In Romania, the Casimcea I wind farm was put into operation in quarter 3/2012, and construction of Casimcea II is proceeding as planned. Just recently, we purchased 5 wind farms in Germany, thus underlining the significance of wind power for VERBUND as a sustainable generator of electricity.

Regional focus

The underlying conditions in the energy sector and the general economy have changed fundamentally in recent years. As a result, VERBUND has gradually fine-tuned its strategic direction to focus on Austria and Germany. Our home market of Austria remains extremely important for us. The domestic resource of water allows for environmentally-friendly and sustainable energy generation. We reinforce our position as a leading hydropower group in the heart of Europe by using run-of-river power plants in the Austrian-Bavarian border regions to supplement capacities. We already sell approximately 94% of our electricity in Austria and Germany alone.

In addition to these countries, the Southeast European economic area is one of VERBUND's medium to long-term target regions. We are already active in generation in Albania, Romania and Bulgaria and are paying very close attention to market developments in these regions.

France and Italy can no longer be seen as growth markets. VERBUND will honour its existing commitments, but does not plan to make any new investments in the medium term.

Supplementing generation with gas power

VERBUND's ultra-modern and CO_2-low CCGTs supplement renewable energy. They also ensure a balanced mix in terms of generation and are able to balance out volatile electricity generation from renewable energy. The general situation for gas power plants is difficult at present. We are working to optimise our existing portfolio and to (re-)negotiate our gas supply agreements. At the moment, we are not considering expanding our thermal portfolio.

Additional potential in trading and sales

Energy trading forms the hub of VERBUND's domestic and international activities. It ensures optimal daily power plant utilisation, access to the energy markets for our power plants and the best possible marketing of the energy we generate. In addition to marketing our energy via traditional stock market transactions and off-exchange, OTC trading in numerous countries, we also sell our electricity directly to resellers and consumers. We are also a leading trader of green electricity products in the European market with our H_2Ö brand. VERBUND is thus positioning itself as an active competitor, attractive service provider and reliable partner in electricity sales. In addition, having direct access to consumers ensures that sales risks are diversified, especially in times of crisis with fluctuating wholesale prices. Changing energy policies and the rapid development of new renewable energy are posing new challenges for trading and sales. VERBUND took preparatory measures for this well in advance. In this dynamic market environment, we are ensuring optimum marketing of our own generation through conversion of our power plant utilisation centre, establishment of an intraday trading team and development of new and innovative services. Our trading and sales strategy will focus on developing additional innovative energy products and services.

Power grid – the backbone of power supply

As the link between electricity generation and electricity consumption, the transmission grid represents the backbone of power supply. It ensures the supply of electricity to the population and to industry. In past years, the share of new renewable energy such as wind power and solar power has risen sharply. This energy is weather dependent and therefore subject to natural fluctuations, a situation that entails enormous challenges for grid operation. The grid must ensure a balance between generation and consumption at all times. VERBUND is committed to expanding the Austrian transmission grid using a forward-looking grid development plan. Moreover, we see ourselves as a reliable partner with respect to maintaining Europe's electricity supply.

Strategic equity interests

In its strategic partnerships, VERBUND's policy is to pursue majority interests. VERBUND began last year to divest itself of interests that are of no strategic added value and will continue to do so.

Innovation – a key area for the future

As Austria's leading power company, development of the domestic energy supply is especially important to us. This is why we are active in designing new products in the energy area. The focus is on intelligent storage technologies, energy management and electromobility.

Investor relations

International stock markets

2012 was marked by a surprisingly strong upward trend. While the stock markets closed on a consistently positive note at the end of March, the difficult situation concerning the national budgets in several southern European countries caused growing concerns on international markets and sharp adjustments in April and May. Additional EU decisions aimed at boosting the economy, however, had a positive effect on the markets. In the second half of the year, the central banks' expansive monetary policy measures resulted in a significant price recovery, which was sustained on most stock exchanges until the end of the year. By contrast, the upward trend in the US was interrupted after the presidential elections at the start of November due to fears of recession resulting from political discord over the restructuring of the budget. Hence the US Dow Jones Industrial index closed on 31 December 2012 at 7.3% over the 2011 year end level, an increase that was significantly weaker than that of the Nikkei 225 index, which climbed 22.9% and the Euro Stoxx 50 index, which increased by 13.8%.

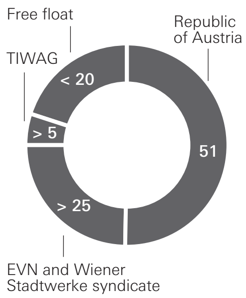
Upcoming dates:
Annual General Meeting on 17 April 2013
Ex-dividend date on 24 April 2013
Results for Q1/2013 on 2 May 2013

VERBUND shares

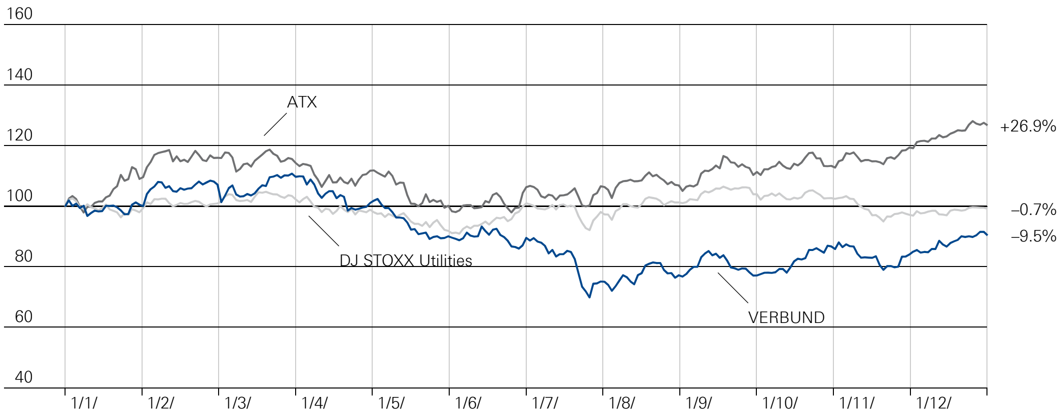
In line with international share prices, VERBUND shares increased significantly in value at the start of 2012. However, by the end of July, ongoing uncertainty about the future development of the European electricity market and low wholesale prices for electricity had resulted in massive price losses and an annual low of €14.5. By the end of the year, however, the shares had rebounded thanks to the generally good mood on the stock markets in the second half of the year as well as positive company news.

VERBUND shares closed at €18.8 on 31 December 2012, down 9.5% from 31 December 2011. The DJ STOXX Utilities industry index was almost stable with a decline of 0.7%. By contrast, the ATX rose by 26.9% on the back of the recovery in bank share prices and real estate values. What is noticeable, however, is that the rise in share prices was not adequately accompanied by growing revenue volumes. Therefore, a typical recovery phase has not yet set in.

Shareholder structure %



Share price 2012 (indexed)



Shares: key figures

	Unit	2011	**2012**	Change
Share price high	€	32.5	**23.0**	–29.2%
Share price low	€	17.9	**14.5**	–19.0%
Closing price	€	20.7	**18.8**	–9.5%
Performance	%	–25.6	**–9.5**	–
Market capitalisation	€m	7,203.7	**6,517.5**	–9.5%
ATX weighting	%	4.9	**3.4**	–
Value of shares traded	€m	3,308.8	**1,344.7**	–59.4%
Shares traded per day	Shares	500,030	**288,203**	–42.4%

Active investor relations at VERBUND

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

The investor relations team works on increasing the transparency of the Group on an ongoing basis to enable VERBUND shares to be rated accurately. The core tasks include active, open communication with our investors and analysts at road shows, on conference calls and at one-to-one conversations. We also ensure that comprehensive information is provided via our current press releases and by fulfilling the legally prescribed publicity regulations, such as publishing our financial results.

The VERBUND investor relations team conducted road shows in Europe and the USA in 2012 and participated in 5 major investor conferences. Together with the Executive Board, the team met with investors from all over the world and provided them with information on VERBUND's key figures and operational and strategic development.

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

Coverage by 20 renowned Austrian and international investment banks ensured the visibility of VERBUND shares in the financial markets. The following investment banks provided analysis on VERBUND last year:

Barclays Capital *(Peter Bisztyga)*
Berenberg Bank *(Lawson Steele)*
Citigroup *(Andrew Simms)*
Commerzbank *(Tanja Markloff)*
Credit Suisse *(Vincent Gilles)*
Deutsche Bank *(Alexander Karnick)*
Erste Group *(Christoph Schultes)*
Exane BNP Paribas *(Philip Gottschalk)*
Goldman Sachs *(Deborah Wilkens)*
HSBC *(Adam Dickens)*
Kepler Capital Markets *(Ingo Becker)*
Macquarie Research *(Matthias Heck)*
Mainfirst *(Andreas Thielen)*
BofA Merrill Lynch *(Christopher Kuplent)*
Morgan Stanley *(Arsalan Obaidullah)*
Nomura *(Martin Young)*
Raiffeisen Centrobank AG *(Teresa Schinwald)*
Raymond James *(Emmanuel Retif)*
UBS *(Patrick Hummel)*
Warburg Research *(Stephan Wulf)*

Consolidated management report

Group

No liability is assumed for any links or references contained in the consolidated management report.

General position

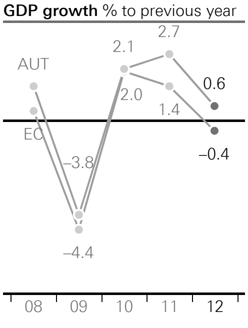
Ensuring the supply of electricity is of great value. To do so, we need new conditions on the electricity markets.

The European electricity sector is facing major challenges. Germany's plan to abandon nuclear power by 2022 and policies of massive subsidies for new renewable energy – above all photovoltaics and wind power – are bringing fundamental changes to Central European electricity markets and leading to considerable market distortion. Experts agree that security of supply cannot be achieved in the long term without changing the current design of the market. Even today, the decline in operating hours means that building as well as operating flexible, conventional power plants has become uneconomical. However, new, flexible power plants will be needed once the last nuclear power plants are decommissioned in Germany starting in 2022. The debate on energy policy must therefore deal with the question of how the market of the future should be designed in order to ensure the profitability of new power plants as well as those already in operation.

General economic situation

Significant slowdown in economic output

GDP growth % to previous year



source: IWF, Wifo

Global economic output weakened notably in 2012. The following factors are having a severe impact on the economy: the deepening of the sovereign debt crisis in the eurozone, high government debt in the USA ("fiscal cliff" averted for the time being) and slower growth in the emerging economies. In addition, decreased confidence in the financial system and uncertainty on the part of private households has put the brakes on demand.

According to the International Monetary Fund (IMF), real economic growth slowed to 1.3% in the industrial countries in 2012 after having been 1.6% just a year earlier. In the eurozone, the ongoing debt crisis led to a decline in real economic output to 0.4% after a growth of 1.4% in 2011. However, economies in the individual eurozone countries (EC) diverged increasingly in 2012. Whereas the gross domestic product in Germany and Austria expanded in real terms by 0.9% and 0.6% respectively, economic output in the heavily indebted southern European countries declined sharply.

Outlook overshadowed by uncertainty

Prospects for 2013 are uncertain, mainly due to the sovereign debt crises in Europe and the US and the ensuing public reaction. According to the IMF, the real gross domestic product will increase by only 1.4% in the industrial countries in 2013. The eurozone economy will shrink for the second year in a row in 2013 (–0.2% in real terms). The Austrian economy is nonetheless expected to see real growth of 1.0% in 2013 according to the Austrian Institute of Economic Research (Österreichisches Institut für Wirtschaftsforschung, WIFO).

Energy market environment

Demand for energy softens

Energy consumption depends largely on the economic climate and weather conditions. In 2012, two opposing trends collided in Austria: firstly, consumption rose due to colder temperatures and the extra day in February and secondly, demand fell due to the declining economy.

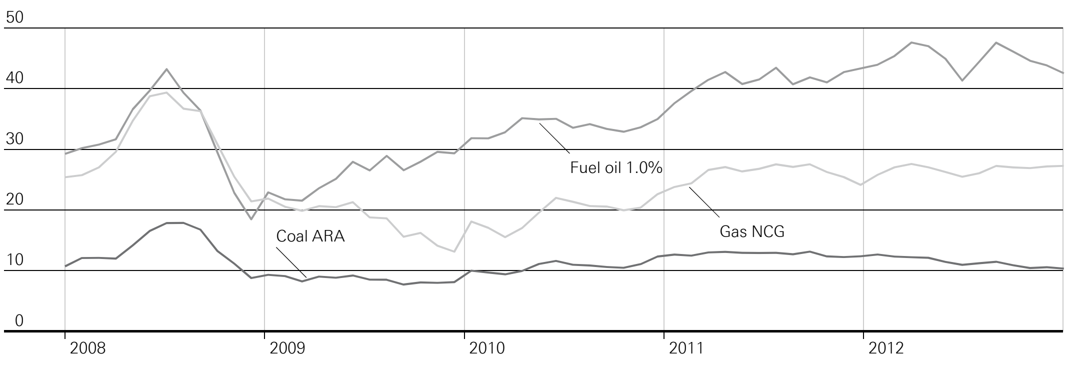
Natural gas consumption decreased by 5.9% in 2012 (January to November). The electricity industry was the primary reason for the decrease in the use of gas. Gas power plants are under extreme economic pressure due to low wholesale prices for electricity and expensive gas supply agreements that are linked to the price of oil. Industrial gas demand was also impacted by the significant decline in industrial production. The sole factor leading to an increase in gas demand was the climate-related rise in demand for heat. Total heating degree days increased by 4.6% in 2012. This indicator is generally used as a temperature-independent indication for the use of heating energy.

Hard coal consumption decreased dramatically. Its use in electricity generation declined by 21.8% in 2012 (January to November), and the Austrian steel industry lowered crude steel production by 2%.

Consumption of mineral oil products changed only minimally compared with the previous year. The colder weather and the weak economy shaped demand for liquid and other fuels.

The use of renewable energy increased considerably in 2012, mainly due to the substantial increase in the water supply. However, new renewable energy sources such as wind, solar, biomass and geothermal power also continued their upward trend.

Coal, oil and gas price development €/MWh thermal



Average monthly prices, Futures market (front year) *source: ICE, EEX*

Electricity demand rises slightly, dependency on imports declines

According to preliminary figures from E-Control, electricity consumption in Austria increased by 1.0% year-on-year in 2012 (January to November). The cold periods in February and April 2012 as well as the warm summer increased electricity consumption, while the significant slowdown in the economy had the opposite effect.

Due to the good water supply, electricity generation from hydropower was up by 26.3% in Austria in 2012 (January to November). However, utilisation of thermal power plants decreased by 17.5% in this period due to market conditions. “Other generation” recorded a 14.5% rise between January and November. This figure includes electricity production from other renewable energy sources (excluding biomass, which falls into the category of thermal generation) and from plants that cannot yet be allocated for statistical purposes.

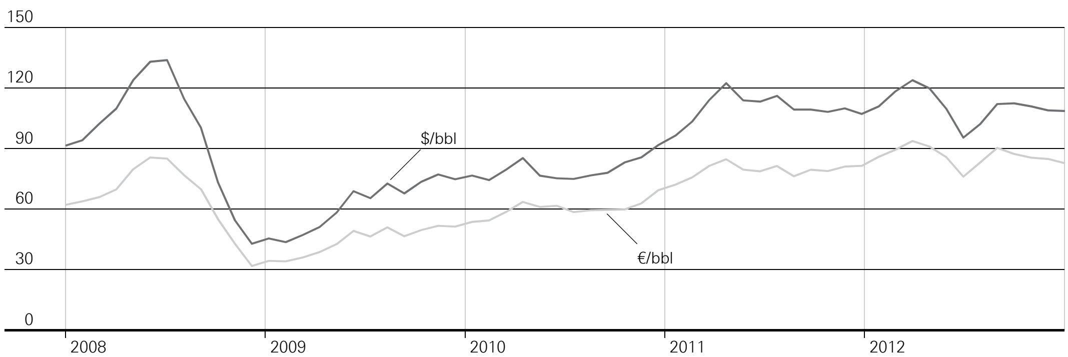
Total electricity generation increased by 9.4% in Austria in 2012 (January to November). Increasing electricity exports and declining imports reduced the dependency of the power supply on foreign imports. Austria had to import around 3% of its net demand in 2012 (January to November) compared to 10% in the previous year.

Trend in crude oil prices: geopolitics versus the economy

The oil market continued to be characterised by geopolitical risk in 2012, with the conflict surrounding Iran's atomic energy programme and political unrest in the Near East in the foreground. Fears of tensions escalating and affecting the supply of oil drove up oil prices in the first and third quarters in particular. Intensification of the conflict between Syria and Turkey added to the uncertainty in the second half of the year.

In quarter 2/2012, prices softened temporarily when the situation in Iran relaxed somewhat and OPEC increased its supply. At the same time, the economic downturn acted to decrease demand for oil. These factors counteracted each other, resulting in an average price for Brent crude oil (front month) of $111.7/bbl in 2012 compared with $110.9/bbl a year earlier, a rise of 0.7%. In euro terms, however, the price of Brent crude oil rose by 9.0% due to the appreciation of the US dollar against the euro.

Crude oil price development (Brent front month)



Average monthly prices *source: ICE*

Rise in gas prices, oversupply of power plant coal

The majority of natural gas imports in the European Union is based on long-term contracts linked to oil prices. For this reason, the trend on the oil market also impacts gas prices after a lag of several months. Moreover, short-term trading transactions are increasingly affecting the position on the gas markets. Oil has no direct effect on the pricing of such transactions. The gas trading markets with the highest liquidity in continental Europe are the Title Transfer Facility (TTF) hub in the Netherlands and the Net Connect Germany (NCG) hub. In 2012, prices on these trading markets were again significantly below those for oil price-linked contracts. This led to numerous gas buyers – including VERBUND – renegotiating their contracts with suppliers.

Prices for gas imports to Austria increased by an average of 10.9% in the first nine months of 2012. Gas prices also rose at the European NCG trading point. The NCG spot market price for natural gas was 10.5% higher in 2012 than in the previous year. In futures trading, supplier contracts for the coming year (NCG front year) were invoiced at an average of 2.4% higher.

Coal deliveries in the ARA area (Amsterdam, Rotterdam, Antwerp) became less expensive in 2012. Coal prices were up 17.5% on the spot market and down 10.6% on the futures market year-on-year (ARA front year; both on a euro basis). The reason is that US coal manufacturers are defecting to the export market due to heightened competition from lower-priced shale gas, which has led to an oversupply.

Political and regulatory framework conditions at an European level

Redefining energy markets

Growing challenges in Europe's energy markets led VERBUND to give careful consideration to how the energy market of the future should be designed. Market distortions and efficiency losses in the general economy have resulted from the lack of integration of new renewable energy in the market and the failure of the CO_2 market. As a result, there is no incentive for the necessary new investments in low-emission, flexible technologies.

Internal analysis and discussions have resulted in a 6-point initiative to boost the electricity market ("Energy Only Market +"). This initiative comprises the following points: reform of the CO_2 market, economic integration of renewable energy, further liberalisation of energy markets, increase in demand pricing elasticity, cross-border opening of balancing energy markets and expansion of the transmission grid.

6-Point Initiative from VERBUND for a market-based electricity supply: www.verbund.com

EU internal energy market not yet completed

In an announcement made in the autumn of 2012, the European Commission stated that substantial efforts would still be required to complete the internal energy market by 2014, and that this would involve the Member States meeting implementation requirements on schedule. It also announced its intention to abolish price regulations, achieve more convergence in the funding of renewable energy and accelerate expansion of the grid. The Commission made it clear that independent action on the part of EU Member States – for instance in creating national capacity mechanisms – would be viewed critically and reviewed for compatibility with EU law.

Reform needed in EU emissions trading

The current system of EU emissions trading is not fulfilling its purpose. At present, the cheapest electricity is generated from carbon-intensive brown coal. Low-emission technologies are not subsidised due to sustained low prices for emission rights. For this reason, the European Commission proposed "backloading" in the summer of 2012. This involves temporarily reducing the number of allowances to be auctioned at the start of the third trading phase (2013–2020) by 900 million. On 14 November 2012, the Commission brought another initiative into the debate that additionally provides for long-term reforms. The initiative specifies 6 options for transforming the EU's emissions trading system:

- increasing the EU's CO_2 reduction target from 20% to 30% by 2020
- retiring some emission rights
- early revision of the annual linear reduction factor
- extending the scope of the EU Emissions Trading Scheme (EU ETS) to other sectors

- limiting access to international credits
- discretionary price regulation mechanism

The European Commission is pushing for fundamental reform of the EU emissions trading system prior to the end of the third trading phase. Certain countries, and particularly Poland, are currently blocking the initiative. VERBUND is in favour of reinforcing the system in a manner similar to that proposed by the Commission.

Protection of European water resources

The European Commission has presented its strategy for protecting water resources ("Blueprint Water"). The strategy calls above all for better implementation of existing water protection legislation and increased integration of water policy with other relevant legal areas such as energy policy.

Energy policy in Austria

Electricity producers burdened by 2013 system usage fees

Each year, E-Control sets the amount of fees to be paid for usage of the grid system. VERBUND has submitted opinions on the directives for gas and electricity criticising the amounts charged to electricity producers. With respect to electricity, this related in particular to double charging of pumped storage power plants as both buyers and producers, which distorts competition compared to the rest of Europe. Criticism with regard to gas was directed at the extremely high consumption fees in Styria.

Tougher competition law

The law passed in December 2012 amending competition and cartel legislation tightens supervision of dominant companies and brings treatment of "hardcore cartels" in line with EU law. A special provision for energy supply companies is intended to prevent market abuse and encourage competition in the electricity and gas market. Pricing and other business conditions may not be unjustifiably less favourable than those of other comparable companies. Furthermore, fees are not permitted that would exceed costs "inappropriately".

Examination of the Federal Energy Efficiency Act (Bundes-Energieeffizienz-Gesetz)

The resolution on the EU Energy Efficiency Directive in September 2012 acted to speed up work on an Austrian Federal Energy Efficiency Act. In December 2012, the Energy Efficiency Act went to committee as a part of the energy efficiency package. The draft bill calls for energy suppliers to create measures to increase energy efficiency for consumers in the future. The goal is to achieve annual savings of 0.6% of energy sales. VERBUND is in favour of the efforts to increase energy efficiency, but has spoken out against an obligation for suppliers for macroeconomic reasons. From our perspective, it would be more transparent and advantageous to set up an energy efficiency fund financed via statutory price or grid premiums. This would allow central, coordinated and cost-efficient measures to be implemented Austria-wide and would bring the greatest value from a macroeconomic perspective: customers would incur lower costs while saving energy.

Amendment to the Environmental Impact Assessment Act (Umweltverträglichkeitsprüfungsgesetz, UVP-G)

In May 2012, the National Council amended the Environmental Impact Assessment Act (UVP-G). Firstly, two new UVP-G offences for hydropower plants were added and secondly, the co-determination rights of NGOs in the declaratory proceedings were strengthened. Increases in maximum water levels as efficiency-increasing measures for existing plants were excepted from the UVP-G requirement.

Third Smart Meter Regulation

The Third Smart Meter Regulation from E-Control was adopted last summer. The regulation specifies requirements for data formats and the presentation of consumption information. For supraregional electricity suppliers such as VERBUND, even with the consent of the consumer it is still difficult to obtain current consumption data in suitable formats. This is necessary, however, to be able to offer customers customised products and energy services.

Federal government energy summit

The third federal government energy summit took place in April 2012. The summit resulted in the proposal of 3 measures to make Austria technically free of nuclear power. In addition to electricity suppliers voluntarily waiving their nuclear power allowances, it is planned for legislation to regulate full certification of the origin of the electricity supplied to consumers in Austria. In addition, a nuclear power-free seal of approval is also planned. VERBUND has voiced criticism that these measures alone will not lead to any nuclear power plants being shut down. A total of 27 reactors are still producing atomic energy within 200 kilometres of Austria's borders. The public should not be given the impression that the planned measures will eliminate the risk at Austria's borders. Quite the contrary – nuclear power plants are still under construction or in the planning stages in the direct vicinity of Austria.

For these reasons, VERBUND is calling for effective measures for steady withdrawal from nuclear energy in Europe:

- Europe-wide plan for withdrawal from nuclear energy
- increased monitoring and control of existing nuclear power plants
- disclosing the true costs of operating nuclear power plants (including all risks and final storage costs)
- no subsidies or state guarantees for the development of nuclear energy
- disclosure of all electricity imports to Austria
- complete Europe-wide documentation of electricity by source

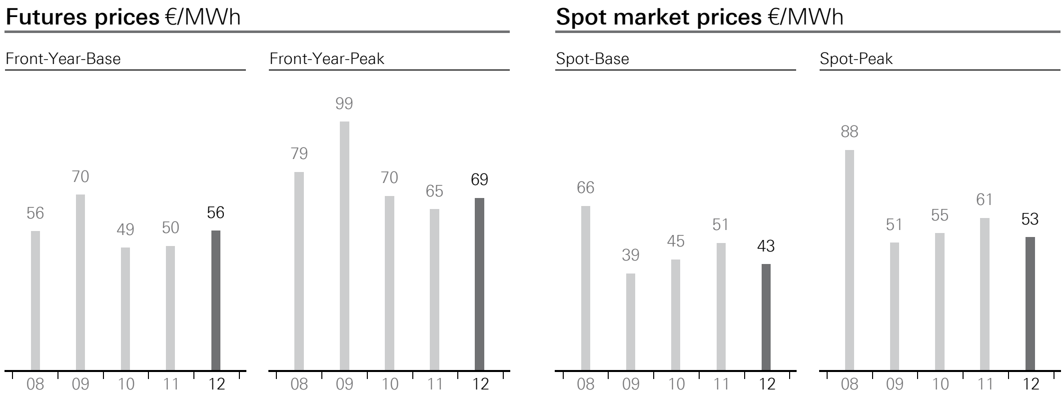
Finances

Factors affecting the result

VERBUND is dedicated to ensuring value-based management. The 2012 results were impacted by the factors described in this section.

Wholesale prices for electricity

VERBUND had already contracted for the majority of its own generation for 2012 on the futures market in 2011. At an average of €56.0/MWh for base load and €69.0/MWh for peak load, electricity wholesale prices were up on the previous year's level by 12.3% and 6.9% respectively. This positive trend can still be attributed to the price-increasing impact of the decision by Germany to withdraw from atomic energy generation by 2022. By contrast, the average spot market prices for 2012 declined, primarily due to increased feed-in of new renewable energy, the decrease in electricity demand due to economic factors and lower prices for emission rights. The base load price decreased by 16.7% to €42.6/MWh and the peak load price by 12.6% to €53.4/MWh.

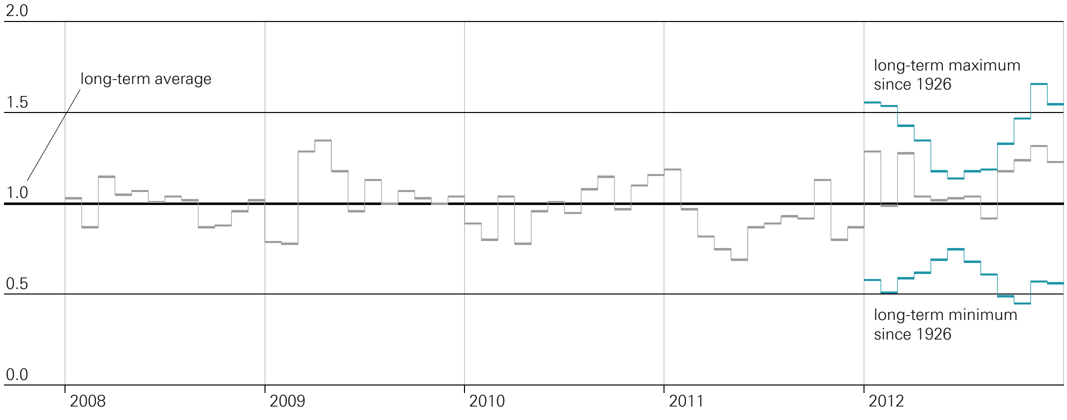


Futures prices traded in the year before the supply. The stated years are the years of supply respectively. Yearly averages. *source: EEX, EPEX Spot*

Development of water supply

Water supply is of particular significance for VERBUND since more than four-fifths of electricity is produced using hydropower. The water supply is measured by means of a hydro coefficient. The value of 1.00 stands for the long-term average. 2012 was a particularly good hydro year. At 1.11, the hydro coefficient for run-of-river and pondage power plants was 11% above the long-term average and 22 percentage points above the previous year's level. The hydro coefficients for the individual quarters were as follows: quarter 1/2012: 1.19; quarter 2: 1.03; quarter 3: 1.04; quarter 4: 1.26.

Hydro coefficient (monthly averages)



Effects from impairment tests

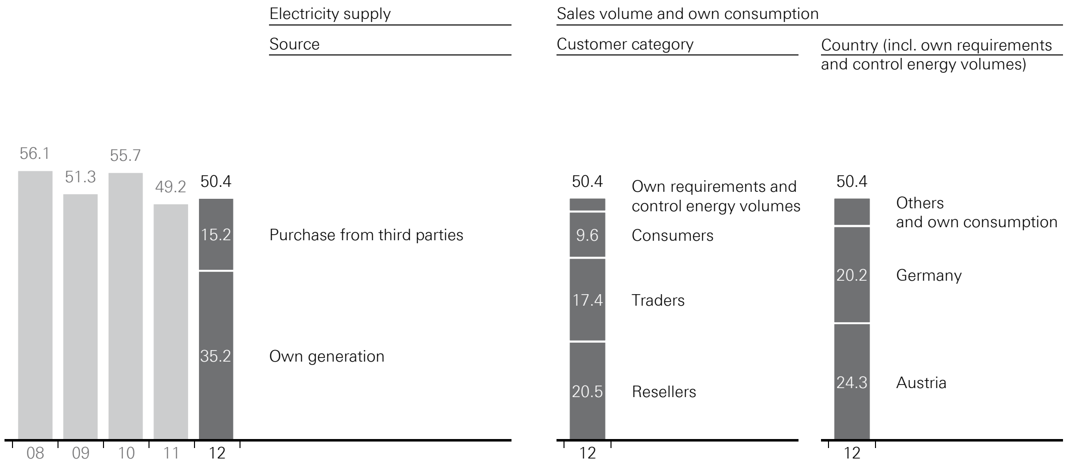
The CCGT in Mellach/Styria was tested for impairment as at 30 June 2012 due to indications of impairment as a result of the ongoing difficult market conditions for gas power plants. The recoverable amount of the CCGT was calculated based on its value in use. The impairment test led to an impairment loss of €53.7m. The reversal of deferred government grants reduced the impairment by €1.5m. The net effect on profit or loss from the impairment loss on the Mellach power plant thus totalled €52.2m in 2012. Additional impairment tests had a negative impact on earnings of €3.5m in the current reporting period. The changed market environment in the energy sector led to impairment tests of VERBUND power plants in 2011, which had a net effect of €+202.2m on the operating result for 2011.

Consolidation of Pont-sur-Sambre and Toul

Effective 11 July 2012, POWEO S.A. and Direct Energie S.A. in France merged. The merged company is called POWEO Direct Energie. On 23 October 2012, the management of POWEO Direct Energie announced that it would waive the call options on the interests in former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. that remained with VERBUND. The legally binding cancellation notice is dated 14 November 2012. The cancellation notice led to consolidation of POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S., which up to then had been accounted for using the equity method. The effects of the consolidation are presented in detail in the notes to the consolidated financial statements.

Electricity supply and sales volumes

Group electricity supply and sales volumes TWh



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

Group electricity supply

GWh	2011	2012	Change
Hydropower[1]	24,216	30,485	25.9%
Wind/solar power	127	242	90.9%
Thermal power	5,410	4,500	– 16.8%
Own generation	29,753	**35,228**	18.4%
Electricity purchased for trade	16,586	12,029	– 27.5%
Electricity purchased for grid loss and control energy volumes	2,883	3,142	9.0%
Electricity supply	49,222	**50,398**	2.4%

[1]incl. purchase rights

VERBUND's own generation increased by 5,475 GWh to 35,228 GWh in 2012. Generation from hydropower rose by 6,269 GWh. The hydro coefficient of the run-of-river power plants was 22 percentage points above the previous year's level. Generation from annual storage power plants also increased significantly (+34.2%). This can be attributed to the high storage levels at the beginning of the year and significantly higher water inflows. However, generation from thermal power plants decreased by 909 GWh. The CCGT in Mellach in Styria that went into full operation in 2012 generated 1,048 GWh in 2012 (+617 GWh). In contrast, generation from other VERBUND thermal power plants in Austria decreased (–666 GWh). The Pont-sur-Sambre and Toul CCGTs in France also generated less electricity (–860 GWh). The purchase of electricity from third parties for the trading and sales business decreased by 27.5%. The main reason for the sharp decline was increased own generation. Electricity purchased from third parties for grid losses and control energy increased by 259 GWh to 3,142 GWh.

Group electricity sales volume and own requirements

GWh

	2011	2012	Change
Consumers	8,421	9,568	13.6%
Resellers	20,702	20,506	–0.9%
Traders	17,764	17,409	–2.0%
Group sales volume	46,887	**47,483**	1.3%
Own requirements	2,044	2,457	20.2%
Control energy volumes	292	459	57.3%
Electricity sales volume and own requirements	49,222	**50,398**	2.4%

Electricity sales volume increased by 596 GWh to 47,483 GWh. Electricity deliveries to trading firms declined by 355 GWh. Although more electricity was sold through power exchanges in 2012, hedging of own generation on the off-exchange OTC trading market was significantly reduced. Sales to consumers increased significantly (+1,147 GWh). The decrease in sales volume to domestic consumers (–402 GWh) was more than compensated by higher volumes sold to international consumers (+1,549 GWh), particularly in Germany. Sales to resellers remained nearly the same year-on-year. The increase in own use (+413 GWh) is on the one hand due to higher utilisation of the pumped storage power plants and on the other hand due to higher losses in the transmission grid.

Electricity sales volume by country

GWh

	2011	2012	Change
Austria	23,873	24,316	1.9%
Germany	17,767	20,211	13.8%
France	3,805	2,179	–42.7%
Italy	425	288	–32.3%
Other	1,016	489	–51.9%
Electricity sales volume	46,887	**47,483**	1.3%

In 2012, more than 50% of the electricity sold by VERBUND went to the Austrian market. The focus of VERBUND's international trading and distribution activities is the German market, which accounts for 87.2% of all volumes sold abroad.

Financial performance

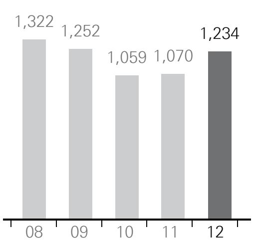
The analysis of financial performance refers to key items on the income statement.

Results

€m

	2011	2012	Change
EBITDA	1,069.5	1,233.9	15.4%
Operating result	1,030.0	900.2	– 12.6%
Group result	355.8	389.3	9.4%
Earnings per share	1.02	1.12	9.4%
(Proposed) dividend per share in €	0.55	0.60	9.1%

EBITDA €m



Income trend

EBITDA rose as a result of an above-average water supply (22 percentage points over the prior year) by 15.4%. The operating result decreased by 12.6% on the previous year. The decline was primarily due to impairment tests performed on VERBUND power plants in the previous year, which had a net effect of €+202.2m on the operating result for 2011. The operating result before effects from impairment tests increased by 15.5% in 2012, however. The Group result rose by 9.4% due to a significant improvement in the financial result.

Dividend

The separate 2012 financial statements of exchange-listed VERBUND AG, which are relevant for the distribution of the dividend, were prepared in accordance with the provisions of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB). They show a net profit of €208.4m. A dividend of €0.60/share for financial year 2012 will be proposed to the Annual General Meeting on 17 April 2013. In 2011, a dividend of €0.55/share was paid. The payout ratio for 2012 will thus amount to 53.5%, down from 53.7% in the previous year.

Revenue

€m

	2011	2012	Change
Electricity revenue	2,678.9	2,773.7	3.5%
Grid revenue	261.9	343.8	31.3%
Other revenue	87.0	56.9	– 34.6%
Revenue	3,027.7	**3,174.3**	4.8%

Electricity revenue

VERBUND's electricity revenue rose by 3.5% to €2,773.7m in 2012 compared with the previous year. This increase can be primarily attributed to the overall positive price trend as a result of higher futures market prices already contracted for in 2011. Electricity sales volumes rose by 1.3%. The increase was due in particular to higher sales to consumers in Germany.

Electricity revenue by customer areas €m

	2011	2012	Change
Consumers	656.9	720.9	9.7%
Resellers	1,046.4	971.2	–7.2%
Traders	975.5	1,081.5	10.9%
Electricity revenue	2,678.9	**2,773.7**	3.5%
Of which in Austria	1,361.3	1,310.5	–3.7%
Of which foreign countries	1,317.6	1,463.1	11.0%

Grid revenue

Grid revenue increased by 31.3% to €343.8m. The main reasons for this were higher international revenue from the auctioning of cross-border capacities (€+51.1m) and first-time revenues from balancing energy (€+35.8m), since APG has been regulating the entire balancing energy market since 2012. Provisions and impairment losses recognised at APG due to the rescission of the System Usage Rates Regulation (Systemnutzungstarife-Verordnung, SNT-VO) and the potential rescission of the System Charges Order (Systemnutzungsentgelte-Verordnung, SNE-VO) reduced grid revenue by €34.6m.

Other revenue and other operating income

Other revenue decreased by €30.1m to €56.9m. The decrease can be attributed primarily to lower revenue from trading in emission rights (€–18.9m) and gas trading (€–8.7m). Other operating income rose by €22.5m to €81.6m. This resulted in particular from higher revenue from loss settlements. Other operating income also includes income from the capitalisation of costs associated with the trial operation of the Mellach/Styria CCGT, which declined by €4.2m year-on-year.

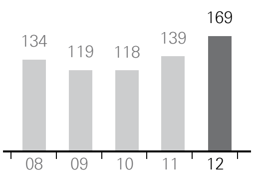
Expenses €m

	2011	2012	Change
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	1,368.2	1,261.5	–7.8%
Fuel expenses and other usage-dependent expenses	139.0	168.5	21.3%
Personnel expenses	302.4	319.6	5.7%
Depreciation of property, plant and equipment and amortisation of intangible assets	241.7	278.0	15.0%
Other operating expenses	207.8	272.5	31.1%

Electricity, grid and gas purchases

Expenses for electricity, grid and gas purchases as well as emission rights purchases (trade) decreased by 7.8% to €1,261.5m. The purchase of electricity from third parties for the trading and sales business as well as for grid losses and control energy decreased by a total of 4,298 GWh. This marked reduction in quantity as a result of the significant increase in own generation was counteracted by overall higher purchase prices. Expenses for electricity purchases thus declined by €157.1m compared with 2011 while expenses for grid purchases rose slightly by €9.9m. In contrast, expenses for gas purchases increased significantly. The natural gas supply agreement for the Mellach/Styria CCGT had to be recognised at fair value through profit or loss for the first time in quarter 3/2012, as the exemption for own-use contracts in IAS 39 (own-use exemption) was no longer applicable. The resulting effect on profit or loss amounted to €–60.4m.

Use of fuels €m



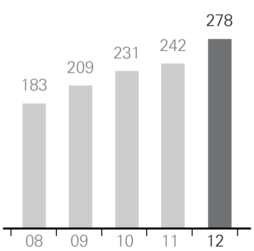
Use of fuels

Fuel and other usage-dependent expenses rose by 21.3% to €168.5m. The increase can be mainly attributed to the operation of the Mellach CCGT, which generated a total of 1,048 GWh of electricity in 2012 (+617 GWh). A compensating effect resulted from decreased use of coal and heating oil as well as from the purchase of CO_2 emission rights. The fuel expenses resulting from trial operations of the Mellach power plant (net of the revenue resulting from electricity sales) were capitalised; the corresponding offsetting item is recognised in other operating income.

Personnel expenses

Personnel expenses rose by €17.2m to €319.6m. Wages, salaries and ancillary expenses increased by €16.5m to €301.7m. The adjustment to wages and salaries pursuant to the collective agreement and the slight increase in the average number of employees contributed to the rise in personnel expenses. The number of employees increased by approximately 55 compared with 31 December 2011, due primarily to implementation of the APG unbundling and the consolidation of POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. in France. Expenses for severance payments and pensions increased by €0.7m to €17.9m due to updated actuarial reports. The new version of IAS 19 Employee Benefits was applied early in the 2012 reporting period. Based on this, accounting for personnel-related defined benefit obligations was implemented retroactively as at 1 January 2011. The amounts of the adjustment resulting for the reporting and comparison periods are presented in detail in the notes.

D&A €m



Depreciation & amortisation and other operating expenses

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €36.3m to €278.0m. The growth resulted mainly from the commissioning of the Mellach/Styria CCGT in quarters 1–2/2012 and the Limberg II/Salzburg pumped storage power plant in quarter 3/2011. Additionally responsible for the increase in expenses was the higher depreciation base due to the reversal of impairment losses for the Freudenau/Vienna power plant on the Danube and the Mittlere Salzach and Obere Drau run-of-river power plant chains during financial year 2011. Other operating expenses rose by €64.6m to €272.5m, due in particular to higher maintenance costs in 2012 and the fact that the provisions reversed in 2011 were no longer available. Legal and consulting expenses also increased.

Effects from impairment tests

Significant effects from impairment tests are described in detail in the section entitled "Factors affecting the result". In total, impairment tests had a negative impact of €55.8m on the operating result (2011: +€202.2m).

Financial result €m

	2011	2012	Change
Result from interests accounted for using the equity method	–176.5	–80.3	54.5%
Other result from equity interests	1.5	6.5	n.a.
Interest income	36.5	37.3	2.3%
Interest expenses	–222.7	–183.3	17.7%
Other financial result	–23.2	–19.9	14.2%
Financial result	–384.4	**–239.7**	37.6%

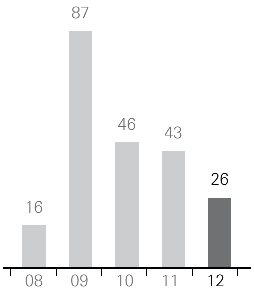
Result from equity interests

The result from interests accounted for using the equity method increased by €96.2m to €–80.3m.

Domestic equity interests

Income from domestic interests accounted for using the equity method amounted to €25.8m (2011: €42.9m). This mainly included the earnings contribution of KELAG-Kärntner Elektrizitäts-Aktiengesellschaft in the amount of €33.5m (2011: €33.0m) and SSG in the amount of €–5.8m (2011: €6.3m). Based on VERBUND's strategic focus, the investment portfolio was restructured: the 45% equity interest in GBK was sold to Kapruner Tourismus Holding GmbH effective 23 August 2012. The 49% equity interest in EKG was sold to Stadtwerke Klagenfurt AG effective 21 November 2012. Furthermore, the 42.87% equity interest in KRV was sold in quarter 2/2012. The 34.57% equity interest in SSG had been classified as held for sale since 30 September 2012. The agreement on the sale of the equity interest in SSG was signed on 5 December 2012, and the closing took place on 18 January 2013.

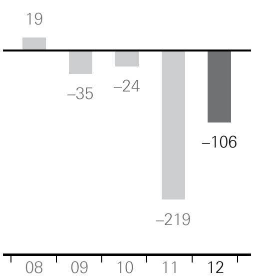
Equity result - domestic €m



Foreign equity interests

Income from foreign interests accounted for using the equity method totalled €–106.1m (2011: €–219.4m). The contribution of the French equity interests to the result from interests accounted for using the equity method amounted to €–86.2m in 2012 (2011: €–136.8m). Of that amount, €+5.4m was attributable to POWEO Pont-sur-Sambre Production S.A.S. and €–91.6m to POWEO Toul Production S.A.S. The 100% equity interests in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. were initially consolidated on 31 October 2012 (see "Factors affecting the result"). The effects on profit or loss of the change in consolidation of POWEO Pont-sur-Sambre Production S.A.S. was recognised in the other result from equity interests, and the effect on profit or loss of the initial consolidation of POWEO Toul Production S.A.S. was recognised in the other financial result. The effects are presented in detail in the notes to the consolidated financial statements.

Equity result - foreign €m



The contribution of the Turkish equity interest(s) to the result from interests accounted for using the equity method amounted to €50.2m versus €–47.3m in the previous year. The EUR/TRY and USD/TRY exchange rate trends resulted in foreign exchange gains from the measurement of liabilities denominated in foreign currencies and recognised in profit or loss. The resulting effect on the result from interests accounted for using the equity method of VERBUND totalled €34.8m in 2012 (2011: €–85.8m). The agreements on the sale of the Turkish equity interest in E.ON were signed on 3 December 2012. The sale is expected to take place in the first half of 2013. The 50.0% equity interest in Enerjisa Enerji A.S. was therefore classified as held for sale effective 3 December 2012.

The contribution of the Italian Sorgenia S.p.A. (Group) amounted to €–81.2m after €–3.3m in 2011. The main reasons for the negative trend were the generally difficult market environment for gas power plants throughout Europe and a lower result from equity interests from Tirreno Power.

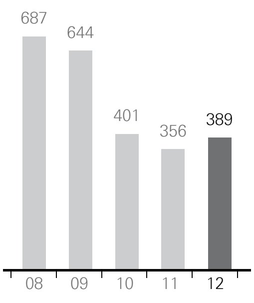
Interest income and expense

Interest income improved by €0.8m to €37.3m. Interest expenses improved by €39.3m to €183.3m. This is due in particular to the losses attributable to the limited partners of VERBUND Thermal Power GmbH & Co KG. In addition, interest expenses for bank loans declined as a result of scheduled and early unscheduled repayments. Higher other interest and similar expenses resulted mainly from a repayment agio and fees from the early partial repayment of a bond denominated in foreign currency (JPY).

Other financial result

Other financial result improved by €3.3m in 2012 to €–19.9m. The cancellation notice signed by the management of POWEO Direct Energie regarding the call option on shares in the equity interests remaining with VERBUND led to complete derecognition, recognised in income, of the entire short position with respect to the former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. (€+26.8m versus 2011). By contrast, measurement effects related to the consolidation of POWEO Toul Production S.A.S. had a negative impact on the other financial result (€–40.4m versus 2011). The effects are described in detail in the notes to the consolidated financial statements. The other financial result was positively impacted by measurement-related, realised foreign exchange gains (€+10.6m), particularly gains from yen-denominated bond, compared with measurement-related foreign exchange losses of €11.6m in 2011.

Group result €m



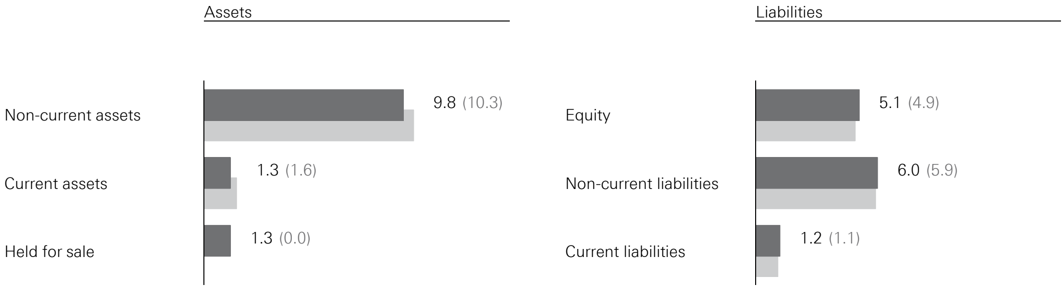
Group result

After taking into account the effective tax rate of 24.4% (corporate tax rate of 25% in Austria) and non-controlling interests in the amount of €109.7m, the Group result amounted to €389.3m. This corresponds to an increase of 9.4% compared with the prior year. Earnings per share amounted to €1.10 for 347,415,686 shares.

Financial position

The analysis of financial position relates to the key items on the balance sheet.

Balance sheet €bn



Figures in brackets are previous year's figures.

Consolidated balance sheet (short version) €m

	2011	Percent	**2012**	**Percent**	Change
Non-current assets	10,299.7	87%	9,781.9	79%	–5.0%
Current assets	1,558.5	13%	1,273.6	10%	–18.3%
Non-current assets held for sale	1.1	0%	1,331.8	11%	n.a.
Total assets	11,859.3	100%	**12,387.3**	**100%**	4.5%
Equity	4,919.1	41%	5,099.4	41%	3.7%
Non-current liabilities	5,896.6	50%	6,046.3	49%	2.5%
Current liabilities	1,043.7	9%	1,241.7	10%	19.0%
Total liabilities	11,859.3	100%	**12,387.3**	**100%**	4.5%

Assets

The development of VERBUND's assets in the 2012 reporting period was characterised on the one hand by capital expenditure for property, plant and equipment and interests accounted for using the equity method, and on the other hand by the restructuring of the investment portfolio associated with VERBUND's strategic focus. In addition, there was a significant decline in cash and cash equivalents. Capital expenditure for property, plant and equipment totalled €680.3m. Of that amount, €136.7m was invested in wind power projects in Germany (excluding business acquisitions), €106.7m in wind power projects in Romania, €88.9m in the Reisseck II/Carinthia pumped storage power plant and €48.5m in the Mellach/Styria CCGT. The capital expenditure for interests accounted for using the equity method amounted to €318.6m and mostly related to capital increases at Turkish Enerjisa Enerji A.S. (€227.0m) and at POWEO Toul Production S.A.S.(€91.6m), which, however, was consolidated on 31 October 2012. The reclassification of the equity interests in Enerjisa Enerji A.S. (€1,054.9m) and SSG (€275.9m) to non-current assets held for sale as a result of the (planned) disposal of the interests had the opposite effect. The decrease in the carrying amount of 57.0% is also attributable to the sale of the interest in EKG (€–68.5m), other comprehensive income recognised without effect on profit or loss (€–35.5m) and dividend payments (€–27.9m). Foreign exchange gains from currency translation relating to the Turkish joint ventures (€+37.4m) and recognised without effect on profit or loss had an opposing effect. Trade receivables including other receivables decreased by a total of 8.5%. The reduction is attributable in particular to short-term investments in money market transactions, which fell by €189.9m. A compensating effect resulted from the outstanding purchase price receivable arising from the sale of the equity interest in EKG (€43.9m), higher tax receivables (€+37.3m) and the measurement of derivatives in the energy area (€+32.7m).

Equity and liabilities

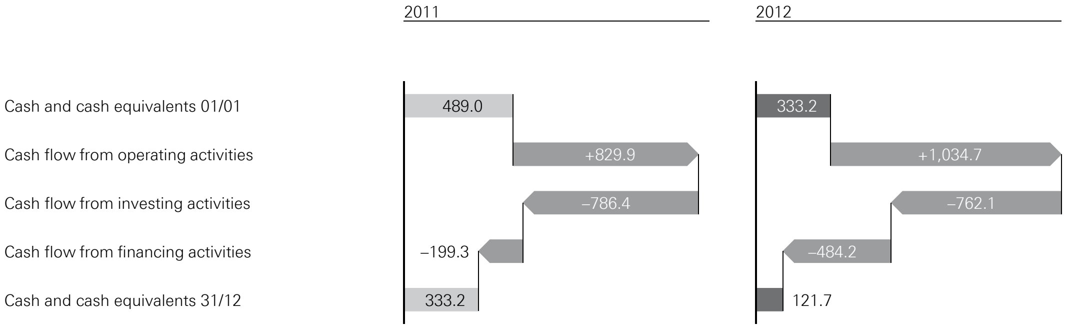
The capital structure remained essentially the same compared with 31 December 2011: as at 31 December 2012, the adjusted equity ratio was 42.6% (31 December 2011: 43.0%). In contrast, financial liabilities increased slightly by 2.1%, due in particular to additions related to the first-time consolidation of POWEO Pont-sur-Sambre (€381.1m). A counteracting effect resulted from scheduled repayments and early proportionate repayment of a bond denominated in JPY in the amount of €69.0m.

The 9.4% increase in non-current and current provisions was mainly the result of the increase in provisions for electricity suppliers (€+37.9m), personnel-related provisions (€+25.5m) and higher provisions for outstanding invoices for investments (€18.2m). Repayment of the provision for the operating grant (€–11.8m) and the decrease in provisions for onerous contracts (€–8.5m) had an opposing effect in particular. Trade payables including other payables increased by a total of 12.8%. The reason for the increase was, in particular, the measurement of the natural gas supply agreement for the Mellach CCGT (€+60.4m) and the measurement effect of derivatives in the energy area (€+40.3m) and in the finance area (€+18.7m).

Cash flows

This section provides explanations relating to the cash flow statement.

Cash flow statement €m



Cash flow statement (short version) €m

	2011	2012	Change
Cash flow from operating activities	829.9	1,034.7	24.7%
Cash flow from investing activities	–786.4	–762.1	–3.1%
Cash flow from financing activities	–199.3	–484.2	n.a.
Change in cash and cash equivalents	–155.7	**–211.6**	35.8%
Cash and cash equivalents at the end of the period	333.2	121.7	–63.5%

Cash flow from operating activities

Cash flow from operating activities amounted to €1,034.7m and was thus 24.7% higher than in the prior year (€829.9m). The increase resulted primarily from higher contribution margins from generation (€+260.9m) and from the grid business. A counteracting effect resulted in particular from decreases in variation margins from futures contracts in the energy area (€–47.1m), increased personnel payments, lower contributions received for building costs and lower inflows from equity interests.

Cash flow from investing activities

In the 2012 reporting period, cash flow from investing activities (€–762.1m) changed by €+24.3m compared to 2011. Disbursements for capital increases and share acquisitions on the part of interests accounted for using the equity method amounted to €328.1m (2011: €228.8m). The consideration paid in cash for the acquisition of 5 German wind farms and 2 German infrastructure companies amounted to €35.1m in 2012. The remaining disbursements for capital expenditure for property, plant and equipment and intangible assets in 2012 amounted to 116.8% of the corresponding disbursements in the prior year. Deposits and payments for temporary investments in the reporting period had a positive impact on cash flow from investing activities.

Cash flow from financing activities

Cash flow from financing activities (€–484.2m) changed by €–284.9m compared to 2011. The change resulted primarily from the one-off cash inflows from the sale of shares in VERBUND Innkraftwerke

GmbH (€–395.2m) included only in the previous year and from less debt raising (€–74.0m). A compensating effect resulted from lower deposits/payments from money market transactions (€+106.9m) and lower repayments of loans and other financial liabilities.

Key figures and value-based management

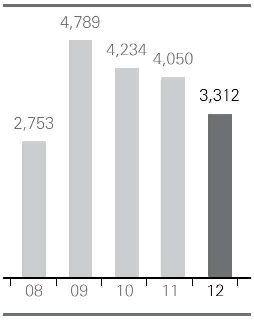
The most important key figures are the EBIT margin and the gearing. VERBUND measures value-based management using EVA® (Economic Value Added) and the weighted average cost of capital (WACC).

EBIT margin

Return on sales (EBIT margin) fell from 34.0% to 28.4% in 2012. This figure nonetheless remains above the average value for European utility companies. The decline is primarily attributable to the non-recurring effect of the reversal of impairment losses contained in the result for 2011.

Net debt and gearing

Net debt €m



Net debt fell by 18.2% to €3,311.7m, mainly due to the planned disposal of the Turkish equity interest (€–1,054.9m) and the planned disposal of the equity interest in SSG (€–275.9m). The gearing ratio fell from 82.3% as at 31 December 2011 to 64.9% as at 31 December 2012. In the periods following the closing of the planned asset swap of the Turkish equity interest for shares in Bavarian hydropower plants, net debt will increase again based on the addition of the hydropower plants.

Interest-bearing net debt (short version) €m

	2011	**2012**	Change
Current and non-current financial liabilities	3,717.1	3,879.7	4.4%
Current and non-current financial liabilities – closed items on the balance sheet	408.5	408.6	0.0%
Capital attributable to limited partners	108.2	32.7	–69.8%
Other interest-bearing debts	1,176.0	1,250.2	6.3%
Financial assets – closed items on the balance sheet	–408.5	–408.6	0.0%
Interest-bearing gross debt	5,001.2	**5,162.5**	3.2%
Cash and cash equivalents	–333.1	–121.5	–63.5%
Securities and loans	–551.6	–351.7	–36.2%
Non-current assets held for sale	–1.1	–1,331.8	n.a.
Other	–65.1	–45.8	–29.7%
Interest-bearing net debt	4,050.2	**3,311.7**	–18.2%
Equity attributable to shareholders of VERBUND AG	4,314.7	4,458.4	3.3%
Equity attributable to non-controlling shareholders	604.4	641.0	6.1%
Equity including non-controlling shareholders	4,919.1	**5,099.4**	3.7%
Gearing in %	82.3%	**64.9%**	–

EVA®

EVA® (Economic Value Added) amounted to €–39.4m in 2012. EVA® is an indication of yields generated using capital employed that are either above or below the cost of capital. Unlike EBIT or cash flow or margin-based performance indicators, EVA® also takes risk-assessed opportunity costs with respect to total capital into account. This helps to prevent incorrect allocations. EVA® is determined as the net figure resulting from deducting the cost of average capital employed (capital charge) from net operating profit after taxes (NOPAT).

NOPAT refers to profits derived from a company's operations before financing costs, including the result from equity interests, and after deducting adjusted income taxes. In 2012, NOPAT amounted to €594.3m (2011: €613.0m). Due to the decline in electricity price levels and the generally difficult market climate, NOPAT decreased in the reporting period. For that reason, the Group return remained below the weighted average cost of capital.

Capital employed corresponds to average total assets, net of those assets that do not yet contribute to performance and commercialisation, and less non-interest-bearing debt. Average capital employed totalled €9,388.5m in 2012 (2011: €8,889.3m). The rise in capital employed resulted from the capital expenditure undertaken in recent years, which is not expected to bring a return until the coming years.

Weighted average cost of capital (WACC)

The capital charge is calculated by multiplying capital employed by the weighted average cost of capital (WACC). WACC is the rate of return a company pays on average to investors and lenders in order to finance assets. It is derived from the return expectations observed on the capital market. The capital asset pricing model (CAPM) is used to calculate equity risk premiums. Borrowing costs are based on market data. Cost of equity and borrowing costs are weighted on the basis of the capital structure derived from the market. In 2012, VERBUND's WACC amounted to 6.75% (2011: 7.00%). It was determined as follows:

Weighted average cost of capital (WACC)

Market risk premium	6.06 %		3.89 %	Risk-free interest rate
	x		+	
Beta factor	0.89		0.46 %	Credit spread
	=		=	
	5.40 %		4.40 %	
	+		–	
Risk-free interest rate	3.89 %		24.44 %	Income tax rate
	=		=	
	9.30 %		3.30 %	
	x		x	
Equity ratio	60 %		40 %	Debt ratio
WACC		**6.75 %**		**WACC**

Financing

Financial strategy

The financial strategy of VERBUND is aimed at preserving the Group's good rating and liquidity.

In 2012, the international capital markets were shaped by the following developments in Europe: the sovereign debt crisis, debate on the future of the eurozone and the slowdown in the economy. The utilities sector was additionally affected by the rapid expansion of new renewable energy, overcapacities and a lack of profitability of gas power plants. VERBUND has employed a conservative financial strategy in order to meet these challenges. It is aimed at defending the Group's good rating in an ever-deteriorating ratings environment, securing the Group's liquidity and improving the capital structure. The following key points are focused upon:

- **Needs-based, central Group financing of subsidiaries**
  Medium- and long-term financing of VERBUND transactions is carried out by VERBUND International Finance GmbH. Central Group financing ensures that Group risk is managed and monitored and reinforces the negotiating position of VERBUND vis-à-vis investors, financial institutions and other business partners. Market and risk impacts are passed on to subsidiaries. As the financing hub of the Group, VERBUND International Finance GmbH – with a guarantee from VERBUND AG, which has been rated – borrows capital externally or internally from companies having surplus liquidity. It finances the subsidiaries on a needs basis using a market-based transfer pricing system. VERBUND Finanzierungsservice GmbH oversees the short-term settlement of funds within the Group. VERBUND AG processes liability clauses centrally and monitors compliance with them.

- **Securing appropriate liquidity reserves**
  Ensuring liquidity is of the utmost importance in times of volatile, difficult-to-predict developments on the capital markets. For this purpose, VERBUND maintains sufficient cash and cash equivalents at all times (maturities of < 3 months). In addition, liquidity is secured on a long-term basis via secured and unsecured lines of credit.

- **Ensuring an excellent credit standing**
  A key pillar of the VERBUND strategy is maintaining a strong credit rating in the single-A category. To achieve this, strategy and budgeting are discussed and coordinated on an ongoing basis with the rating agencies Moody's Investors Services and Standard & Poor's. Great importance is placed on strict compliance with the key ratios specified by those agencies, particularly FFO/net debt and RCF/total debt.

- **Ensuring extensive financial flexibility**
  Securing a single-A rating enables broad access to sources of financing. VERBUND's objective is to gain a group of investors that is as wide-ranging as possible based on its high internal financing power and supported by its strong rating. The Group's financing portfolio comprises a balanced mix of bonds, loans, private placements, promissory notes, export credit financing and project financing.

- **Optimising the risk structure on the basis of specified limits and ratios**
  VERBUND's financial strategy is based on a conservative risk strategy involving defined value-at-risk (VaR) and limit systems, with compliance being reviewed on an ongoing basis by the Group's risk management. Risk management of the borrowing portfolio is based primarily on the following key figures: duration, term to maturity, effective interest rate, currency limits, interest rate variation and VaR.

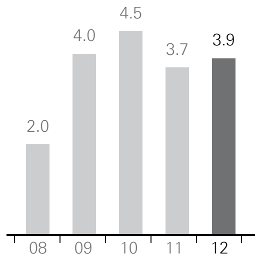
Borrowings and borrowing portfolio

In 2012, VERBUND was able to use internal funding options to finance its ongoing investment programme. Based on the capital increase carried out in 2010 and the disposal of equity interests in 2012, the Group had sufficient funds at its disposal to implement planned investments in renewable energy and transmission grids. VERBUND only took out one new loan in the amount of €150.0m from the European Investment Bank to refinance the Reisseck II/Carinthia pumped storage power plant. The loan was drawn down in the amount of €50.0m in 2012.

As at 31 December 2012, VERBUND's borrowing portfolio was composed as follows: 58.6% bonds, 38.3% loans (of which 7.7% export credit financing) and 3.1% other financial liabilities.

The following key figures refer to purely external financial liabilities, excluding former cross-border leasing transactions, financial guarantees and limited partnership interests. The carrying amount of VERBUND's financial liabilities was €3,879.7m. Of these liabilities, 98.7% were financed in EUR and 1.3% in JPY. As at 31 December 2012, the duration of all liabilities was approximately 3.5 years and the average term to maturity was 4.9 years. The effective interest rate was 4.3%, with 90.1% of the financial liabilities having a fixed interest rate and 9.9% a variable interest rate as at 31 December 2012.

Financial liabilities €bn

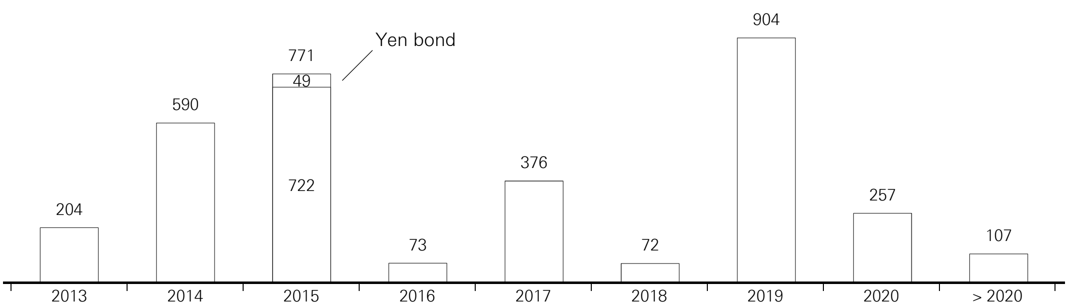


Carrying amounts

Repayments and repayment structure

In 2012, €285.6m was repaid on long-term borrowings. A total of €204.4m is due in 2013 and €589.7m in 2014. All amounts due in 2013 can be repaid from operating cash flows.

Repayments €m



Lines of credit

Ensuring liquidity has the highest priority. As at 31 December 2012, VERBUND had a syndicated credit line in the amount of €750.0m at its disposal to ensure liquidity that had not been drawn upon. The credit facility was established in quarter 4/2011 with a number of national and international banks. It matures in 2017 (with a renewal option) and can be drawn upon at any time. In addition, VERBUND maintained uncommitted lines of credit amounting to €755.0m as at 31 December 2012, primarily with domestic banks.

Credit rating

As at 31 December 2012: S&P: A–/stable outlook Moody's: A2/negative outlook

The better the credit rating of a company is, the easier it is to access international markets. This opens up more possibilities for obtaining financing, and borrowing is less expensive. Following the crisis on the financial markets and the sovereign debt crisis, corporate risk premiums have been increasingly differentiated according to a company's rating category. Securing VERBUND's rating over the long term is thus of great significance. In December 2012, VERBUND announced its withdrawal from Turkey and the simultaneous acquisition of shares in German hydropower plants. The two ratings agencies – Standard & Poor's and Moody's – updated their ratings directly thereafter. Standard & Poor's confirmed its rating of A–/stable outlook for VERBUND, as did Moody's with its A2/negative outlook. In a sector dominated by rating downgrades, VERBUND's rating is therefore better than the average for European utility stocks.

Financial key figures

	Unit	2011	**2012**
Net debt/EBITDA	x	3.8	2.7
Gearing	%	82.3	64.9
Gross interest cover (FFO) [1]	x	3.9	4.5
Gross debt coverage	%	19.5	20.6

[1] Interest expenses excluding profit shares attributable to limited partners

Human resources

In 2012, VERBUND employed an average of 3,100 people. With their dedication and knowledge, they make an essential contribution to our targets and the development of our Group. We place value on employing highly qualified and dedicated employees to ensure our long-lasting economic success. Even at the recruitment stage, we use a transparent, multi-step selection process and fill open positions in accordance with the "best fit" strategy. We invest in our employees by rewarding them in line with their performance and market conditions, and we offer consistent, needs-based continuing education.

Our employees are valuable to us: they contribute to the sustainable success of VERBUND.

To secure the knowledge of the Group, we rely on knowledge management initiatives and start succession planning at an early stage. Around 85% of all executive positions are filled from within our own ranks, for example. We also rely on first-class, in-house training for the technical workers of the future. In 2012, we trained 172 apprentices, thus guaranteeing professional operation of our power plants in the future.

Key figures - employees

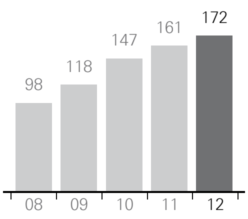
	Unit	2011	2012
Average number of employees	Persons	3,045	3,100
Of which apprentices	Persons	161	172
New recruits	Persons	172	190
Fluctuation rate	Percent	1.6	2.0
Average age of employees	Years	44.2	43.9
Training per employee	Hours	48.2[1]	36.8

[1] Including a one-off, one-day IT course due to a systems changes

Well-conceived planning, efficient processes

In order to manage the wealth of tasks in the Group, we must take a cost-conscious, consistent approach to personnel planning. As in past years, we utilised overtime capacities sparingly in 2012. When refilling positions, this is done with the greatest possible cost-consciousness. Personnel development is pursued in a targeted manner within the available budget.

Number of apprentices



Efficient processes help us to better utilise internal human resources. Since 2012, we have been using an even more modern and easy-to-operate planning and reporting tool for personnel data. The advantage of this lies in transparent planning and a much simpler way of evaluating key figures. This allows us to give even more attention to interpreting the data and identifying and, if necessary, counteracting trends and tendencies at an early stage.

Timely succession planning is an important part of VERBUND's personnel policy. Over the next 5 years, replacements will have to be found for approximately 15% of all positions due to retirement. Ongoing, quality-based planning on the basis of “job families” enables us to analyse our needs in detail. This allows us to approach potential employees early on to ensure that qualified replacements can be found. Our analysis has shown that skilled workers in particular will need to be replaced. To make provisions for their replacement in due time, we have doubled the number of apprentices since 2006 and updated our 3 training workshops to meet the state of the art. Our executives are another key target group for which we carry our succession planning on the basis of specific positions. We use an analysis of potential to ensure that the most suitable people are selected to replace executives in these key positions.

Transparency for employees and executives alike

For many years, standardisation of processes and systems has been an important factor in our endeavour to increase efficiency. In 2009, we standardised our salary systems, and since 2011 we have focussed on ensuring uniform contracts and regulations. We have set an Austrian standard for clarity and transparency in the redrafting of our executive contracts. Uniform travel regulations for the Group, which were negotiated together with the employee representatives in 2012, have replaced the historically based guidelines of our subsidiaries. This represents an additional step towards more efficiency.

Fostering satisfaction in the Group

The level of satisfaction and commitment of our employees has an impact on the productivity of VERBUND. Our goal is to interact with one another in an open, respectful and responsible manner. We support communication, including in the context of the annual employee reviews, and involve our employees in the performance of the Group. In September 2011, once again a Group-wide employee survey was conducted and evaluated. The next step in 2012 was to analyse the responses in detail and implement measures to additionally improve the already high work satisfaction level. How satisfied employees are with their work and what level of dedication they show is mainly dependent on how they are managed. VERBUND has continued to develop its executive culture ever since 1996. In 2012, we revised our executive values, and we plan to use 2013 for transparent implementation and open communications.

Being successful together

The employees of VERBUND make a crucial contribution to our sustainable success. To gain their loyalty to the Group so that we can take advantage of their experience over the long term, we invest in their development on an ongoing basis. We take the necessity of combining job and family seriously and have successfully implemented various practical measures in this regard, for instance flexible work hours and the option of a third year of parental leave. The Federal Ministry of Economy, Family and Youth honoured our commitment by awarding us the basic Work and Family Audit certificate in 2009. Since then, we have supplemented our numerous activities with targeted measures, such as the introduction of an Employee Assistance Programme that helps employees with family and career-related problems by offering consulting and coaching. In 2012, we carried out a re-audit and obtained the full Work and Family Audit certificate valid until 2015.

Sustainability

Sustainability is a central concern for a group such as VERBUND that obtains the majority of its electricity from hydropower. With respect to the economic, ecological and social dimensions of sustainability, we are continuing on the road to a sustainable power supply.

We use our core competency efficiently, for the good of society and in an environmentally friendly manner.

Defining sustainable values

It is important to us to act sustainably at all levels of the value added chain – when we generate, transport and trade in electricity and when we sell it to consumers. We use water for electricity generation, and we are gradually expanding our wind power capacities. In our thermal power plants, we are making increasing use of low-carbon fuels. When constructing new plants, we employ state-of-the-art technology and implement environmental measures. Approximately 70% of our power plant locations have a certified environmental management system. We are continuously increasing this percentage and thus improving our environmental performance. In addition, we raise the efficiency of our power plants and the transmission grid on an ongoing basis. This saves 450 GWh in electricity each year, which is equivalent to the annual requirements of more than 100,000 households. We also support our customers in utilising electricity more efficiently and participate in promising research initiatives.

In a globalised economy, sustainability is also becoming increasingly important for procurement. We underlined our commitment in this regard by implementing a centralised online tender tool in 2012. Our suppliers are required to furnish evidence of the sustainability of their companies as well as their products and services, for example by showing environmental certification or proof of compliance and anti-corruption measures.

Socially balanced action

We invest in continuing education for our employees and place great value on occupational health and safety.

Our values are outlined in the VERBUND Code of Conduct: www.verbund.com (About Us > Corporate Mission)

It is important to us to be in contact with all stakeholder groups when implementing projects. We create opportunities for open discussions with neighbours and any other affected parties. Better solutions are achieved at by listening and understanding. In terms of social welfare activities, the VERBUND Electricity Relief Fund in cooperation with the Catholic charity Caritas has already helped more than 1,000 needy households to lastingly reduce their energy costs. The VERBUND Climate School of the Hohe Tauern National Park teaches young students about the link between energy and the climate. The Climate School was nominated by UNESCO as the Austrian contribution to the UN's "Education for Sustainable Development" decade.

Awards for our commitment to sustainability

VERBUND's dedication to sustainability is bearing fruit. We received the following awards in the past year for our achievements in this area:

- Trend Award for VERBUND's 2011 Sustainability Report
- 1st place for "Sustainability" and "Environmental Awareness, Environmental Image" in the image rankings of Gewinn business magazine
- 2012 Carbon Disclosure Project: country, industry group and index leader in the "Disclosure" category

- 2012 Austrian Supply Excellence Award: award recipient in the “e-Procurement” category
- 2012 Austrian Sustainability Reporting Award: 2nd place in the “Large Company” category

VERBUND receives award for climate protection reporting

Triple success in Carbon Disclosure Project: www.cdproject.net

In 2012, VERBUND received an award from Carbon Disclosure Project. The world’s largest initiative for climate reporting rated us the best Austrian company by far in the transparent presentation of emissions and climate protection activities. In addition, VERBUND is the best utility in the D-A-CH region, the only utility among the top 36 companies in the Disclosure Leadership Index, and a leader in an ATX comparison. After accomplishing initial operation of our latest and ultramodern gas power plants, the specific carbon emissions of our thermal power plant portfolio will decrease. This means that our greenhouse gas emissions will stabilise at around 130 t/GWh (scope 1–3) during the next few years, and we will remain on the top of our peer group.

Environmental management system and certification

Since 1995, we have been using the VERBUND environmental management system to improve the environmental performance of our sites on an ongoing basis. Our high quality demand is supported by external certification in accordance with international standards. By 2015, all generation and grid facilities will be ISO 14001 certified.

Details on the environmental management system: www.verbund.com (Responsibility > Key Figures and Reports)

At the end of 2012, approximately 70% of all power plant locations were either EMAS or ISO 14001 certified, including 92 of 125 hydropower plants. The hydropower plants in Zillertal/Tyrol and in Bavaria are currently being integrated into the environmental management system. Of the 6 thermal power plants operated in Austria and France, 3 are EMAS and ISO 14001 certified. The new Mellach/Styria CCGT will be integrated into the system in 2013. Additional locations are in preparation, such as the wind power plants in Austria. Since 2008, all the grid locations and lines have complied with the following standards: ISO 9001, ISO 14001, ISO 27001, OHSAS 18001 and EMAS. Two additional administrative sites achieved ISO 14001 certification at the end of 2012/beginning of 2013.

Since 1999, TÜV SÜD has been inspecting the origin of our hydropower electricity using strict criteria. The seal of approval confirms that the green electricity ordered by consumers is generated by our hydropower plants in the appropriate quality and quantities prior to being fed into the grid. This makes VERBUND a pioneer among Europe’s electricity companies.

Active environmental management

Information on Reißeck II: www.verbund.com

The measures we take with regard to the environment represent an important part of our plant projects. Fishways, recultivation of hydropower plant reservoirs and sustainable grid management all act to conserve natural resources. The Reißeck II pumped storage power plant is currently being built in a high alpine region in Carinthia with the greatest possible attention to preserving flora and founa. VERBUND has developed comprehensive ecological activities in cooperation with independent experts. For example, excavated material was piled up to form a hill and gradually covered with vegetation typical of the altitude. Lichen-covered boulders, stone rubble and deadwood were then brought in from the timberline. Other plans involve a fish passage at the Rottau dam, designing the Weinitzgraben estuary and creating a replacement ecosystem or rehabilitating the Sachsenweg canal. Environmental awareness and resource conservation are also part of our day-to-day business at our administrative locations, from the procurement of environmentally friendly products to green IT, reduced paper consumption, recycling, new waste management concepts and employee initiatives and including the addition of electric vehicles to our fleet.

Key figures: Environment

Electricity generation[1]	Unit	2011	2012
Electricity generation (total net)	GWh	29,753	35,228
Of which hydropower	GWh	24,216	30,485
Of which wind and solar power	GWh	127	242
Of which sewage sludge	GWh	2	2
Of which hard coal	GWh	3,136	2,568
Of which natural gas	GWh	2,171	1,927
Of which oil	GWh	102	5
Share generation from renewable energy (hydropower, wind, solar power and sewage sludge)	%	81.8	87.2

Direct energy consumption[2]	Unit	2011	2012
Hard coal	t	1,079,238	907,990
Lignite	t	–	–
Oil (heavy heating oil)	t	28,723	1,110
Natural gas	1,000m³	107,001	246,472
Biomass and solid recovered fuels (sewage sludge)	t	15,303	17,256
Electricity (grid purchase)	GWh	2,044	2,455

Greenhouse gas emissions[1, 3]	Unit	2011	2012
CO_2 fossil absolute (ETS-emissions)[4]	kt CO_2e	3,658	2,902
CO_2 specific (ETS-emissions re total generation)	t/GWh	123	82
CO_2 specific (ETS-emissions re thermal generation)	t/GWh	676	645
Scope 1–3 (total, according to Greenhouse Gas Protocol)	t/GWh	4,504	3,975
Of which Scope 1 (direct emissions)	kt CO_2e	3,658	2,903
Of which Scope 2 (indirect emissions)	kt CO_2e	845	1,072
Of which Scope 3 (other indirect emissions)	kt CO_2e	0.7	0.6
Scope 1–3 specific (re total generation)	t/GWh	151	113

Emissions avoided by generation from renewable energy[5]	Unit	2011	2012
CO_2	kt	19,718	24,890

Energy efficiency re transmission grid[6]	Unit	2011	2012
Electricity transmitted in APG grid	GWh	39,830	42,144
Grid loss	GWh	518	615
Percentage of grid loss in total electricity transmitted	%	1.3	1.5

[1] The Pont-sur-Sambre (PSS) and Toul CCGTs were consolidated as at 31 October 2012. Since that date, the generation from PSS is regarded as own generation and prior to that as electricity purchase rights. Emissions are reported for both own generation and purchase rights. // [2] Own power used in all operating segments. Power used for generation available via purchase rights is not reported. The Pont-sur-Sambre and Toul CCGTs have been reported since consolidation on 31 October 2012. The amounts stated relate to the condition on delivery, i.e. damp material in the case of biomass. // [3] 2011: Verified pursuant to ISAE 3000 as part of the Sustainability Report audit by Ernst&Young Wirtschaftsprüfungs-GmbH. // [4] 2011: Final figures after certification in accordance with Section 9 of the Emissions Allowance Trading Act (EZG). 2012: Preliminary figures prior to audit. // [5] Calculation of emissions avoided based on the emissions from a modern hard coal power plant (Dürnrohr type). // [6] APG grid level 1

Details on key environmental figures: www.verbund.com (Responsibility > Key Figures and Reports)

Innovation, research and development

Research and development enables innovation and reinforces value added at VERBUND.

Research and development are the basis for innovation at VERBUND. Identifying the technologies of the future early on and developing them to market maturity are the core tasks of our "Centre of excellence for innovation", which coordinates and links research throughout the Group. The individual VERBUND companies carry out this research in their areas of focus, for instance in the fields of hydropower, thermal power, new renewable energy and trading and sales.

Key figures R & D

	Unit	2011	**2012**
Number of completed projects	Number	22	**25**
Number of current projects	Number	61	**56**
Total project volume[1]	€m	74.6	**149.8**
Of which EU projects[1]	€m	18.0	**93.3**
VERBUND-share total[1]	€m	18.9	**14.3**
Annual VERBUND expenses	€m	4.2	**5.2**

[1] Over the entire duration of the projects

Smart Energy – the energy system of the future

We researched the role of the customer in future energy systems in our "Energy management: new topics - friendly customer" project. Approximately 200 households took part in the related pilot project, "VERBUND Smarthome". They experienced the real-life advantages that will result from applications such as Smart Metering. Customers with photovoltaics installations are the pioneers here: they are already taking on an active role since they impact the distribution grid. Switching and control commands as well as a visualisation of electricity production and consumption will enable numerous new services in the future. VERBUND will develop additional services such as electricity storage and load management to make the energy future for consumers more intelligent and financially more attractive.

Priority for electromobility with 100% renewable energy

Further information: www.eprovider.at www.austrian-mobile-power.at

Electromobility lowers energy consumption and could enable a reduction in the carbon emissions of passenger cars of 80% by 2050. In Austria, the electricity used for this is gained primarily from renewable sources. VERBUND coordinates emporA, Austria's largest research project, as well as the VIBRATe cross-border region and is preparing the "Greening European Transportation Infrastructure for Electric Vehicles" EU project. More than 30 major Austrian companies have already joined the Austrian Mobile Power platform initiated by VERBUND. After years of research and development, electromobility is now ready for implementation: in 2012, together with Siemens, VERBUND established E-Mobility Provider Austria. This company will develop an extensive network of charging stations and offer a new, all-inclusive electromobility package for companies and private consumers in the coming years. Electromobility could contribute to Austria meeting its energy and climate targets by 2020. From our perspective, however, there are clear requirements for Austria to take a pioneering role in Europe: coordinated national planning, a guaranteed ecological benefit from electricity generated exclusively from renewable energy and transparent market rules.

Energy trading: strategies for a volatile climate

The current market conditions of volatile electricity prices in an environment of integrating renewable energy into the market calls for ongoing innovation and adjustments to trading strategies. VERBUND is rising to this challenge by developing the Group's optimisation and forecasting horizon and improving the modelling of electricity price processes.

Hydropower: new directions for new locations

VERBUND is developing hydropower solutions with added value for electricity generation. One example is the new compact turbine StreamDiver© at the Nussdorf power plant on the Danube canal in Vienna. After an initial test phase in the summer of 2012, ongoing pilot testing is now taking place under various hydrological conditions. What is innovative about these turbines is that their bearings and the generator are cooled and lubricated using river water, which means that no oil is necessary at all.

Thermal power: electricity generation on demand

In the area of thermal power, extreme fluctuations on the electricity market require flexible operation of the power plants. To this end, VERBUND is investigating minimum load reductions and "load gradient" increases. An additional challenge is posed by the temporal separation of electricity and heat generation for facilities with cogeneration (district heating storage). Research also focusses on the lifecycle of components subject to severe stresses, preventing damage through structured component analysis and constant efficiency improvements to the power plants.

Power grid: assuring effective transmission

In 2012, APG processed 26 research projects on grid topics. The projects are usually practice-based, run for several years and involve collaboration with other companies and the scientific community. In the area of "grid expansion and energy market scenarios", the effects of trends on the grid and the network are analysed, particular the integration of renewable energy. In addition to grid expansion, topics such as the supergrid and demand side management play an important role. For efficient electricity transmission, monitoring systems (thermal rating, iced-line monitoring, wide area measurement) have been scientifically developed and some have been prepared for operation. In 2012, for instance, the final preparations were made for implementing a "thermal rating" on a pilot line in quarter 1/2013.

Further information on APG projects: www.apg.at

Wind power: generation reaches market maturity

In the EU, more than 100 GW of wind power is already on the grid and supplying more than 57 million households with electricity. Based on this trend, VERBUND – together with meteorologists – has developed and installed a system for efficiently marketing wind power. The system has been in operation since May 2012. Current availabilities are uploaded from a maintenance database and taken into account in the usage plans. Since live operational data is used to continuously improve forecasts, the system is "self-learning".

Risk and opportunity management

Harsher economic conditions confirm the value of risk management as a control instrument.

The general business environment for the entire energy sector is deteriorating at a marked rate. The European energy market is undergoing massive changes as a result of the energy transition. Eco-friendly gas power plants are being hit especially hard by this transition. They are not being used as planned, and must therefore be continuously tested for impairment. VERBUND is responding to this development by concentrating on renewable hydropower and wind power in the Austrian and German markets, as well as reorienting its investment portfolio.

Principles, Structures, and Processes

Financial instruments and risk management: see Notes

Risk and opportunity management at VERBUND is based upon guiding principles such as increase in value, security of supply, and sustainability. As an established part of the management and control system, risk management is being refined on a continuous basis. The measurement of the Company's risk position is incorporated into strategic decisions, analysis of currently implemented projects, and the management of ongoing business.

VERBUND has Risk Management Committees (RMCs), which address topics such as business and energy management, regulatory framework, information security, and data protection. Under the leadership of Group Risk Management, they analyse the risk position in the operating units and make decisions on specific risks. Since 2008, a Chief Information Security Officer (CISO) has been coordinating all information security and data protection needs within the Group. VERBUND has established a crisis management system to handle extraordinary events, which is being continuously refined. APG was certified as an independent transmission system operator in 2012, and since that time has had its own independent risk organisation.

Opportunity and risk management is a significant part of the business processes at VERBUND. Risk management is based upon requirements for results, inventory, and liquidity. In an ongoing monitoring process, VERBUND collects information on possible hazards and opportunities, models cause-effect relationships, determines deviations, and takes the necessary actions based upon this information. All significant processes within the Group are run through this control loop. The risk of time, cost, and quality deviations is periodically checked and reported for each project currently in implementation.

Market price risks (wholesale prices for electricity, prices for gas, coal, or certificates, interest, exchange rates, etc.) are evaluated using accepted statistical methods of measurement. The measurement of other risks, such as regulatory or operating risks, is based upon expert assessments. Ultimately, the main reference parameter for opportunity and risk management at VERBUND is the Group result. VERBUND measures and collects information on individual risks and deviations to earnings before taxes.

Current risk position of VERBUND

The business activities of VERBUND tie up significant financial resources, involve technically complex systems and operating procedures, and are part of the socio-political discussion. Property, plant and equipment purchases, and corporate investments can generally be set up and/or realised only after long approval processes. The operation and maintenance of assets used over many years requires highly qualified employees.

Risks in the Economic Environment and Industry

The current economic crisis is leading to a deterioration of external risk factors, i.e. risk factors that cannot be directly influenced. These factors have their basis in politics, the economy, the energy sector, and the larger society, and reduce planning security for VERBUND. This may have negative consequences on necessary investment decisions and could affect the recoverability of the capital charge of VERBUND.

The expansion of the Austrian electricity supply is occurring within the context of pan-European developments. The European growth strategy "Europe 2020" and the growth targets defined in it are providing the guidelines for this expansion. The planned agenda is being increasingly affected, however, by interventions designed to manage the financial crisis, the debt crisis, and the energy transition.

In principle, VERBUND's entire value chain is subject to the risk of fluctuating market prices. The expansion of new renewable energy currently being subsidised is overriding existing competitive and market mechanisms. The underpinnings established in the liberalisation of the energy market, such as the use of power plants based upon variable production costs (merit order) or the distinction between base and peak loads, have lost a great deal of their validity within a short period of time. The development of a sustainable market design is currently the topic of intensive technical discussions, in which VERBUND is actively participating.

As the leading power generation company with a dominant share of hydropower plants, VERBUND is heavily dependent upon trends in water supply, which cannot be influenced. Output from run-of-river plants can be controlled only to a very minor extent (hydropeaking). By contrast, storage power plants with specific retention periods are used by the day, month, or year. The profitability of pumped storage is significantly influenced by the difference between the expense of pumping water up from the lower to the higher reservoir and income from the power generation.

Climate change is another risk. Over the long term, this may influence not only seasonal, but also fundamental water supply.

Risks caused by the legal environment

The European Energy Efficiency Directive came into force in November 2012. Under this directive, utilities are required to save 1.5% energy per year from 2014 to 2020 in sales volume to consumers. The specific measures are defined for each country in the national implementations of the directive. For VERBUND, this could result in losses of tens of millions of euros in annual sales.

The EU Emission Trading Directive was implemented in national law through the Emissions Allowance Trading Act (EZG) of 2011. Under this law, utilities will no longer receive free certificates for the third commitment period of 2013 to 2020, but must instead acquire these through auctions. Because of excess supply, the price for certificates in 2012 was well below the EU's target for a minimum threshold. Measures for stabilising prices are currently under discussion at EU level.

The EU financial market directive "Markets in Financial Instruments Directive" (MiFID II), which is currently being revised, will classify future hedging relationships for electricity trading as derivative financial instruments. Electricity trading could possibly be associated with significantly higher equity capital requirements, notification duties, and/or rights of inspection by officials of the Financial Market Authority. A task force from VERBUND is evaluating possible consequences and preparing recommendations for action.

Among its other provisions, the new regulation of the European financial market with the “European Market Infrastructure Regulation” (EMIR) stipulates that all over-the-counter standard derivatives transactions be processed through a "central counterparty" and reported in a transaction register. This will make electricity trading even more complex and increase administrative expenses.

The Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) addresses, among other topics, the allocation of the costs of the electricity grids between electricity generators and consumers. This forms the basis for the derivation of grid usage rates. Electricity producers have filed law suits against the allocation of costs undertaken in the past. The ruling, which is expected in 2013, may result in significant liquidity requirements for APG due to the possibility that the previous year's grid revenue will be taken into account.

In the course of implementing market integration, the European Network of Transmission System Operators for Electricity (ENTSO-E) has submitted a proposal for a European grid code. This code regulates the connection of generation facilities to the distribution and transmission grid, which results in EU-wide minimum technical standards. The final, legally binding grid code will be issued by the European regulatory authority ACER. For VERBUND, this could mean higher investments for replacements or performance enhancement in transmission facilities.

Other risk factors

VERBUND took significant steps in 2012 to optimise its investment portfolio. The asset swap signed with E.ON in December 2012 should be concluded in the first half of 2013. The performance of this transaction, as well as its representation on the balance sheet, is associated with risks. The trend in general economic conditions is necessitating the reorganisation of business activities in France and Italy. The planned measures could lead to a significant burden on the Group result as well as high levels of cash outflows.

To facilitate the conduct of its business, VERBUND has entered into long-term agreements with partners. Changes in economic conditions have influenced the profitability of some of these obligations. Contract amendments reduce the risks.

For VERBUND, the risk of impairment losses for investments is increasing. In addition, previously unplanned contributions to Group companies could be necessary. In accordance with the International Financial Reporting Standards (IFRS), VERBUND creates provisions for past personnel-related commitments and for the post-use phase of generation facilities (e.g. dismantling). Deviations from the assumptions for the creation of these provisions may produce fluctuations in the result.

The effective monitoring of counterparty risks minimises defaults in performance and/or payment by business partners. Limits are centrally assigned and continuously monitored. Stable cash flows from operating results secure debt servicing. In addition, VERBUND possesses sufficient credit lines for accessing cash and cash equivalents at short notice.

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

Natural events such as floods, storms, or avalanches could cause an unscheduled outage of electricity generation or transmission facilities as well as consequential damage. Contingent liabilities carried off the balance sheet could lead to fluctuations in the result if liabilities and guarantees are called upon.

Outlook: Risks and opportunities for 2013

The closing of the asset swap between VERBUND and E.ON announced in December 2012 is planned for the first half of 2013. The transaction has therefore not been taken into account in the following outlook.

The operating result of VERBUND is significantly influenced by the volume and price risk of its own electricity generation. The planned operating result for 2013 changes as follows – all other assumptions remaining equal – due to variation of the following factors by 1.0% (Basis: power generation priced in as at 31 December 2012):

- Generation from hydropower plants: €+/– 10.3m
- Wholesale electricity prices (hydropower plants and thermal power plants): €+/– 5.5m
- Clean spark spread (difference between the prices of electricity and gas, taking into account CO_2 costs when electricity price varies): €+/– 0.2m

VERBUND's financial result is being increasingly influenced by the earnings contributions from its equity interests. The result from equity interests reflects the following factors: the operating business activities of the equity interests, changes in the market environment for the energy sector, restructuring expenses, the possible impairment of the carrying amounts of equity interests, and the possible crystallisation of liabilities and guarantees. The financial result is also fluctuating due to the measurement of a yen liability of VERBUND. A variation of 1.0% either way in the following factors – all else remaining equal – would be reflected in the financial result for 2013 as indicated below:

- JPY–EUR exchange rate (financial result): €+/– 0.5m
- Wholesale electricity prices in international equity interests (result from equity interests): €+/– 6.7m

Outlook

The electricity market is undergoing a fundamental transformation. VERBUND is relying on proven values and investing in regulated business areas.

The global economy continued to lose steam in 2012. The deepening of the sovereign debt crisis in the eurozone and in the USA, the sustained instability of the financial system and weakened growth in emerging markets placed a strong burden on the economy. For this reason, the real term growth in gross domestic product in the developed countries was very moderate (1.3%) and real term economic output shrank in the eurozone (– 0.4%). Given the weak economic growth worldwide, the Austrian economy continued to show stable growth in 2012. Like Germany (0.9 % real term), Austria (0.6% real term) was also among the euro countries that remained unaffected by the recession. The outlook is fraught with uncertainty, particularly as it relates to developments associated with the sovereign debt crises in the eurozone and the USA. The real term economic output in the eurozone will decline in 2013 for the second consecutive year (–0.2%). The Austrian economy is expected to experience real growth of 1.0% in 2013.

Electricity market undergoing greatest change since deregulation

The electricity market is undergoing the most far-reaching changes since deregulation in 1999. Because of the massive subsidies for new renewable energy and the weak or even declining demand for electricity due to the economy, the futures market offers low, stagnating electricity prices and no incentives to invest in the next few years. At the same time, however, given further strong expansion of renewable energy, investments in new flexible power plants and efficient grids are necessary in the medium-term in order to avoid endangering the security of supply. In addition, the carbon market is currently ineffective, since low prices prevent it from providing the incentive to support low-carbon generation technologies. This then leads to a paradoxical situation in which gas power plants are unprofitable due to the high fuel costs (mostly long-term contracts tied to the price of oil) and those power plants with the highest specific CO_2 emissions, namely lignite-fired power plants, are profitable. Under these circumstances, revisions to the design of the electricity and carbon market are currently a topic of intense discussion in Europe. The outcome of this discussion will play a key role in the completion of the energy transition.

Investments in renewable energy and transmission grids

An asset swap was agreed upon in December 2012, in which VERBUND will sell its activities in Turkey to the German utility E.ON, and in return will acquire shares in German hydropower plants. In this way, we are focusing our future investment programmes almost exclusively on renewable energy and regulated business areas. In 2013, we plan to invest approximately €450m, primarily in new wind power plants as well as transmission grids and hydropower plants, predominantly in Austria and Germany. The focus of the investment programme reflects the current uncertainty in the European electricity market regarding future trends in price and profitability.

Strengthening the capital structure creates financial headroom

VERBUND began implementing a divestment programme in 2012. The purpose of this programme is to help achieve a good rating for the company relative to the industry in a deteriorating rating environment. At the same time, we wish to maintain financial headroom in a volatile environment for the industry and the capital markets. In doing so, we have sold equity interests that were not part of the core business, do not contribute any added value, and in which VERBUND does not hold a majority share.

Examples include the sale of shares in KRV, GBK, and EKG, as well as the sale of SSG. These transactions and the agreed asset swap with E.ON are producing cash inflows totalling approximately €800m, some of which will not occur until 2013. The planned investments, the repayment of debt and the dividend distribution can be serviced from cash flow and the cash inflow from the divestments.

Dividend policy

Over the medium-term, the dividend policy of VERBUND will continue to focus on maintaining a payout ratio of approximately 50% of the Group result. In 2012, VERBUND paid out a dividend of €0.55 per share to the shareholders for financial year 2011. In 2013, the company plans to increase the dividend for financial year 2012 to €0.60/share, an increase of approximately 9% over the previous year. The payout ratio is therefore 53.5%. We plan to increase the dividend for financial year 2013, distributing a total of €1/share to our shareholders. This will require the successful completion of the asset swap announced in December 2012, as we will be allowing our shareholders to participate in the value realised through this swap.

Earnings projection 2013

The development of the VERBUND result is significantly affected by the following factors: wholesale prices for electricity, own generation, continuing trends in gas power plants and foreign interests, particularly in Italy. The 2013 result will also be significantly influenced by our exit from the Turkish equity interest Enerjisa Enerji A.S. and the acquisition of shares in German hydropower plants.

Wholesale electricity prices for 2013 have fallen considerably due to the weak economy and existing excess capacities, and particularly the heavy promotion of new renewable energy. Prices in both the base load and the peak load range are below the levels of 2012, which was still affected by the German exit from nuclear energy following the reactor disaster at Fukushima. At the end of 2012, VERBUND had sold approximately 60% of the secured electricity generation for 2013.

The development of own generation is significantly dependent upon water supply. VERBUND plans annual generation based upon a long-term average. Significant deviations from targets could occur within the course of the year.

Because of the strong promotion of new renewable energy, oil price-indexed gas supplier agreements and remaining excess capacities, the profitability of the gas power plants in Europe is deteriorating and the risk of impairment losses is increasing. The Group result is therefore also dependent upon the successful restructuring of the gas supply agreements for the CCGT in Mellach/Styria, VERBUND's equity interest in Italy, and the French gas power plants.

The implementation of the asset swap with E.ON will have a positive effect on the result of VERBUND in 2013. Important reasons for the positive effect on the 2013 Group result are the book profit from the sale of the Turkish equity interest and the appreciation in value, as required in accordance with IFRSs, of the existing equity interest in the acquired German shares of companies with hydropower plants.

On the basis of average own generation from hydropower, we expect EBITDA to amount to approximately €1 billion for financial year 2013.

Internal control and risk management system

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

Organisational framework

Legislation requires a description of the "internal control system" and "risk management system" for the accounting process. The purpose of this process is to depict administrative and sales operations in management accounting, individual company bookkeeping, and Group bookkeeping. The internal control system covers all measures for ensuring reliability, effectiveness, efficiency and compliance with external regulations. The significant features of the internal control system at VERBUND are established by the mission statement, organisational structures, reporting structures and the stipulated supervisory functions.

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

VERBUND has responsibility towards many interest groups and the environment. Group management acts in accordance with the principles defined in the corporate mission statement. The Executive Board bears responsibility for developing and implementing the internal control and risk management system.

Fundamentals of the internal control system

The accounting process of VERBUND is governed by Group-wide guidelines and requirements. The practical implementation of these rules is based upon a structural separation between the implementation, monitoring and supervision of business transactions. The review of authorisations is integrated into the technical processing of transactions. Compliance with and effectiveness of these checks is reviewed on a periodic basis. The documentation of the time schedule for the checks, flow charts and the process map together constitute the process manual, which is updated annually. The organisational structure of VERBUND is continually adapted as needed to address changing internal and external conditions. The updated written regulations, with guidelines, requirements, manuals, etc., are available in the VERBUND intranet.

Centralised provision of services

VERBUND Management Service GmbH provides administrative services for the main consolidated companies. The VERBUND subsidiary APG has been certified as an independent transmission system operator since 2012. APG has created its own administrative organisational structure for this purpose. The Group management accounting function of the holding company is responsible for the orderly processing of bookkeeping, management accounting and risk management tasks at VERBUND.

Reporting in compliance with unbundling provisions

At VERBUND, each of the individual companies and/or the Group is responsible for its own internal and external reporting. Financial reports are created internally on a monthly basis. In addition to actual and projected annual financial statements, they also include an operational analysis of business trends as well as recommendations for action. The internal quarterly and annual reports consolidate information from management accounting, financial management, and risk management. All reports are based upon uniform Group-wide rules for preparation and measurement. While setting up APG as an independent transmission grid operator, information flows with VERBUND companies were restricted. An external equal opportunities officer monitors compliance with the unbundling provisions.

Periodic monitoring

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

Shareholder structure and capital information

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

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

2. In accordance with constitutional law, which regulates the ownership structure of companies in the Austrian electricity sector (Federal Law Gazette I [BGBl] 1998/143(2)) and also forms the basis for the Company's Articles of Association, the following voting restriction applies: "With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder in the Annual General Meeting are restricted to 5% of the share capital." We are not aware of any other restrictions that affect voting rights or the transfer of shares.

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

4. There are no shares with special control rights.

5. VERBUND does not have any employee participation programmes.

6. In accordance with the rules of procedure for the Supervisory Board, the last nomination to the Executive Board must be prior to the nominee's 65th birthday. A Nomination Committee has been established within the Supervisory Board pursuant to the Austrian Code of Corporate Governance, which makes arrangements for the appointment of Executive Board members on behalf of the Supervisory Board (see also corporate governance report 2012). Apart from the above, there are no other regulations extending beyond the legal requirements that relate to the members of the Executive Board and the Supervisory Board. Moreover, there are no applicable requirements derived directly from law regarding amendment of the Articles of Association.

7. The authorisation granted to the Executive Board at the 62nd Ordinary General Meeting held on 25 March 2009 in accordance with Section 65(1)(8) of the Stock Corporation Act (Aktiengesetz, AktG) relating to the purchase of treasury shares was valid until 25 September 2011. The Executive Board did not issue a decision on a buyback programme.
   In the Extraordinary General Meeting held on 24 September 2010, new authorised capital was resolved, whereby the Executive Board was authorised under Section 169 of the Stock Corporation Act (AktG) to increase the share capital with the approval of the Supervisory Board by 23 September 2015 by up to €154,100,000.00 by issuing up to 154,100,000.00 new bearer or registered ordinary shares (no-par shares) against a cash contribution – if applicable, made in several instalments. The Executive Board was further authorised to determine the issue amount, the terms of issue and the further details of the implementation of the capital increase with the approval of the Supervisory Board. This must occur with the proviso that the federal government subscribes for new shares within the scope of a capital increase from the authorised capital, thus ensuring that the shareholding of the federal government in the Company does not fall below 51% of the Company's share capital even after completion of a capital increase from authorised capital.
   Subsequently, the Executive Board resolved a capital increase with the Supervisory Board's approval on 24 November 2010 by issuing 39,215,686 no-par shares, whereby the share capital rose to €347,415,686.00. After this capital increase, the Executive Board is authorised to increase the share capital with the approval of the Supervisory Board by 23 September 2015 from the current nominal value of €347,415,686.00 by up to €114,884,314.00 by issuing up to 114,884,314.00 new bearer or registered ordinary shares (no-par shares) against a cash contribution – if applicable, made in several instalments. The Executive Board was further authorised to determine the issue amount, the terms of issue, and further details.
   The Executive Board has no additional powers within the meaning of Section 243a(7) of the Austrian Commercial Code (UGB)

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

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

Events after the balance sheet date

In quarter 4/2012, VERBUND signed a sales agreement for 34.57% of the shares in SSG. The closing took place on 18 January 2013 following approval by the competition authorities.

A capital increase was resolved in Enerjisa Enerji A.S. effective 21 January 2013 and was performed the next day. VERBUND's 50% share in this capital increase amounted to €137.5m.

Operating segments

Electricity

VERBUND electricity is valuable. It originates predominantly from renewable energy sources.

In Austria, approximately 70 TWh of electricity is generated annually. Approximately half of this comes from VERBUND power plants. VERBUND attaches great importance to sustainability in electricity generation: hydropower accounted for 87% of our electricity generated in 2012. The Group has strengthened its commitment to renewables with wind power and photovoltaics.

Business development in the Electricity segment

The Group experienced positive growth in 2012 despite the continued challenging market and industry environment. The very good water supply in particular had a positive effect on business. Because of its hedging strategy, VERBUND also benefited from higher sales prices, which can still be attributed to the price-increasing effects of the Japanese reactor disaster in Fukushima and the resolution on Germany's phaseout of nuclear power generation by 2022.

External revenue in the Electricity segment grew by 3.0% to €2,675.6m in 2012. In 2012, the Electricity segment accounted for 84.3% of external sales in the Group. The operating result in the Electricity segment decreased by 12.1%, however, to €896.3m. The principal reason for this was the first-time measurement of the gas supply agreement for the CCGT in Mellach/Styria, as well as effects from impairment tests. The operating result in the Electricity segment before effects from impairment tests increased, however, from €817.4m to €952.1m.

Electricity supply

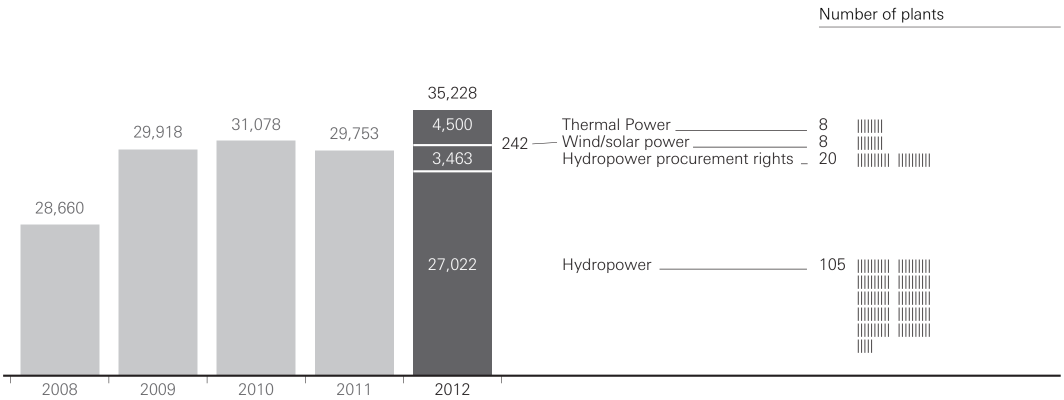
Market position in renewable electricity generation expanded

With the commissioning of the Gössendorf/Styria power plant on the Mur and the small power plant in Hirzbach/Salzburg, VERBUND owns 84 run-of-river power plants and 21 storage power plants. The Company's own electricity generation is supplemented by purchase rights for a total of 20 run-of-river power plants owned by Ennskraftwerke AG, Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerke Jochenstein AG, and E.ON Wasserkraft GmbH. For electricity generated from hydropower, the electrical capacity is 7,375 MW and average annual generation is 26,671 GWh (mean energy capability).

VERBUND placed significant emphasis in 2012 on the expansion of wind power, as the Casimcea I wind farm (99 MW) went into operation in Romania. In Germany, we are currently building 5 wind farms with a combined capacity of 86 MW. A portion of these facilities (7.5 MW) was connected to the grid in Q4/2012. Thus we currently have 6 wind farms in 4 locations with an installed capacity of 172 MW. 2 photovoltaic power plants in Spain with 3 MW round off our renewable generation portfolio.

6 thermal power plants in commercial operation with a combined output of 2,505 MW complete VERBUND's electricity generation portfolio. The Graz district heating plant (57 MW) has been leased out, and the Korneuburg steam power plant (277 MW) has been decommissioned. The modern, high-efficiency CCGT in Mellach/Styria (848 MW) was accepted on 12 May 2012. The power plant companies POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. in France, which have been consolidated since 31 October 2012, have a combined installed capacity of 842 MW.

Electricity generation GWh



Electricity generation

	Number	Maximum electrical capacity MW	Mean energy capability GWh	2009 GWh	2010 GWh	2011 GWh	**2012 GWh**
Hydropower	105	6,784	23,640	23,858	23,825	21,648	27,022
Hydropower procurement rights	20	591	3,031	3,241	2,883	2,569	3,463
Wind/solar power	8	175		106	112	127	242
Thermal power	8	2,839		2,714	4,258	5,410	4,500
Total	141	10,389	26,671	29,918	31,078	29,753	**35,228**

Marked increase in electricity generation

At 35,228 GWh, VERBUND's own power generation was 18.4% higher than in 2011. A total of 30,485 GWh, or 87% of the generated electricity, came from hydropower plants. This is 25.9% more than in the previous year. Generation by run-of-river, pondage and daily storage power plants alone increased by 24.5%. The hydro coefficient, the measure of generation for run-of-river and pondage power plants, was 1.11, or 11% above the long-term average and 22 percentage points above the previous year's level. Due to the high storage levels at the beginning of the year and above-average water inflows, generation from annual storage power plants also increased significantly, rising by 34.2%. Other renewables (wind and solar power) contributed a further 242 GWh to the total volume. Generation from thermal power plants was reduced by 16.8% in 2012. Market conditions have strongly deteriorated for gas power plants in particular.

In addition to own generation, VERBUND purchases electricity from vendors outside of the Group. The company purchased 12,029 GWh in 2012, compared to 16,586 GWh in the previous year. This sharp decrease is primarily due to the increase in own generation.

Electricity supply – Electricity segment GWh

	2011	2012	Change
Hydropower[1]	24,216	30,485	25.9%
Wind/solar power	127	242	90.9%
Thermal power	5,410	4,500	–16.8%
Own generation	29,753	**35,228**	18.4%
Electricity purchased from third parties	16,586	12,029	–27.5%
Intragroup	394	282	–28.3%
Electricity supply	46,733	**47,539**	1.7%

[1] incl. purchase rights

Electricity sales volume

Supply volumes expanded

In 2012, VERBUND sold 47,539 GWh (incl. own use), an increase of 1.7% over the previous year. This growth was driven primarily by the consumer business (+13.6%), which now makes up 20% of electricity sales volumes. The basis for this growth was the acquisition of new customers, above all in the German market. Electricity deliveries to resellers declined by 1.2% due to the macroeconomic conditions and the market environment for the energy sector. We also saw a decrease in the trading segment: electricity deliveries to trading firms were 2.0% lower than in the previous year. The reason for this was a sharp drop in generation hedging on the OTC trading market, which more than compensated for increased marketing on the exchange.

In the domestic market of Austria, VERBUND sold 24,373 GWh (incl. own use), an increase of 2.8% over 2011. The higher sales to resellers and trading firms as well as the increased demand from pumped storage power plants compensated for the lower sales volume to consumers. In 2012, the share of electricity delivered domestically was 51% of total sales volume (incl. own use).

The volume of electricity supplied in export markets increased by 0.7% to 23,166 GWh, which accounted for 49% of VERBUND's total electricity volume. Germany accounts for 87% of the volume sold abroad, and is our most important international market. Here we were able to acquire additional customers, primarily with our premium brand H_2Ö, high-quality electricity from renewable resources produced by TÜV SÜD certified VERBUND hydropower plants - and to expand our market position as a leading supplier of green electricity.

Electricity sales volume and own use – Electricity segment GWh

	2011	2012	Change
Consumers	8,421	9,568	13.6%
Resellers	18,609	18,378	–1.2%
Traders	17,586	17,228	–2.0%
Intragroup	727	677	–6.8%
Group sales	45,343	**45,851**	1.1%
Own use	1,390	1,688	21.4%
Electricity sales volume and own use	46,733	**47,539**	1.7%

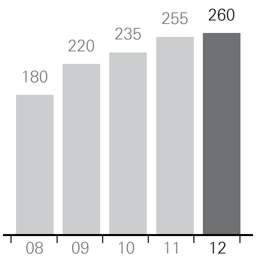
Sales to consumers

Innovative products, valuable solutions

Since entering the retail market (household/agriculture and commercial segment), VERBUND has become one of the most cost-effective providers on the market, despite supplying premium electricity from Austrian hydropower. The deregulation of the Austrian consumer electricity market would not have been so successful without our involvement: approximately 60% of all consumers who have switched providers since 2005 have become VERBUND customers.

At the end of 2012, VERBUND had more than 260,000 customers in the household/agriculture and commercial segment. The product mix ranges from the low-priced online H_2Ö-direct product to products with supplemental services such as free energy consulting or insurance services. All H_2Ö products offer electricity from 100% Austrian hydropower.

Consumers k



VERBUND has also positioned itself as an innovative and service-oriented vendor for business and industrial customers in Austria and Germany. In Austria, the market share for this segment is approximately 20%. We were able to further expand our sales volumes in Germany. In addition to its traditional activities in electricity generation, transmission, trading and distribution of electricity, VERBUND is also increasingly acting as an integrated energy service provider. Electromobility, energy management and decentralised electricity generation supplement our range of offerings. As part of our electric vehicle strategy, we took an important step in 2012 with the newly formed "E-Mobility Provider Austria GmbH & Co KG," a joint venture with Siemens Österreich, to improve the marketability of electric vehicles. The plan is to construct a network of rapid charging stations and private charging stations throughout Austria by 2020. In addition, VERBUND is a leading member of "Austria Mobile Power," the electromobility platform of leading Austrian companies from the energy sector, industry, and research.

As in previous years, we were able to expand our role in 2012 as one of the leading providers of integrated photovoltaic solutions for private individuals in Austria.

The topic of energy efficiency also remained on our agenda in 2012. The "VERBUND Smarthome" pilot project is exploring ways to turn electricity customers from passive consumers into active participants in the energy market by allowing them to visualise and manage their energy consumption.

Electricity trading

Trading strategy

VERBUND's focus on electricity trading (asset-based trading) is the best possible approach to marketing our own generation. We are also strengthening our trading activities through proprietary trading, while observing strict risk guidelines. Through its electricity trading, VERBUND has created a strong presence on the most important OTC markets and exchanges in Europe. This is key to our core business of electricity generation. The know-how gained in this process has strengthened VERBUND's position on the electricity market, and enables us to respond directly to changes in the market.

As European electricity markets continue their integration and the proportion of renewable electricity generation rises, electricity trading is becoming increasingly important. The spot market, and particularly short-term intraday trading as well as the balancing energy market, are becoming increasingly dynamic. VERBUND identified this trend at an early stage, and has further optimised the marketing of its own generation. Trade in guarantees of origin of electricity is also becoming more important. On 11 December 2012, the Electricity Exchange Austria EXAA began its green electricity trading with twelve licensed trading participants, including VERBUND at the top of the list. VERBUND is already one of the leading green electricity suppliers in Europe.

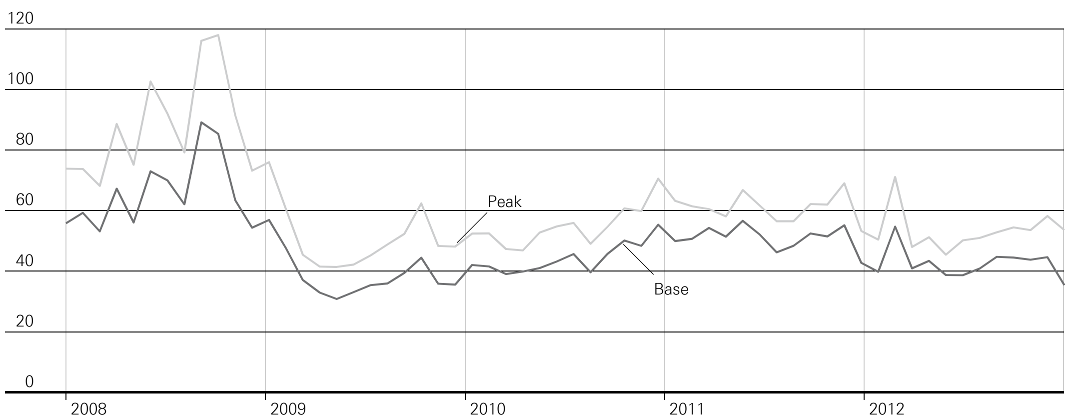
Electricity prices

VERBUND sells most of its generated electricity on futures markets so as to minimise short-term selling and price risks. The price trend on the futures market in 2012 had only a minor influence on revenue during the year under review. It primarily affects the results of subsequent periods.

Wholesale electricity prices were significantly below previous year's level

On the wholesale market for electricity, prices for immediate delivery (spot market) in 2012 were significantly below the level of the previous year. The primary reasons for this were the increased supply of electricity from wind and solar power, significantly lower prices for emission rights, and the decline in hard coal prices. Weak economic conditions also had a negative effect on electricity prices. On the spot market at the Paris electricity exchange EPEX Spot, the prices for base-load electricity for the German/Austrian market were €42.6/MWh on average for 2012, approximately 16.7% below those of the previous year. The peak-load prices were €53.4/MWh, 12.6% lower than the average prices of 2011.

Spot market electricity price development in €/MWh

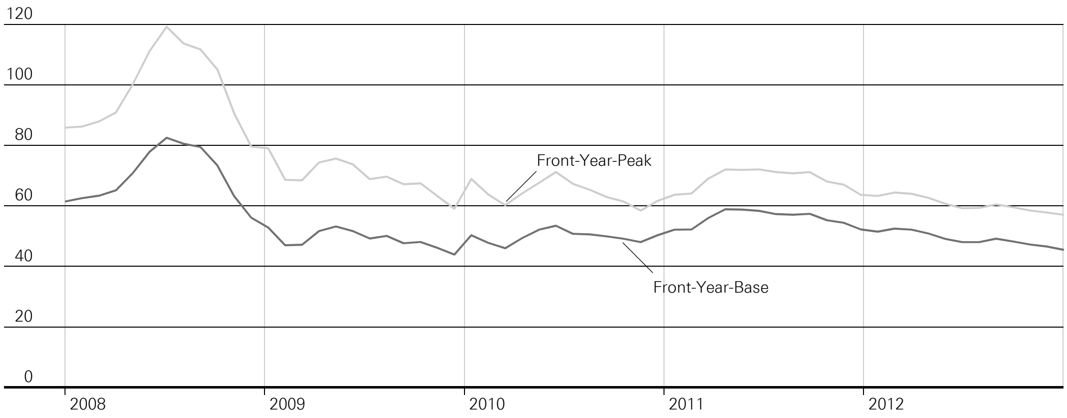


Market region Germany/Austria; monthly average prices

source: EPEX Spot

On the futures market at the Leipzig electricity exchange EEX in 2012, base-load was traded at an average price of €49.3/MWh for 2013 (front year base) for the Germany/Austria market region, and peak-load (front year peak) was traded at €60.8/MWh. In 2011, front year base contracts paid €56.0/MWh on average, and front year peak contracts paid €69.0/MWh. The dampened economic expectations as well as weak prices for emission rights exerted enormous pressure on the futures market. The increased expansion of new renewable energy also had a dampening effect on prices; firmer gas prices were hardly supportive.

Futures market electricity price development €/MWh



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

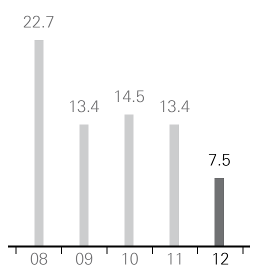
Prices for CO_2 emission rights dropped significantly

In European emission rights trading, prices in 2012 were far below the level of the previous year. CO_2 emission rights (EUA - European Union Allowance) with delivery in December 2012 (EUA-12) were traded at an average of €7.5 per tonne CO_2. This is 44.0% less than was paid in the previous year for 2011 emission rights. Certified emission reductions (CERs, credits from emission-reducing measures in developing countries and emerging markets) cost on average only €3.0/t, a reduction of 70.4% compared to 2011.

The causes of the massive drop in price were the weakening of the economy, the rapid expansion of renewable energy and a significant influx of CER emission credits from UN climate protection projects.

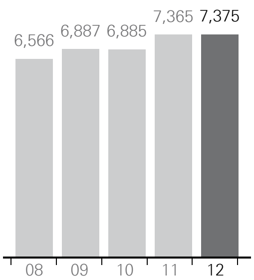
EU initiatives are currently under discussion, with the goal of at least partially limiting the allocation of rights and thus moving prices upward. The announcement by the EU Commission that it would temporarily reduce CO_2 emission rights by 900 million at the beginning of the third trading period (2013–2020) did not increase prices. On the contrary, it led to a slight price decline; given the existing excess supply of just under 2bn CO_2 emission rights, market participants had assumed a greater shortage of supply. Even this and other measures for increasing CO_2 prices currently appear to have failed due to resistance from some countries, particularly Poland.

CO_2-emission rights prices €/tCO_2



Average yearly prices; Futures market *source: EUA*

Hydro capacities MW



incl. purchase rights

Expansion in electricity generation

Hydropower contributes to achieving Austria's climate goals

As an EU member, Austria is committed to increasing its share of renewables for consumers to 34% by 2020. Hydropower can make a significant contribution in this regard. Thanks to efficiency-enhancement measures and the construction of new power plants, electricity generation from hydropower could increase by 7 TWh by 2020. The national energy strategy foresees an expansion by 3.5 TWh by 2015. With its hydropower projects, VERBUND is making an important contribution to achieving European and national goals for environmental protection.

All of the major demolition and tunnel work was completed in 2012 for the construction of the Reißeck II pumped storage power plant in Carinthia. Assembly work has been underway since the middle of 2012. The 430 MW capacity of the new plant will increase the Malta/Reißeck power plant group's turbine capacity to 1,459 MW when it is put into operation as scheduled in 2014.

VERBUND continued to focus on increased availability and improved efficiency of existing plants in 2012. The renovation of the Gralla/Styria power plant has now been completed following a multiyear renovation phase. Two generator sets have already been renovated at the Pernegg power plant in Styria; the last generator set will be renovated in winter 2012/13.

Since May 2011, the Mayrhofen and Rosshag power plants in Zillertal/Tyrol have also been brought up to date. Modernisation of important turbine, pump and generator parts has increased the turbine capacity of the Zillertal power plant group by 10 MW, pump capacity has been increased by 22 MW, and annual generation from natural water flow has been increased by 12 GWh. In addition, Austria's oldest Danube power plant at Ybbs-Persenbeug/Lower Austria has been undergoing modernisation since October 2012. VERBUND will be renovating one generator set per year there until 2020. This should increase the plant's availability and improve the mean energy capability by approximately 60 GWh.

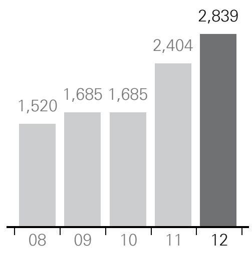
In collaboration with SSG, VERBUND (50% share) has been building the power plants on the Mur river at Gössendorf and Kalsdorf in Styria since 2009. SSG is responsible for construction, and VERBUND will take over operation upon completion. VERBUND already took over operation of the Gössendorf plant, with annual generation of 88.6 GWh. Construction work was completed on schedule in the Kalsdorf project and trial operation began in December 2012. This run-of-river power plant on the Mur will generate 81.2 GWh of electricity per year. The power plants in Graz und Gratkorn received positive notices of approval in the first instance in the summer of 2012. Appeals are pending in the second instance.

Approval for the Limberg III/Salzburg pumped storage power plant continues to experience delays. In addition to the EIA approval, implementation of the project largely depends on the completion of the 380 kV Salzburg line to Kaprun. The international Inn power plant joint venture between VERBUND (50%), TIWAG-Tiroler Wasserkraft AG (36%), and Engadiner Kraftwerke AG (14%) is expected to generate 414 GWh annually. The decision by the environmental tribunal in the second instance was issued in Austria on 5 December 2012. A final positive ruling was issued by the Swiss Federal Administrative Court in October 2011.

Difficult market environment for gas power plants

Thermal power plants with high levels of reliability are needed to ensure electricity generation during periods without sufficient sunshine or wind. CCGTs in particular are an environmentally friendly technology. These plants provide an optimal balance for weather-related fluctuations in new renewable energy sources, they are efficient and can be controlled flexibly and they allow energy to be captured for district heating. The CCGT in Mellach/Styria, Austria's most modern and powerful thermal power plant, began commercial operation in May 2012. In this way, VERBUND contributes to the security of electricity supply in Austria.

Thermal capacities MW



incl. purchase rights

Gas power plants are in an especially difficult position at the moment, however. Electricity prices are too low relative to the costs of generation (gas and CO_2 prices), and thus the generation margins (clean spark spreads) are at an extremely low, and sometimes negative, level. Even more dramatic is the situation of gas power plants that purchase gas based upon long-term, oil-price-indexed agreements with minimum purchase obligations, which includes the majority of gas power plants in central Europe.

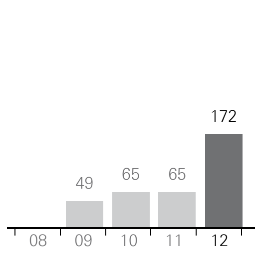
Because of the increase in gas trading, European gas market prices have recently been decoupled from oil prices. They are currently significantly lower than the oil-indexed contract prices. The long-term gas purchasing contracts can no longer be reconciled with the deregulated energy markets, but the intensive efforts by gas importers and large gas consumers to adapt these contracts to meet market conditions are meeting resistance from gas producers. Despite current gas market prices, however, even highly efficient gas power plants are not economical at this point in time.

Thus the industry finds itself in a paradoxical situation: firstly, there are no incentives for investing in low-carbon gas power plants, and existing facilities are facing an existential economic threat. Secondly, because of the low prices for CO_2 emission rights, generation from lignite, the most carbon-intensive electricity, is currently the most economical generation technology. VERBUND is, however, currently working on further improvements in the operation of gas power plants, in order to adjust their use over the short term and meet the requirements of the electricity market.

Commitment to wind power expanded

We are strongly relying upon wind power as a primary supplement to hydropower. In doing so, we are promoting both the national and international expansion of this technology in our target markets. We are currently building wind farms in Austria, Germany, and Romania.

Wind capacities MW



In Austria, VERBUND operates three wind farms with a combined capacity of 49 MW. Two additional wind farms (36 MW) are currently under construction, and construction will begin soon on a third (21 MW). When these plants are completed, our wind power capacity in Austria will be more than doubled.

In Germany, we have acquired five wind farms in Rhineland-Palatinate with a total capacity of 86 MW. Part of this capacity (7.5 MW) already went into operation in quarter 4/2012. Gradual commissioning of the other plants is scheduled in stages up to mid-2013. The Romanian Casimcea I wind farm (99 MW) has been in operation since quarter 3/2012. Casimcea II, the second phase (102 MW), is currently under construction.

Outlook for the Electricity segment

Electricity market: general conditions must change

The European electricity market is undergoing the most far-reaching changes since deregulation in 1999. The introduction of transition in energy production and consumption, combined with a changeover to a renewable generation system, has caused the industry to experience fundamental reorganisation. Policies are required to create a consistent and reliable regulatory framework for this new situation. At the present time, the macroeconomically inefficient mix of market and planned economies is hindering incentives for investment in the flexible backup capacities that will be necessary over the long term (as of 2020). As a result, there are significant risks to security of supply.

Preventing this will require a clear, market-based reform of the electricity market. The focus of this reform must be on promoting renewable energy and providing investment incentives for flexible, low-carbon power plants. Creating a functioning European CO_2 market will play a central role. This is because the ability to guide society toward low-carbon or carbon-free generation technologies, and thus the climate goals, in accordance with market conditions cannot be achieved without additional subsidies. To achieve this, however, it is necessary for the trend in electricity demand, the expansion of renewable energy, and energy efficiency measures to be taken into account when determining the volume of emission rights. Additional measures towards a macroeconomically efficient, renewable electricity market system must include:

- the integration of renewables (responsibility for price risk, volume risk, and compensation energy risk)
- the dismantling of existing market barriers (price limits, differing tax burdens)
- the integration of electricity demand (particularly in industry)
- the international opening up of balancing energy markets
- the rapid expansion of power grids (transmission and distribution grids)

Policies must be developed with input from companies in order to create such a master plan for energy transition. This plan should ensure that the security of supply remains intact, climate goals are achieved, and investment security once again increases.

Based upon current conditions, VERBUND is very well positioned for the future as an integrated utility with a focus on core markets and comprehensive market know-how. Electricity is the key to a sustainable and climate-friendly energy system. Renewable energy will play an increasingly important role for energy transition. We are relying primarily on hydropower and wind power in our new plants, and are carefully watching developments in other areas of electricity generation from renewables.

Grid

The 3,500 km transmission grid operated by APG forms the backbone of Austria's electricity supply. APG projects such as the Salzburg line and the 380 kV connection to Germany are basic prerequisites for bringing approximately 3,000 MW of additional wind power capacity in Eastern Austria onto the grid as planned by 2020. Measures to optimise the grid and the rapid expansion of infrastructure are essential for the success of energy transition. In this way, APG is making an important contribution towards achieving the energy policy goals.

The transmission grid forms the backbone of Austria's electricity supply and is therefore extremely valuable to society

Business development in the Grid segment and grid loss energy

External revenue is up

In the Grid segment, external revenue grew in 2012 by 19.1% to €481.7m. The management of the control energy market, which was added in 2012, the increase in international allocation revenue and rising domestic revenue led to an increase in grid revenue. The provisions based upon the rescission of the System Usage Rates Regulation (SNT-VO) and the challenge to the System Charges Order (SNE-VO) had opposite, although not completely compensatory, effects, and thus net revenue grew in 2012 by approximately 31.5%. Despite the negative effects of the increase in purchased electricity and increased depreciation due to the management of the balancing energy market, EBIT increased to €2.6m.

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

APG has been responsible for the purchase of energy to cover transmission and distribution losses for the Austrian grid operators since 2011. APG has also been responsible for balancing energy management since 2012. The table below shows electricity supply and the electricity sales volume for the Grid segment.

Electricity supply - Grid segment GWh

	2011	2012	Change
Electricity purchased for grid loss and control energy volumes	2,883	3,142	9.0%
Intragroup	727	677	–6.9%
Electricity supply	3,610	**3,819**	5.8%

Electricity sales and own requirements - Grid segment GWh

	2011	2012	Change
Resellers	2,093	2,128	1.7%
Traders	178	182	2.2%
Intragroup	394	282	–28.3%
Group sales	2,665	**2,592**	–2.7%
Own requirements	654	768	17.4%
Control energy volumes	292	459	57.3%
Electricity sales and own requirements	3,610	**3,819**	5.8%

New system usage fees as of 2013

Based upon the 2012 rate review, the grid tariffs of APG for 2013 were calculated and published in the System Charges Order 2013 (SNE-VO 2013). In the 2012 rate review, in which E-Control reviewed costs based upon APG's 2011 annual financial statements, the following was achieved:

- Generally fixed ROI of 6.42% before taxes
- Discounting of the costs of capital for 2012 and 2013 for investments in the grid development plan, similar to the procedure used in the previous year.

The cost basis established in the 2012 rate review for APG's gross and net rates has increased in comparison to the previous year (System Charges Order 2012) by 1.9% to €146.4m. The gross component is being increased by 2.5%, and the higher net volumes (lower water supply) in the previous year have led to a rate reduction of 10.4% for the net components. The power tariff for pumped storage power plants remains unchanged.

In the area of secondary control, the 2013 tariffs for providers are increasing by 51.7%. The reason for this increase is the rise in projected purchasing costs for 2013. Beginning in 2012, secondary control could be purchased for the first time in a market-oriented manner through tenders.

Investments in the Grid segment still at a high level

APG invested €141.0m for intangible assets and property, plant and equipment in the Grid segment in 2012. Of this total, €21.2m was allocated for the changeover of the Danube line to 380 kV operation. Other major investments in the grid expansion include the construction of the Zurndorf/Burgenland substation (€22.1m) and the construction of a quadrature booster in the Lienz/Tyrol substation (€9.9m). APG's operating investments, i.e. investments in already existing facilities, included €5.3m for the renovation of the Bisamberg/Lower Austria substation, €4.4m for the implementation of the third EU internal market package (unbundling), and €3.9m for the general renovation of the 110 kV Reißeck-Landskron/Carinthia line.

Security of supply

Secure supply without interruptions

APG reported no supply interruptions in the 220/380 kV grid in 2012, and thus fulfilled its mandate to supply electricity despite critical grid situations. To achieve this high level of supply security, APG undertook a number of measures for grid expansion, coordinated grid operation, training and continuing education of employees, and research and innovation.

The events of February 2012 are one example of a critical grid situation. In February, an avalanche in Salzburg's Hagengebirge mountains caused a tower to collapse, with a resulting outage of the two line systems from Tauern to Salzburg. Thanks to APG's rapid crisis management efforts and the immediate implementation of effective emergency measures (such as changing power plant operation, postponing line shutdowns scheduled for inspections, etc.), the company was able to ensure uninterrupted and comprehensive security of supply. One special challenge is the fact that APG is required to carry out many grid expansions, maintenance assignments, and inspections during operations. This was possible in 2012 using exclusively technical grid measures (special circuits, transformer controls, etc.) thanks to farsighted operational shutdown planning, the use of temporary lines, and more favourable energy management conditions during shutdown times. The quadrature booster in the Lienz substation has become an effective tool for improving bottlenecks to Italy. Through the use of this quadrature booster, we were able to avoid special grid circuits and cost-intensive interventions in power plant operations, and to improve regional security of supply.

5.8% more electricity transmitted

Based upon the reported transmission schedules, the APG control area imported 44,865 GWh and exported 38,972 GWh in 2012. On balance, this results in an import surplus of 5,893 GWh. Consumption in the APG control area is approximately 60,000 GWh (incl. pump usage and grid loss). The transportation volume at grid level 1 (220/380 kV grid) increased by 5.8% over the previous year.

Electricity transmission TWh

APG makes an important contribution to security of supply in Europe

International cooperation with other transmission system operators makes an important contribution to a high level of security of supply. This includes, among other noteworthy efforts, the close cooperation between the eleven transmission system operators who currently make up the TSC (TSO Security Cooperation) initiative. By implementing and refining the TSC, all measures are currently being undertaken at the European level to enable the further expansion of renewable energy despite the currently difficult conditions for grid operation, to provide the highest possible grid capacity to the electricity market and to minimise interventions in the market. In addition, a contract was entered into for multilateral redispatch (changes in power plant usage), which enables the retrieval of power plant output in all eight member states. In this way, APG is making another important tool available for use in critical grid situations. There are also plans to expand the joint calculations of security of supply in 2013 into a 24-hour operation.

Line construction projects

APG has both the grid master plan and the grid development plan, in which the urgently necessary grid expansion projects are analysed and defined based on comprehensive energy market development scenarios. In the grid development plan in particular, the specific expansion projects for the next 10 years for the transmission grid are presented together with justifications. APG must prepare the grid development plan annually and subject it to public consultation. Following a comprehensive review by the regulatory authorities and consideration of the stakeholder’s statements of position, this plan was approved in December 2012 in a decision by the authorities.

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

APG’s main goal is the completion of the 380 kV Austrian Ring. This forms the basis for security of supply for all of Austria. An essential project for this ring is the 380 kV Salzburg line, which in addition to regional and national importance is also very important at the European level as a TEN-E project (component of the trans-European electricity grid). It also permits the further expansion of electricity generation and the integration of renewables into the Austrian power grid.

The first section of the 380 kV Salzburg line from the St. Peter grid hub to the Salzburg substation has been operating at full capacity since March 2011 (initial construction phase: 220 kV operation). This is an important milestone for the implementation of the entire 380 kV Austria Ring.

For the second section of the 380 kV Salzburg line from the St. Peter grid hub to the Tauern grid hub, the environmental impact statement (EIS) was submitted to the responsible authorities in Upper Austria and Salzburg on 28 September 2012 for approval pursuant to the EIA Act. In an intensive dialogue with affected landowners and municipalities, the documentation for the EIS for the Salzburg line was prepared within two years. The basis for this documentation was the route corridor developed in 2010 by a group of experts consisting of representatives of the state of Salzburg and APG. The publication of the edict and opening of the EIS documents to public inspection in the municipalities is anticipated in quarter 1/2013. Given the expected procedural process, the beginning of construction is now expected no earlier than the end of 2015. Commissioning is therefore scheduled for 2019.

New regulatory developments

VERBUND has decided to implement the ITO (Independent Transmission Operator) model and will therefore continue to remain the owner of APG. The model was implemented within the meaning of the requirements of the third EU internal market package and the Electricity Industry and Organisation Act 2010 (Elektrizitätswirtschafts- und organisationsgesetz 2010, ElWOG 2010), which called for stricter measures with regard to unbundling. APG was certified as an independent transmission grid operator as per the decision of E-Control on 12 March 2012. The official appointment was announced by the Federal Minister for Economics, Family and Youth in the Federal Law Gazette (BGBl. II 134/2012) of 19 April 2012. Two other applications were also approved: the application for confirmation and approval of the equal opportunities officer and the equal opportunities programme, as well as the application for approval of contracts between APG and companies of the VERBUND Group pursuant to Section 29(3) ElWOG 2010.

Outlook for the Grid segment

The trends in the renewable energy sector and market integration continue unabated. The number of installed wind and photovoltaic power plants will increase, and thus the proportion of volatile electricity suppliers will rise. European cooperation must be strengthened in order to continue ensuring the security of supply. As part of the "Transmission System Operator Security Cooperation Initiative", a new organisation will be established in order to address security of supply topics (continuous calculations to avoid line overloads, bottleneck management, etc.). APG will continue to be an active partner in this security cooperation in 2013.

The current EU plans (National Renewable Energy Action Plans) foresee a rapid expansion of electricity generation from new renewable energy within the 27 EU member states from 652 TWh in 2010 to 1,217 TWh in 2020. In Austria, electricity production from new renewable energy during this period should increase from 45 TWh to 52 TWh. APG faces enormous technical challenges caused by the large increase in electricity supplied from renewable energy. The significant fluctuations in production for electricity generated from wind and solar power create difficulties in achieving reliable management of the transmission grids and thus ensuring the security of supply. Even more than previously, a comprehensive expansion of the grid infrastructure will be necessary in future. The expansion of electricity grids and new renewable energy must be synchronised, as this is the only way to maintain security of supply at a high level in future. APG will do everything in its power to implement the projects codified in the redevelopment plan for 2012 in order to fulfil its economic mandate to create the best possible energy structure. Improvements to the regulatory environment would be beneficial to a rapid expansion.

Equity interests

VERBUND sharpens its market strategy: by selling equity interests, we are creating value.

The energy market conditions for Europe's utilities have fundamentally changed in recent years. As a result, VERBUND has focussed its strategy and restructured its investment portfolio. Through the asset swap with E.ON, we are phasing out our Turkish equity interest in Enerjisa. Italy and France are no longer strategic growth markets. In the domestic market of Austria, we have divested ourselves of non-strategic minority interests.

Foreign equity interests

Italy

Information on Sorgenia: www.sorgenia.it

In 2012, the contribution from Sorgenia S.p.A. (Group) to the result from interests accounted for using the equity method was €–81.2m (2011: €–3.3m). The principal reason for this negative result was the difficult market environment for gas power plants in Europe. Sorgenia's customer base stagnated because of intensified competition on the consumer market, which was driven in particular by the market leader Enel. In addition, the planned return on capital employed could not be achieved because sales from renewable generation facilities were not realised within the planned time period.

The Aprilia CCGT (800 MW) went into operation on schedule in the first half of 2012. The planned capacity expansion has therefore been completed. Sorgenia S.p.A. now has an installed total capacity of more than 4,500 MW (incl. share of Tirreno Power).

Because of the tense macroeconomic situation and the significant deterioration in Sorgenia's financial position, further measures for financial stabilisation and reduction of net debt are planned for 2013.

France

France's contribution to the result from interests accounted for using the equity method in financial year 2012 was €–86.2m (2011: €–136.8m). POWEO Pont-sur-Sambre Production S.A.S. contributed €+5.4m of this total, and POWEO Toul Production S.A.S. contributed €–91.6m.

Both companies have been consolidated since 31 October 2012. The reason for this was the premature termination of the call option for 100% of the shares in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. by POWEO Direct Energie.

Turkey

Turkey's contribution to the result from interests accounted for using the equity method in 2012 was €50.2m (2011: €-47.3m). The negative deviation in the operating result compared to the previous year was primarily due to the shortage of gas in quarter 1/2012, as well as lower clean spark spreads. The positive effects of the appreciation of the Turkish lira by 3% against the euro, however, led to a significant increase in the net result compared to 2011.

On 3 December 2012, VERBUND signed the contracts for selling its 50% share in Enerjisa Enerji A.S. to the German E.ON. Enerjisa Enerji A.S. was therefore classified as "held for sale" as at 31 December 2012. The closing of the transaction is scheduled for the first half of 2013, and still requires competition and other regulatory approvals, among others.

Domestic equity interests

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

KELAG increased its contribution to the result from interests accounted for using the equity method from €33.0m in the previous year to €33.5m. VERBUND's dividend share was €10.5m. In 2012, KELAG experienced successful growth, particularly in electricity and gas trading, by expanding its international trading.

Information on KELAG: www.kelag.at

KELAG provides electricity, gas and heat to customers throughout Austria. It also operates internationally in the field of hydropower and wind power. VERBUND's equity interest in KELAG amounted to 35.17% as at 31 December 2012.

STEWEAG-STEG GmbH

The equity interest in SSG had already been classified as "held for sale" since 30 September 2012. As a consequence of the reclassification, the contribution to the result from interests accounted for using the equity method was €–5.8m (2011: €6.3m). VERBUND's dividend share was €12.4m.

Information on STEWEAG-STEG: www.e-steiermark.com

VERBUND and the provincial utility Energie Steiermark have simplified their reciprocal equity interests. Energie Steiermark bought back the 34.57% share of SSG, and in future will hold 100% of the company. VERBUND in return took over SSG's 14.7% share in VERBUND Thermal Power GmbH & Co. KG, as well as approximately 14% of Energie Steiermark's shares in VERBUND Thermal Power GmbH. The agreement for sale of the equity interest in SSG was signed on 5 December 2012. These transactions will generate approximately €250m for VERBUND. The closing took place on 18 January 2013.

Energie Klagenfurt

EKG was classified as "held for sale" as at 30 September 2012. As a consequence of the reclassification, the contribution to the result from interests accounted for using the equity method was €–1.6m (2011: €0.9m). VERBUND's dividend share was €1.8m.

VERBUND took another successful step in the restructuring of its investment portfolio with the sale of EKG to Stadtwerke Klagenfurt AG. The sale of the 49% equity interest became effective on 21 November 2012. Stadtwerke Klagenfurt AG is paying VERBUND around €70m for this transaction.

Vienna, 1 February 2013
Executive Board

Dipl.-Ing. Wolfgang Anzengruber **Chairman of the Executive Board**	Dr. Johann Sereinig **Vice-Chairman of the Executive Board**
Dr. Ulrike Baumgartner-Gabitzer **Member of the Executive Board**	Dipl.-Ing. Dr. Günther Rabensteiner **Member of the Executive Board**

Consolidated financial statements

Income statement

of VERBUND

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In accordance with IFRSs	Notes	2011[1]	2012
Revenue		3,027,720	**3,174,340**
Electricity revenue	1	2,678,858	2,773,665
Grid revenue	2	261,890	343,757
Other revenue	3	86,972	56,918
Other operating income	4	59,120	81,623
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	5	–1,368,173	–1,261,506
Fuel expenses and other usage-dependent expenses	6	–138,963	–168,528
Personnel expenses	7	–302,403	–319,586
Amortisation of intangible assets and depreciation of property, plant and equipment	8	–241,678	–277,963
Other operating expenses	9	–207,844	–272,473
Operating result before effects from impairment tests		827,778	955,906
Effects from impairment tests[2]	10	202,185	–55,755
Operating result		1,029,963	**900,151**
Result from interests accounted for using the equity method	11	–176,533	–80,305
Other result from equity interests	12	1,492	6,513
Interest income	13	36,491	37,337
Interest expenses	14	–222,653	–183,340
Other financial result	15	–23,164	–19,868
Financial result		–384,367	**–239,662**
Profit before tax		645,596	**660,489**
Taxes on income	16	–179,781	–161,453
Profit for the period		465,815	**499,036**
Attributable to the shareholders of VERBUND AG (Group result)		355,780	389,326
Attributable to non-controlling interests		110,035	109,710
Earnings per share in €[3]	17	1.02	**1.12**

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8. // [2] The effects from impairment tests consist of impairment losses and reversals from impairment losses (net of changes in the corresponding deferred contributions to building costs and government grants). // [3] Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

of VERBUND

€k

In accordance with IFRSs	Notes	2011[1]	2012
Profit for the period		465,815	**499,036**
Remeasurements of the net defined benefit liability	36	–46	–42,550
Other comprehensive income from interests accounted for using the equity method		–939	–5,907
Total of items that will not be reclassified ("recycled") subsequently to the income statement		–985	**–48,456**
Differences from currency translation	18	–129,259	33,895
Measurements of available-for-sale financial instruments	18	–7,045	11,180
Measurements of cash flow hedges	18	101,000	–39,787
Other comprehensive income from interests accounted for using the equity method	18	9,308	–30,087
Total of items that will be reclassified ("recycled") subsequently to the income statement		–25,996	**–24,799**
Other comprehensive income before tax		–26,981	**–73,255**
Taxes on income	19	–23,576	18,636
Other comprehensive income after tax		–50,557	**–54,620**
Total comprehensive income for the period		415,258	**444,416**
Attributable to the shareholders of VERBUND AG (Group result)		305,704	338,823
Attributable to non-controlling interests		109,554	105,593

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8.

Balance sheet

of VERBUND

In accordance with IFRSs	Notes	1/1/2011[1]	31/12/2011[1]	31/12/2012
				€k
Non-current assets		9,722,235	10,299,720	**9,781,921**
Intangible assets	20	623,624	632,141	662,130
Property, plant and equipment	21	5,958,695	6,578,701	7,385,833
Interests accounted for using the equity method	22	2,261,908	2,115,338	908,786
Other equity interests	23, 35	138,866	129,911	134,567
Investments and other receivables	24, 26, 35	739,143	843,629	690,605
Current assets		1,568,745	1,558,456	**1,273,647**
Inventories	25	92,279	107,114	129,197
Trade receivables and other receivables	26, 35	987,484	1,118,100	1,022,780
Cash and cash equivalents	27, 35	488,982	333,243	121,670
Non-current assets held for sale	28	0	1,134	**1,331,759**
Total assets		11,290,979	11,859,310	**12,387,327**

In accordance with IFRSs		1/1/2011[1]	31/12/2011[1]	31/12/2012
				€k
Equity		4,358,661	4,919,088	**5,099,394**
Attributable to the shareholders of VERBUND AG	29–32	4,023,779	4,314,736	4,458,405
Attributable to non-controlling interests	33	334,882	604,352	640,989
Non-current liabilities		6,055,481	5,896,559	**6,046,254**
Financial liabilities	34, 35	4,266,099	3,909,153	3,935,301
Provisions	36	651,675	632,977	654,024
Deferred tax liabilities	37	163,043	243,154	200,830
Contributions to building costs and grants	38	430,222	574,266	649,584
Deferred income – cross-border leasing	39	56,788	55,193	53,598
Other liabilities	35, 40	487,653	481,816	552,917
Current liabilities		876,838	1,043,663	**1,241,679**
Financial liabilities	34, 35	228,792	324,736	385,763
Provisions	36	274,281	225,598	285,311
Current tax liabilities	41	49,670	12,419	37,240
Trade payables and other liabilities	35, 42	324,095	480,909	533,365
Total liabilities		11,290,979	11,859,310	**12,387,327**

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8.

Statement of changes in equity

of VERBUND

In accordance with IFRSs	Share capital	Capital reserves	Retained earnings	Remeasure-ments of net defined benefit liability
Notes	29	30	31	36
As at 1/1/2011	347,416	954,327	2,880,460	–
New accounting standards applied	–	–	77,743	–97,163
As at 1/1/2011 adjusted retrospectively	347,416	954,327	2,958,203	–97,163
Shift between shareholder groups	–	–	176,332	–
Total comprehensive income for the period	–	–	355,780	–565
Dividend	–	–	–191,079	–
As at 31/12/2011	347,416	954,327	3,299,235	–97,728
As at 1/1/2012	347,416	954,327	3,299,235	–97,728
Change in the group of consolidated companies	–	–	107	–
Shift between shareholder groups	–	–	–4,183	–
Total comprehensive income for the period	–	–	389,326	–32,758
Dividend	–	–	–191,079	–
As at 31/12/2012	347,416	954,327	3,493,407	–130,486

€k

	Differences from currency translation	Measurements of available-for-sale financial instruments	Measurements of cash flow hedges	Other components of other comprehensive income	Equity attributable to the shareholders of VERBUND AG	Equity attributable to non-controlling interests	Total equity
	32	23, 24				33	
	–35,664	4,069	–114,367	–216	4,036,025	336,375	4,372,400
	–	–	–	7,174	–12,246	–1,493	–13,739
	–35,664	4,069	–114,367	6,958	4,023,779	334,882	4,358,661
	–	–	–	–	176,332	220,544	396,876
	–129,368	–6,058	85,839	75	305,704	109,554	415,258
	–	–	–	–	–191,079	–60,628	–251,707
	–165,032	–1,988	–28,528	7,033	4,314,736	604,352	4,919,088
	–165,032	–1,988	–28,528	7,033	4,314,736	604,352	4,919,088
	–	–	–	–	107	–	107
	–	–	–	–	–4,183	–651	–4,833
	36,083	8,742	–62,598	28	338,823	105,593	444,416
	–	–	–	–	–191,079	–68,306	–259,384
	–128,948	6,754	–91,126	7,061	4,458,405	640,989	5,099,394

Cash flow statement

of VERBUND

€k

In accordance with IFRSs	Notes	2011[1]	2012
Profit for the period		465,815	**499,036**
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		– 56,622	335,221
Impairment losses on investments (net of reversals of impairment losses)		2,772	4,463
Result from interests accounted for using the equity method (net of dividends received)		213,978	108,177
Result from the disposal of non-current assets		– 6,260	– 12,741
Change in non-current provisions and deferred tax liabilities		43,905	– 48,038
Change in contributions to building costs and grants		144,044	75,318
Income from the reversal of deferred income from cross-border leasing transactions		– 1,595	– 1,595
Other non-cash expenses and income		– 19,715	12,658
Subtotal		786,321	**972,499**
Change in inventories		– 14,835	– 22,083
Change in trade receivables and other receivables		– 45,397	– 203,752
Change in trade payables and other liabilities		184,623	222,882
Change in current provisions and current tax liabilities		– 80,793	65,163
Cash flow from operating activities	43	829,919	**1,034,709**

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8.

In accordance with IFRSs	Notes	2011[1]	2012
			€k
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		– 564,986	– 659,997
Cash inflow from the disposal of intangible assets and property, plant and equipment		2,225	28,742
Cash outflow from capital expenditure for investments		– 492,733	– 32,706
Cash inflow from the disposal of investments		80,430	420,644
Cash outflow from capital expenditure for subsidiaries	44	0	– 33,440
Cash outflow from capital expenditure for interests accounted for using the equity method		– 278,800	– 328,063
Cash inflow from the disposal of interests accounted for using the equity method	45	67,503	53,540
Cash inflow (outflow) from the disposal of (capital expenditure for) current investments		400,000	– 210,820
Cash flow from investing activities		– 786,361	**– 762,100**
Cash inflow (outflow) from shifts between shareholder groups		396,876	– 4,200
Cash inflow (outflow) from money market transactions		– 46,370	60,486
Cash inflow from the assumption on financial liabilities (excluding money market transactions)		127,000	53,000
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		– 425,049	– 334,083
Dividends paid		– 251,756	– 259,385
Cash flow from financing activities	46	– 199,300	**– 484,182**
Change in cash and cash equivalents		– 155,741	**– 211,573**
Cash and cash equivalents as at 1/1		488,982	**333,243**
Cash and cash equivalents as at 31/12		333,243	**121,670**

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8.

Notes

of VERBUND

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

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

Financial reporting principles

Basic principles

VERBUND prepares its consolidated financial statements in accordance with Section 245a(1) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) in compliance with the International Financial Reporting Standards (IFRSs) as endorsed by the European Union. The separate financial statements of the consolidated subsidiaries included in VERBUND's consolidated financial statements are based on uniform accounting policies. The balance sheet date is 31 December 2012 for all consolidated companies.

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

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

Consolidation methods

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

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

Companies controlled jointly with another company (joint ventures) and companies over which VERBUND AG, directly or indirectly, has a significant influence (associates) are accounted for using the equity method. The equity method is a method of consolidation or measurement in which the equity interest is initially recognised at cost. The equity interest is subsequently adjusted for changes in VERBUND's share of the investee's net assets; the result is a "one-line consolidation". As a rule, significant influence is presumed if the share of voting rights directly or indirectly attributable to VERBUND AG is at least 20%, but less than 50%. Investees accounted for using the equity method are recognised with their proportional IFRS profit or loss taken from (consolidated) interim or annual financial statements for which the reporting date is not more than three months prior to VERBUND's balance sheet date. Significant events or transactions at investees accounted for using the equity method occurring between this reporting date and VERBUND's balance sheet date result in corresponding adjustments.

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

Group of consolidated companies

A list of all of VERBUND's subsidiaries, joint ventures and associates is presented in the table "Group companies" at the end of the notes. The subsidiaries, joint ventures and associates included in VERBUND's consolidated financial statements changed as follows in the 2012 reporting period:

Group of consolidated companies

	Full consolidation	Accounting using the equity method
As at 31/12/2011	25	17
Change in consolidation method	1	0
Additions from shell company purchases	1	0
Additions from business acquisitions	14	0
Disposals from disinvestments	0	–3
Disposals from business combinations	–1	–2
As at 31/12/2012	40	12
Of which domestic companies	18	7
Of which foreign companies	22	5

The change in consolidation methods relates to the first-time consolidation of previously non-consolidated VERBUND Trading Romania S.R.L. effective 1 January 2012.

Additions from the business acquisition of consolidated companies relate on the one hand to the acquisition effective 10 August 2012 of 95% of the limited partner shares in each of ten wind farm companies and 81% and 76% respectively of the limited partner shares in two infrastructure companies that belong with them in the Hunsrück area of Rhineland-Palatinate (see: Business acquisitions). In addition, 100% of the interest in VERBUND Wind Power Deutschland GmbH was acquired during this acquisition process via a shell company purchase and consolidated effective 10 August 2012. On the other hand, the interests in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S., 60% of which is held in each case by VERBUND International Frankreich GmbH and 40% by VERBUND International GmbH, previously accounted for using the equity method, were consolidated for the first time effective 31 October 2012 (see: Business acquisitions).

Disposals from the sale of interests accounted for using the equity method relate to the sale effective 10 May 2012 of the 42.87% equity-accounted interest in Kärntner Restmüllverwertungs GmbH, the sale effective 23 August 2012 of the 45% equity-accounted interest in Gletscherbahnen Kaprun AG and the sale effective 21 November 2012 of the 49% equity-accounted interest in Energie Klagenfurt GmbH (see: (22) Interests accounted for using the equity method).

The disposal from business combinations relates to the merger effective 28 August 2012 of VERBUND Kraftwerke Beteiligungsholding GmbH with VERBUND Beteiligungsholding GmbH.

Business acquisitions

Acquisition of German wind farms

The acquisition of 95% of the limited partner shares in each of ten wind farm companies and 81% and 76% respectively of two infrastructure companies that belong with them in the Hunsrück area of Rhineland-Palatinate was carried out effective 10 August 2012 for €35.1m (see: Group companies). The general partner is VERBUND Wind Power Deutschland GmbH, a 100% subsidiary of VERBUND Wind Power Austria GmbH. The wind farm companies are currently developing a total of five wind farms with an installed capacity of 86 MW and a projected annual generation of 255 GWh. This business acquisition represents a strategic investment in German wind farm installations and thus supplements VERBUND's hydropower-dominated generation portfolio.

The fair values of the assets and liabilities identified for the ten German wind farm companies and two German infrastructure companies were as follows as at the acquisition date:

Assets acquired and liabilities assumed €m

	Fair value as at the acquisition date
Concessions, rights, licences	20.9
Plants under construction and projects	14.2
Total assets acquired	**35.1**
Capital shares attributable to limited partners	0.0
Total liabilities assumed	**0.0**
Total identifiable net assets at fair value	**35.1**
Goodwill	0.0
Total consideration transferred	**35.1**
Of which in cash	24.5
Of which from liabilities incurred	10.6
Of which from liabilities incurred for contingent considerations and indemnification assets	0.0

The contingent consideration consists of a bonus/penalty system for the wind supply. If actual wind energy output exceeds the generation forecast in a 24 month observation period, the purchase price is subsequently increased (as well as past and future expenses incurred as a result of the project development contracts) – and vice versa. The expected value of these subsequent purchase price adjustments was zero both at the acquisition date as well as at the balance sheet date, because the forecasts have so far not yet been reviewed; wind energy output is not measured until the last wind power plant of a wind farm has been handed over. In addition, as the seller, juwi Wind GmbH guarantees the receipt of a repowering bonus in accordance with Section 30 of the Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz, EEG). If the bonus is not granted in full, the purchase price is subsequently reduced (as well as the past and future expenses incurred as a result of the project development contracts). The expected value of this indemnification asset was zero both at the acquisition date as well as at the balance sheet date, because the likelihood that the repowering bonus would not be granted in full was estimated to be negligibly low.

In connection with the business acquisition, VERBUND entered into project development contracts with juwi Wind GmbH for the wind farms as well as project development and construction contracts for the substations and the for the related infrastructure. The past and future expenses incurred for these contracts represent (subsequent) costs for the wind power plants and/or substations. These contracts resulted in €46.6m of additions to property, plant and equipment by 31 December 2012; the related purchase commitments amounted to €5.4m as at the balance sheet date. Furthermore, VERBUND took over juwi Wind GmbH's supplier contracts with manufacturers of wind power plants. These contracts resulted in a total of €90.1m of additions to property, plant and equipment by 31 December 2012; the related purchase commitments amounted to €26.5m as at the balance sheet date.

The ten German wind farm companies and the two German infrastructure companies that were acquired contributed €0.8m to VERBUND's revenue; the contribution to VERBUND's profit or loss for the period was €0.0m. If the business acquisition had taken place at the beginning of the reporting period, these new subsidiaries would have contributed €0.8m in revenue and €0.0m in profit or loss for the period under the corresponding line items of VERBUND's income statement.

Acquisition of French combined cycle gas turbine power plants

In the 2011 reporting period, the French companies POWEO S.A. and Direct Energie S.A. were granted call options (in part conditional)for a total of 100% of the interest in VERBUND's remaining interests in the former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. (see: Discretionary judgments and key assumptions concerning the future). These call options represented potential voting rights within the meaning of IAS 27 that prevented VERBUND from asserting control over these companies. Although VERBUND's overall short position resulting from the call option was out of the money as at 31 December 2011, it still had economic substance in the view of VERBUND's management.

POWEO S.A. and Direct Energie S.A. merged effective 11 July 2012. The merged company now trades under the name POWEO Direct Energie. On 23 October 2012, the management of POWEO Direct Energie announced its intention to waive its rights to the call options over the interest in VERBUND's remaining equity interests in the former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. The cancellation notice is dated 14 November 2012 and resulted in the elimination of potential voting rights. VERBUND thereby obtained control over POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S., which were consolidated for the first time effective 31 October 2012. The two French power plant companies each operate a combined cycle gas turbine power plant with installed capacity of 412 MW in Pont-sur-Sambre and 413 MW in Toul. At the acquisition date, the Toul combined cycle gas turbine power plant was still in the commissioning phase; it finally commenced on 20 December 2012.

The fair values of the identifiable assets and liabilities of the two French power plant companies were as follows as at the acquisition date:

Assets acquired and liabilities assumed

€m	Fair value as at the acquisition date
Concessions, rights, licences	0.3
Land and buildings	56.8
Machinery	153.3
Electrical installations	29.0
Power lines	1.7
Office and plant equipment	0.1
Plants under construction and projects	212.1
Investments and non-current other receivables	0.2
Trade receivables and current other receivables[1]	27.8
Cash and cash equivalents	1.7
Total assets acquired	**483.1**
Non-current financial liabilities	330.0
Non-current provisions	4.1
Current financial liabilities	51.1
Current provisions	2.9
Trade payables and current other liabilities	38.8
Total liabilities assumed	**427.0**
Total identifiable net assets at fair value	**56.1**
Goodwill	0.0
Total consideration transferred	**56.1**
Of which in cash	0.0
Of which from previously held equity interests	23.7
Of which receivables forfeited as a result of confusion	279.4
Of which liabilities extinguished as a result of confusion	– 168.8
Of which from extinguished guarantee liabilities[2]	– 78.1

[1] For the trade receivables and the current other receivables, the carrying amounts represented (due to the short maturities) a realistic estimate of their fair value; they also corresponded to the gross value of the receivables. // [2] Net position from guarantee liabilities less receivables from guarantee payments due.

The two acquired French power plant companies contributed €19.8m to VERBUND's revenue; the contribution to VERBUND's profit or loss for the period was €–9.2m. If the business acquisition had taken place at the beginning of the reporting period, these new subsidiaries would have contributed €92.0m in revenue and €–13.0m in profit or loss for the period under the corresponding line items of VERBUND's income statement. However, it should be noted that due to the existing electricity off-take agreements with POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. as well as the holding of 100% of the equity interests, de facto all revenue and net profit for the period (taking off-balance sheet losses for which recognition was discontinued into account) had already been allocated to VERBUND prior to the first-time consolidation.

Currency translation

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

The functional currency of VERBUND AG and the presentation currency of the Group is the euro. With the exception of the Romanian subsidiaries (Alpha Wind S.R.L., CAS Regenerabile S.R.L. and VERBUND Trading Romania S.R.L.) and the Bulgarian company Haos Invest EAD, the functional currency of the consolidated subsidiaries is also the euro. For the consolidated financial statements of VERBUND, the annual financial statements of these foreign subsidiaries are translated into euros using the functional currency method. For carrying forward the proportional share in the net assets of investees accounted for using the equity method, currency translation is effected accordingly. With the exception of the Turkish company Enerjisa Enerji A.S. (Group), the functional currency of investees accounted for using the equity method is also the euro. However, VERBUND classified this equity-accounted interest as "held for sale" effective 3 December 2012 (see: (28) Non-current assets held for sale), whereby the difference from currency translation was "frozen".

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

The exchange rates underlying the currency translation developed as follows:

Foreign exchange rates used for currency translation

Country	Currency	31/12/2011 ECB foreign exchange reference rate	**31/12/2012 ECB foreign exchange reference rate**	2011 Average rate	**2012 Average rate**
Bulgaria[1]	€1 = BGN	1.9558	**1.9558**	1.9558	**1.9558**
Romania	€1 = RON	4.3233	**4.4445**	4.2416	**4.4471**
Turkey	€1 = TRY	2.4432	**2.3551**	2.3334	**2.3246**

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

Accounting policies

Newly applicable or applied accounting standards

When preparing the consolidated financial statements, all International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as well as all interpretations by the Standing Interpretations Committee (SIC) and the IFRS Interpretations Committee (IFRS IC) that have been endorsed by the European Union and whose application was mandatory as at 31 December 2012 were applied.

In the 2012 reporting period, the following new or amended standards and interpretation had to be applied for the first time or were applied early by VERBUND:

Newly applicable or applied accounting standards

Standard or interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Effects on the consolidated financial statements of VERBUND
IAS 1	Amendments: Presentation of Items of Other Comprehensive Income	16/6/2011 (5/6/2012)	1/1/2013	In presenting the statement of other comprehensive income, items of OCI that will be "recycled" subsequently are separated from those for which this is not intended
IAS 12	Amendments: Recovery of Underlying Assets	20/12/2010 (11/12/2012)	1/1/2012	none
IAS 19	Amendments: Employee Benefits	16/6/2011 (5/6/2012)	1/1/2013	Change in the method of recognition of pension and similar obligations as well as obligations from severance payments
IFRS 1	Amendments: Severe Hyperinflation and Removal of Fixed Dates for First time Adopters	20/12/2010 (11/12/2012)	1/1/2012	none
IFRS 7	Amendments: Transfers of Financial Assets	7/10/2010 (22/11/2011)	1/1/2012	none
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	19/10/2011 (11/12/2012)	1/1/2013	none

The amendments to IAS 1 standardise the presentation of items of other comprehensive income in the statement of comprehensive income. Now, the statement of comprehensive income must be presented so that those items that might be reclassified ("recycled") to the income statement are separated from those for which no reclassification is intended. The pro-rata other comprehensive income of equity-accounted interests is to be presented in the same manner. (Early) application of the amendments led to a restructuring of the statement of comprehensive income in these consolidated financial statements of VERBUND.

For investment property measured at fair value as well as property, plant and equipment and intangible assets measured using the revaluation model, the amendments to IAS 12 introduce the rebuttable presumption that an asset's carrying amount is recovered through sale. This is significant insofar as the measurement of deferred tax liabilities and deferred tax assets may depend on whether an asset's carrying amount is expected to be recovered through use or through sale. The amendment of this standard had no effect on VERBUND's consolidated financial statements.

As a result of the amendments to IAS 19, accounting standards for employee benefits were changed in several ways. The amendments to this standard focus on abolishment of the corridor method for (deferred) recognition of actuarial gains and losses with respect to post-employment defined benefit obligations. The possibility of faster recognition of actuarial gains and losses in profit or loss up to the recognition of all actuarial gains and losses in profit or loss was also abolished. All changes in value of the net liability resulting from personnel-related defined benefit obligations are now recognised in the respective reporting period; the remeasurements of this net liability – primarily resulting from actuarial gains and losses – are recognised in other comprehensive income (without subsequent "recycling" in the income statement). In addition, the return on plan assets is no longer to be estimated on the basis of the anticipated return on the asset portfolio, but instead to be recognised (de facto) in the amount of the discount rate for the personnel-related defined benefit obligation. Other amendments to the standard relate to the subsequent recognition of past service cost (which is now recognised in profit or loss in the period of the change in the plan), the differentiation between current and non-current obligations and the disclosures required to be made in the notes regarding features and risks of defined benefit plans. The early application of these amendments in the consolidated financial statements of VERBUND led to changes in the amounts of provisions for pensions and similar obligations and provisions for severance payments as well as of the personnel expenses and of the remeasurements recognised in other comprehensive income, including effects on deferred taxes and the profits or losses attributable to the shareholder groups.

To improve the presentation of financial performance, the presentation of the net interest expense on personnel-related liabilities was also changed in the income statement in the course of the application of the new accounting standards. The net interest expense is now shown under interest expenses and not under personnel expenses as in the past.

The application of the new accounting standard was carried out retrospectively effective 1 January 2011 in accordance with IAS 8 by adjusting all comparative figures. The amounts of the adjustment for earlier reporting periods were not determined for cost-benefit reasons. The amounts of the adjustment were determined for the reporting period and the comparative period as follows:

Amounts of the adjustment for income statement items

€m

	2011	**2012**
Personnel expenses	28.4	57.1
Operating result	28.4	**57.1**
Result from interests accounted for using the equity method	0.1	1.1
Interest expenses	–23.8	–20.4
Financial result	–23.7	**–19.3**
Profit before tax	4.7	**37.8**
Taxes on income	–1.2	–11.7
Profit for the period	3.6	**26.2**
Attributable to the shareholders of VERBUND AG (Group result)	3.2	22.4
Attributable to non-controlling interests	0.4	3.7
Earnings per share in €	0.01	**0.08**

Amounts of the adjustment for statement of comprehensive income items

€m

	2011	**2012**
Profit for the period	3.6	**26.2**
Remeasurements of the net defined benefit liability	0.0	–42.5
Other comprehensive income from interests accounted for using the equity method	–0.1	–1.1
Other comprehensive income before tax	–0.1	**–43.7**
Taxes on income	0.0	11.5
Other comprehensive income after tax	–0.1	**–32.2**
Total comprehensive income for the period	3.4	**–6.0**
Attributable to the shareholders of VERBUND AG	3.4	–5.5
Attributable to non-controlling interests	0.0	–0.5

Amounts of the adjustment for balance sheet items

€m

	1/1/2011	31/12/2011	**31/12/2012**
Equity	–13.7	–10.3	**–16.3**
Attributable to the shareholders of VERBUND AG	–12.2	–8.8	–14.3
Attributable to non-controlling interests	–1.5	–1.5	–2.0
Non-current liabilities	13.7	10.3	**16.3**
Financial liabilities	–1.3	0.2	–0.7
Provisions	20.4	14.3	21.0
Deferred tax liabilities	–5.3	–4.1	–4.0
Total liabilities	0.0	0.0	**0.0**

The amendments to IFRS 1 extend the exemptions for first-time adopters of IFRSs so that they may recognise their assets and liabilities at fair value in the opening IFRS balance sheet if their functional currency is subject to severe hyperinflation at the transition date. In addition, the fixed transition date cited in IFRS 1 has been changed to the date of transition to IFRSs. Accordingly, where transactions would have resulted in the derecognition of financial instruments or "day-one measurement differences" prior to the date of transition to IFRSs, first-time adopters do not have to adjust theses retrospectively to IFRSs accounting standards. Since VERBUND already prepares IFRS-compliant consolidated financial statements, the amendment of this standard had no effect on its consolidated financial statements.

As a result of the amendments to IFRS 7, disclosure requirements for the derecognition of financial assets have been extended. Additional disclosures related to transferred but not (or not in their entirety) derecognised financial assets and their relationship to thereby newly incurred liabilities are now required in the notes. If the transferred financial assets have also been derecognised in their entirety, detailed qualitative and quantitative information regarding any rights or obligations retained or assumed as part of the transaction must be disclosed. The note disclosures also include the effects on profit or loss arising from the transaction itself and from the measurement of the retained or assumed rights and obligations. The amendment of this standard had no effect on VERBUND's consolidated financial statements.

IFRIC 20 governs the recognition of stripping costs incurred in surface mining for ore and minerals. On the one hand, the mine waste material removed can contain a low level of ore and/or minerals that are to be regarded as inventories; on the other hand, the removal of mine waste material can result in improved access to further quantities of ore and minerals that will be mined in future periods. Depending on the resulting benefit, this results in an inventory item or a non-current stripping activity asset which is to be added to an existing intangible or tangible asset. The amendment of this standard had no effect on VERBUND's consolidated financial statements.

New accounting standards not yet applicable or applied

The IASB issued new standards that were not (yet) applied by VERBUND in the 2012 reporting period, because they have either not yet been endorsed by the European Union or were not yet mandatorily applicable:

New accounting standards not yet applicable or applied

Standard or interpretation		Published by the IASB (endorsed by the EU)[1]	Mandatory application for VERBUND	Effects on the consolidated financial statements of VERBUND
IAS 27	Separate Financial Statements	12/5/2011 (11/12/2012)	1/1/2014	currently being examined
IAS 28	Investments in Associates and Joint Ventures	12/5/2011 (11/12/2012)	1/1/2014	currently being examined
IAS 32	Amendments: Offsetting Financial Assets and Financial Liabilities	16/12/2011 (13/12/2012)	1/1/2014	currently being examined
IFRS 1	Amendments: Government Loans	13/3/2012 (expected for Q1/2013)	expected 1/1/2013	none
IFRS 7	Amendments: Offsetting Financial Assets and Financial Liabilities	16/12/2011 (13/12/2012)	1/1/2013	currently being examined
IFRS 9	Financial instruments	12/11/2009 and 16/12/2011 (postponed)	expected 1/1/2015	currently being examined
IFRS 10	Consolidated Financial Statements	12/5/2011 (11/12/2012)	1/1/2014	currently being examined
IFRS 11	Joint Arrangements	12/5/2011 (11/12/2012)	1/1/2014	currently being examined
IFRS 12	Disclosures of Interests in Other Entities	12/5/2011 (11/12/2012)	1/1/2014	currently being examined

[1] Basis: EU Endorsement Status Report dated 30 December 2012

New accounting standards not yet applicable or applied

Standard or interpretation		Published by the IASB (endorsed by the EU)[1]	Mandatory application for VERBUND	Effects on the consolidated financial statements of VERBUND
IFRS 10 IFRS 11 IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	28/6/2012 (expected for Q1/2013)	expected 1/1/2014	currently being examined
IFRS 10 IFRS 12 IAS 27	Investment Entities	31/10/2012 (expected for Q3/2013)	expected 1/1/2014	none
IFRS 13	Fair Value Measurement	12/5/2011 (11/12/2012)	1/1/2013	currently being examined
various	Improvements to IFRSs	17/5/2012 (expected for Q1/2013)	expected 1/1/2013	none

[1] Basis: EU Endorsement Status Report dated 30 December 2012

As a result of the amendments to IAS 32, the requirements for offsetting financial instruments are specified and supplemented. The offsetting of financial assets and financial liabilities will still only be possible in the future if there is currently a legally enforceable right to offset the recognised amounts with one another and there is an intention to settle the financial instruments on a net basis or to realise the financial asset and settle the associated financial liability simultaneously. The amendments to the standard supplement and specify the application guidance with respect to "currently" and "simultaneously". The amendment to IFRS 7, which specifies additional note disclosures for financial instruments that have been offset and for financial instruments that may not have been offset, but are subject to a master netting arrangement or a similar agreement, is related to the amendments to IAS 32. The future effects of the amendments to this standard on VERBUND's consolidated financial statements are currently being examined.

As a result of the amendments to IFRS 1, the exemptions for first-time adopters of IFRSs are extended to include the measurement of government loans held at the transition date at their carrying amount in accordance with current accounting standards, if their rate of interest is below the market rate. Consequently, only government loans raised after the transition date must be recognised initially at fair value as required under IAS 20 with reference to IAS 39. Since VERBUND already prepares IFRS-compliant consolidated financial statements, the amendment of this standard will have no effect on its consolidated financial statements.

IFRS 9 reforms the classification and measurement of financial instruments. This standard represents the end of the first phase of a three phase project with the goal of replacing IAS 39 in its current form. The original intention was the mandatory first-time application on 1 January 2013. However, effective 16 December 2011, the IASB delayed the date of mandatory first-time application to 1 January 2015. In addition, the originally intended exemptions regarding comparative information were also extended to 1 January 2015; in contrast, additional note disclosures were specified under IFRS 7. Under IFRS 9, there are only two categories of financial assets: debt instruments that are held as part of a business model to collect contractual cash flows and recognised at amortised cost, and all other debt instruments and equity instruments that are, as a rule, measured at fair value through profit or loss. There is an option to recognise changes in the fair value of equity instruments not held for trading without effect on profit or loss in other comprehensive income. For financial liabilities, the accounting standards according to IAS 39 have been substantially retained. However, if a financial liability is recognised at fair value through profit or loss, IFRS 9 specifies that the amount of the fair value change being attributed to changes in a company's own credit risk must be recognised separately in other comprehensive income. The expected effects of this new standard on VERBUND's consolidated financial statements are currently being examined; however, a final assessment can only be made after a decision is made regarding the selective amendments to IFRS 9 recommended by the IASB on 28 November 2012 and the second and third phases ("impairment methodology" and "hedge accounting") are completed. When the new standards for the accounting treatment of financial instruments will become final is currently unknown.

IFRS 10 replaces the accounting requirements for consolidated financial statements under IAS 27 as well as those for the consolidation of special purpose entities under SIC 12; in the future, IAS 27 only governs the recognition of (equity interests in) subsidiaries, joint ventures and associates in separate IFRS financial statements. IFRS 10 redefines the concept of control uniformly for all entities – including special purpose entities. In accordance with IFRS 10, a parent company controls an investee if it has the right to receive variable returns based on its investment in the investee, or it is exposed to them and has the ability to affect these returns. Furthermore, IFRS 10 contains specifications regarding the consideration and/or assessment of potential voting rights, decision-making or protective rights attributable to third parties as well as arrangements that are characterised by delegated or reserved decision rights or de facto control. Whether control exists will increasingly require an overall (and thus more discretionary) assessment of the parent's economic influence on the investee in the future; the assessment of voting right relationships alone will no longer be sufficient in certain circumstances. As a result of this redefinition of controlling influence, the group of consolidated companies must be redetermined (under certain circumstances). The future effects of this new standard on VERBUND's consolidated financial statements are currently being examined.

IFRS 11 replaces the accounting policies for joint ventures, joint operations and jointly controlled assets under IAS 31 as well as those for non-monetary contributions by venturers under SIC 13; as a consequence, IAS 28 is being renamed. IFRS 11 eliminates the option of proportionately consolidating equity interests in joint ventures; in the future, these must be accounted for using the equity method. In addition, joint ventures are more clearly contrasted with joint operations, which now also include jointly controlled assets. If the partners 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 terms, or other factors and circumstances, this will not represent a joint venture in the future, but instead a joint operation. The assets and liabilities of a joint operation as well as its income and expenses are to be recognised proportionately in the partner's consolidated IFRS financial statements. Until now, VERBUND has accounted for all equity interests in entities that are controlled jointly with one or more partners 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). Thus, IFRS 11 could lead to a change in the accounting policies in VERBUND's consolidated financial statements under certain circumstances for those investments in jointly controlled entities with which this type of electricity supply agreement is in place. The future effects of this new standard on VERBUND's consolidated financial statements are currently being examined.

IFRS 12 consolidates the note disclosures for equity interests in subsidiaries, joint ventures and associates as well as structured entities in a comprehensive standard. The note disclosures required under IAS 27, IAS 28 and IAS 31 are expanded in particular by the addition of disclosures regarding the significant assumptions and discretionary decisions used for determining the group of consolidated companies. The future effects of this new standard on VERBUND's consolidated financial statements are currently being examined.

The amendments to IFRS 10, 11 and 12 clarify the transition guidelines in IFRS 10 and exemptions are granted in all three standards. The clarifications establish that the relevant date for the first-time application of IFRS 10 is the beginning of the reporting period in which IFRS 10 is first applied. Furthermore, the disclosure of the adjustment amount required under IAS 8 for each prior period presented is limited to the immediately preceding period in all three standards; adjustment amounts for prior periods presented may be disclosed voluntarily. In addition, the provisions regarding the disclosure of comparative information for non-consolidated special purpose entities when applying IFRS 12 for the first-time has been entirely deleted from IFRS 12. The future effects of the amendments to this standard on VERBUND's consolidated financial statements are currently being examined.

The amendments to IFRS 10 and 12 as well as IAS 27 grant an exception for investment entities from inclusion by means of consolidation for certain subsidiaries. Investment entities within the meaning of IFRSs are companies that offer asset management services, receive funds for this purpose from one or more investors, make a commitment to the investors that the sole purpose of their business is the investment of these funds for the purpose of earning capital appreciations or dividends and which evaluate all capital investments on the basis of fair value. An investment entity may not consolidate its equity interests in subsidiaries, but instead must recognise them at fair value in accordance with IAS 39. However, subsidiaries that provide services related to the parent company's capital investment activities are exempt from this accounting standard; furthermore, they continue to be included in the investment entity's consolidated financial statements by means of consolidation. In addition, IFRS 12 is supplemented by additional mandatory disclosures in the notes. The amendment of these standards will not have an effect on VERBUND's consolidated financial statements.

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

As a result of the annual improvements to 2011 IFRSs, details of a number of individual standards (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) were revised. These amendments are intended to substantiate the standards and eliminate unintended inconsistencies within the IFRSs. This collection of amendments will have no material effect on VERBUND's consolidated financial statements.

Change in accounting policies

Since the 2005 reporting period, VERBUND has recognised the results from the measurement and realisation of energy trading contracts for electricity entered into for trading purposes under revenue; the underlying electricity purchases and sales are presented with offset (net) in electricity revenue. VERBUND's accounting policies comply with international industry practice regarding the recognition of energy trading contracts involving third-party trading. Up until now, energy trading contracts for electricity that were entered into for the marketing of own generation or as part of the wholesale portfolio were presented without offset (gross); purchases of electricity were recognised under expenses for electricity purchases, while electricity sales were recognised under electricity revenue.

However, business activities in the wholesale portfolio are more and more clearly exhibiting attributes that are typical of third-party trading. In light of this, in order to improve the presentation of financial performance, the accounting policy for energy trading contracts in the wholesale portfolio was changed in the 2012 reporting period so that these transactions are now also presented with offset (net) in the income statement under revenue. They are still presented gross in the balance sheet, unless a framework agreement with a netting clause has been concluded with the counterparty.

The change in accounting policy was carried out retrospectively in accordance with IAS 8 by adjusting all comparative figures. The amounts of the adjustment for earlier reporting periods were not determined for cost-benefit reasons. The following amounts of the adjustment were determined for the reporting period and the comparative period:

Amounts of the adjustment for income statement items €m

	2011	**2012**
Electricity revenue	–837.7	**–777.4**
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	837.7	**777.4**
Operating result	0.0	**0.0**

The remaining accounting policies have not been changed since the 2011 reporting period.

Goodwill and other intangible assets

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

In accordance with IFRS 3, goodwill is not subject to scheduled amortisation, but must be tested for impairment at least annually. For this purpose, goodwill is allocated to those cash-generating units expected to benefit from the synergies resulting from a business combination. These cash-generating units correspond to the lowest organisational level at which VERBUND's management monitors goodwill for internal management purposes. The impairment test of goodwill compares a cash-generating unit's recoverable amount with its carrying amount, including goodwill. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount falls below the carrying amount of the cash-generating unit, goodwill is impaired first; any remaining impairment losses reduce the carrying amounts of other assets proportionately. Impairments of goodwill may not be reversed in subsequent periods. As a rule, VERBUND conducts its annual impairment tests of goodwill at the level of the cash-generating units on the basis of medium-term planning in the fourth quarter of each reporting period. In addition to the annually conducted impairment test, a qualitative analysis is conducted as at the balance sheet date of each of the consolidated interim financial statements (and also at the end of the reporting period, if necessary) to determine whether there is any indication of impairment. If there are indications of impairment, an (additional) impairment test is conducted.

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

VERBUND's research and development costs in the 2012 reporting period amounted to €5.2m (previous year: €4.2m). Research costs are expensed as incurred. In contrast, development costs are to be recognised under certain conditions as internally generated intangible assets in accordance with IAS 38 and subsequently amortised over their useful lives. Development costs are expensed as incurred in the consolidated financial statements of VERBUND, as either the corresponding recognition criteria have not been met or the amounts are not material. As long as intangible assets are not yet available for use, they must be tested annually for impairment.

Property, plant and equipment

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

In addition to direct material and production costs, the cost of internally generated plant and equipment also includes appropriate indirect material and production costs. Borrowing costs are capitalised for qualifying assets. According to VERBUND's accounting policies, a project results in a qualifying asset only if the construction period lasts at least 12 months. The effective borrowing costs (less investment income from any temporary investments) are to be capitalised to the extent that the qualifying asset is financed by specific outside financing. In contrast, if the Group has arranged for general financing, the average borrowing costs are capitalised. VERBUND's average monthly borrowing costs in the 2012 reporting period were around 4.4 % (previous year: around 4.4%).

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

Useful life

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

Assets leased and leased out

In case of an asset leased out by VERBUND, the lease is classified as a finance lease if substantially all the risks and rewards associated with the leased asset are transferred to the lessee. In this case, VERBUND as the lessor does not recognise the asset, but instead a receivable in the amount of the present value of all future minimum lease payments to be received (including any non-guaranteed residual value), net of advance payments received. The difference between this so-called net investment in the lease and the sum of all undiscounted minimum payments under the lease (including any non-guaranteed residual value) represents deferred interest income which is collected over the term of the lease on the basis of the outstanding amount receivable (according to the effective interest method).

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

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

Recoverability of non-financial assets

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

The recoverable amount is the higher of fair value less costs to sell and value in use. Fair values are to be determined primarily based on market prices and can for example be based on existing binding offers, secondary price formation on active markets or comparable recent transactions within the industry according to the measurement hierarchy in IAS 36. If fair value cannot be determined based on market prices, methods used to determine the net present value can be applied. If net present value methods are applied, the discounted cash flow method (DCF method) is used. Future investments to enhance or improve performance and restructuring expenditure are taken into account when determining fair value. As a rule, value in use is determined using net present value methods. The discounted cash flow method (DCF) is here used. The cash flows are generally derived from the recent medium-term plans approved by management. Consistent with IAS 36, neither future investments to enhance or improve the performance, nor restructuring expenditures (not including existing obligations) are included in the calculation of value in use. The discount rate is an after-tax interest rate which reflects current market estimates, the time value of money and the specific risks associated with the asset (or cash-generating unit); the corresponding pre-tax interest rate is calculated iteratively. If the reasons for impairment no longer apply in a subsequent period, a reversal is to be recognised in profit or loss. Both impairments as well as reversals of impairment losses are recognised in profit or loss, presented under effects from impairment tests both in the income statement and in the segment reporting and explained in the notes.

Equity interests

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

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

The carrying amounts of interests accounted for using the equity method are adjusted based on VERBUND's ownership interest to reflect changes in the investee's net assets in accordance with IAS 28. Carrying forward of the proportionate net assets is effected no later than one quarter following the underlying changes (see: Financial reporting principles). The carrying amount of the interest is increased or decreased by the share in the profit or loss for the period and other comprehensive income attributable to VERBUND, as well as by dividends, the elimination of material intercompany profits or losses and by carrying forward the fair value adjustments for hidden reserves and liabilities identified upon share acquisitions. Goodwill included in the carrying amount of the interest is not amortised (see: Goodwill and other intangible assets) and, in accordance with IAS 28, is neither presented separately, nor, in accordance with IAS 36, tested annually for impairment.

Recoverability of equity interests

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

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

Investments and loans

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

Debt instruments and investment fund units are classified as available for sale. As a rule, financial instruments fall under this category if they do not represent loans and receivables and are neither held to maturity nor measured at fair value through profit or loss. Acquisitions and disposals of investments are recognised at the trade date. Balance sheet recognition is at fair value, which, as a rule, is determined on the basis of quoted prices. These are Level-1 measurements as defined under IFRS 7. If prices are not available from active markets, fair value is determined on the basis of either directly (on the basis of market prices) or indirectly (derived from market prices) observable input data using accepted valuation models (Level-2 measurements). Market-induced changes in value are recognised in accordance with IAS 39 without effect on profit or loss in other comprehensive income until disposal or impairment is incurred. In contrast, any impairment losses are recognised in profit or loss (see: Recoverability of financial assets).

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

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

Trade receivables and other receivables

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

Prepaid expenses are presented under non-current receivables and recognised at amortised cost.

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

Recoverability of financial assets

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

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

Emission rights

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

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

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

Inventories

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

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

Financial liabilities

Financial liabilities are recognised at the amount actually received (at cost, net of transaction costs). Any premiums, discounts or other differences between the amount received and the redemption amount are allocated over the financing term and presented in interest expenses on an accruals basis using the effective interest method.

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

Financial guarantee contracts

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

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

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

Regulatory assets and liabilities

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

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

Pensions and similar obligations and statutory severance payments

Due to labour-management agreements and contracts, VERBUND is obligated under certain conditions to make pension payments to (former) employees after they retire based on their final salary. These defined benefit obligations are partially covered by pension plan assets set aside for this purpose by BAV Pensionskassen AG (pension fund). A contractual trust arrangement (CTA) was set up with Helaba Pensions Trust e.V. through Landesbank Hessen-Thüringen in order to secure the entitlements from the company pension plan for the employees of VERBUND Innkraftwerke GmbH. VERBUND is obliged to provide additional funding to the extent the obligations are to be fulfilled through the pension fund; there is no such obligation for the CTA. Both pension plan assets as well as the CTA are recognised as plan assets as defined under IAS 19 and offset with the provision for current pensions, vested pension benefits and similar obligations.

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

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

The pension obligations are determined on the basis of actuarial reports as at 31 December 2012; the determinations are based on "AVÖ 2008-P – Actuarial Assumptions for Pension Insurance – Pagler & Pagler".

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

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

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

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

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

There is also a CTA in place with Helaba Pension Trust e.V. through Landesbank Hessen-Thüringen for the purpose of securing credit balances from partial retirement models of employees of VERBUND Innkraftwerke GmbH. Aliquot allocations are made twice a year in line with accumulated credit balances; there is no obligation to provide additional funding. The CTA is recognised as plan assets as defined under IAS 19 and offset from the provision for partial retirement.

Provisions

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

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

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

Non-current provisions are discounted if the present value of the expected settlement amount differs materially from the nominal value. As a rule, all provisions that will not be appropriated within twelve months are discounted in accordance with VERBUND’s accounting policies. The discount rate is a pre-tax interest rate adjusted to the specific risks of the liability. Accrued interest amounts are presented as interest expenses; any effects from changes in the interest rate are recognised in the operating result.

Other liabilities

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

Government grants

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

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

Contributions to building costs

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

Cross-border leasing transactions

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

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

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

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

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

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

Taxes on income

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

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

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

Income tax rates applicable to subsidiaries in %

	2011	2012
Austria	25.0	25.0
Bulgaria	10.0	10.0
Germany – partnerships [1]	–	12.26 – 12.89
Germany – limited companies [2]	27.3	27.5
France	–	33.33
Italy[3]	27.5 (+ 4.8176)	27.5 (+ 5.57)
Romania	16.0	16.0
Spain[4]	20.0 / 25.0 / 30.0	20.0 / 25.0 / 30.0

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

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

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

Derivative financial instruments

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

When accounting for fair value hedges, both the derivative hedging instrument as well as the hedged item with respect to the hedged risk are measured at fair value through profit or loss. However, if a derivative financial instrument is used as a hedging instrument in a cash flow hedge, the unrealised gains or losses from the hedging instrument are recognised in other comprehensive income for the time being. They are only reclassified ("recycled") to the income statement when the hedged item affects profit or loss. If highly probable future transactions are hedged and these transactions lead to the recognition of a financial asset or a financial liability in subsequent periods, the amounts previously recognised in other comprehensive income are reclassified to the income statement in accordance with IAS 39 in the same period in which the asset or liability affects profit or loss for the period. If the transaction leads to the recognition of non-financial assets or liabilities, the amounts recognised in other comprehensive income are included in the initial measurement of the asset or liability (basis adjustment), which does not affect profit or loss at the initial recognition date.

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

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

Hedging relationships in the finance area

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

A series of forward exchange transactions were entered into in Hungarian forint (HUF) in connection with the auction of cross-border capacities in order to hedge Hungarian forint exchange rate volatility. These forward transactions are recognised as freestanding derivatives; in this case, the accounting standards for hedging relationships are not applied.

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

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

The fair value of forward exchange transactions is based on respective rates (foreign exchange rates and interest rate curves) prevailing at the balance sheet date. These are Level-2 measurements as defined under IFRS 7.

The fair value of interest rate swaps corresponds to the amount that VERBUND would receive or have to pay if the transaction were terminated at the balance sheet date. This amount reflects current market conditions, in particular current interest rates and yield curves. These are Level-2 measurements as defined under IFRS 7.

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

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

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

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

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

Fair value changes in (freestanding) electricity and gas derivatives in the wholesale portfolio that were not designated as hedging instruments are recognised in profit or loss net of previously realised futures and following the netting of positive and negative fair values (see: Financial instruments and risk management).

Energy trading contracts

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

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

The fair values of futures and forward contracts employed by VERBUND can be reliably measured at each balance sheet date, because quoted prices are available for futures contracts at the respective exchanges (European Energy Exchange (EEX), Intercontinental Exchange (ICE), Central European Gas Hub (CEGH)) and forward contracts are measured with forward price curves derived from quoted prices and discounted based on the EURIBOR. The measurement of electricity, gas and CO_2 futures contracts is a Level-1 measurement in accordance with IFRS 7; the measurement of electricity, gas and CO_2 forward contracts as well as gas swaps is normally a Level-2 measurement. Only the measurement of the free-standing derivative from the long-term current natural gas supply agreement for the Mellach combined cycle gas turbine power plant is a Level-3 measurement in accordance with IFRS 7.

Revenue recognition

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

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

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

Discretionary judgments and key assumptions concerning the future

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

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

Determination of the weighted average cost of capital

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

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

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

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

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

Purchase price allocations

Acquisition of German wind farms

The purchase price allocation for the acquisition effective 10 August 2012 of 95% of the limited partner shares in each of ten wind farm companies and 81% and 76% respectively of the limited partner shares in two infrastructure companies that belong with them in the Hunsrück area of Rhineland-Palatinate included the separation of the business acquisition from the project development agreements for the wind farms and the project development and construction contracts for the substations as well as associated infrastructure, the measurement of contingent considerations and indemnification assets as well as the identification and measurement of assets acquired and liabilities assumed.

The assets identified included the legal position for the construction-ready wind farm projects (i.e. all official authorisations), land usage rights, (beneficial) supply agreements with the manufacturers of wind power plants and existing paths and streets. The fair values were determined in part using market price-based methods and in part using cost-based methods.

Acquisition of French combined cycle gas turbine power plants

The purchase price allocation for the acquisition of two French power plant companies (as a consequence of the elimination of potential voting rights) effective 31 October 2012 included the remeasurement of previously held equity interests (i.e. the 100% previously equity-accounted interests in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S.), the determination of gains or losses from pre-existing relationships between VERBUND and the two French power plant companies and the identification and measurement of assets acquired and liabilities assumed.

The remeasurement of previously held equity interests in the two French power plant companies, which, in accordance with IFRS 3, had to be done immediately prior to the first time consolidation, resulted in fair values of €23.7m and €0.0m for the equity interests in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S.; the resulting effects on profit or loss were recognised in other result from equity interests in the amount of €23.1m and in other financial result in the amount of €–58.8m. The latter resulted from the legal commitments arising from financial guarantees that VERBUND had issued for the construction financing of the Toul combined cycle gas turbine power plant. Gains or losses from pre-existing relationships that were advantageous or disadvantageous for VERBUND as at the acquisition date compared to market prices had the exactly opposite effect on the remeasurement of the equity interests due to the fact that VERBUND had already held 100% of the equity interests in the two French power plant companies prior to the business acquisition. For that reason, an offsetting was affected in the effects on profit or loss from the remeasurement. Losses from construction financing in the amount of €12.1m and losses from a financial guarantee in the amount of €1.6m were recognised in other result from equity interests as well as the losses from an off-take agreement in the amount of €2.2m. As a result, (further) losses from financial guarantees were recognised in other financial result in the amount of €8.4m. Consequently, a net amount of €7.2m (€–67.1m) in effects on profit or loss were recognised in other result from equity interests (other financial result) as a result of the first-time consolidation of POWEO Pont-sur-Sambre Production S.A.S. (POWEO Toul Production S.A.S.) (see: Notes to the income statement).

The assets identified include the cash-generating units of the Pont-sur-Sambre and Toul combined cycle gas turbine power plants. The primary components of the power plants were identified by technical experts, whereby the component approach applied to the Mellach combined cycle gas turbine power plant served as the benchmark for the allocation. The fair values were determined using a net present value method and subsequently allocated to the identified components in proportion to the acquisition cost. The calculations were made based on the DCF method. The discount rate after taxes was around 7.0%.

The liabilities assumed mainly included the construction financing for the Toul combined cycle gas turbine power plant through a German-Austrian banking syndicate and the European Investment Bank, short-term financial liabilities on the part of POWEO Pont-sur-Sambre S.A.S. incurred ultimately as a consequence of a judicial safeguard procedure (Procédure de Sauvegarde), the negative fair value of an interest rate swap to be recognised as a free-standing derivative, current trade payables and other liabilities and provisions for dismantling costs. There were no significant differences between the carrying amounts and fair values of the assumed liabilities.

Location-specific economic remaining useful lives for the identified power plant components were determined on the basis of the total capacity in equivalent operating hours (EOH); the repair and maintenance cycles were determined based on the maintenance contracts entered into. The economic remaining useful lives were assumed to be representative for the planning period, which lasted until 2034 for the Pont-sur-Sambre combined cycle gas turbine power plant and until 2037 for the Toul combined cycle gas turbine power plant.

The cash flows of relevance to measurement were derived from current planning by the two French power plant companies and are based primarily on near-market data. The fair value measurement was based on the installed capacities of the combined cycle gas turbine power plants in Pont-sur-Sambre and Toul in the respective amounts of 412 MW and 413 MW. The operation of the power plants was determined using an optimisation model. The prices were determined based on electricity prices forecast by a reputable market research institute and information service provider in the energy market. The significant annual expenses from the planning were carried forward at a 2.0% rate of increase.

The primary valuation assumptions on which the determination of fair value was based are the development of clean spark spreads, the probability of the creation of a capacity market in France and the discount rate.

Impairment testing of goodwill

VERBUND's goodwill was assigned to the following cash-generating units for the purpose of impairment testing:

Goodwill

€m	2011	2012
Bruck/Hollern/Petronell-Carnuntum wind farms	25.3	25.3
Run-of-river power plants group on the Inn River	280.4	280.4
Electricity segment	300.0	300.0
Goodwill in VERBUND	605.7	**605.7**

Wind farms in Bruck/Hollern/Petronell-Carnuntum

Effective 1 January 2009, 100% of the shares in the wind farms in Bruck/Hollern/Petronell-Carnuntum were acquired at a cost of €55.4m. The wind farms had an installed capacity of 49 MW. Goodwill was recognised in the amount of €25.3m as part of the first-time consolidation and allocated in full to the same wind farms.

The recoverable amount for the wind farms in Bruck/Hollern/Petronell-Carnuntum was determined on the basis of fair value less costs to sell. Neither a concluded sale agreement, nor a binding offer was available. Since there were no market prices for the shares in VERBUND Wind Power Austria GmbH and analogy methods could not be employed for lack of comparable recent transactions, the fair value was determined using a net present value method. The amount was calculated based on the DCF method. The discount rate after taxes was 5.25% (previous year: 6.75%).

The cash flows of relevance to measurement were derived from recent planning on the part of VERBUND Wind Power Austria GmbH and/or VERBUND Renewable Power GmbH and are based primarily on near-market data. The planning data reflected the expansion by 57 MW of the wind farms' installed capacity. The construction approvals were granted in the 2011 reporting period. The new wind power plants in Petronell-Carnuntum and Hollern are scheduled to be activated at the beginning of 2014; the new wind power plants in Bruck should go online at the beginning of 2015. The planning data were adjusted for the determination of fair value, in order to simulate the measurement perspective of a typical market participant. The wind farms in operation were measured at fair value based on the average output reflecting several years of past experience. For the new wind power plants to be constructed as part of the wind farm expansion, measurement was based on expected output. The prices were derived for the wind power plants in operation for up to the first 5 years (depending on the wind farm) and for the wind power plants to be newly constructed for the first 13 years of the planning period from the fixed feed-in rates specified under the Austrian Green Electricity Act (Ökostromgesetz, ÖSG); the electricity prices for the subsequent years were determined based on the electricity price forecast of a reputable market research institute and information service provider in the energy market. The extrapolation of electricity prices (from 2036 onwards) was based on the assumption of a sustained rate of increase of 2.0%. The forecast electricity revenue was reduced by 13.0% to reflect balance energy costs after the end of fixed feed-in rates; the percentage rate was estimated based on the average balance energy costs of the Eco Balance Group (Ökobilanzgruppe) over the last 3 years. The material annual expenses from the planning were carried forward with a 2.0% to 3.0% rate of increase.

The planning phase was determined based on the remaining useful life of the wind power plants in operation and/or the useful life of the wind power plants to be constructed, after which planning was based on an assumption of a finite cycle of reinvestment in state-of-the-art wind power plants. The repair and maintenance cycles were determined based on the maintenance agreements entered into with the wind power plant manufacturer.

The key valuation assumptions underlying the determination of the recoverable amount include the electricity price forecasts, the forecasted annual output of the existing wind power plants after repowering as well as those to be constructed as part of the wind farm expansion, the specific investment costs of the wind power plants to be constructed and the discount rate.

The recoverable amount was compared to the carrying amount of the wind farms in Bruck/Hollern/Petronell-Carnuntum, including goodwill. The recoverability of goodwill allocated to the wind farms was confirmed for the 2012 reporting period. According to the present valuation assumptions, the recoverable amount of the wind farms exceeds the carrying amount including goodwill by €3.6m.

The table below shows the values assigned to the key valuation assumptions as well as the changes in value that would be necessary for the recoverable amount of the Bruck/Hollern/Petronell-Carnuntum wind farms to equal the carrying amount including goodwill:

Sensitivity analysis for the wind farms in Bruck/Hollern/Petronell-Carnuntum

€m

	Value assigned to the key valuation assumption	Change in value for the recoverable amount to equal the carrying amount
Price of electricity when the fixed feed-in tariffs end[1]	€65.3 /MWh	– 1.0 %
Annual output of wind power plants in operation[2]	100.0 GWh	–12.5 GWh
Annual output of existing wind power plants after repowering[3]	192.3 GWh	– 4.2 GWh
Annual output of wind power plants to be constructed[3]	139.8 GWh	– 2.6 GWh
Specific investment costs per MW for wind power plants to be constructed [4]	€1.65 m	€+0.04m
Discount rate[5]	5.25 %	+0.13 percentage points

[1] Electricity prices were determined based on the forecasts of a reputable market research institute and information service provider in the energy market. The electricity price indicated relates to the year 2018. This is the first full year following the end of the fixed feed-in tariffs for the two largest wind farms in operation, Hollern and Petronell-Carnuntum. The sensitivity analysis varies the electricity price uniformly over the period up to the planning horizon. // [2] The annual output of wind farms in operation reflects several years of experience. // [3] The forecast annual output is based on data from wind measurements and the resulting forecast model calculations. // [4] The specific investment costs for wind power plants to be constructed are based on the price list of a leading wind power plant manufacturer (including installation and grid connection contract). // [5] The discount rate corresponds to the weighted average cost of capital after taxes. The parameters to determine the discount rate were derived from market data and/or a peer group.

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

Effective 31 August 2009, 99.7% of the shares in Kraftwerksgruppe Inn GmbH (now VERBUND Innkraftwerke GmbH) were acquired at a cost of €1,430.3m (for 100% of the shares, 0.3% of which were attributable to non-controlling interests). The 13 run-of-river power plants of the Bavarian run-of-river power plant group on the Inn River have a combined installed capacity of 312 MW. Goodwill totalling €580.4m was recognised upon first-time consolidation; of which, €280.4m was allocated to the same power plant group.

A total of 29.73% of the shares in VERBUND Innkraftwerke GmbH was sold to Innkraft Bayern GmbH & Co KG, which is managed as a holding company, as well as to evn naturkraft Beteiligungs- und Betriebs-GmbH and WIEN ENERGIE GmbH in the 2010 and 2011 reporting periods. Due to this sale of shares, there was a shift between the shareholder groups, i.e. part of the interest attributable to the shareholders of the parent company shifted to the interest attributable to non-controlling interests; goodwill did not change as a result of these transactions.

The recoverable amount of the run-of-river power plant group on the Inn River was determined based on value in use in the 2012 reporting period. The value in use was determined using a net present value method. The amount was calculated based on the DCF method. The discount rate before taxes was 7.0% (previous year: 7.3%).

The cash flows of relevance to measurement were derived from VERBUND Innkraftwerke GmbH's current planning. The determination of fair value was based on constant output over the planning period corresponding to the mean energy capability. The prices were determined based on the VERBUND energy market model (VEMM). The VEMM is an energy simulation tool for the development of medium and long-term electricity price scenarios for electricity markets. In addition, the prices reflect the statutory feed-in rates for those power plants subject to the Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz, EEG). The extrapolation of electricity revenue (from 2051 onwards) was based on the assumption of a sustained rate of increase of 2.0%. The forecast electricity revenue was reduced by discounts for electricity generation characteristics and hydrological forecast and availability risk. These discounts, which were derived from experience, correspond to the percentage difference from the pure base price and serve to model the generation value. The material annual expenses from the planning were carried forward with a 2.0% to 4.0% rate of increase.

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

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

The recoverable amount was compared to the carrying amount of the run-of-river power plant group on the Inn River, including goodwill. The recoverability of goodwill allocated to the power plant group was confirmed for the 2012 reporting period. According to the present valuation assumptions, the recoverable amount of the run-of-river power plant group on the Inn River exceeds the carrying amount including (scaled up to 100%) goodwill by €388.8m.

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

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

	Value assigned to the key valuation assumption	Change in value for the recoverable amount to equal the carrying amount
Price of electricity[1]	€48.20/MWh	– 17.00%
Discount rate[2]	7.00%	+2.1 percentage points

[1] Electricity prices were determined based on the VERBUND Energy Market Model (VEMM). The electricity price indicated relates to the year 2013. The sensitivity analysis varies the electricity price uniformly over the period up to the planning horizon. // [2] The discount rate corresponds to the weighted average cost of capital before taxes. The parameters to determine the discount rate were derived from market data and/or a peer group.

Electricity segment

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

As a result of shifts between shareholder groups in the 2010 and 2011 reporting periods, VERBUND's interest in VERBUND Innkraftwerke GmbH decreased from 99.7% to 70.27%. Goodwill was not affected by these transactions (see: Accounting policies).

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

The fair value for the Electricity segment was determined based on market price. The starting point was VERBUND's quoted price, which was €18.76 per share on the last trading day of the year (previous year: €20.74). The fair value of the Electricity segment was determined by applying analogy methods that place operating and/or value-based performance figures in relation to VERBUND's overall entity value (market capitalisation plus net debt).

The recoverable amount was compared to the carrying amount of the Electricity segment, including goodwill. The recoverability of goodwill allocated to the Electricity segment was confirmed for the 2012 reporting period. Management believes the carrying amount of the Electricity segment including goodwill will not exceed the recoverable amount as a result of potential changes in the key valuation assumptions.

Impairment testing of power plants

Mellach combined cycle gas turbine power plant

A combined cycle gas turbine power plant had been under construction in Mellach since the 2009 reporting period. The two production lines went into operation in quarters 1 and 2/2012 respectively.

In light of the sustained downward trend of the clean spark spreads, which corresponds to the differences between the price of electricity and the price for gas and CO_2, the general market conditions for gas power plants are difficult. Considering this indication of impairment, the Mellach combined cycle gas turbine power plant was tested for impairment as at 31 December 2012. The recoverable amount was determined based on the value in use. The value in use was determined using a net present value method. The amount was calculated based on the DCF method. The discount rate before taxes was 6.8% (previous year: 6.6%).

The cash flows of relevance to measurement were derived from the current planning of VERBUND Thermal Power GmbH & Co KG. The value in use was determined based on the installed capacity of the thermal power plant of 838 MW (electric); the maximum heat extraction was assumed to be 400 MW (thermal). The presumed level of efficiency at full capacity was 58.8%. The utilisation of the power plant was determined using an optimisation model and amounted to up to around 5,000 hours per year operating at full capacity. In addition, the planning was based on the assumption of a heat extraction of up to 450 GWh per year for the metropolitan area of Graz. The prices were determined based on the VERBUND energy market model (VEMM). The VEMM is an energy simulation tool for the development of medium and long-term electricity price scenarios for electricity markets. The material annual expenses from the planning were carried forward with a 2.0% to 3.0% rate of increase.

The planning period was divided into a detailed planning phase and a rough planning phase. The detailed planning phase comprised a period of 6 years. The rough planning phase extends until 2049 and is determined based on the total capacity of equivalent operating hours (EOH). The reinvestment, repair and maintenance cycles were determined based on the maintenance agreement entered into with Siemens AG Österreich.

The key valuation assumptions underlying the determination of the recoverable amount include the terms of the long-term natural gas supply contract concluded for the combined cycle gas turbine power plant (see: Notes to the income statement), the trend of the clean spark spreads, the possibilities for gas storage and the discount rate.

The recoverable amount was compared with the carrying amount of the Mellach combined cycle gas turbine power plant. The impairment previously recognised as at 30 June 2012 for the 2012 reporting period was confirmed; no additional impairment losses were ascertained. The impairment losses recognised over the course of the year amounted to €53.7m (previous year: €113.8m). The reversal of deferred government grants reduced the impairment losses by €1.5m (previous year: €3.5m). The net effect on profit or loss from the impairment losses thus totalled €52.2m (previous year: €110.3m).

Wind farm on the Bulgarian Black Sea coast

Haos Invest EAD operates a wind farm in Kavarna on the Bulgarian Black Sea coast. This wind farm is subject to a sustained bottleneck in the upstream grid. Considering these indications of impairment, the wind farm in Kavarna was tested for impairment as at 31 December 2012. The recoverable amount was determined based on the value in use. The value in use was determined using a net present value method. The amount was calculated based on the DCF method. The discount rate before taxes was 8.3% (previous year: 10.5%).

The cash flows of relevance to measurement were derived from Haos Invest EAD's current planning. The value in use was determined on the basis of output estimated based on wind assessment reports. The installed capacity amounts to 16 MW; however, due to the sustained bottleneck in the upstream grid, the feed-in ratio is expected to average only 64% until the beginning of 2014. The prices for the first 14 years of the planning period resulted from fixed feed-in rates in accordance with Bulgarian rules for renewable electricity; electricity prices for the subsequent years were determined based on the VERBUND energy market model (VEMM). The VEMM is an energy simulation tool for the development of medium and long-term electricity price scenarios for electricity markets. The forecast electricity revenue was reduced by balance energy costs in the amount of 13.0% after the end of fixed feed-in rates. The material annual expenses from the planning were carried forward with a 2.0% rate of increase.

The planning period lasts until the end of the useful life in 2030; no reinvestment is expected. The repair and maintenance cycles were determined based on the maintenance agreements entered into with the wind power plant manufacturer.

The key valuation assumptions underlying the determination of the recoverable amount are the electricity price forecasts, the time from which a feed-in ratio of 100% to the electricity grid will be possible, the forecast annual output of the wind power plants and the discount rate.

The recoverable amount was compared to the carrying amount of the wind farm in Kavarna. The recoverability of the wind farm was confirmed for the 2012 reporting period.

Photovoltaic farms in Spain

VERBUND Photovoltaics Ibérica S.L. operates photovoltaic farms in Mercadillo and Macael in southern Spain. These photovoltaic farms are just as affected by the changes in the Spanish support scheme for photovoltaic plants as by the energy taxes specified under the new law on "Tax Measures for Energy Sustainability". These new energy taxes, which ultimately reduce revenues from feed-in rates, are intended to balance out a portion of the rate deficit of the Spanish electricity budget. In light of these indications of impairment, the photovoltaic farms in Mercadillo and Macael were tested for impairment. The recoverable amount was determined based on the value in use. The value in use was determined using a net present value method. The amount was calculated based on the DCF method. The discount rate before taxes was 9.2% (previous year: 9.2%).

The cash flows of relevance to measurement were derived from current planning of VERBUND Photovoltaics Ibérica S.L. The value in use was determined on the basis of output estimated based on irradiation reports that also reflect the ongoing degradation of the photovoltaic plants. The installed capacity is 2.9 MW. The prices for the planning period resulted from the fixed feed-in rates specified under Spanish rules for renewable electricity. The material annual expenses from the planning were carried forward with a 2.0% rate of increase.

The planning period lasted until the end of the useful life in 2037; no reinvestment is expected. The repair and maintenance cycles were determined based on the maintenance agreements entered into with the solar power plant manufacturer.

The key valuation assumptions underlying the determination of the recoverable amount are the forecast annual output of photovoltaic plants, energy taxes and the discount rate.

The recoverable amount was compared to the carrying amount of the photovoltaic farms in Mercadillo and Macael. The recoverability of the photovoltaic farms was confirmed for the 2012 reporting period.

Impairment testing of equity-accounted interests

Shkodra Region Beteiligungsholding GmbH

The 50.01% equity-accounted interest in Shkodra Region Beteiligungsholding GmbH was tested for impairment as at 31 December 2012 following indications of impairment. Shkodra Region Beteiligungsholding GmbH, a joint venture of VERBUND and EVN AG, (indirectly) holds on the one hand 100% of the equity interest in Energji Ashta Shpk and on the other hand intends to develop further projects in the Albanian Region of Shkodra. Energji Ashta Shpk is currently constructing a two-stage Hydromatrix power plant with an installed output of 53 MW on the Drin River in Northern Albania conceived within the framework of an operator model. The first power plant unit is already in the commissioning phase and the construction of the second power plant unit is being finalised. The two power plant units are scheduled to be activated in quarters 1 and 2/2013 respectively.

The decreasing expectations for Energji Ashta Shpk with respect to income from the sale of certified emission reductions (CERs) were indicative of impairment, as were the increased investment expenditure and the increased country risk impacting the discount rate. The recoverable amount was determined based on the value in use. The value in use was determined using a net present value method. The amount was calculated based on the DCF method. The discount rate before taxes was 9.6% (previous year: 9.7%).

The cash flows of relevance to measurement were derived from Energji Ashta Shpk's current planning. The determination of fair value was based on constant output over the planning period corresponding to the mean energy capability. The prices for the first 15 years after commissioning were determined based on the electricity purchase agreement with Korporata Elektroenergjetike Shqiptare (KESH); electricity prices for the subsequent years were determined based on VERBUND's energy market model (VEMM). The material annual expenses from the planning were carried forward starting in 2014 with a 2.0% to 3.0% rate of increase. The planning period included the expected term of the hydropower plant concession.

The key valuation assumptions underlying the determination of the recoverable amount include the electricity price forecasts for the period following the end of the electricity purchase agreement, revenue from the sale of certified reductions in emissions, the expected term of the hydropower plant concession and the discount rate.

The recoverable amount was compared to the carrying amount of the equity interest accounted for using the equity method. The recoverability of the equity interest in Shkodra Region Beteiligungsholding GmbH was confirmed for the 2012 reporting period (previous year: impairment in the amount of €35.7m).

Sorgenia S.p.A. (Group)

The 45.66% equity-accounted interest in Sorgenia S.p.A. (Group) was tested for impairment as at 31 December 2012 following indications of impairment. Sorgenia S.p.A. (Group) is an associate of VERBUND; most of the interest is held by CIR S.p.A., an Italian industrial holding company. Sorgenia S.p.A. (Group) is one of the leading privately owned Italian energy groups; it generates, sells and trades electricity. The generation portfolio of Sorgenia S.p.A. (Group) comprises mainly four combined cycle gas turbine power plants with a total installed capacity of 3,170 MW and wind farms with a total installed capacity of 121 MW. Furthermore, it holds a 39% equity interest in Tirreno Power S.p.A., an Italian power plant company (also) with a generation portfolio dominated by combined cycle gas turbine power plants, and a 50% equity interest in Sorgenia France S.A., a French wind farm company. In addition, Sorgenia S.p.A. (Group) is active to a small extent in the exploration and production of crude oil and natural gas.

In light of the sustained downward trend of the clean spark spreads, which correspond to the difference between the price of electricity and the price for gas and CO_2, the general market conditions for gas power plants, which are difficult, was indicative of impairment. The recoverable amount was determined based on the value in use. The value in use was determined using a net present value method. The amount was calculated based on the DCF method. The discount rates before taxes applied to the operating segments were 10.58% – 16.20% (previous year: 11.75% – 15.70%).

The cash flows relevant for measurement were derived from current planning for Sorgenia S.p.A. (Group). The determination of value in use was based on the installed capacities of each of the thermal power plants. The operation of the power plants was determined using an optimisation model. Output in the planning period was assumed to be constant for the other generation technologies. The prices were determined based on the VERBUND energy market model (VEMM). The VEMM is an energy simulation tool for the development of medium and long-term electricity price scenarios for electricity markets. The volumes and prices for the activity for the exploration and production activities (including the probabilities of successful drilling) were determined based on an expert report. The material annual expenses from the planning were carried forward with a rate of increase of around 2.0%.

The planning period for the thermal power plants was determined based on the total capacities in equivalent operating hours; the planning period for the other generation technologies lasted until the end of the respective useful lives, taking corresponding repair and maintenance cycles into account.

The key valuation assumptions underlying the determination of the recoverable amount was based are the electricity price forecasts, the development of clean spark spreads, the development of activities in the exploration and production of crude oil and natural gas as well as the development of the number of consumers for electricity and natural gas.

The recoverable amount was compared to the carrying amount of the equity interest accounted for using the equity method. The recoverability of the equity interest in Sorgenia S.p.A. (Group) was confirmed for the 2012 reporting period.

Measurement of short positions

VERBUND acquired the remaining 60% of the interest in French POWEO Production S.A.S. for €120.0m in the 2011 reporting period. VERBUND's interest in this investee thereby increased to 100%. As part of this transaction, POWEO S.A. was granted a call option exercisable any time until 30 June 2013 on this same 60% interest. The 60% interests in the former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. still remaining with VERBUND have together formed the underlying of this call option since quarter 3/2011 as a result of a dividend distribution in kind and the disposal of the equity-accounted interest in POWEO Production S.A.S.

Furthermore, upon the disposal of the equity interest in POWEO S.A. (Group) in quarter 3/2011, VERBUND and Direct Energie S.A. agreed to a sequential combination of a put option and a call option over 40% of the equity interests in former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. that remained with VERBUND. VERBUND would only have had the possibility of exercising this put option if POWEO S.A. had first exercised its call option. Moreover, the exercise of the call option on the part of Direct Energie S.A. was linked to VERBUND abstaining from exercising its put option. If the put or call options over the 40% interest were exercised, all financing and guarantees currently provided by VERBUND would also have been transferred to Direct Energie S.A.

These call options represented potential voting rights within the meaning of IAS 27 that prevented VERBUND from asserting control over the two French power plant companies. Although VERBUND's overall short position resulting from the call options was out of the money as at 31 December 2011, it still had economic substance in the opinion of VERBUND's management. As at 31 December 2011, the fair value of the overall short position was €13.4m. The fair value was determined using a binomial tree approach. In accordance with IAS 39, the overall short position had to be recognised as a free-standing derivative at fair value through profit or loss.

POWEO S.A. and Direct Energie S.A. merged effective 11 July 2012. The merged company now trades under the name POWEO Direct Energie. On 23 October 2012, the management of POWEO Direct Energie announced its intention to waive its rights to the call options over the equity interests in the former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. that remained with VERBUND. The cancellation notice is dated 14 November 2012. This led not only to the derecognition of the overall short position in profit or loss, but also to the consolidation of POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. effective 31 October 2012 (see: Financial reporting principles).

Measurement of pension and similar obligations and statutory severance payments

Existing provisions for pensions and similar obligations as well as obligations from severance payments (carrying amount as at 31 December 2012: €501.0m; previous year: €478.3m) were measured based on assumptions and estimates as at the balance sheet date. The key factors of influence included the discount rate, the estimated retirement age and the estimated life expectancy as well as future increases in salaries and pension benefits:

Actuarial assumptions for pensions

	2011	**2012**
Discount rate or expected rate of return on plan assets	4.75%	4.00%
Pension increases	2.25%	2.25%
Salary increases	2.75%	2.75%
Fluctuation	none	none
Remaining life expectancy based on mortality tables	Pagler & Pagler AVÖ 2008-P	Pagler & Pagler AVÖ 2008-P

Actuarial assumptions for obligations similar to pensions[1]

	2011	**2012**
Discount rate	4.75%	4.00%
Fluctuation (depending on company affiliation)	0.0%–4.0%	0.0%–4.0%
Trend of contributions based on hospital cost index for new contracts (with participation) / old contracts (without participation)	4.5% / 7.5%	4.0% / 7.0%
Remaining life expectancy based on mortality tables	Pagler & Pagler AVÖ 2008-P	Pagler & Pagler AVÖ 2008-P

[1] Premiums for supplementary health insurance

Actuarial assumptions for severance obligations

	2011	**2012**
Discount rate	4.75%	4.00%
Salary increases	2.75%	2.75%
Fluctuation (depending on company affiliation)	0.0%–4.0%	0.0%–4.0%
Remaining life expectancy based on mortality tables	Pagler & Pagler AVÖ 2008-P	Pagler & Pagler AVÖ 2008-P

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

Sensitivity analysis for net pension liability

	Change of assumption in percentage points or years	If assumption increases, change in net liability of	If assumption decreases, change in net liability of
Discount rate	± 0.25	–2.42%	2.53%
Pension increases	± 0.50	4.84%	–4.50%
Salary increases	± 0.50	0.38%	–0.36%
Remaining life expectancy based on mortality tables	± 1 year	4.75%	–4.78%

Sensitivity analysis for obligations similar to pensions

	Change of assumption in percentage points or years	If assumption increases, change in the obligation of	If assumption decreases, change in the obligation of
Discount rate	± 0.25	–4.15%	4.46%
Fluctuation (depending on company affiliation)	± 0.50	–0.16%	0.24%
Trend of contributions based on hospital cost index	± 0.50	9.20%	–7.96%
Remaining life expectancy based on mortality tables	± 1 year	5.07%	–5.12%

Sensitivity analysis for severance obligations

	Change of assumption in percentage points or years	If assumption increases, change in the obligation of	If assumption decreases, change in the obligation of
Discount rate	± 0.25	–2.11%	2.19%
Salary increases	± 0.50	4.38%	–4.13%
Fluctuation (depending on company affiliation)	± 0.50	–0.03%	0.03%
Remaining life expectancy based on mortality tables	± 1 year	0.03%	–0.24%

Measurement of provisions

The Austrian Constitutional Court cancelled the System Usage Rates Directives (Systemnutzungstarife-Verordnungen, SNT-VO) for 2009, 2010 and 2011 with its decisions dated 27 September 2011. As a consequence of these decisions, Austrian Power Grid AG is faced with the possibility of the (provisional) repayment of usage fees for pumped storage power plants in 2013, as well as grid loss fees and fees for system services collected on the basis of these directives, to all parties who have filed a corresponding law suit with the Austrian Constitutional Court. Provisions were recognised for these impending repayment obligations. These provisions (carrying amount as at 31 December 2012: €43.5m; previous year: €39.4m) were measured based on assumptions and estimates as at the balance sheet date. The System Charges Order (Systemnutzungsentgelte-Verordnung, SNE-VO) for 2012 was also challenged by the generation companies with respect to the usage fees for pumped storage power plants, grid loss fees and fees for system services; however, the Austrian Constitutional Court has already confirmed that the SNE-VO for 2012 conforms to the law with respect to the grid loss fees. Provisions were recognised in preparation for the (remaining) impending repayment obligations. These provisions (carrying amount as at 31 December 2012: €31.9m; previous year: €0.0m) were measured based on assumptions and estimates as at the balance sheet date. The key factors influencing the provisions resulting from the SNT-VO and SNE-VO for both electricity and grid deliveries were the estimated loss of revenue, the statutory interest on arrears, the repayment period and the discount rate in the amount of 4.35% (previous year: 4.75%).

Provisions for onerous contracts (carrying amount as at 31 December 2012: €56.2m; previous year: €64.8m) were measured based on assumptions and estimates as at the balance sheet date. Provisions for onerous contracts were recognised for onerous rental and electricity supply agreements and, in particular, in connection with the obligation to provide district heating to Steirische Gas-Wärme GmbH. The key factors of influence were the electricity and primary energy prices as well as the costs for emission rights and the discount rate of 4.35% (previous year: 4.75%).

Provisions for dismantling costs (carrying amount as at 31 December 2012: €39.8m; previous year: €29.0m) were measured based on assumptions and estimates as at the balance sheet date. The key factors of influence were the expected dismantling dates (mainly in the time range of 2025 – 2058 for thermal power plants and 2026 – 2038 for wind power plants), any expert reports determining the dismantling costs, the valorisation of these costs and the discount rate of 4.35% (previous year: 4.75%).

Contingent liabilities

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

Segment reporting

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

Segmentation

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

Electricity

The Electricity segment includes all VERBUND subsidiaries and profit centres whose business activities are related to the construction, operation and maintenance of hydrologic and thermal as well as photovoltaic and wind power plants. In addition, the Electricity segment includes energy trading and the distribution of electricity to consumers (household, commercial, business and industrial customers). VERBUND Trading Romania S.R.L., VERBUND Wind Power Germany GmbH, the ten German wind farms and two German infrastructure companies added as part of a business acquisition as well as the two French power plant companies also added as part of a business acquisition, POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S., were assigned to the Electricity segment for the first time in the 2012 reporting period.

Grid

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

Equity Interests & Services

The Equity Interests & Services segment includes, in particular, the management and control functions related to VERBUND's foreign and domestic equity interests. These include in particular the equity interests held directly by VERBUND AG in STEWEAG-STEG GmbH (classified effective 30 September 2012 as held for sale), KELAG-Kärntner Elektrizitäts-AG, Österreichisch-Bayerische Kraftwerke AG, the Donaukraftwerk Jochenstein AG and Ennskraftwerke AG as well as the equity interests held (directly or indirectly) by VERBUND International GmbH in the Turkish company Enerjisa Enerji A.S. (classified effective 3 December 2012 as held for sale) and the Italian company Sorgenia S.p.A. (Group). The equity interests held (directly or indirectly) by VERBUND International GmbH in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. were also assigned to the Equity Interests & Services segment until their first-time consolidation effective 31 October 2012, as was the equity-accounted interest held (indirectly) by VERBUND Hydro Power AG in the Albanian company Energji Ashta Shpk. Furthermore, VERBUND's (foreign) project companies are also assigned to this operating segment until the construction of generation capacities begins, after which they will be reassigned to the Electricity segment. Therefore, VERBUND Renewable Power GmbH – the lead company for project developments in the renewable energies sector – is also included in the Equity Interests & Services segment. Those subsidiaries and profit centres that provide corporate functions such as financing services, shared-service-centre services and telecommunications services are also assigned to this operating segment.

Notes to the operating segment data

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

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

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

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

The additions to intangible assets and property, plant and equipment include investments and increases due to any business acquisitions. The additions to equity interests accounted for using the equity method and other equity interests include capital increases and any share purchases. Capital increases of equity interests held for sale are not recognised in the additions (see: (28) Non-current assets held for sale).

All segment data are measured in accordance with IFRSs.

Operating segment data

Operating segment data

€m

	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
2012					
External revenue	2,675.6	481.7	17.0	–	3,174.3
Internal revenue	145.8	58.6	93.2	–297.5	0.0
Total revenue	2,821.4	540.3	110.2	–297.5	3,174.3
Operating result	**896.3**	**2.6**	**–47.8**	**49.0**	**900.2**
Depreciation and amortisation	–204.9	–64.8	–9.5	1.3	–278.0
Effects from impairment tests[1]	–55.8	0.0	0.0	0.0	–55.8
Other material non-cash items	17.8	–74.5	2.8	48.3	–5.5
Result from equity interests	–	–	–73.8	0.0	–73.8
Of which result from interests accounted for using the equity method	–	–	–80.3	0.0	–80.3
Capital employed	**6,568.1**	**1,079.8**	**6,918.5**	**–4,879.9**	**9,686.4**
Of which carrying amount of interests accounted for using the equity method	16.6	1.3	890.9	0.0	908.8
Additions to intangible assets and property, plant and equipment	535.6	142.5	15.1	0.0	693.1
Additions to equity interests	0.0	0.0	309.1	0.0	309.1

[1] The effects from impairment tests consist of impairment losses (net of changes in the corresponding deferred government grants).

Operating segment data

€m

	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
2011					
External revenue	2,598.2	404.3	25.3	–	3,027.7
Internal revenue	121.9	8.4	86.5	–216.7	0.0
Total revenue	2,720.1	412.6	111.7	–216.7	3,027.7
Operating result	**1,019.6**	**–2.1**	**–33.3**	**45.7**	**1,030.0**
Depreciation and amortisation	–170.9	–62.7	–9.1	1.1	–241.7
Effects from impairment tests[1]	202.2	0.0	0.0	0.0	202.2
Other material non-cash items	55.8	–12.3	–2.2	–0.5	40.7
Result from equity interests	–	–	–175.1	0.0	–175.1
Of which result from interests accounted for using the equity method	–	–	–176.6	0.0	–176.6
Capital employed	**5,654.3**	**989.1**	**6,994.3**	**–4,547.0**	**9,090.6**
Of which carrying amount of interests accounted for using the equity method	7.6	1.3	2,106.4	0.0	2,115.3
Additions to intangible assets and property, plant and equipment	459.1	121.9	13.7	0.0	594.7
Additions to equity interests	18.2	0.0	261.0	0.0	279.3

[1] The effects from impairment tests consist of impairment losses and reversals from impairment losses (net of changes in the corresponding deferred contributions to building costs and government grants).

Reconciliation

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

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

Reconciliation from capital employed to balance sheet total

€m

	2011	**2012**
Capital employed	9,090.6	**9,686.4**
Assets not used in the performance and commercialisation process	1,277.7	**1,016.1**
Non-interest-bearing debt	1,491.0	**1,684.8**
Total assets of VERBUND	11,859.3	**12,387.3**

Entity-wide disclosures

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

VERBUND has no single customer for whom revenue equals or exceeds 10% of total revenue.

Geographical segment reporting: revenue €m

	2011	2012
Domestic deliveries of electricity	1,361.3	**1,310.5**
Electricity deliveries abroad	1,317.6	**1,463.1**
Of which in Germany	1,004.7	1,276.9
Of which in France	219.5	132.2
Of which in other EU countries	86.4	45.1
Of which in other countries	6.9	9.0
Electricity revenue	2,678.9	**2,773.7**
Domestic grid services	216.3	**236.6**
Foreign grid services	45.6	**107.2**
Of which in EU member states	43.3	106.9
Of which in other countries	2.3	0.2
Grid revenue	261.9	**343.8**
Other revenue	87.0	**56.9**
Total revenue	3,027.7	**3,174.3**
Of which domestic	1,663.9	1,603.2
Of which foreign	1,363.8	1,571.2

Geographical segment reporting: non-current assets €m

	2011	2012
Intangible assets and property, plant and equipment	7,210.8	**8,048.0**
Of which in Austria	5,747.8	5,886.5
Of which in Germany	1,322.2	1,458.3
Of which in France	–	460.2
Of which in other EU countries	140.8	243.0
Interests accounted for using the equity method	2,115.3	**908.8**
Of which in Austria and Germany	652.7	274.0
Of which in Turkey	742.7	–
Of which in Italy	714.5	620.5
Of which in France	0.0	–
Of which in other countries[1]	5.4	14.3

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

Notes to the income statement

(1) Electricity revenue

Electricity revenue by customer areas

€m

	2011 Domestic	2012 Domestic	2011 Foreign	2012 Foreign
Electricity deliveries to traders	33.0	39.9	942.6	1,041.6
Electricity deliveries to resellers	847.0	815.2	199.4	156.1
Electricity deliveries to end consumers	481.3	455.5	175.6	265.4
Electricity revenue	1,361.3	**1,310.5**	1,317.6	**1,463.1**

(2) Grid revenue

Grid revenue by customer areas

€m

	2011 Domestic	2012 Domestic	2011 Foreign	2012 Foreign
Energy supply companies	196.5	177.2	3.6	4.2
Industrial customers	13.7	14.4	0.0	0.0
Other	6.0	45.0	42.0	103.0
Grid revenue	216.3	**236.6**	45.6	**107.2**

(3) Other revenue

Other revenue

€m

	2011	2012
Revenue from district heating deliveries	15.9	15.8
Revenue from consulting or planning services as well as from other services	15.2	13.1
Provision of personnel	10.8	10.1
User and management fees	5.6	6.3
Revenue from the sale of emission rights	21.8	2.9
Revenue from the sale of waste products	2.9	2.3
Revenue from gas deliveries or trading	10.6	1.9
Other	4.1	4.6
Other revenue	87.0	**56.9**

(4)
Other operating income

Other operating income

€m	2011	2012
Changes in inventory and own work capitalised	38.3	37.0
Income from various goods and services	6.0	14.2
Income from insurance compensation	2.3	11.1
Income from the disposal of property, plant and equipment and intangible assets	3.2	7.2
Rent and lease income	2.5	2.8
Reversals of contributions to building-costs	1.2	1.7
Scheduled reversals of the deferred income item from cross-border leasing	1.6	1.6
Income from book-out transactions in the energy area	1.4	0.0
Other (< €1.0m)	2.6	5.9
Other operating income	59.1	**81.6**

(5)
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)

Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)

€m	2011	2012
Expenses for electricity purchases	1,205.0	1,048.0
Expenses for grid purchases (system use)	135.3	145.2
Expenses for gas purchases	9.9	64.1
Purchase of emission rights (trade)	17.9	4.2
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	1,368.2	**1,261.5**

VERBUND Thermal Power GmbH & Co KG and EconGas GmbH have entered into a long-term natural gas supply agreement. The mode of operation resulting from the optimisation of the Mellach combined cycle gas turbine power plant leads to the resale of significant volumes of natural gas. Such management of the natural gas supply agreement is regarded as a net settlement of the natural gas supply agreement under IFRSs; as a consequence, the exemption for own-use contracts in IAS 39 (own-use exemption) was no longer applicable. Therefore, the natural gas supply agreement has been classified as a freestanding derivative and recognised at fair value through profit or loss since quarter 3/2012. The resulting impact on profit or loss amounted to €–60.4m and was recognised under expenses for gas purchases.

(6)
Fuel expenses and other usage-dependent expenses

Fuel expenses and other usage-dependent expenses

€m	2011	2012
Use of natural gas	46.3	89.1
Use of coal and heating oil	74.8	73.1
Emission rights acquired in exchange for consideration	8.4	–3.1
Other usage-dependent expenses	9.5	9.4
Fuel expenses and other usage-dependent expenses	139.0	**168.5**

(7) Personnel expenses

Personnel expenses (€m)

	2011	2012
Wages and salaries	230.3	244.8
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	51.0	52.9
Other social expenses	3.9	4.0
Subtotal	285.3	**301.7**
Expenses for pensions and similar obligations	14.7	14.8
Expenses for severance payments	2.5	3.0
Personnel expenses	302.4	**319.6**

The pension fund contributions to the defined contribution investment and risk association amounted to €7.8m (previous year: €7.4m) in the 2012 reporting period. Expenses for severance payments included a total of €1.0m (previous year: €0.9m) in contributions to an employee provision fund.

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

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

	2011	2012
Amortisation of intangible assets	4.2	5.3
Depreciation of property, plant and equipment	237.5	272.7
Amortisation of intangible assets and depreciation of property, plant and equipment	241.7	**278.0**

(9) Other operating expenses

Other operating expenses

€m	2011	2012
Third-party maintenance of power plants and line systems	65.9	93.6
Other third-party services received	14.4	23.2
Advertising expenses	18.0	17.7
Legal, consulting and audit expenses	16.3	17.3
Material costs for motor vehicle operation and maintenance	12.9	14.2
Costs for personnel provided, temporary personnel	12.2	12.5
Expenses for supervision by E-Control	10.4	12.5
Rent, lease expenses	8.6	12.1
Concession fees	8.3	11.3
Travel expenses, advanced training	10.7	10.3
IT expenses	7.4	9.0
Insurance	4.3	5.6
Operating costs	3.3	4.1
Fees	4.0	4.0
Purchased telecommunication services	3.8	3.5
Membership fees	2.5	2.9
Compensation payments	5.1	7.5
Reversal of provisions	–6.9	–2.5
Other (< €1.0m)	6.9	13.9
Other operating expenses	207.8	**272.5**

(10) Effects from impairment tests

Effects from impairment tests

€m	2011	2012
Impairment loss of the Mellach combined cycle gas turbine power plant	–113.8	–53.7
Reversal of deferred government grants for the Mellach combined cycle gas turbine power plant	3.5	1.5
Reversal of impairment loss of the Freudenau Danube power plant	352.4	0.0
Carrying forward of contributions to building costs received for the Freudenau Danube power plant	–99.6	0.0
Reversal of impairment loss of the Obere Drau run-of-river power plant chain	43.7	0.0
Reversal of impairment loss of the Mittlere Salzach run-of-river power plant chain	16.2	0.0
Other	–0.1	–3.5
Effects from impairment tests	202.2	**–55.8**

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

Result from interests accounted for using the equity method €m

	2011	2012
Income or expenses from interests accounted for using the equity method	–128.0	–56.9
Impairment losses	–59.1	–23.4
Reversals of impairment losses	10.5	0.0
Result from interests accounted for using the equity method	–176.6	**–80.3**

The carrying amounts of the equity interests in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. were reduced to zero in the 2011 reporting period due to current losses and impairment losses. Off-balance sheet losses for which recognition was discontinued as at 31 December 2011 amounted to a total of €37.4m for POWEO Pont-sur-Sambre Production S.A.S. and €48.8m for POWEO Toul Production S.A.S.

POWEO Pont-sur-Sambre Production S.A.S. was placed under a judicial safeguard procedure (procédure de sauvegarde) in the 2012 reporting period, which resulted in rescindment of the disadvantageous natural gas supply agreement with ENI S.p.A. by the court of first instance on 24 April 2012. Since the exemption for own-use contracts in accordance with IAS 39 was no longer applicable for this natural gas supply agreement, it was recognised for the first time at fair value through profit or loss in the 2011 reporting period. In the 2011 reporting period, the resulting effect on VERBUND's result from interests accounted for using the equity method (or on the off-balance sheet losses for which recognition was discontinued) amounted to €–79.6m. In the 2012 reporting period, the effect on profit or loss in the amount of €62.3m resulting from the judicial rescindment of the agreement resulted on the one hand in balancing of the losses for which recognition was discontinued in the amount of €43.3m and on the other hand, after the reduction for further current losses, in the recognition of a result from interests accounted for using the equity method in the amount of €5.4m. The effect on profit or loss of the first-time consolidation of POWEO Pont-sur-Sambre Production S.A.S. was recognised in other result from equity interests, as was the associated reclassification adjustment ("recycling") from other comprehensive income to the income statement.

To secure the financial position of POWEO Toul Production S.A.S., VERBUND provided a letter of comfort limited in time and amount in the 2012 reporting period. VERBUND's legal commitment as the sponsoring entity resulted in the recognition in profit or loss of formerly off-balance sheet losses for which recognition had been discontinued in the amount of €48.0m and to the recognition of an other liability. A capital increase in the amount of €91.6m took place at POWEO Toul Production S.A.S. effective 25 October 2012. On the one hand, this capital increase repaid the other liability; on the other hand, it resulted in the recognition in profit or loss of other formerly off-balance sheet losses for which recognition had been discontinued in the amount of €43.6m. The effect on profit or loss of the first-time consolidation of POWEO Toul Production S.A.S. was recognised in other financial result.

The 45% equity interest in Gletscherbahnen Kaprun AG was classified as held for sale effective 30 May 2012. In accordance with IFRS 5, an impairment test was conducted prior to this classification, but only after the recognition of the current pro rata profit or loss for the period. The recoverable amount was determined on the basis of fair value less costs to sell. The resulting impairment loss amounted to €5.3m and was recognised in the result from interests accounted for using the equity method. The equity interest in Gletscherbahnen Kaprun AG was sold to Kapruner Tourismus Holding GmbH effective

23 August 2012. The effect on profit or loss from the disposal of the equity interest was recognised in other result from equity interests.

The 34.57% equity interest in STEWEAG-STEG GmbH and the 49% equity interest in Energie Klagenfurt GmbH were classified as held for sale effective 30 September 2012. In accordance with IFRS 5, an impairment test was conducted prior to this classification, but only after the recognition of the current pro rata profit or loss for the period. The recoverable amount was determined on the basis of fair value less costs to sell. The resulting impairment losses amounted to €15.6m with respect to the equity interest in STEWEAG-STEG GmbH and €2.5m with respect to the equity interest in Energie Klagenfurt GmbH and were recognised in the result from interests accounted for using the equity method. The equity interest in Energie Klagenfurt GmbH was sold to Stadtwerke Klagenfurt AG effective 21 November 2012. The effects on profit or loss from the disposal of the equity interest were recognised in other result from equity interests.

The following tables show a summary of aggregated income statement data for joint ventures and associates of VERBUND accounted for using the equity method. All companies accounted for using the equity method are recognised at their proportional IFRS profit or loss for the period, taken from interim or annual financial statements, the reporting date of which is no more than three months prior to the balance sheet date of the parent company (see: Financial reporting principles). The reference date for the investee income statement data is the period from 1 October 2011 to 30 September 2012; data are based on disclosed financial statements or data updated to the best of VERBUND's knowledge.

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

Joint ventures 2012 €m

	Austria and Germany	Turkey	Other[1]
Revenue	201.8	1,911.1	94.6
Profit or loss for the period – 100%	11.6	99.1	–36.6
Profit or loss for the period – VERBUND's share	5.6	49.6	–18.3
Differences due to the application of the equity method of accounting	–3.1	0.7	27.2
Result from joint ventures accounted for using the equity method	**2.6**	**50.2**	**8.9**

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

Joint ventures 2012: Income statements – VERBUND's share

€m

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

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

Joint ventures 2011

€m

	Austria and Germany	Turkey	Other[1]
Revenue	216.5	1,985.6	61.6
Profit or loss for the period – 100%	9.2	–96.2	2.8
Profit or loss for the period – VERBUND's share	4.4	–48.1	1.4
Differences due to the application of the equity method of accounting	–0.9	0.7	–35.4
Result from joint ventures accounted for using the equity method	**3.5**	**–47.3**	**–34.0**

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

Joint ventures 2011: Income statements – VERBUND's share

€m

	Austria and Germany	Turkey	Other[1]
Income	112.6	1,021.1	34.1
Expenses	–108.1	–1,069.2	–32.7
Profit or loss for the period – VERBUND's share	**4.4**	**–48.1**	**1.4**

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

The EUR/TRY and the USD/TRY exchange rate trends resulted in foreign exchange gains (previous year: foreign exchange losses) on the part of Enerjisa Enerji A.S. from the measurement of liabilities denominated in foreign currency recognised in profit or loss. In the 2012 reporting period, the resulting effect on the result from interests accounted for using the equity method of VERBUND amounted to a total of €34.8m (previous year: €–85.8m).

Associates 2012

€m

	Austria	Italy	France[1]
Revenue	2,669.1	2,366.4	70.5
Profit or loss for the period – 100%	130.5	–74.1	0.5
Profit or loss for the period – VERBUND's share	46.3	–33.8	0.5
Differences due to the application of the equity method of accounting	–20.9	–47.4	–86.6
Result from associates accounted for using the equity method	**25.4**	**–81.2**	**–86.2**

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

Associates 2011

€m

	Austria	Italy	France[1]
Revenue	3,209.8	2,274.0	427.7
Profit or loss for the period – 100%	110.7	9.3	–224.2
Profit or loss for the period – VERBUND's share	39.2	2.9	–176.8
Differences due to the application of the equity method of accounting	2.2	–6.2	40.0
Result from associates accounted for using the equity method	**41.3**	**–3.3**	**–136.8**

[1] Profits or losses for the period for the equity interests in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. could not be completely recognised since the carrying amounts had already been reduced to zero. Off-balance sheet losses for which recognition was discontinued were taken into account in differences due to the application of the equity method of accounting.

(12) Other result from equity interests

Other result from equity interests

€m

	2011	**2012**
Result from the disposal of investments or other equity interests	–0.5	**7.8**
Income from other equity interests	4.3	**4.5**
Income from non-consolidated subsidiaries	6.2	**4.3**
Expenses arising from other equity interests	–8.8	**–9.6**
Other	0.2	**–0.5**
Other result from equity interests	1.5	**6.5**

In order to determine the total consideration transferred for the acquisition of POWEO Pont-sur-Sambre Production S.A.S., the equity interests previously held by VERBUND were measured at fair value through profit or loss. The remeasurement of the wholly owned interest accounted for using the equity method resulted in income in the amount of €7.2m. Additionally, reclassification adjustments from other comprehensive income to the income statement in the amount of €–5.9m resulted from the first-time consolidation of POWEO Pont-sur-Sambre Production S.A.S. Both effects on profit or loss were recognised in the result from the disposal of investments or other equity interests.

In order to determine the total consideration transferred for the acquisition of Toul Production S.A.S., the equity interests previously held by VERBUND were measured at fair value through profit or loss. The remeasurement of the wholly owned interest accounted for using the equity method did not affect profit or loss, since the fair value of the equity interest was equivalent to its carrying amount at the acquisition date in the amount of €0.0m. However, the remeasurement of the equity interest implied an acquisition date measurement (recognised in profit or loss) of the financial guarantees provided by VERBUND for construction financing of the Toul combined cycle gas turbine power plant (see: (15) Other financial result).

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

In the 2012 reporting period, expenses arising from other equity interests mainly included the expenses for equity guarantees of Oesterreichische Kontrollbank AG, an impairment loss on the 10.04% equity interest in Burgenland Holding AG totalling €4.2m and an impairment loss on the equity interest held for sale in POWEO Outre-mer Solaire S.A.S. in the amount of €0.2m.

(13) Interest income

Interest income €m

	2011	2012
Interest from investments under closed items on the balance sheet	25.1	27.6
Interest from money market transactions	5.8	2.6
Other interest and similar income	5.5	7.1
Interest income	36.5	**37.3**

(14) Interest expenses

Interest expenses €m

	2011	2012
Interest for bonds	106.7	104.7
Interest for other liabilities from electricity supply commitments	45.5	45.5
Interest for bank loans	55.2	41.3
Interest for financial liabilities under closed items on the balance sheet	25.1	27.6
Net interest expense on personnel-related liabilities	23.6	22.5
Interest for other non-current provisions	7.2	6.2
Repayment of non-current financial liabilities from capital shares attributable to limited partners[1]	0.0	– 19.3
Borrowing costs capitalised in accordance with IAS 23	– 29.0	– 23.7
Profit or loss attributable to limited partners	– 21.3	– 39.7
Other interest and similar expenses[2]	9.6	18.2
Interest expenses	222.7	**183.3**

[1] In the 2012 reporting period, KELAG-Kärntner Elektrizitäts-AG contributed its 6.51% limited partner's share in VERBUND Thermal Power GmbH & Co KG into VERBUND Thermal Power GmbH. In addition, VERBUND Beteiligungsholding GmbH acquired limited partnership interests amounting to 14.71% from STEWEAG-STEG GmbH, 0.08% from TIWAG-Tiroler Wasserkraft AG and 0.06% from the state of Burgenland. Thus, the capital shares attributable to limited partners presented under non-current financial liabilities were reduced. // [2] Other interest and similar expenses in the reporting period 2012 included a repayment premium and fees from the early repayment of a bond denominated in foreign currency (JPY).

(15) Other financial result

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

Other financial result €m

	2011	2012
Foreign exchange gains	2.1	20.2
Income from financial instruments	19.4	14.9
Measurement of an overall short position	–13.4	13.4
Income from the disposal of financial instruments	0.6	0.1
Foreign exchange losses	–13.7	–9.9
Measurement of guarantee liabilities	–18.1	–58.5
Other financial result	–23.2	**–19.9**

In the 2012 reporting period, the fair value of the overall short position with respect to the former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. fell to virtually zero; however, the cancellation notice of POWEO Direct Energie ultimately led to complete derecognition, affecting profit or loss, of the corresponding freestanding derivative (see: Discretionary judgments and key assumptions concerning the future).

In the past, VERBUND provided a financial guarantee with a maximum liability of €350.0m (outstanding amount as at the acquisition date: €330.0m) for the construction financing of the Toul combined cycle gas turbine power plant by a German-Austrian banking syndicate and by the European Investment Bank (EIB). In the 2012 reporting period, the result from the measurement of the guarantee liabilities accounted for a total of €8.6m until the acquisition date. The remeasurement of the equity interests previously held in POWEO Toul Production S.A.S. (see: (12) Other result from equity interests) resulted in a negative fair value at the acquisition date, which was taken into account accordingly through a measurement of the net position of the financial guarantees (i.e. guarantee liabilities less the receivables from guarantee payments due) prior to their elimination as a result of the first-time consolidation. The resulting effect on profit or loss was €–67.1m.

In quarter 2/2012, a long-term natural gas supply agreement between POWEO Pont-sur-Sambre Production S.A.S. and ENI S.p.A. was rescinded in connection with a judicial safeguard procedure (procédure de sauvegarde) (see: (11) Result from interests accounted for using the equity method). There was a bank guarantee in favour of ENI S.p.A. for the obligations of POWEO Pont-sur-Sambre Production S.A.S. from this natural gas supply agreement. Because statutory regulations prohibited the payment of outstanding liabilities for the duration of the safeguard procedure, the bank guarantee was drawn upon by ENI S.p.A. VERBUND then provided a surety bond in quarter 3/2012 which was subject to recognition as a financial guarantee in accordance with IAS 39 and was recognised in other financial result with €–28.8m. Before its elimination as a result of the first-time consolidation, this financial guarantee was (re)measured and, as a consequence, reversed to profit or loss in the amount of €27.2m. The remaining effect on profit or loss in the amount of €–1.6m was offset with the effect on profit or loss from the remeasurement of the equity interest in POWEO Pont-sur-Sambre Production S.A.S. and thus recognised in other result from equity interests (see: Discretionary judgments and key assumptions concerning the future).

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

(16)
Taxes on income

Taxes on income €m

	2011	**2012**
Current tax expenses[1]	111.3	182.5
Future tax expense for subsequent taxation of loss transfers from foreign members of the tax group	4.7	3.8
Changes in deferred income taxes	63.8	–24.9
Taxes on income	179.8	**161.5**

[1] Current tax expenses include income from prior periods of €1.1m (previous year: €0.0m).

Taxes on income in the 2012 reporting period in the amount of €161.5m were €3.6m lower than the computed tax expense of €165.1m that would have been incurred by multiplying profit before tax in the amount of €660.5m by the 25% income tax rate applicable to VERBUND AG. The reasons for the difference between VERBUND's computed and recognised tax expense are as follows:

Tax reconciliation

€m

	2011	2012
Computed income tax expense	161.4	**165.1**
Acquisition of French combined cycle gas turbine power plants (including outside-basis differences)	0.0	30.5
Differences from interests accounted for using the equity method	29.8	10.8
Differences from non-recoverable losses	0.0	9.6
Differences from tax-exempt premiums	–0.2	–0.1
Differences due to different foreign tax rates	0.5	–0.5
Differences from amortisation of goodwill in accordance with Section 9–7 of the Austrian Corporate Income Tax Act (Körperschaftsteuergesetz, KStG)	–0.9	–0.5
Differences from the disposal of interests accounted for using the equity method	–7.1	–1.6
Differences from tax-exempt results from equity interests	–8.3	–2.8
Effects from the repayment of non-current financial liabilities from capital shares attributable to limited partners	0.0	–4.8
Effects from intragroup impairment losses on equity interests	0.0	–19.3
Effects from intragroup sales of equity interests	0.0	–22.0
Differences from other items	0.7	5.8
Income tax expenses for the period	176.0	**170.1**
Income tax expenses or income from prior periods (current and deferred)	3.7	–8.7
Recognised income tax expenses	179.8	**161.5**
Effective tax rate	27.8%	**24.4%**

(17) Earnings per share

Determination of earnings per share

€m

	2011	2012
Profit for the period	465.8	499.0
Net of profit for the period attributable to non-controlling interests	–110.0	–109.7
Group result	355.8	**389.3**
Weighted average number of shares in circulation	347,415,686	347,415,686
Earnings per share in €	1.02	**1.12**

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

Notes to the statement of comprehensive income

(18) Reclassification adjustments ("recycling") to the income statement

Reclassification adjustments ("recycling") to the income statement

€m

	2011	2011	**2012**	**2012**
Differences from currency translation				
Measurement gains or losses recognised in equity	– 129.3		33.9	
Reclassification adjustment to the income statement	0.0	– 129.3	0.0	33.9
Measurements of available-for-sale financial instruments				
Measurement gains or losses recognised in equity	– 6.6		11.2	
Reclassification adjustment to the income statement	– 0.4	– 7.0	0.0	11.2
Measurements of cash flow hedges				
Measurement gains or losses recognised in equity	35.0		102.4	
Reclassification adjustment to the income statement	66.0		– 142.2	
Basis adjustment	0.0	101.0	0.0	– 39.8
Other comprehensive income from interests accounted for using the equity method				
Measurement gains or losses recognised in equity	– 6.6		– 46.6	
Reclassification adjustment to the income statement	8.9		11.6	
Basis adjustment	7.3	9.6	4.9	– 30.1
Other comprehensive income		– 25.7		**– 24.8**

(19) Taxes on other comprehensive income

Taxes on income on other comprehensive income

€m

	2011 Before taxes	2011 Taxes	2011 After taxes	**2012 Before taxes**	**2012 Taxes**	**2012 After taxes**
Remeasurements of the net defined benefit liability	0.0	0.0	0.0	–42.5	11.5	–31.1
Other comprehensive income from interests accounted for using the equity method	–1.2	–	–1.2	–5.9	–	–5.9
Total of items that will not be reclassified ("recycled") subsequently to the income statement	–1.3	0.0	–1.3	**–48.5**	**11.5**	**–37.0**
Differences from currency translation	–129.3	–	–129.3	33.9	–	33.9
Measurements of available-for-sale financial instruments	–7.0	1.7	–5.3	11.2	–2.8	8.4
Measurements of cash flow hedges	101.0	–25.3	75.7	–39.8	9.9	–29.8
Other comprehensive income from interests accounted for using the equity method	9.6	–	9.6	–30.1	–	–30.1
Total of items that will be reclassified ("recycled") subsequently to the income statement	–25.7	–23.6	–49.3	**–24.8**	**7.2**	**–17.6**
Other comprehensive income	–27.0	–23.6	–50.6	**–73.3**	**18.6**	**–54.6**

Notes to the balance sheet

(20) Intangible assets

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

Intangible assets €m

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

Intangible assets €m

	Concessions, rights, licences	Goodwill	Total
2011			
Acquisition costs as at 1/1	62.7	605.7	668.4
Additions	13.4	0.0	13.4
Disposals	–3.8	0.0	–3.8
Acquisition costs as at 31/12	**72.3**	**605.7**	**678.1**
Accumulated amortisation as at 1/1	44.8	0.0	44.8
Amortisation	4.2	–	4.2
Impairment losses	0.0	0.0	0.0
Disposals	–3.1	0.0	–3.1
Accumulated amortisation as at 31/12	**45.9**	**0.0**	**45.9**
Net carrying amount as at 31/12	**26.4**	**605.7**	**632.1**
Net carrying amount as at 1/1	17.9	605.7	623.6

(21) Property, plant and equipment

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

Property, plant and equipment €m

	Land and buildings	Machi-nery	Electrical instal-lations	Power lines	Office and plant equip-ment	Plants under construc-tion and projects	Total
2012							
Acquisition and production costs as at 1/1	5,695.6	2,645.9	2,353.4	1,207.8	151.0	986.7	13,040.4
Foreign exchange differences	0.0	0.0	0.0	0.0	0.0	– 2.5	– 2.6
Additions from acquisitions	56.8	153.3	29.0	1.7	0.1	226.3	467.2
Additions	51.5	131.4	103.3	14.8	16.2	363.2	680.3
Disposals	– 6.8	– 65.2	– 44.1	– 0.1	– 10.7	0.0	– 126.9
Reclassifications	170.0	586.4	164.3	38.3	1.9	– 962.4	– 1.4
Acquisition and production costs as at 31/12	**5,967.1**	**3,451.7**	**2,605.8**	**1,262.5**	**158.4**	**611.4**	**14,057.0**
Accumulated depreciation as at 1/1	2,459.4	1,547.4	1,689.9	544.8	102.4	117.8	6,461.7
Depreciation	81.6	74.7	80.5	25.5	10.4	0.0	272.7
Impairment losses	7.4	36.5	11.4	1.9	0.0	0.0	57.3
Reversals of impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	– 4.3	– 64.3	– 42.1	0.0	– 9.9	0.0	– 120.5
Reclassifications	15.9	77.4	16.4	4.1	0.0	– 113.8	0.0
Accumulated depreciation as at 31/12	**2,560.0**	**1,671.8**	**1,756.1**	**576.3**	**103.0**	**4.0**	**6,671.1**
Net carrying amount as at 31/12	**3,407.1**	**1,779.9**	**849.8**	**686.2**	**55.4**	**607.4**	**7,385.8**
Net carrying amount as at 1/1	3,236.2	1,098.5	663.5	663.0	48.5	869.0	6,578.7

Property, plant and equipment

€m

	Land and buildings	Machi-nery	Electrical instal-lations	Power lines	Office and plant equip-ment	Plants under construc-tion and projects	Total
2011							
Acquisition and production costs as at 1/1	5,458.5	2,547.7	2,237.1	1,124.2	145.6	1,050.4	12,563.4
Foreign exchange differences	0.0	0.0	0.0	0.0	0.0	–0.1	–0.1
Additions	40.1	26.3	58.2	19.5	8.9	428.4	581.4
Disposals	–10.3	–39.7	–37.5	–12.4	–3.6	–0.8	–104.3
Reclassifications	207.4	111.7	95.6	76.4	0.1	–491.1	0.0
Acquisition and production costs as at 31/12	**5,695.6**	**2,645.9**	**2,353.4**	**1,207.8**	**151.0**	**986.7**	**13,040.4**
Accumulated depreciation as at 1/1	2,738.5	1,577.5	1,666.7	521.3	96.1	4.7	6,604.7
Depreciation	71.5	56.8	73.5	26.0	9.7	0.0	237.5
Impairment losses	0.0	0.0	0.1	0.0	0.0	113.8	114.0
Reversals of impairment losses	–342.0	–48.1	–22.2	0.0	0.0	0.0	–412.3
Disposals	–8.6	–38.8	–28.3	–2.5	–3.3	–0.8	–82.2
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation as at 31/12	**2,459.4**	**1,547.4**	**1,689.9**	**544.8**	**102.4**	**117.8**	**6,461.7**
Net carrying amount as at 31/12	**3,236.2**	**1,098.5**	**663.5**	**663.0**	**48.5**	**869.0**	**6,578.7**
Net carrying amount as at 1/1	2,720.1	970.2	570.4	602.9	49.5	1,045.7	5,958.7

Additions for the reporting period 2012 (excluding those from business acquisitions) are analysed as follows:

Additions €m

	2011	**2012**
Wind farms (Rhineland-Palatinate)	0.0	136.9
Wind farms Casimcea (Romanian Black Sea Coast)	86.2	106.7
Reisseck II power plant	82.2	88.9
Mellach combined cycle gas turbine power plant	120.7	48.5
Zurndorf substation	5.1	22.6
Ernsthofen and St. Peter substations: Danube line changeover to 380 kV	2.1	21.5
Kalsdorf power plant	10.4	14.6
380 kV Tauern – Pongau – Salzach – St. Peter line	22.5	14.3
Automation of hydropower plants	7.6	13.6
Pernegg power plant (revitalisation)	14.8	11.7
Expansion of Austrian wind farms	0.1	11.1
Lienz substation: Quadrature booster	3.9	10.0
Kaprun Limberg II power plant	38.9	5.6
Bisamberg substation (conversion and extension)	14.9	5.5
380 kV Southeast Vienna – Southern Burgenland line (3rd subconductor)	15.2	4.4
Gössendorf power plant	20.3	0.1
Other additions (< €10.0m)	136.5	164.3
Total additions to property, plant and equipment	581.4	**680.3**

In the 2002 reporting period, the Triebenbach power plant was taken over on the basis of a financial lease arrangement. As at 31 December 2012 it was recognised under property, plant and equipment with a net carrying amount of €14.0m (previous year: €15.0m). This is allocated to the following asset groups: land and buildings €9.2m (previous year: €9.5m), machinery €2.7m (previous year: €3.1m) and electrical installations €2.1m (previous year: €2.4m).

Reconciliation from lease payments to their present value 2012 €m

	2013	2014 – 2017	From 2018
Lease payments	1.6	14.1	–
Effect of discounting	– 0.1	– 1.3	–
Present value of lease liability as at 31/12/2012	1.5	12.8	–

Reconciliation from lease payments to their present value 2011 €m

	2012	2013 – 2016	From 2017
Lease payments	1.6	15.7	–
Effect of discounting	– 0.1	– 2.1	–
Present value of lease liability as at 31/12/2011	1.5	13.6	–

(22) Interests accounted for using the equity method

Capital increases were carried out at Turkish Enerjisa Enerji A.S. (Group) in the 2012 reporting period; until their classification as held for sale (see: (28) Non-current assets held for sale), VERBUND's 50% share in these capital increases amounted to a total of €208.1m. In addition, shares in the Italian Sorgenia S.p.A. (Group) of €9.5m were acquired. The acquisition of shares resulted from a capital increase and the exercise of put options on shares that had been issued as part of a share-based remuneration programme for members of the management of Sorgenia S.p.A. (Group). As a result, VERBUND's ownership interest in Sorgenia S.p.A. (Group) increased slightly from 44.91% to 45.66%.

Additionally, a capital increase took place in the French company POWEO Toul Production S.A.S. in the 2012 reporting period; VERBUND's 100% share of this capital increase amounted to €91.6m (see: (11) Result from interests accounted for using the equity method).

The 100% equity interests in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. were consolidated for the first time effective 31 October 2012 (see: Financial reporting principles). The consolidation resulted (following remeasurement of the previously held equity interests with the effect recognised in profit or loss) in the “disposal” of the French equity interests accounted for using the equity method (see: (12) Other result from equity interests).

The 42.87% equity interest in Kärntner Restmüllverwertungs GmbH was sold to KELAG-Kärntner Elektrizitäts-AG effective 10 May 2012. Kärntner Restmüllverwertungs GmbH operates a thermal waste treatment plant. The 45% equity interest in Gletscherbahnen Kaprun AG was sold to Kapruner Tourismus Holding GmbH effective 23 August 2012. Gletscherbahnen Kaprun AG is active as the operator of ski lifts and the Kitzsteinhorn ski area in Pinzgau/Salzburg. The 49% equity interest in Energie Klagenfurt GmbH was sold to Stadtwerke Klagenfurt AG effective 21 November 2012. Energie Klagenfurt GmbH generates electricity, transmits and distributes electricity, district heating and gas, and is active in energy trading and energy consulting.

The 34.57% equity interest in STEWEAG-STEG GmbH and the 50% equity interest in Turkish Enerjisa Enerji A.S. (Group) were classified as held for sale effective 30 September 2012 and 3 December 2012 respectively (see: (28) Non-current assets held for sale).

Interests accounted for using the equity method

€m	2011	**2012**
Amortised acquisition costs as at 1/1	2,368.1	**2,205.2**
Additions	276.8	309.1
Dividends	–39.4	–27.9
Result from equity accounting	–128.0	–56.9
Other comprehensive income from equity accounting	8.4	–42.9
Other comprehensive income from currency translation	–129.7	37.4
Disposals or classification as held for sale	–150.8	–1,462.9
Amortised acquisition costs as at 31/12	2,205.2	**961.1**
Accumulated value adjustments as at 1/1	106.2	89.9
Impairment losses	59.1	23.4
Reversals of impairment losses	–10.5	0.0
Disposals	–64.9	–61.0
Accumulated value adjustments as at 31/12	89.9	**52.3**
Net carrying amount as at 31/12	2,115.3	**908.8**
Net carrying amount as at 1/1	2,261.9	2,115.3

The following tables show a summary of aggregated balance sheet data for VERBUND's joint ventures and associates accounted for using the equity method. The reference date for investee balance sheet data is 30 September 2012 (see: Financial reporting principles); data are based on disclosed financial statements and/or on data updated to the best of VERBUND's knowledge.

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

Joint ventures 2012

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

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

Joint ventures 2012: Balance sheets – VERBUND's share €m

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

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

Joint ventures 2011 €m

	Austria and Germany	Turkey	Other[1]
Total assets	526.5	3,337.0	191.5
Total liabilities	311.1	1,990.0	145.4
Equity – 100%	215.4	1,347.0	46.2
Equity – VERBUND's share	105.5	673.5	23.1
Differences due to the application of the equity method of accounting	19.1	69.3	– 17.7
Carrying amount of joint ventures accounted for using the equity method as at 31/12/2011	**124.6**	**742.7**	**5.4**

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

Joint ventures 2011: Balance sheets – VERBUND's share €m

	Austria and Germany	Turkey	Other[1]
Non-current assets	202.5	1,438.6	72.0
Current assets	56.7	229.9	23.8
Non-current liabilities	124.9	623.9	26.0
Current liabilities	28.7	371.1	46.7
Equity – VERBUND's share	**105.5**	**673.5**	**23.1**

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

Associates 2012 €m

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

Associates 2011

€m	Austria	Italy	France[1]
Total assets	2,982.0	3,405.4	568.2
Total liabilities	1,786.0	2,299.9	623.9
Equity – 100%	1,195.9	1,105.5	–55.7
Equity – VERBUND's share	420.6	461.1	–55.7
Differences due to the application of the equity method of accounting	107.5	253.4	55.7
Carrying amount of associates accounted for using the equity method as at 31/12/2011	**528.1**	**714.5**	**0.0**

[1] Profits or losses for the period (and other comprehensive income) for the equity interests in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. could not be completely recognised since the carrying amounts had already been reduced to zero. In order to reconcile the equity with the carrying amount of interests accounted for using the equity method, the off-balance sheet losses (and other comprehensive income) for which recognition was discontinued were adjusted through the differences due to the application of the equity method of accounting.

(23) Other equity interests

Other equity interests

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

Other equity interests

€m

	Interests in non-consolidated subsidiaries	Other equity interests	Total
2011			
(Amortised) acquisition costs as at 1/1	2.7	138.2	140.9
Additions from acquisitions of interests and capital increases	0.3	2.3	2.6
Disposals	–1.6	0.0	–1.6
Reclassifications	0.0	–3.0	–3.0
(Amortised) acquisition costs as at 31/12	1.4	137.5	138.8
Accumulated value adjustments as at 1/1	0.0	2.0	2.0
Impairment losses	0.0	2.8	2.8
Fair value measurement in other comprehensive income	0.0	4.6	4.6
Disposals	0.0	0.0	0.0
Reclassifications	0.0	–0.5	–0.5
Accumulated value adjustments as at 31/12	0.0	8.9	8.9
Net carrying amount as at 31/12	1.4	128.5	129.9
Net carrying amount as at 1/1	2.7	136.2	138.9

The additions of other equity interests for the 2012 reporting period concerned the capitalisation of E-Mobility Provider Austria GmbH as well as E-Mobility Provider Austria GmbH & Co KG (€1.0m) and a capital increase by POWEO Blaringhem Production S.A.R.L. (€0.5m). Due to a lack of recoverability, the latter resulted in (immediate) recognition as an expense. Additional effects from impairment tests included the equity interest in Burgenland Holding AG (€–4.2m). In addition, the equity interest in Energie AG Oberösterreich classified as available for sale was measured at fair value and had to be recognised in other comprehensive income (€+8.3m).

The disposals of other equity interests in the 2012 reporting period mainly concerned C.E.M.P. d.o.o. (cost: €0.5m; accumulated value adjustments: €0.5m).

The change in consolidation method concerning non-consolidated subsidiaries relate to VERBUND Trading Romania S.R.L. (see: Financial reporting principles).

(24) Investments and other non-current receivables

Investments and non-current other receivables

€m

	2011	**2012**
Investments – closed items on the balance sheet	287.4	**284.6**
Interest rate swaps – closed items on the balance sheet	120.2	**124.0**
Other investments and other receivables	436.0	**282.0**
Total	843.6	**690.6**

Investments – cross-border leasing and closed items on the balance sheet €m

	Securities (loan stock rights) under closed items on the balance sheet	Other loans under closed items on the balance sheet	Total
2012			
Amortised acquisition costs as at 1/1	52.0	236.4	288.4
Foreign exchange differences	– 1.5	– 8.0	– 9.5
Additions	2.3	1.5	3.8
Capitalised interest	0.0	10.0	10.0
Disposals	– 1.3	– 6.8	– 8.1
Amortised acquisition costs as at 31/12	51.5	233.1	284.6
Of which non-current assets	51.5	233.1	284.6
Of which current assets	0.0	0.0	0.0

Investments – cross-border leasing and closed items on the balance sheet €m

	Securities (loan stock rights) under closed items on the balance sheet	Other loans under closed items on the balance sheet	Total
2011			
Amortised acquisition costs as at 1/1	50.7	202.8	253.5
Foreign exchange differences	1.1	– 6.1	– 5.0
Additions	2.3	35.5	37.8
Capitalised interest	0.0	7.8	7.8
Disposals	– 2.2	– 3.6	– 5.8
Amortised acquisition costs as at 31/12	52.0	236.4	288.3
Of which non-current assets	52.0	235.5	287.4
Of which current assets	0.0	0.9	0.9

As at 31 December 2012, securities consisted of medium-term notes with a nominal value of $65.5m (previous year: $64.8m) or €51.5m (previous year: €51.9m).

€51.5m (previous year: €51.9m) of securities and €233.1m (previous year: €236.4m) of loans has been pledged. Securities and loans all serve banks as collateral for borrowing.

Other non-current investments and non-current other receivables €m

	Loans to investees	Securities (loan stock rights)	Other loans	Total
2012				
Acquisition costs as at 1/1	242.7	156.9	17.9	417.6
Additions	16.3	0.7	0.8	17.8
Disposals	–137.7	–2.0	–0.3	–140.0
Reclassifications	–14.2	0.0	–17.4	–31.6
Acquisition costs as at 31/12	**107.1**	**155.6**	**1.1**	**263.7**
Accumulated value adjustments as at 1/1	0.0	29.3	0.0	29.3
Impairment losses	0.0	0.0	0.0	0.0
Reversals of impairment losses	0.0	0.0	0.0	0.0
Fair value measurement in OCI	0.0	–3.1	0.0	–3.1
Reclassification adjustments ("recycling")	0.0	0.0	0.0	0.0
Disposals	0.0	–0.5	0.0	–0.5
Reclassifications	0.0	0.0	0.0	0.0
Accumulated value adjustments as at 31/12	**0.0**	**25.7**	**0.0**	**25.7**
Net carrying amount as at 31/12	**107.1**	**129.8**	**1.1**	**238.0**
Net carrying amount as at 1/1	242.7	127.6	17.9	388.3
Net carrying amount of non-current other receivables as at 31/12				**168.0**
Net carrying amount of non-current other receivables as at 1/1				168.0
Net carrying amount total as at 31/12				**406.0**
Net carrying amount total as at 1/1				556.2

Other non-current investments and non-current other receivables

€m

	Loans to investees	Securities (loan stock rights)	Other loans	Total
2011				
Acquisition costs as at 1/1	30.0	155.5	214.3	399.8
Additions	27.9	1.1	377.5	406.5
Disposals	–0.8	–2.8	0.0	–3.6
Reclassifications	185.7	3.0	–573.9	–385.2
Acquisition costs as at 31/12	**242.7**	**156.9**	**17.9**	**417.6**
Accumulated value adjustments as at 1/1	0.0	26.6	0.0	26.6
Impairment losses	0.0	0.0	0.0	0.0
Reversals of impairment losses	0.0	0.0	0.0	0.0
Fair value measurement in OCI	0.0	2.0	0.0	2.0
Reclassification adjustments ("recycling")	0.0	0.4	0.0	0.4
Disposals	0.0	–0.3	0.0	–0.3
Reclassifications	0.0	0.5	0.0	0.5
Accumulated value adjustments as at 31/12	**0.0**	**29.3**	**0.0**	**29.3**
Net carrying amount as at 31/12	**242.7**	**127.6**	**17.9**	**388.3**
Net carrying amount as at 1/1	30.0	128.9	214.3	373.2
Net carrying amount of non-current other receivables as at 31/12				**168.0**
Net carrying amount of non-current other receivables as at 1/1				112.4
Net carrying amount total as at 31/12				**556.2**
Net carrying amount total as at 1/1				485.6

Securities in the amount of €129.8m (previous year: €127.6m) primarily include shares in investment funds and government bonds (Austria and France) and were classified as available for sale. Of the securities, €53.9m (previous year: €56.2m) were pledged as collateral primarily in connection with trading on the power exchanges and balance energy management.

Non-current other receivables contain derivative financial instruments measured at fair value in the amount of €124.1m (previous year: €120.2m), which relate to financial liabilities under closed items on the balance sheet.

(25) Inventories

Inventories €m

	2011	**2012**
Heating oil	7.8	7.3
Coal	66.4	85.7
Natural gas	23.6	19.1
Net of write downs	–5.9	–3.9
Inventories of primary energy sources held for generation	91.9	**108.3**
Natural gas held for trading	7.3	8.1
Emission rights held for trading	7.4	6.2
Measurements	–2.8	0.5
Inventories	11.8	**14.7**
Additives and consumables	3.5	**3.3**
Other	0.0	**2.8**
Inventories	107.1	**129.2**

(26) Trade receivables and other receivables

Trade receivables and other receivables €m

	2011 Non-current	**2012** Non-current	2011 Current	**2012** Current
Trade receivables	0.0	0.0	278.7	295.8
Receivables from investees	0.0	0.0	140.8	91.1
Other loans	–	–	411.8	10.2
Loans to investees	–	–	13.2	0.9
Receivables from non-consolidated subsidiaries	0.0	0.0	7.4	3.4
Other receivables and assets	168.0	168.0	266.3	621.3
Trade receivables and other receivables	168.0	**168.0**	1,118.1	**1,022.8**

As at 31 December 2012, other loans included a total of €0.0m (previous year: €0.9m) from other loans under closed items on the balance sheet.

Other receivables with a maturity of more than one year were recognised under investments and non-current other receivables.

Other receivables and assets

€m

	2011 Non-current	**2012 Non-current**	2011 Current	**2012 Current**
Money market transactions	0.0	**0.0**	0.0	**210.8**
Derivatives in the energy area	0.0	**0.0**	173.5	**206.2**
Derivatives in the finance area	120.2	**124.1**	0.0	**0.0**
Receivables from disposals of equity interests	0.0	**0.0**	0.0	**61.6**
Receivables from tax clearing	0.0	**0.0**	23.0	**60.3**
Electricity cost prepayments to Österreichisch-Bayerische Kraftwerke AG	22.5	**39.0**	1.6	**2.9**
Emission rights	–	**–**	17.0	**32.7**
Guarantees in electricity trading	0.0	**0.0**	7.8	**13.4**
Receivables from accrued interest	0.0	**0.0**	9.1	**1.5**
Receivables from disposals of assets	0.0	**0.0**	17.1	**0.0**
Receivables from EU grants	0.0	**0.0**	3.7	**0.0**
Receivables form guarantee payments due	23.0	**0.0**	0.0	**0.0**
Other	2.2	**4.9**	13.4	**31.8**
Other receivables and assets	168.0	**168.0**	266.3	**621.3**

The most significant allowances and/or payment defaults (overdue payments) were as follows:

Allowances

€m

	Receivables net (carrying amount)	Of which: impaired as at balance sheet date	Allowances	Receivables gross
2012				
Trade receivables	295.8	0.9	6.9	302.8
Receivables from investees	91.1	0.0	0.0	91.1
Receivables from non-consolidated subsidiaries	3.4	0.0	0.0	3.4
Loans	11.1	0.0	0.0	11.1
Other receivables and assets	621.3	0.0	0.0	621.3
Total	1,022.8	0.9	7.0	1,029.7

Allowances

€m

	Receivables net (carrying amount)	Of which: impaired as at balance sheet date	Allowances	Receivables gross
2011				
Trade receivables	278.7	2.0	7.6	286.3
Receivables from investees	140.8	0.0	0.0	140.8
Receivables from non-consolidated subsidiaries	7.4	0.0	0.0	7.4
Loans	424.9	0.0	0.0	424.9
Other receivables and assets	266.3	1.8	0.4	266.7
Total	1,118.1	3.8	8.0	1,126.1

Overdue amounts 2012

€m

			Of which not impaired but overdue in the periods as indicated			
	Carrying amount	Of which not impaired or overdue as at balance sheet date	up to 30 days	31 to 120 days	121 to 360 days	> 360 days
Trade receivables	295.8	281.8	10.9	0.6	1.6	0.1
Receivables from investees	91.1	86.8	4.3	0.0	0.0	0.0
Receivables from non-consolidated subsidiaries	3.4	3.4	0.0	0.0	0.0	0.0
Loans	11.1	11.1	0.0	0.0	0.0	0.0
Other receivables and assets	621.3	620.5	0.6	0.0	0.0	0.1
Total	1,022.8	1,003.7	15.8	0.6	1.6	0.2

Overdue amounts 2011 €m

	Carrying amount	Of which not impaired or overdue as at balance sheet date	Of which not impaired but overdue in the periods as indicated: up to 30 days	31 to 120 days	121 to 360 days	> 360 days
Trade receivables	278.7	272.6	3.6	0.3	0.2	0.0
Receivables from investees	140.8	139.9	0.9	0.0	0.0	0.0
Receivables from non-consolidated subsidiaries	7.4	7.4	0.0	0.0	0.0	0.0
Loans	424.9	424.9	0.0	0.0	0.0	0.0
Other receivables and assets	266.3	264.5	0.0	0.0	0.0	0.0
Total	1,118.1	1,109.3	4.5	0.3	0.2	0.0

The other non-current receivables were neither overdue nor impaired in the 2012 and 2011 reporting periods.

(27) Cash and cash equivalents

Cash and cash equivalents €m

	2011	**2012**
Cash at banks	333.2	121.6
Cash in hand	0.1	0.1
Cash and cash equivalents	333.2	**121.7**

The lock-in period for all current financial investments was less than three months at the time the investment was made. Cash and cash equivalents correspond to the fund of cash and cash equivalents in the cash flow statement in accordance with IAS 7.

(28) Non-current assets held for sale

The 50.1% equity interest in POWEO Outre-mer Solaire S.A.S. (Group) continued to be classified as held for sale and measured as at 31 December 2012 at the lower of its carrying amount and fair value less costs to sell. Unforeseen delays in completing photovoltaic power plants and outstanding questions relating to tax law meant that the interest could not be sold within the one-year period. The equity interest is now to be sold in the form of a share deal in the first half of 2013. POWEO Outre-mer Solaire S.A.S. (Group) is active in the area of project development and in the operation of photovoltaic farms and rooftop photovoltaic systems in French overseas territories. This equity interest will temporarily remain with VERBUND merely as an interim step to enable the best possible disposal of the renewable energy projects of (former) POWEO Production S.A.S. The decision to sell this equity interest was taken as a result of VERBUND's strategic focus.

The 34.57% equity interest in STEWEAG-STEG GmbH was classified as held for sale effective 30 September 2012 and measured at the lower of its carrying amount and fair value less costs to sell. In quarter 4/2012, VERBUND signed a sales contract with Energie Steiermark AG and Energie Steiermark Finanz-Service GmbH for these shares; the closing was still subject to approval by competition authorities as at the balance sheet date (see: Events after the balance sheet date). STEWEAG-STEG GmbH is the largest utility in Styria. It generates, transmits and distributes electricity and is active in energy trading. The decision to sell these equity interests was taken as a result of VERBUND's strategic focus on majority interests focusing on electricity generation from hydropower and the related streamlining of the portfolio to remove non-strategic minority interests.

Effective 3 December 2012, VERBUND signed a sales agreement with DD Turkey Holdings S.à.r.l, a wholly owned subsidiary of E.ON SE, for 50% of the shares in Turkish Enerjisa Enerji A.S. (Group). As at 31 December 2012, the equity interest was therefore (still) classified as held for sale and measured at the lower of its carrying amount and fair value less costs to sell. The capital increases carried out at Turkish Enerjisa Enerji A.S. (Group) in December 2012 – VERBUND's share of this amounted to a total of €18.9m – increased the carrying amount of the equity interest held for sale. The Enerjisa Enerji S.A. (Group) is a vertically integrated Turkish energy group; on the one hand, it is active in the area of project development of power plants, generates, sells and trades electricity and, on the other hand, it operates the distribution grid in the Başkent region which supplies around three million consumers with electricity. This sale of equity interest is part of a transaction that is to be viewed in its entirety, whereby (additional) Bavarian hydropower plant capacities with an average annual generation of around 2.0 billion kWh, (additional) 50% shares in Bavarian hydropower plant projects and 20.28% of the capacity of the Zemm/Ziller storage power plant group are to be acquired. The latter was assigned to E.ON Wasserkraft GmbH in the form of a long-term electricity supply agreement in 2009 as part of the consideration for the acquisition of 13 run-of-river power plants on the Inn River in Bavaria. The decision to sell this equity interest in Enerjisa Enerji A.S. (Group) during this transaction was taken as a result of VERBUND's strategic focus on majority interests focusing on electricity generation from hydropower and on the Austrian and German market. The closing of the transaction was still subject to approval by competition and other (regulatory) authorities as at the balance sheet date and is expected to take place in the first half of 2013.

All equity interests classified by VERBUND as held for sale were assigned to the Equity Interests & Services segment.

(29)
Share capital

Just as in the previous year, the share capital comprised 170,233,686 no-par shares in the form of bearer shares (category A) and 177,182,000 no-par shares in the form of registered shares (category B). Category B represents 51% of the share capital, authenticated by an interim certificate deposited with the Federal Ministry of Finance and made out in the name of the Republic of Austria. The share capital was paid in full.

(30)
Capital reserves

The amount of €954.3m (previous year: €954.3m), which represents the portion of the reserves that was not retained from profit for the period in previous reporting periods, is recognised under capital reserves.

(31)
Retained earnings

Retained earnings comprise the retained profits and the effects on equity attributable to the shareholders of VERBUND AG from the shift between shareholder groups. Of the retained earnings, the amount that can be distributed to the shareholders of VERBUND AG is the item presented as profit for the period in the (separate) annual financial statements of VERBUND AG as at 31 December 2012 prepared in accordance with the Austrian Commercial Code (Unternehmensgesetzbuch, UGB). For 2012 financial year, this profit for the reporting period that had not yet been approved amounted to €208.4m (previous year: €191.1m). A dividend of €0.60 per share (previous year: €0.55) will be proposed at the Annual General Meeting.

(32)
Reserve for differences from currency translation

The reserve for differences from currency translation primarily contains the currency translation of the equity-accounted joint venture held with the Turkish company Sabanci Holding A.S. The equity interest in Enerjisa Enerji A.S. (Group) was classified as held for sale effective 3 December 2012 (see: (28) Non-current assets held for sale), whereby the investee not only ceased to be equity-accounted, but the difference from currency translation was also "frozen".

(33)
Non-controlling interests

Non-controlling interests in %

	2011	**2012**
VERBUND Hydro Power AG	19.67	19.67
VERBUND Thermal Power GmbH	40.51	20.00
Alpha Wind S.R.L.	10.00	10.00
VERBUND-Innkraftwerke GmbH	29.73	29.73

The shifts between the shareholder groups in the 2012 reporting period are related to the acquisition of 6.53% of the interest in VERBUND Thermal Power GmbH from KELAG-Kärntner Elektrizitäts-Aktiengesellschaft. Additionally, 13.99% of the interest in VERBUND Thermal Power GmbH was acquired from STEWEAG-STEG GmbH. In addition, the dilution associated with the contribution by KELAG-Kärntner Elektrizitäts-Aktiengesellschaft of 6.51% of the limited partner shares in VERBUND Thermal Power GmbH & Co KG into VERBUND Thermal Power GmbH resulted in a shift between the shareholder groups in the amount of 0.01%.

Capital shares in VERBUND Thermal Power GmbH & Co KG attributable to limited partners of 24.28% (previous year: 44.35%) were presented under non-current financial liabilities in accordance with IAS 32. The same applied to the capital shares attributable to limited partners in the ten wind farm companies and two infrastructure companies acquired in 2012 (see: Financial reporting principles).

(34) Non-current and current financial liabilities

Non-current and current financial liabilities

€m

	2011 Non-current	2012 Non-current	2011 Current	2012 Current
Bonds	2,227.0	2,141.7	56.9	62.9
Financial liabilities to banks	1,042.2	1,266.4	220.8	280.2
Financial liabilities to others	83.0	85.8	44.3	42.7
Guarantee liabilities	41.1	0.0	1.8	0.0
Capital shares attributable to limited partners	108.2	32.7	0.0	0.0
Subtotal	3,501.5	**3,526.7**	323.8	**385.8**
Financial liabilities to banks – closed items on the balance sheet	407.6	408.6	0.9	0.0
Non-current and current financial liabilities	3,909.1	**3,935.3**	324.7	**385.8**

Non-current and current financial liabilities[1]

€m

	2011	2012
Carrying amount as at 1/1	4,141.5	3,825.1
Additions from acquisitions	0.0	381.1
Net change in money market transactions	–46.4	60.5
Borrowings	127.0	53.0
Changes in interest accruals	3.6	7.5
Foreign exchange gains or losses	10.0	–10.8
Changes in guarantee liabilities	33.3	–42.9
Unscheduled repayments	–355.0	–69.0
Changes in capital shares attributable to limited partners	–21.8	–75.4
Scheduled repayments	–67.1	–216.6
Carrying amount as at 31/12	3,825.1	**3,912.5**
Of which non-current liabilities	3,501.3	3,526.7
Of which current liabilities	323.8	385.8

[1] excluding finanical liabilities from closed items on the balance sheet

Financial liabilities – closed items on the balance sheet

€m	2011	2012
Carrying amount as at 1/1	332.8	408.5
Additions	0.0	0.0
Foreign exchange gains or losses	–8.3	–12.2
Capitalisation	27.4	27.6
Repayments and/or disposals	–16.5	–19.1
Reclassifications	21.9	0.0
Market value changes	51.2	3.8
Carrying amount as at 31/12	408.5	**408.6**
Of which non-current liabilities	407.6	408.6
Of which current liabilities	0.9	0.0

Capital shares attributable to limited partners

€m	2011	2012
Carrying amount as at 1/1	128.5	**108.2**
Additions	0.0	0.0
Profit or loss attributable to limited partners	–21.3	–39.7
Disposals	–0.2	–34.0
Other changes	1.3	–1.8
Carrying amount as at 31/12	108.2	**32.7**

As at 31 December 2012, the shares attributable to limited partners concerned on the one hand capital shares in VERBUND Thermal Power GmbH & Co KG and on the other hand capital shares in the ten wind farm companies and two infrastructure companies acquired in the 2012 reporting period (see: Financial reporting principles). The shares in VERBUND Thermal Power GmbH & Co KG attributable to limited partners declined in the 2012 reporting period on the one hand due to the contribution by KELAG-Kärntner Elektrizitäts-AG of 6.51% of the limited partner shares into VERBUND Thermal Power GmbH. On the other hand, VERBUND Beteiligungsholding GmbH acquired limited partnership interests amounting to 14.71% from STEWEAG-STEG GmbH, 0.08% from TIWAG-Tiroler Wasserkraft AG and 0.06% from the state of Burgenland.

In the 2012 reporting period, VERBUND incurred new non-current financial liabilities totalling €53.0m (previous year: €127.0m). €50.0m (at a fixed interest rate) of this borrowing was from the European Investment Bank (EIB); an existing financial liability bearing fixed interest was increased by €3.0m. A total of €381.1m in financial liabilities was added through the first-time consolidation of POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S.; of that amount, €330.0m were liabilities to banks at a fixed interest rate.

In the 2012 reporting period, scheduled repayments of financial liabilities (excluding financial liabilities from cross-border leasing transactions that had been terminated early) were made in the amount of €216.6m (previous year: €67.1m), and unscheduled early repayments were made in the amount of €69.0m (previous year: €355.0m). In addition, current financial liabilities (cash advances) were repaid in the amount of €0.1m (previous year: €46.4m) and €60.5m (previous year: €0.1m) were raised on the money market.

In comparison with the 2011 reporting period, there were no changes in the underlying terms of the existing financial liabilities with regard to interest rates or maturities.

With regard to financial liabilities from cross-border leasing transactions that had been terminated early, capitalisations in the amount of €27.6m (previous year: €27.4m) were recognised; repayments and disposals came to a total of €19.1m (previous year: €16.5m).

As at 31 December 2012 and 31 December 2011, VERBUND had no mortgage-backed liabilities.

Non-current and current financial liabilities 2012

	Longest Maturity	Issue volume	Carrying amount as at 31/12	1 year or less
Bonds				
Euro currency	2020	2,112.7	2,154.6	61.7
Foreign currencies (¥)	2015	126.1	50.0	1.2
Total bonds		2,238.8	2,204.6	62.9
Of which at a fixed interest rate	2020	2,238.8	2,204.6	62.9
Of which at a variable interest rate	–	–	–	–
Financial liabilities to banks				
Euro currency	2037	1,687.7	1,546.6	280.2
Foreign currencies	–	–	–	–
Total financial liabilities to banks		1,687.7	1,546.6	280.2
Of which at a fixed interest rate	2037	1,159.3	1,129.2	188.4
Of which at a variable interest rate	2030	528.4	417.4	91.8
Financial liabilities to others				
Euro currency	2021	135.6	128.6	42.7
Foreign currencies	–	–	–	–
Total financial liabilities to others		135.6	128.6	42.7
Of which at a fixed interest rate	2021	111.6	113.8	41.3
Of which at a variable interest rate	2015	24.0	14.7	1.1
Financial liabilities to banks – closed items on the balance sheet[1]				
Euro currency	–	–	–	–
Foreign currencies ($)	2030		408.6	0.0
Total financial liabilities to banks – closed items on the balance sheet			408.6	0.0
Of which at a fixed interest rate	2030		408.6	0.0
Of which at a variable interest rate	–		–	–
Capital shares attributable to limited partners	–	–	32.7	0.0
Total financial liabilities			4,321.1	385.8

[1] For these financial liabilities there is balance sheet cover on the assets side. Therefore, certain disclosures are of limited informative value.

€m

	› 1 to 2 years	› 2 to 3 years	› 3 to 4 years	› 4 to 5 years	› 5 years	Weighted nominal interest rate	Weighted effective interest rate	Fair value as at 31/12
	498.6	498.5	72.7	0.0	1,023.0	4.88%	4.97%	2,447.9
	0.0	48.9	0.0	0.0	0.0	1.10%	4.43%	54.0
	498.6	**547.4**	**72.7**	**0.0**	**1,023.0**	**4.86%**	**4.88%**	**2,501.9**
	498.6	547.4	72.7	0.0	1,023.0	4.86%	4.88%	2,501.9
	–	–	–	–	–	–	–	–
	63.1	211.4	305.7	75.4	610.8	2.66%	3.34%	1,635.2
	–	–	–	–	–	–	–	–
	63.1	**211.4**	**305.7**	**75.4**	**610.8**	**2.66%**	**3.34%**	**1,635.2**
	32.0	180.3	274.6	44.3	409.4	3.38%	3.79%	1,227.5
	31.1	31.1	31.1	31.1	201.4	0.68%	1.55%	407.7
	73.5	12.4	0.0	0.0	0.0	2.08%	3.77%	130.5
	–	–	–	–	–	–	–	–
	73.5	**12.4**	**0.0**	**0.0**	**0.0**	**2.08%**	**3.70%**	**130.5**
	72.3	0.0	0.0	0.0	0.0	1.94%	3.37%	115.8
	1.2	12.4	0.0	0.0	0.0	3.19%	4.60%	14.7
	–	–	–	–	–	–	–	–
	0.0	0.0	0.0	0.0	408.6			438.1
	0.0	**0.0**	**0.0**	**0.0**	**408.6**			**438.1**
	0.0	0.0	0.0	0.0	408.6			438.1
	–	–	–	–	–	–	–	–
	32.7	**0.0**	**0.0**	**0.0**	**0.0**	**–**	**–**	**–**
	667.9	**771.2**	**378.4**	**75.4**	**2,042.4**			

Non-current and current financial liabilities 2011

	Longest Maturity	Issue volume	Carrying amount as at 31/12	1 year or less
Bonds				
Euro currency	2020	2,112.7	2,152.1	53.8
Foreign currencies (¥)	2015	126.1	131.8	3.1
Total bonds		**2,238.8**	**2,283.9**	**56.9**
Of which at a fixed interest rate	2020	2,238.8	2,283,9	56.9
Of which at a variable interest rate	–	–	–	–
Financial liabilities to banks				
Euro currency	2030	1,161.2	1,263.0	220.8
Foreign currencies	–	–	–	–
Total financial liabilities to banks		**1,161.2**	**1,263.0**	**220.8**
Of which at a fixed interest rate	2026	867.7	873.3	187.6
Of which at a variable interest rate	2030	293.5	389.7	33.2
Financial liabilities to others				
Euro currency	2021	133.3	127.3	44.3
Foreign currencies	–	–	–	–
Total financial liabilities to others		**133.3**	**127.3**	**44.3**
Of which at a fixed interest rate	2021	109.4	111.4	43.1
Of which at a variable interest rate	2015	23.9	15.9	1.2
Financial liabilities to banks – closed items on the balance sheet[1]				
Euro currency	–	–	–	–
Foreign currencies ($)	2030		408.5	0.9
Total financial liabilities to banks – closed items on the balance sheet			**408.5**	**0.9**
Of which at a fixed interest rate	2030		408.5	0.9
Of which at a variable interest rate	–		–	–
Guarantee liabilities	**2031**	**350.0**	**42.9**	**1.8**
Capital shares attributable to limited partners	**–**	**–**	**108.0**	**0.0**
Total financial liabilities			**4,233.6**	**324.7**

[1] For these financial liabilities there is balance sheet cover on the assets side. Therefore, certain disclosures are of limited informative value.

€m

› 1 to 2 years	› 2 to 3 years	› 3 to 4 years	› 4 to 5 years	› 5 years	Weighted nominal interest rate	Weighted effective interest rate	Fair value as at 31/12
0.0	497.9	498.0	0.0	1,102.4	4.88%	4.97%	2,343.1
0.0	0.0	128.7	0.0	0.0	4.10%	4.51%	142.8
0.0	**497.9**	**626.7**	**0.0**	**1,102.4**	**4.83%**	**4.89%**	**2,485.9**
0.0	497.9	626.7	0.0	1,102.4	4.83%	4.89%	2,485.9
–	–	–	–	–	–	–	–
153.7	53.7	195.7	53.7	585.4	3.18%	3.55%	1,273.3
–	–	–	–	–	–	–	–
153.7	**53.7**	**195.7**	**53.7**	**585.4**	**3.18%**	**3.55%**	**1,273.3**
122.7	22.7	164.7	22.7	352.9	3.69%	4.00%	905.6
31.0	31.0	31.0	31.0	232.5	2.05%	2.24%	367.7
1.5	68.7	12.4	0.4	0.0	2.94%	3.33%	129.4
–	–	–	–	–	–	–	–
1.5	**68.7**	**12.4**	**0.4**	**0.0**	**2.94%**	**3.67%**	**129.4**
0.4	67.1	0.4	0.4		2.90%	3.33%	113.5
1.2	1.5	12.0	0.0	0.0	2.19%	4.60%	15.9
–	–	–	–	–	–	–	–
0.0	0.0	0.0	0.0	407.6			442.1
0.0	**0.0**	**0.0**	**0.0**	**407.6**			**442.1**
0.0	0.0	0.0	0.0	407.6			442.1
–	–	–	–	–	–	–	–
1.7	**1.8**	**1.8**	**1.8**	**34.1**	**–**	**–**	**–**
108.0	**0.0**	**0.0**	**0.0**	**0.0**	**–**	**–**	**–**
264.9	**622.1**	**836.6**	**55.9**	**2,129.5**			

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

Carrying amounts and fair values by measurement categories 2012

€m

Assets – balance sheet items	Measurement categories in accordance with IAS 39 or measurement in accordance with other IFRSs	Level	Carrying amount as at 31/12	Fair value as at 31/12
Interests in non-consolidated subsidiaries	FAAC		1.0	–
Other equity interests	FAAFS	2	114.4	114.4
Other equity interests	FAAC		19.1	–
Other equity interests			**134.6**	
Securities	FAAFS	1	124.2	124.2
Securities	FAAFS	2	2.7	2.7
Securities	FAAC		3.0	–
Securities – closed items on the balance sheet	LAR		51.5	43.2
Other loans – closed items on the balance sheet	LAR		233.1	233.1
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	124.0	124.0
Loans to investees	LAR		107.1	102.5
Other loans	LAR		1.1	1.1
Other	–		44.0	–
Other non-current investments non-current other receivables			**690.6**	
Trade receivables	LAR		295.8	295.8
Receivables from investees	LAR		91.1	91.1
Receivables from non-consolidated subsidiaries	LAR		3.4	3.4
Loans to investees	LAR		0.9	0.8
Other loans	LAR		10.2	10.2
Derivatives in the energy area	FAHFT	2	206.2	206.2
Money market transactions	LAR		210.8	211.1
Emission rights	IAS 38 / IAS 2		32.7	–
Other	LAR		75.1	75.1
Other	–		96.5	–
Trade receivables and current other receivables			**1,022.8**	
Cash and cash equivalents	**LAR**		**121.7**	**121.7**
Aggregated by measurement categories				
Financial assets at cost	FAAC[1]		23.1	
Loans and receivables	LAR[2]		1,201.8	
Available-for-sale financial assets	FAAFS[3]		241.3	
Financial assets held for trading	FAHFT[4]		330.2	

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

Carrying amounts and fair values by measurement categories 2012

€m

Liabilities – balance sheet items	Measurement categories in accordance with IAS 39 or measurement in accordance with other IFRSs	Level	Carrying amount as at 31/12	Fair value as at 31/12
Bonds	FLAAC		2,204.6	2,501.9
Financial liabilities to banks and to others	FLAAC		1,675.1	1,765.7
Financial liabilities to banks – closed items on the balance sheet	FLAAC		88.3	117.7
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL		320.4	320.4
Capital shares attributable to limited partners	IAS 32		32.7	–
Non-current and current financial liabilities			4,321.0	
Electricity supply commitment	–		464.3	–
Derivatives in the energy area	FLHFT	3	53.9	53.9
Trade payables	FLAAC		1.7	1.7
Deferred income for grants (emission rights)	IAS 20		10.1	–
Other	FLAAC		5.4	5.4
Other	–		17.5	–
Other non-current liabilities			552.9	
Trade payables	FLAAC		207.5	207.5
Derivatives in the energy area	FLHFT	1	1.5	1.5
Derivatives in the energy area	FLHFT	2	150.6	150.6
Derivatives in the energy area	FLHFT	3	6.5	6.5
Derivatives in the finance area	FLHFT	2	47.1	47.1
Other	FLAAC		21.1	21.1
Other	–		99.0	–
Trade payables and current other liabilities			533.4	
Aggregated by measurement categories				
Financial liabilities at amortised cost	FLAAC[5]		4,203.7	
Financial liabilities at fair value through profit or loss	FLAFVPL[6]		320.4	
Financial liabilities held for trading	FLHFT[7]		259.6	

[5] Financial Liabilities at Amortised Cost // [6] Financial Liabilities at Fair Value through Profit or Loss // [7] Financial Liabilities Held for Trading

Carrying amounts and fair values by measurement categories 2011

€m

Assets – balance sheet items	Measurement categories in accordance with IAS 39 or measurement in accordance with other IFRSs	Level	Carrying amount as at 31/12	Fair value as at 31/12
Interests in non-consolidated subsidiaries	FAAC		1.4	–
Other equity interests	FAAFS	2	106.1	106.1
Other equity interests	FAAC		22.4	–
Other equity interests			**129.9**	
Securities	FAAFS	1	121.9	121.9
Securities	FAAFS	2	2.7	2.7
Securities	FAAC		3.0	–
Securities – closed items on the balance sheet	LAR		52.0	37.9
Other loans – closed items on the balance sheet	LAR		235.5	211.3
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	120.2	120.2
Loans to investees	LAR		242.7	210.9
Other loans	LAR		17.9	17.9
Receivables from guarantee payments due	LAR		23.0	20.6
Other	–		24.7	–
Other non-current investments non-current other receivables			**843.6**	
Trade receivables	LAR		278.7	278.7
Receivables from investees	LAR		140.8	140.8
Receivables from non-consolidated subsidiaries	LAR		7.4	7.4
Loans to investees	LAR		13.2	12.4
Other loans – closed items on the balance sheet	LAR		0.9	0.8
Other loans	LAR		0.1	0.1
Derivatives in the energy area	FAHFT	2	173.5	173.5
Guarantees in electricity trading	LAR		7.8	7.8
Money market transactions	LAR		410.7	406.7
Receivables from guarantee payments due	LAR		1.8	1.6
Emission rights	IAS 38 / IAS 2		17.0	–
Other	–		66.2	–
Trade receivables and current other receivables			**1,118.1**	
Cash and cash equivalents	**LAR**		**333.2**	**333.2**
Aggregated by measurement categories				
Financial assets at cost	FAAC[1]		26.8	
Loans and receivables	LAR[2]		1,765.7	
Available-for-sale financial assets	FAAFS[3]		230.8	
Financial assets held for trading	FAHFT[4]		293.7	

[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 2011 €m

Liabilities – balance sheet items	Measurement categories in accordance with IAS 39 or measurement in accordance with other IFRSs	Level	Carrying amount as at 31/12	Fair value as at 31/12
Bonds	FLAAC		2,283.9	2,485.9
Financial liabilities to banks and to others	FLAAC		1,390.3	1,402.7
Financial liabilities to banks – closed items on the balance sheet	FLAAC		90.0	123.6
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL		318.5	318.5
Guarantee liabilities	IAS 39 / IAS 37		42.9	–
Capital shares attributable to limited partners	IAS 32		108.0	–
Non-current and current financial liabilities			4,233.7	
Electricity supply commitment	–		473.6	–
Derivatives in the finance area	FLHFT	2	0.3	0.3
Trade payables	FLAAC		2.9	2.9
Other	FLAAC		5.0	5.0
Other non-current liabilities			481.8	
Trade payables	FLAAC		172.6	172.6
Liabilities to investees	FLAAC		57.6	57.6
Liabilities to non-consolidated subsidiaries	FLAAC		1.5	1.5
Derivatives in the energy area	FLHFT	1	2.7	2.7
Derivatives in the energy area	FLHFT	2	109.1	109.1
Derivatives in the finance area	FLHFT	2	28.6	28.6
Overall short position vis-à-vis POWEO S.A. and Direct Energie S.A.	FLHFT	3	13.4	13.4
Other	FLAAC		1.2	1.2
Other	–		94.2	–
Trade payables and current other liabilities			480.9	
Aggregated by measurement categories				
Financial liabilities at amortised cost	FLAAC[5]		4,004.9	
Financial liabilities at fair value through profit or loss	FLAFVPL[6]		318.5	
Financial liabilities held for trading	FLHFT[7]		154.2	

[5] Financial Liabilities at Amortised Cost // [6] Financial Liabilities at Fair Value through Profit or Loss // [7] Financial Liabilities Held for Trading

The fair values of financial assets and liabilities correspond, in principle, to the market prices for similar assets and liabilities (Level-1 measurement). If the financial instruments are quoted on an active market, the respective price quotation on that market represents the fair value for VERBUND.

If prices are not available from active markets, fair value is determined on the basis of either directly (on the basis of market prices) or indirectly (derived from market prices) observable input data using accepted valuation methods (Level-2 measurement).

If the fair value measurement of assets is based on input parameters not observable on the market, this is considered a Level-3 measurement.

The fair values of quoted securities correspond to the nominal values multiplied by the price quotations at the balance sheet date. These fair values are based on Level-1 measurements.

Level-2 measurements are performed for all other assets and liabilities in the finance area that are systematically measured at fair value. Fixed cash flows or cash flows determined on the basis of forward rates and the current yield curve are discounted at the measurement date using the discount factors determined from the yield curve applicable at the balance sheet date. Thus the fair value of interest rate swaps is equivalent to the amount that VERBUND would receive or have to pay upon termination of the transaction on the balance sheet date, taking current market conditions, especially current interest rate levels and yield curves, into consideration.

The fair values of securities or other loans under closed items on the balance sheet, non-current loans and receivables from financial guarantees presented in the table above correspond to the present values of the cash flows related to the assets, taking into consideration the current interest rate parameters, which reflect market-related and counterparty-related changes (credit default swaps) in terms and expectations.

The fair values of interests in non-consolidated subsidiaries and other equity interests were not disclosed, as it was largely not possible to provide a reliable estimate of future cash flows; due to a lack of comparable transactions, it was also not possible to determine fair values using analogy methods.

In the case of cash and cash equivalents, trade accounts receivable and current other receivables, the carrying amounts provide a realistic estimate of their fair values due to the short residual time to maturity.

The fair values of liabilities to banks, bonds and other financial liabilities are determined as present values of the debt-related cash flows employing the applicable yield curve and the credit spread curve. For the financial liabilities (under closed items on the balance sheet) classified as FLAFVPL in the above table, the difference between the carrying amount as at 31 December 2012 and the amount which VERBUND would have to pay upon maturity is €72.2m (previous year: €89.0m). The amount due upon maturity was translated at the rate (€1=$) on the balance sheet date of 1.31940 (previous year: 1.2939).

The fair values of borrowings within current credit lines as well as other current liabilities are determined based on their carrying amounts due to the short time to maturity.

The fair values of quoted energy forwards correspond to the daily settlement prices published by the individual stock exchanges at the balance sheet date. The fair values of electricity, gas and CO_2 futures contracts are therefore based on Level-1 measurements. The fair values of non-quoted energy forwards are measured with a forward price curve that is derived from the quoted prices using an EURIBOR-based discounting method. The fair values of electricity, gas and CO_2 forward contracts as well as gas swaps are therefore based on Level-2 measurements in accordance with IFRS 7.

Of the derivative financial instruments in the energy area classified as FAHFT and FLHFT in the above table, positive fair values in the amount of €108.7m (previous year: €89.2m) and negative fair values in the amount of €93.1m (previous year: €46.4m) relate to hedging relationships designated as cash flow hedges. These fair values are not netted values; following the inter-portfolio netting performed in accordance with VERBUND's accounting policies (see: Financial instruments and risk management), cash flow hedges can no longer be isolated.

The fair value of the freestanding derivative from the long-term natural gas supply agreement for the Mellach combined cycle gas turbine power plant (see: Notes to the income statement) was determined using a net present value method. The amount was calculated based on the DCF method. The discount rate after tax was 5.5%. The fair value was determined on the basis of the contractual take-or-pay volume optimised according to utilisation for a monthly period over the term of the agreement (to 2026). The prices were determined as the difference between a forecast wholesale price for natural gas and the forecast (oil-indexed) contract price; the prices were determined based on the forecasts of a reputable market research institute and information service provider in the energy market. The key valuation assumptions were the term of the natural gas supply agreement, the take-or-pay volume, the forecast prices for natural gas and oil and the discount rate. The determination of the fair value of the natural gas supply agreement is therefore consistent with a Level-3 measurement in accordance with IFRS 7.

Level-3 measurement of financial instruments: natural gas supply contract €m

	2011	**2012**
Carrying amount as at 1/1	–	**–**
Additions	–	58.2
Measurement gains or losses (recognised under expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade))	–	2.2
Disposals	–	–
Carrying amount as at 31/12	–	**60.4**

The effects of potential fluctuations of the valuation assumptions on the fair value of the freestanding derivative from the long-term natural gas supply agreement (and thus on the operating result) for the Mellach combined cycle gas turbine power plant were determined by means of a sensitivity analysis. At present, a 10.0% increase in the forecast wholesale price for natural gas over the entire period of the agreement would have an impact on the operating result in the amount of €+95.0m; at present, a 10.0% decline in the forecast wholesale price for natural gas over the entire period of the agreement would have an impact on the operating result in the amount of €–95.0m. At present, an increase of 1 percentage point in the discount rate over the entire period of the agreement would have an impact on the operating result in the amount of €+2.1m; at present, a decline of 1 percentage point in the discount rate over the entire period of the agreement would have an impact on the operating result in the amount of €–2.2m.

Until first-time consolidation (see: Financial reporting principles), the fair value of the overall short position with respect to the former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. (including financing and guarantees currently provided by VERBUND) vis-à-vis POWEO Direct Energie (see: Discretionary judgments and key assumptions concerning the future) was determined using a sequential valuation model based on a binomial tree approach for American options. The key valuation assumptions for this were the terms of the option agreements, the development of the exercise price derived from the option agreements, the (sum of) fair values of the equity interests comprising the underlying and a volatility parameter derived from historical time series of price trends for electricity, gas and CO_2 (clean spark spreads). The determination of the fair value of this short position in the equity interest area was therefore consistent with a Level-3 measurement in accordance with IFRS 7.

Level-3 measurement of financial instruments: short position €m

	2011	**2012**
Carrying amount as at 1/1	–	**13.4**
Additions	14.9	–
Measurement gains or losses (recognised in other financial result)	– 1.5	– 13.4
Disposals	–	0.0
Carrying amount as at 31/12	13.4	–

Analysis of contractual cash outflows

The contractual (non-discounted) cash outflows on VERBUND's financial liabilities in accordance with IFRS 7 are as follows:

Cash outflows as at 31/12/2012

€m

Maturity	2013	2014	2015–2017	From 2018
Bonds	104.0	604.0	783.3	1,141.3
Financial liabilities to banks	297.5	93.6	670.0	710.8
Financial liabilities to others	45.2	77.5	12.4	0.0
Financial liabilities to banks - closed items on the balance sheet[1]	17.2	17.4	52.3	495.7
Capital shares attributable to limited partners	0.0	32.7	0.0	0.0
Cash outflows on financial liabilities	**463.9**	**825.1**	**1,518.0**	**2,347.7**
Trade payables	207.5	0.3	1.2	0.1
Liabilities to investees	21.1	0.0	0.0	0.0
Liabilities to non-consolidated subsidiaries	1.6	0.0	0.0	0.0
Derivatives in the energy area[2]	872.9	344.0	389.4	957.1
Derivatives in the finance area[2]	1.8	1.9	2.6	–0.4
Other	16.5	2.0	4.0	5.6
Cash outflows on trade payables and other payables	**1,121.5**	**348.2**	**397.2**	**962.5**
Cash outflows on liabilities in accordance with IFRS 7	**1,585.4**	**1,173.3**	**1,915.2**	**3,310.2**

[1] Cash outflows under closed items on the balance sheet have to be seen alongside the corresponding cash inflows from associated investments. // [2] With and without hedging relationships

Cash outflows as at 31/12/2011

€m

Maturity	2012	2013	2014–2016	From 2017
Bonds	107.3	107.3	869.6	1,264.7
Financial liabilities to banks	258.0	187.3	378.2	630.0
Financial liabilities to others	45.0	2.7	84.5	0.0
Capital shares attributable to limited partners	0.0	108.0	0.0	0.0
Guarantee liabilities[1]	0.0	0.0	350.0	0.0
Financial liabilities to banks - closed items on the balance sheet[2]	19.2	17.5	53.3	523.2
Cash outflows on financial liabilities	**429.5**	**422.8**	**1,735.6**	**2,417.9**
Trade payables	172.6	0.6	2.1	0.2
Liabilities to investees	57.6	0.0	0.4	0.0
Liabilities to non-consolidated subsidiaries	1.5	0.0	0.0	0.0
Derivatives in the energy area[3]	1,061.3	284.8	104.9	0.0
Derivatives in the finance area[3]	5.5	0.2	0.0	0.0
Other	54.6	0.0	0.5	4.4
Cash outflows on trade payables and other payables	**1,353.0**	**285.6**	**107.9**	**4.5**
Cash outflows on liabilities in accordance with IFRS 7	**1,782.5**	**708.4**	**1,843.5**	**2,422.4**

[1] The financial guarantees for construction financing of the Toul combined cycle gas turbine power plant were indicated at the maximum amount of liability in accordance with IFRS 7, although VERBUND does not currently expect default on the financial liabilities. The assignment to the 2014–2016 time range is related to the beginning of repayments. // [2] Cash outflows under closed items on the balance sheet have to be seen alongside the corresponding cash inflows from associated investments. // [3] With and without hedging relationships

Net results by measurement categories

The net results in accordance with IFRS 7 mainly comprise impairment losses and reversals of impairment losses, foreign exchange gains and losses and realised gains or losses on disposal.

Net results by measurement categories €m

	2011 Net result	2011 Of which impairment losses	**2012 Net result**	**2012 Of which impairment losses**
Financial assets at cost	– 1.6	– 2.8	– 3.4	– 4.2
Available-for-sale financial assets	0.6	0.0	0.0	0.0
Loans and receivables	– 7.5	– 2.4	– 10.4	– 0.9
Financial liabilities at amortised cost	– 11.8	–	8.0	–
Financial liabilities at fair value through profit or loss	– 46.0	–	0.9	–
Financial assets and/or liabilities held for trading	47.3	–	– 66.2	–
Total interest expenses		– 197.1		**– 190.8**
Total interest income		55.9		**52.2**
Measurements in other comprehensive income[1]		– 6.6		11.2
Reclassifications from other comprehensive income recognised in the income statement[1]		– 0.4		0.0

[1] This net result relates to available-for-sale financial assets

The net result in the financial assets at cost category was recognised under result from equity interests; dividend income was not included in the net result.

The net result in the available-for-sale financial assets category was recognised primarily in other financial result.

Insofar as the net result in the loans and receivables category contains write-downs of trade receivables, it was recognised in the operating result; foreign exchange effects from loans under closed items on the balance sheet were recognised in other financial result.

The net results in the financial liabilities at amortised cost and financial liabilities at fair value through profit or loss categories included foreign exchange effects related to financial liabilities and were recognised under other financial result.

The net results in the financial assets and/or liabilities held for trading category result from the measurement of derivative financial instruments in the energy area (wholesale and trading); this part was recognised in the same way as the measurement of HUF forward exchange transactions (see: Financial instruments and risk management) in the operating result (electricity revenue). The net result also results from the measurement of the (other) derivative financial instruments in the finance area and from the measurement and derecognition, recognised in income, of the overall short position vis-à-vis POWEO Direct Energie; these net results were recognised under other financial result.

Total interest expenses were recognised under interest expenses; total interest income was recognised in part in interest income and in part under other financial result.

(36) Non-current and current provisions

Non-current and current provisions €m

	2011 Non-current	**2012 Non-current**	2011 Current	**2012 Current**
Provisions for pensions	225.3	239.2	–	–
Provisions for severance payments	133.7	141.3	–	–
Provisions for obligations similar to pensions	119.3	120.5	–	–
Provisions for partial retirement	11.1	13.1	7.4	3.4
Other personnel-related provisions	6.7	7.4	49.7	53.9
Other provisions	136.9	132.6	168.5	228.0
Non-current and current provisions	633.0	**654.0**	225.6	**285.3**

Provisions for pensions and similar obligations

Reconciliation from defined benefit obligation to provision

€m

	2011 Pension obligations	**2012 Pension obligations**	2011 Obligations similar to pensions	**2012 Obligations similar to pensions**
Defined benefit obligation covered by plan assets	171.8	190.4	–	–
Fair value of plan assets	–147.8	–155.7	–	–
Net value of obligations covered by plan assets	24.0	**34.7**	–	**–**
Defined benefit obligation not covered by plan assets	201.2	204.5	119.3	120.5
Carrying amount of provisions as at 31/12	225.3	**239.2**	119.3	**120.5**

Pension expenses

€m

	2011 Pension obligations	**2012 Pension obligations**	2011 Obligations similar to pensions	**2012 Obligations similar to pensions**
Service costs (vested claims)	1.0	1.0	2.2	2.3
Net interest expense	10.2	10.0	5.7	5.6
Pension expenses (recognised in profit for the period)	11.2	**11.0**	7.9	**7.9**
Remeasurements of the net liability	7.4	35.7	–8.0	–3.6
Pension expenses (recognised in total comprehensive income for the period)	18.6	**46.7**	–0.1	**4.3**

Reconciliation of defined benefit obligation

€m

	2011 Pension obligations	**2012 Pension obligations**	2011 Obligations similar to pensions	**2012 Obligations similar to pensions**
Defined benefit obligation as at 1/1	389.4	373.0	122.4	119.3
Service costs (vested claims)	1.0	1.0	2.2	2.3
Pension payments or contributions to supplementary health insurance (benefit payments)	–32.1	–31.7	–3.0	–3.1
Interest expenses	17.7	16.9	5.7	5.6
Remeasurements from adjustments based on past experience	–3.0	8.7	–8.0	–8.8
Remeasurements arising from changes in financial assumptions	–	27.0	–	5.2
Defined benefit obligation as at 31/12	373.0	**394.9**	119.3	**120.5**

As at 31 December 2012, the average duration of the pension obligations is 14 years (previous year: 15 years) and that of the obligations similar to pensions is 16 years (previous year: 14 years).

Reconciliation of plan assets

€m

	2011 Pension obligations	**2012 Pension obligations**	2011 Obligations similar to pensions	**2012 Obligations similar to pensions**
Fair value of plan assets as at 1/1	158.6	147.8	–	–
Contributions by VERBUND	1.7	10.6	–	–
Payouts (benefit payments)	–9.6	–9.9	–	–
Interest income	7.5	6.9	–	–
Other gains (+) or losses (–)	–10.4	0.3	–	–
Fair value of plan assets as at 31/12	147.8	**155.7**	–	**–**

In the 2012 reporting period, the pension fund recorded a profit of €7.7m (previous year: loss of €2.9m). The deficit represents that part of the pension obligations that are not covered by plan assets; these relate primarily to direct commitments to pension recipients. In the 2013 reporting period, current contributions to the pension fund for coverage of defined contribution plans in the amount of €0.2m (previous year: €9.7m) are expected.

Plan assets in %

			2011			2012
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Bonds – euro	40.5	–	40.5	30.0	–	30.0
Bonds – euro corporates	16.2	–	16.2	15.8	3.2	19.0
Shares – euro	1.0	–	1.0	12.7	–	12.7
Shares – non-euro	1.4	–	1.4	12.4	–	12.4
Bonds – euro high yield	2.1	–	2.1	11.2	–	11.2
Shares – emerging markets	0.0	–	0.0	6.8	–	6.8
Cash	10.0	–	10.0	4.6	–	4.6
Alternative investments	2.2	–	2.2	2.4	–	2.4
Bonds – euro money market	24.2	–	24.2	0.9	–	0.9
Bonds – euro emerging markets	1.3	–	1.3	–	–	0.0
Bonds – non-euro	1.1	–	1.1	–	–	0.0
Total	100.0	–	100.0	**96.8**	**3.2**	**100.0**

Investment management and the responsibility for the investments were outsourced to BAV Pensionskassen AG, a subsidiary of Valida Holding AG. VERBUND agrees the general investment guidelines with BAV Pensionskassen AG on a regular basis. Risk management in BAV Pensionskassen AG is guided by the provisions of the Austrian Pension Fund Act (Pensionskassengesetz, PKG) and the corresponding directives of the Financial Market Authority (FMA).

Provisions for severance payments

Analysis of provisions for severance payments €m

	2011	2012
Provisions for statutory severance payments	130.1	138.8
Provisions for severance payments from special agreements in accordance with social plan	3.6	2.5
Carrying amount of provisions as at 31/12	133.7	**141.3**

Expense for severance payments €m

	2011	2012
Service costs	1.9	1.8
Net interest expense	6.0	6.0
Expense for severance payments (recognised in profit for the period)	7.9	**7.8**
Remeasurements of severance payments	0.2	12.4
Expenses for severance payments (recognised in in total comprehensive income for the period)	8.1	**20.2**

Reconciliation of defined benefit obligation €m

	2011	2012
Defined benefit obligation as at 1/1	130.9	130.1
Service costs (vested claims)	1.9	1.8
Interest expenses	6.0	6.0
Severance payments (benefit payments)	–8.9	–11.5
Remeasurements from adjustments based on past experience	0.2	3.9
Remeasurements arising from changes in financial assumptions	–	8.5
Defined benefit obligation as at 31/12	130.1	**138.8**

The average duration of the severance payments is 18 years as at 31 December 2012 (previous year: 19 years).

Provisions for partial retirement

Reconciliation from defined benefit obligation to provision €m

	2011	2012
Defined benefit obligation covered by plan assets	20.5	18.6
Fair value of plan assets	–2.0	–2.1
Carrying amount of provisions as at 31/12	18.5	**16.5**

Expenses for partial retirement €m

	2011	2012
Service costs	4.1	–3.9
Net interest expense	–0.6	–0.5
Reduction of provision for reorganisation expenses[1]	–0.2	–1.3
Remeasurements	–0.7	9.2
Expenses for partial retirement (recognised in profit for the period)	2.6	**3.5**

[1] This reduction comes from the intended use of the provision for reorganisation expenses recognised under other personnel-related provisions.

Reconciliation of defined benefit obligation €m

	2011	2012
Defined benefit obligation as at 1/1	24.8	20.5
Service costs (vested claims)	4.1	–3.9
Net interest expense	0.6	0.5
Payments for early retirement	–8.3	–7.7
Remeasurements	–0.7	9.2
Defined benefit obligation as at 31/12	20.5	**18.6**

Reconciliation of plan assets

€m	2011	**2012**
Fair value of plan assets as at 1/1	1.2	2.0
Contributions by VERBUND	0.7	0.0
Other gains (+) or losses (–)	0.1	0.1
Fair value of plan assets as at 31/12	2.0	**2.1**

Plan assets

in %	2011	**2012**
Bonds – euro	100.0	100.0
Total	100.0	**100.0**

Other personnel-related provisions

Composition of other personnel-related provisions

€m	2011 Non-current	**2012** Non-current	2011 Current	**2012** Current
Provision for holiday entitlements	–	–	17.3	20.3
Provision for flexitime balances	–	–	2.9	3.1
Provision for reorganisation expenses	–	–	2.6	1.3
Provision for additional holiday allowance	–	–	8.8	9.1
Provision for bonuses from the performance-based remuneration system	–	–	16.9	18.9
Provision for anniversary bonuses	4.7	5.4	–	–
Other	2.0	2.0	1.2	1.2
Other personnel-related provisions	6.7	**7.4**	49.7	**53.9**

Reconciliation of other personnel-related provisions

€m	2011	**2012**
Carrying amount as at 1/1	56.2	**56.4**
Of which non-current	6.6	6.7
Of which current	49.6	49.7
New provisions	51.7	53.3
Interest accrued	0.3	0.3
Appropriation	–50.4	–46.7
Reversal	–1.1	–0.7
Reclassifications	–0.2	–1.4
Carrying amount as at 31/12	56.4	**61.3**
Of which non-current	6.7	7.4
Of which current	49.7	53.9

Other provisions

Reconciliation of other provisions

€m

	Provisions for onerous contracts	Other	Total
Carrying amount as at 1/1/2012	64.8	240.6	305.3
Of which non-current	63.0	73.9	136.9
Of which current	1.8	166.7	168.5
Additions or disposals from business acquisitions	0.0	4.7	4.7
New provisions	8.1	216.6	224.7
Interest accrued	2.8	3.4	6.2
Appropriation	– 0.6	– 147.4	– 148.0
Reversal	– 18.8	– 13.5	– 32.3
Carrying amount as at 31/12/2012	**56.2**	**304.4**	**360.6**
Of which non-current	55.7	76.9	132.6
Of which current	0.6	227.5	228.0

Provisions for onerous contracts as at 31 December 2012 increased by approximately €0.1m (previous year: €4.0m) due to the adjustment of the discount rate to 4.35% (previous year: 4.75%).

Reconciliation of other provisions

€m

	Provisions for onerous contracts	Other	Total
Carrying amount as at 1/1/2011	92.7	264.3	357.1
Of which non-current	91.7	48.9	140.6
Of which current	1.0	215.4	216.4
New provisions	0.7	172.7	173.4
Interest accrued	4.8	2.2	7.0
Appropriation	– 0.8	– 178.8	– 179.6
Reversal	– 32.7	– 19.7	– 52.4
Reclassifications	0.0	0.0	0.0
Carrying amount as at 31/12/2011	**64.8**	**240.6**	**305.3**
Of which non-current	63.0	73.9	136.9
Of which current	1.8	166.7	168.5

Reconciliation of other non-current and current provisions

€m

	Dismantling costs	Outstanding receipts for investments	Mainte-nance expenses	Legal, audit and consulting expenses	Electricity and grid delivery	Other	Total
Carrying amount as at 1/1/2012	29.0	77.9	45.8	5.9	59.8	22.2	240.6
Of which non-current	29.0	0.0	0.5	0.0	39.4	4.9	73.9
Of which current	0.0	77.9	45.3	5.9	20.4	17.2	166.7
Additions or disposals from business acquisitions	4.1	0.0	0.0	0.0	– 1.7	2.3	4.7
New provisions	5.6	95.2	48.9	6.2	57.0	3.7	216.6
Interest accrued	1.3	0.0	0.1	0.0	1.7	0.2	3.4
Appropriation	0.0	– 76.8	– 43.1	– 3.9	– 18.6	– 5.0	– 147.4
Reversal	– 0.2	– 0.2	– 0.9	– 0.3	– 0.5	– 11.4	– 13.5
Carrying amount as at 31/12/2012	**39.8**	**96.1**	**50.8**	**7.9**	**97.7**	**12.1**	**304.4**
Of which non-current	39.8	0.0	0.5	0.0	31.9	4.6	76.9
Of which current	0.0	96.1	50.3	7.9	65.8	7.4	227.5

Reconciliation of other non-current and current provisions

€m

	Dismantling costs	Outstanding receipts for investments	Mainte-nance expenses	Legal, audit and consulting expenses	Electricity and grid delivery	Other	Total
Carrying amount as at 1/1/2011	32.1	83.0	68.6	7.0	52.6	21.0	264.3
Of which non-current	32.1	0.0	2.4	0.0	9.6	4.8	48.9
Of which current	0.0	83.0	66.2	7.0	43.0	16.2	215.4
New provisions	1.3	76.6	43.9	5.6	40.5	4.9	172.7
Interest accrued	1.3	0.0	0.0	0.0	0.6	0.3	2.2
Appropriation	0.0	– 78.2	– 61.2	– 6.4	– 29.5	– 3.6	– 178.8
Reversal	– 5.6	– 3.6	– 5.5	– 0.4	– 4.4	– 0.2	– 19.7
Carrying amount as at 31/12/2011	**29.0**	**77.9**	**45.8**	**5.9**	**59.8**	**22.2**	**240.6**
Of which non-current	29.0	0.0	0.5	0.0	39.4	4.9	73.9
Of which current	0.0	77.9	45.3	5.9	20.4	17.2	166.7

(37)
Deferred tax liabilities

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

Deferred taxes

€m	2011	2012
Deferred tax assets	147.9	**190.1**
Of which from provisions for pensions and severance payments	66.5	72.6
Of which from impairment losses from equity interests	13.0	60.6
Of which from loss carryforwards	27.1	29.8
Of which from derivative financial instruments	7.1	11.8
Of which from tax-deductible goodwill	7.9	0.0
Of which from other items	26.2	15.3
Deferred tax liabilities	–391.0	**–390.9**
Of which from property, plant and equipment (different useful lives, fair value adjustments on purchase price allocations)	–239.6	–242.5
Of which from special tax deductions	–116.1	–99.8
Of which from tax-deductible goodwill	0.0	–5.3
Of which from derivative financial instruments	–11.1	–1.2
Of which from other items	–24.2	–42.1
Deferred tax assets (+) or tax liabilities (–) netted	–243.2	**–200.8**

In the 2012 reporting period, the net position for deferred taxes changed as follows:

Deferred taxes

	2011	2012
As at 1/1	–163.0	**–243.2**
Changes recognised in profit or loss	–63.8	24.9
Changes recognised in other comprehensive income	–16.3	17.5
As at 31/12	–243.2	**–200.8**

The changes recognised in other comprehensive income mainly concerned the measurements of available-for-sale financial instruments, the measurements of cash flow hedges and remeasurements of the net defined benefit liability.

As at 31 December 2012, it could be assumed under present tax rules that the differences between the tax base of equity interests and the proportional share of equity (outside basis differences) of the consolidated subsidiaries included in VERBUND's consolidated IFRS financial statements, which result in particular from retained earnings and uncovered losses, would remain tax-free in the foreseeable future; therefore, no tax deferrals were recognised. The only exception to this were the 40% equity interests of VERBUND International GmbH in POWEO Pont-sur-Sambre Production S.A.S. and in POWEO Toul Production S.A.S.; deferred tax assets were recognised from these outside basis differences as at 31 December 2012.

As at 31 December 2012, it could also be assumed that the differences between the tax base of the equity interests and the carrying amount of interests accounted for using the equity method (outside basis differences) would remain tax-free in the foreseeable future; tax deferrals were therefore only recognised for those equity interests classified as held for sale and for which any profit or loss from the disposal would be taxable or deductible. In light of this, deferred tax assets were recognised for the outside basis differences of the equity interest in STEWEAG-STEG GmbH as at 31 December 2012.

(38) Contributions to building costs and grants

This deferred income item includes deferred contributions to building costs, particularly those paid by provincial energy companies, e.g. for power plant projects, and deferred government grants (see: Accounting policies).

Contributions to building costs and grants €m

	2011	2012
Contributions to building costs[1]	537.1	609.6
Government grants[2]	37.2	39.9
Contributions to building costs and grants	574.3	**649.6**

[1] Contributions to building costs received for the Freudenau Danube power plant were carried forward concurrently to the reversal of the impairment loss in the 2011 reporting period. This resulted in an increase of €99.6m. // [2] The deferred government grants for the Mellach combined cycle gas turbine power plant were carried forward concurrently to the impairment loss. This resulted in a reduction of €1.5m in the 2012 reporting period (previous year: €3.5m).

(39) Deferred income – cross-border leasing

This item shows the deferred cash inflow in the amount of the present value of the economic benefits from cross-border leasing transactions. As at 31 December 2012, this item still amounted to €53.6m (previous year: €55.2m).

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

(40) Other non-current liabilities

Other non-current liabilities €m

	2011	2012
Electricity supply commitment[1]	473.6	464.3
Derivatives in the energy area	0.0	53.9
Deferred income for grants (emission rights)	0.0	10.1
Trade payables	2.9	1.7
Other	5.3	22.9
Other non-current liabilities	476.5	**530.0**

[1] The electricity supply commitment corresponds to the obligation arising from a 20-year electricity supply agreement which was entered into in the 2009 reporting period as part of the consideration for the acquisition of Kraftwerksgruppe Inn GmbH (now VERBUND Innkraftwerke GmbH).

(41)
Current tax liabilities

Current tax liabilities

€m	2011	2012
Corporate tax	12.4	37.2
Other taxes	0.0	0.0
Current tax liabilities	12.4	**37.2**

(42)
Trade payables and other current liabilities

Trade payables and current other liabilities

€m	2011	2012
Trade payables	172.6	207.5
Derivatives in the energy area	111.8	158.7
Derivatives in the finance area	28.6	47.1
Liabilities to tax authorities	32.1	42.0
Liabilities to investees	57.6	21.1
Liabilities to ECRA	17.0	16.9
Electricity supply commitment	0.0	7.2
Liabilities from the social security sector (including social insurance institutions)	4.5	5.2
Electricity payments received in advance	2.9	2.9
Overall short position vis-á-vis POWEO Direct Energie	13.4	0.0
Prepayments received from contributions to building costs	20.0	0.0
Other	20.2	24.8
Trade payables and current other liabilities	480.9	**533.4**

Notes to the cash flow statement

The indirect method was used to prepare VERBUND's cash flow statement. The composition of the fund of cash and cash equivalents is disclosed in the notes to the balance sheet (see: Notes to the balance sheet).

Non-cash transactions

The material non-cash transactions of the 2012 reporting period included the business acquisition of POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. as a result of the elimination of potential voting rights (see: Financial reporting principles), the first-time consolidation of the long-term natural gas supply agreement for the Mellach combined cycle gas turbine power plant as a freestanding derivative as a result of the failure to meet the requirements of the exemption for own-use contracts in accordance with IAS 39 (see: Notes to the income statement) and the contribution by KELAG-Kärntner Elektrizitäts-AG of 6.51% of the limited partner shares of VERBUND Thermal Power GmbH & Co KG to VERBUND Thermal Power GmbH against an (existing) capital share consideration (see: Notes to the income statement).

Non-current liabilities (from security deposits) in connection with additions to intangible assets as well as property, plant and equipment were €1.2m (previous year: €2.1m), and outstanding current liabilities were €7.6m (previous year: €1.7m).

(43) Additional information on cash flow from operating activities

Additional information on cash flow from operating activities €m

	2011	**2012**
Paid (–) or received (+) variation margins on futures contracts in the energy area	34.2	– 12.9
Taxes paid on income[1]	– 158.3	– 161.7
Interest received	14.2	22.5
Interest paid	– 161.6	– 159.6
Dividends received	48.0	36.7

[1] Taxes paid on income relate primarily to cash flows from operating activities.

(44) Cash outflow from capital expenditure for subsidiaries

Cash outflow from capital expenditure for subsidiaries resulted from the business acquisition of ten German wind farm companies and two German infrastructure companies that belong with them – the liabilities in the amount of €10.6m that VERBUND entered into in the course of the business acquisition were repaid by the balance sheet date. These cash outflows were to be reduced by the amount of cash and cash equivalents of POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. over which control was obtained in the course of the business combination (see: Financial reporting principles).

(45) Cash inflow from the disposal of interests accounted for using the equity method

Cash inflow from the disposal of interests accounted for using the equity method in the 2012 reporting period resulted from the sale of equity interests in Kärntner Restmüllverwertungs GmbH, Gletscherbahnen Kaprun AG and Energie Klagenfurt GmbH. As at 31 December 2012, there was a current other receivable from the disposal of the equity interest in Energie Klagenfurt GmbH amounted to €43.9m.

(46) Additional information on cash flow from financing activities

Additional information on cash flow from financing activities €m

	2011	**2012**
Paid dividends – to non-controlling interests	–60.6	–68.3
Paid dividends – to the shareholders of VERBUND AG	–191.1	–191.1

Financial instruments and risk management

VERBUND also uses primary and derivative financial instruments in both the finance and energy area for the purpose of risk management.

Finance area

VERBUND is exposed to considerable financial risks in its operating activities and the related financing transactions. These comprise mainly interest rate and liquidity risks, counterparty risks, price risks from securities, foreign exchange risks and the risk of a change in VERBUND's rating.

Therefore, in the finance area, VERBUND focuses on identifying, analysing and measuring risks and opportunities as well as on determining measures to be implemented in this context, which can secure profits and/or mitigate the adverse effects in the event a risk should materialise.

In the finance area, own rules have been developed within the framework of Group guidelines in order to be able to correspondingly manage financial risks. In addition, position limits with respect to locking in interest rates, currency diversification and the duration of financial liabilities have been defined and are constantly monitored and adjusted if necessary. Sufficient liquidity is ensured at all times through liquidity planning, which is generally focussed on the current and subsequent reporting period, and the resulting corresponding investments and/or borrowings.

Financial instruments

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

The derivative financial instruments used in the finance area are comprised the following and are recognised under the balance sheet items listed:

Derivative financial instruments in other receivables €m

	Reference value[1]	Positive fair values 31/12/2011	**Positive fair values 31/12/2012**
Interest rate swaps – closed items on the balance sheet (fixed interest recipient)	$241.1m (previous year: $238.9m)	120.2	**124.1**
Forward exchange transactions in electricity trading	HUF 63.2m (previous year: HUF 1,696.6m)	0.0	**0.0**

[1] The reference value includes the reference basis of the derivative instruments. The actual cash flows only represent a fraction of these values.

Derivative financial instruments in other liabilities €m

	Reference value[1]	Negative fair values 31/12/2011	**Negative fair values 31/12/2012**
Interest rate swaps relating to financial liabilities (hedge relationships)	€413.9m (previous year: €419.6m)	28.4	**41.1**
Interest rate swaps relating to financial liabilities (freestanding)	€99.2m (previous year: €0.0m)	0.0	**6.0**
Forward exchange transactions in electricity trading	HUF 0.0m (previous year: HUF 1,696.6m)	0.3	**0.0**

[1] The reference value includes the reference basis of the derivative instruments. The actual cash flows only represent a fraction of these values.

The listed derivative financial instruments serve exclusively to economically hedge against existing currency and interest rate risks.

The fluctuations in the value of interest rate swaps related to the closed items on the balance sheet (see: Accounting policies) serve to balance the fluctuations in value of the corresponding liabilities which are measured at fair value through profit or loss.

HUF forward exchange transactions were entered into in order to hedge electricity trading transactions and cross-border capacities; measurement was recognised in profit or loss.

There are interest rate swaps in the amount of €413.9m (previous year: €419.6m) to hedge increases in interest rates for financial liabilities bearing variable interest. These interest rate swaps are recognised as cash flow hedges. The future interest payments hedged by these hedging insturments will occur in the following 14 years (2013 to 2026) and be recognised in profit or loss accordingly.

In the 2012 reporting period, additional interest rate swaps (from variable to fixed interest rate) were entered into for a nominal value of €40.8m as part of (intragroup) project financing. From a financial perspective, these interest rate swaps also serve to hedge increases in interest rates, but from the Group perspective, these are freestanding derivatives and recognised at fair value through profit or loss. The same applies for an interest rate swap (from variable to fixed interest rate) with a nominal value of €58.4m added as part of the business acquisition of POWEO Pont-sur-Sambre Production S.A.S.

Liquidity risk

In the 2012 reporting period, VERBUND met all of its payment obligations (interest and principle repayments) from financial liabilities on time in accordance with the relevant terms. This also applied to all other liabilities insofar as there were no legal or substantial objections.

In order to secure sufficient liquidity reserves, a five-year syndicated credit line in the amount of €750.0m with a renewal option to extend the term twice was entered into in the 2011 reporting period. The credit line was granted to VERBUND International Finance GmbH as part of an international banking syndication. This credit line was not drawn down. In addition, there are also liquidity reserves related to securities and investment funds.

For the contractually agreed (non-discounted) cash outflows from financial liabilities in accordance with IFRS 7, see: (35) Additional disclosures regarding financial instruments in accordance with IFRS 7.

Credit risk

The amounts presented on the asset side also represent the maximum credit and default risk. The counterparty risk in the electricity and grid business as well as in the finance area is measured and monitored uniformly as part of Group-wide risk management. As a rule, transactions – with the exception of petty amounts – are only entered into with customers of sufficient creditworthiness either on the basis of an external investment grade rating from an international rating agency (Moody's, Standard & Poor's) or following an internal credit assessment to determine an equivalent rating. An individual limit is established for each counterparty and monitored Group-wide. Money market investments are also only entered into with financial partners with confirmed creditworthiness. All counterparty risks and the customer structure portfolio are monitored on the basis of default probabilities calculated by international rating agencies. As a rule, if the credit assessment or the rating does not meet the requirements – i.e. an investment grade rating is not achieved – transactions are only entered into if sufficient collateral is provided (advance payments, bank guarantees, letters of comfort). Default risks are minimised as a result of this counterparty requirement. Risk is further reduced by concluding netting arrangements.

In the past, counterparty risk was generally not insured. A credit insurance policy in the area of consumer business was taken out for the first time in the 2009 reporting period. Based on the claims experience – there were almost no outages – the decision not to renew the credit insurance policy was taken at the beginning of the 2011 reporting period.

As at 31 December 2012, trade receivables were therefore no longer covered against losses by credit insurance. Due to changes in the economic conditions, the need to take out a new credit insurance policy is being regularly examined and considered.

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

Financial instruments with credit risk by assigned rating group €m

Credit rating group	Equivalent Moody's rating	Securities and loans under closed items on the balance sheet	Other securities and investment funds	Other non-current receivables	Derivatives in the finance area	Trade receivables	Derivatives in the energy area	Money market transactions as well as cash and cash equivalents
A	up to Aa3	–	–	2.7	–	21.5	6.0	0.1
B	up to A3	211.4	53.4	–	124.1	148.6	106.1	271.3
C	up to Baa3	73.2	–	–	–	62.5	70.7	70.1
D	below Baa3	–	–	–	–	5.0	23.5	0.0
Not rated		–	76.4	105.4	–	58.2	0.0	1.2
Total		284.6	129.8	108.1	124.1	295.8	206.2	342.7

Securities and loans related to closed items on the balance sheet are not exposed to price or foreign exchange risk from VERBUND's perspective. These investments were either carried out on the basis of matching currencies and maturities, or they were adjusted to maturity, interest rates and currencies of the corresponding financial liabilities through corresponding derivatives. The remaining risk is thus a credit risk or default risk of the partner with whom the investments were carried out. This was in turn minimised in that investments were only carried out with partners with original first-class ratings (group A), whereby the credit rating and the solvency of the partner is constantly monitored in order to be able to react in a quick and timely manner according to the terms of the agreement in the event of impending default (see also: Accounting policies; Other liabilities and risks).

The other securities without assigned rating are, in particular, domestic investment funds (funds for institutional investors) acquired to cover personnel-related provisions.

The amounts presented as "not rated" under other non-current receivables include mainly loans to investees accounted for using the equity method in addition to various small amounts (see: Transactions with related parties). In light of the close interconnections with VERBUND, it does not seem sensible to have credit ratings for investees.

With respect to trade receivables, the amounts presented as "non-rated" related in particular to the expansion of the consumer business, which led to a large number of receivables that individually lie below the minimum limit (< €0.1m). Also included in this amount are companies for which credit assessment may not have been conducted, but to which nevertheless credit limits were granted due to special circumstances (e.g. legal obligations to accept contracts).

Interest rate risk

VERBUND regards fluctuations in interest rates as a significant cash flow risk. The rules in the area of risk management specify maximum limits for the share of financial liabilities bearing variable interest. As at 31 December 2012, the proportion of financial liabilities (taking interest rate swaps into account) for which VERBUND is exposed to a corresponding interest rate risk was 9.9% (previous year: 9.9%).

A 1.0% increase in the interest rate would result in a decrease of €4.3m p.a. (previous year: €4.0m p.a.) in profit before taxes with respect to the existing loan portfolio as at the balance sheet date. As a rule, hedging instruments are used in an attempt to further reduce the effects of short-term market price fluctuations on profit or loss. However, prolonged negative market price changes can have a negative impact on performance.

As at 31 December 2012, there were interest rate swaps related to closed items on the balance sheet. The fair value of these derivatives, together with the related securities, loans and receivables, in each case form a micro measurement unit that exactly equates to the fair value recognised for the related financial liability. The changes in fair value of the interest rate swaps correspond to the fluctuations in value of the hedged financial liabilities measured at fair value induced by changes in interest rates.

As at 31 December 2012, there were additional interest rate swaps for a total nominal value of €413.9m (previous year: €419.6m). These swaps exchange variable interest for a fixed interest rate in order to secure the existing low interest level also for the longer term. These interest rate swaps were designated as hedging instruments as part of cash flow hedges in accordance with IAS 39.

Additional interest rate swaps (from variable to fixed interest rate) were entered into in the reporting period for a nominal value of €40.8m as part of project financing; from a Group perspective, no hedging relationship can be established for these and they were therefore measured at fair value in profit or loss. The same applies for an interest rate swap (from variable to fixed interest rate) with a nominal value of €58.4m added as part of the first-time consolidation of POWEO Pont-sur-Sambre Production S.A.S.

For fair values of financial liabilities, see: (35) Additional disclosures regarding financial instruments in accordance with IFRS 7. The average remaining term for the entire portfolio is 4.9 years (previous year: 5.0 years).

Foreign exchange risk

There are no assets exposed to significant foreign exchange risks, because deliveries are settled almost entirely in euros; the same generally applies to other primary financial instruments.

Since securities and loans under closed items on the balance sheet as well as the associated liabilities are denominated exclusively in US dollars, no foreign exchange risk is incurred.

With respect to the remaining financial liabilities, VERBUND's rules in the area of risk management for financing in foreign currencies specify maximum values for each respective currency proportion; these limits were not exceeded in the 2012 reporting period. As at 31 December 2012, the foreign exchange risk of all financial liabilities (in yen) can be presented as follows:

Liability €m

Foreign exchange	31/12/2011	**31/12/2012**
¥5,550m (previous year: ¥12,900.0m)	128.7	48.9

An unscheduled repayment totalling ¥7,350.0m took place in the reporting period. Therefore, the financial liability in yen listed above is now only exposed to unhedged foreign exchange risk in the amount of ¥5,550.0m. An increase of 1.0% in the foreign exchange rate of yen to euro would have a negative effect on profit before taxes of about €0.5m (previous year: €1.3m).

Risk from cross-border leasing transactions

With the beginning of the financial market crisis during the 2008 reporting period, the risk profile of cross-border leasing transactions changed for VERBUND – mainly as a result of the deterioration in the credit rating of contractual parties (banks and insurance companies). At the same time, due to the increased liquidity requirements of American cross-border leasing investors and the agreements between these investors and the American tax authorities regarding tax benefits to be approved, their willingness to terminate individual transactions early increased. VERBUND took advantage of these opportunities and was able to terminate a total of about 85% of the original volume of cross-border leasing transactions in the 2009 and 2010 reporting periods. The remaining transaction volume amounts to around $966.0m, corresponding to around 15% of the original transaction volume. The original net present value benefit associated with this transaction was about €76.0m. This last remaining transaction has an off-balance sheet financing structure. Any potential liabilities on the part of VERBUND that could arise from this transaction – which is highly unlikely from a current perspective – are still secured in part through counter-guarantees (see: Other risks and liabilities).

Some of the cross-border leasing transactions that had been terminated in their entirety; that is, all associated liabilities (A-loans and B-loans) and investments were also repaid. However, some of the cross-border leasing transactions were only partially terminated, whereby the transactions with the investors and the associated A-loans were repaid, while VERBUND continued the existing B-loans. For these transactions that are designated as partially terminated, the existing B-payment undertaking agreements and the corresponding investments as well as the related derivatives (interest rate swaps, fair value hedges) were continued. Therefore, cover is still provided on the balance sheet. Expenses and income from the measurement of these items correspond to one another in terms of both value and value date and are offset. The reference value of the interest rate swaps amounts to $241.1m (previous year: $238.9m).

With respect to the one remaining cross-border leasing transaction, the risk remains that a head lease filing will have to be effected if VERBUND's rating should fall below a certain threshold. The risk also remains that either the instrument must be exchanged or additional collateral or a letter of credit must be provided if an investment partner's rating should fall below a certain threshold. The same applies to two transactions that had been terminated early for which the financial liabilities were continued if the rating of either VERBUND or the issuer of the investment should deteriorate by a certain amount. In this case, corresponding initial measures must be implemented.

The ratings of contractual parties as well as VERBUND's rating exceeded the contractually agreed thresholds as at 31 December 2012. Thus, there is currently no need for VERBUND to exchange individual contractual parties or investments. This risk is also reduced not least of all by guarantor's liabilities on the part of regional authorities for individual contractual parties.

Energy area

Within its core business, VERBUND is active in international energy markets and thus is exposed to market, counterparty and operational risks which have to be seen alongside corresponding opportunities. Sustained economic activity in these markets requires appropriate structures and processes as well as strict intragroup regulations. Dealing with market risks is managed by means of rule books and the limits established in them. Counterparty risk is approached using separate guidelines at both the Group level as well as at the level of the subsidiaries. There is a process manual for the management of operational risks.

The current utilisation of the various limits with respect to market risk (value at risk, stress limit, stop-loss limits and exposure limits) is monitored, managed and reported on a daily basis, as is the risk position of the (derivative) financial instruments in the energy area.

As at 31 December 2012, the derivative financial instruments in the energy area (electricity futures and electricity forwards, gas forwards (including the gas supply agreement for the Mellach combined cycle gas turbine power plant), gas swaps, CO_2 futures and CO_2 forwards) can be broken down as follows:

Cash flow hedges (sales and procurement) as at 31/12/2012

€m

	Positive fair values	Negative fair values	Net
Futures	84.1	61.9	22.2
Forwards	24.6	31.3	–6.7
Swaps	0.0	0.0	0.0
Total before netting	**108.7**	**93.1**	**15.5**
Of which current	107.3	76.5	30.7
Of which non-current	1.4	16.6	–15.2
Of which in other comprehensive income			15.5

Wholesale as at 31/12/2012

€m

	Positive fair values	Negative fair values	Net
Futures	24.5	79.5	–55.0
Forwards	130.5	70.9	59.6
Swaps	1.4	0.2	1.1
Natural gas supply agreement	0.0	60.4	–60.4
Total before netting	**156.4**	**211.1**	**–54.7**
Of which current	114.6	137.5	–22.9
Of which non-current	41.9	73.6	–31.7
Futures already realised			–19.8
Total			–74.5

Trading as at 31/12/2012

€m

	Positive fair values	Negative fair values	Net
Futures	0.2	0.4	–0.2
Forwards	834.5	832.0	2.5
Total before netting	**834.8**	**832.4**	**2.3**
Of which current	659.6	657.7	2.0
Of which non-current	175.1	174.7	0.4

Total as at 31/12/2012

€m

	Positive fair values	Negative fair values	Net
Futures	108.9	141.8	–33.0
Forwards	989.6	934.2	55.4
Swaps	1.4	0.2	1.1
Natural gas supply agreement	0.0	60.4	–60.4
Total before netting	**1099.8**	**1136.6**	**–36.8**
Including netting agreements	–893.6	–893.6	0.0
Total after netting	**206.2**	**243.0**	**–36.8**
EEX/ECX clearing variation margins of futures	0.0	–30.5	
Recognised under current other receivables or liabilities	**206.2**	**212.5**	**–6.3**

As at 31 December 2011, the derivative financial instruments in the energy area (electricity futures and electricity forwards, gas forwards, gas swaps, CO_2 futures and CO_2 forwards) can be broken down as follows:

Cash flow hedges (sales and procurement) as at 31/12/2011 €m

	Positive fair values	Negative fair values	Net
Futures	52.3	35.4	16.9
Forwards	36.9	11.0	25.9
Swaps	0.0	0.0	0.0
Total before netting	89.2	46.4	42.8
Of which current	88.1	44.6	43.5
Of which non-current	1.1	1.8	–0.7
Of which in other comprehensive income			42.8

Wholesale as at 31/12/2011 €m

	Positive fair values	Negative fair values	Net
Futures	19.2	42.9	–23.6
Forwards	224.7	197.4	27.3
Swaps	7.3	0.1	7.3
Total before netting	251.3	240.4	10.9
Of which current	150.3	144.5	5.8
Of which non-current	101.0	95.9	5.1
Futures already realised			–5.4
Total			5.5

Trading as at 31/12/2011 €m

	Positive fair values	Negative fair values	Net
Futures	2.6	0.7	1.9
Forwards	625.7	621.8	3.9
Total before netting	628.3	622.5	5.8
Of which current	614.1	608.1	6.0
Of which non-current	14.2	14.4	–0.2

Total as at 31/12/2011 €m

	Positive fair values	Negative fair values	Net
Futures	74.1	79.0	–4.9
Forwards	887.4	830.1	57.3
Swaps	7.3	0.1	7.2
Total before netting	**968.8**	**909.2**	**59.6**
Including netting agreements	–795.2	–795.2	0.0
Total after netting	**173.5**	**114.0**	**59.6**
EEX/ECX clearing variation margins of futures	0.0	–2.2	
Recognised under current other receivables or liabilities	**173.5**	**111.8**	**61.8**

Derivative financial instruments in the energy area with positive fair values are recognised under trade receivables and other receivables; those with negative fair values are recognised under trade payables and other liabilities. If a framework agreement with a netting clause has been concluded with a counterparty, the positive and negative fair values of the transactions for this counterparty are netted for accounting purposes.

The effects of potential price fluctuations on the electricity market (–10.0% to +10.0%) on the operating result (wholesale portfolio, trading portfolio) as well as on equity (cash flow hedges) were measured by means of a sensitivity analysis. At present, a 10.0% increase in the market price would have an impact on the operating result in the amount of €+4.0m (previous year: €–1.2m) and on equity (not including deferred taxes) in the amount of €–49.2m (previous year: €–67.2m). At present, a 10.0% decline in the market price would have an impact on the operating result in the amount of €–4.0m (previous year: €+1.2m) and on equity (not including deferred taxes) in the amount of €+49.2m (previous year: €+67.2m).

In addition, the effects on the operating result of potential fluctuations in the market price of natural gas (–10.0% to +10.0%) related to the natural gas supply agreement concluded to fuel the Mellach combined cycle gas turbine power plant were measured by means of a sensitivity analysis. At present, a 10.0% increase in the market price over the entire period of the agreement would have an impact on the operating result in the amount of €+95.0m. At present, a 10.0% decline in the market price over the entire period of the agreement would have an impact on the operating result in the amount of €–95.0m.

The future sales and procurement transactions hedged by cash flow hedges will occur over the next five years (2013 to 2017) and be recognised in profit or loss accordingly. As at 31 December 2012, there were no ineffective portions of cash flow hedges to be recognised in profit or loss in accordance with IAS 39.

In the 2012 reporting period, €120.3m (previous year: €58.2m) was recognised in other comprehensive income. In the same period, €147.3m (income; previous year: €–59.0m expense) was reclassified to the income statement.

Other liabilities and risks

Contingent liabilities

As at 31 December 2012, around 85.0% of the original volume of cross-border leasing transactions had been terminated. The last remaining transaction has an off-balance sheet financing structure. As at 31 December 2012, VERBUND's subsidiary liability amounted to €511.5m (previous year: €532.2m) for the non-redeemed portion of the leasing liability from this cross-border leasing transaction. Of the rights of recourse against the primary debtors, €384.3m (previous year: €409.6m) is secured through counter-guarantees on the part of financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €178.3m (previous year: €172.9m) is covered by off-balance sheet investments in zero coupons of the European Investment Bank, which are also secured by a guarantee from the Financial Security Assurance Inc. (FSA).

Contracts and purchase commitments

Contracts and purchase commitments 2012

€m

	Total commitment as at 31/12/2012	Commitment within one year	Commitment within five years
Rent, lease and insurance agreements	n/a[1]	24.4	107.5
Purchase commitment for property, plant and equipment, intangible assets and other services	599.2	450.2	575.0

Contracts and purchase commitments 2011

€m

	Total commitment as at 31/12/2011	Commitment within one year	Commitment within five years
Rent, lease and insurance agreements	n/a[1]	21.7	96.2
Purchase commitment for property, plant and equipment, intangible assets and other services	471.1	314.6	469.8

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

Operating grant

VERBUND Thermal Power GmbH & Co KG received a grant in the past for the Voitsberg III power plant from Energie-Control GmbH (now Energie-Control Austria für die Regulierung der Elektrizitäts- und Erdgaswirtschaft (E-Control)) to cover lower revenues from the partial deregulation. In the revision of Section 69 of the Austrian Electricity Industry and Organisation Act (1998) (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG), the legislator specified that the Republic of Austria or E-Control would be entitled to reclaim from the recipient any operating grants previously granted including interest should a claim arise for reimbursement to grid customers of the resulting mark-ups on system usage rates. Until now, a provision was recognised for this risk from ongoing legal proceedings. All legal means have been exhausted in these proceedings so that a threat of a claim against VERBUND no longer exists; as a consequence, the provision was reversed to profit or loss in the 2012 reporting period.

Purchase contracts

There is an operating and electricity supply agreement with E.ON Wasserkraft GmbH according to which VERBUND is entitled to purchase half of the electricity generated in the Ering-Frauenstein and Egglfing-Obernberg power plants in exchange for reimbursement of the contractually stipulated recognised expenses plus a profit mark-up.

As part of a basic contract which can be terminated yearly, Weglokoks S.A. offers VERBUND Thermal Power GmbH & Co KG 450,000 t of hard coal annually at negotiable prices. There is also a basic contract which can be terminated yearly with OKD S.A. for a volume of at least 600,000 t hard coal annually at negotiable prices. For the 2013 supply, the prices for a volume of 50,000 t have been negotiated with Weglokoks S.A.; in addition, a purchase agreement for 2013 was concluded with OKD S.A. for 750,000 t hard coal.

There is a contract with EconGas GmbH to supply natural gas which can be terminated 15 years after deliveries commence for the Mellach combined cycle gas turbine power plant. The volume now agreed on the basis of an addendum to the natural gas supply agreement amounts to around 4.2 TWh per year.

In addition, there are further customary purchase contracts for business activities that include, in particular, the delivery of electricity and primary energy sources, but also property, plant and equipment, as well as maintenance and repair services.

Other commitments

Provincial energy companies have acquired (pro rata) electricity purchase rights by providing contributions to building costs for power plants on the Danube and Drau rivers and for the Malta power plant group. Due to these electricity supply agreements, VERBUND is obligated to deliver a portion of the electricity generated in these power plants to the provincial energy companies in exchange for reimbursement of the contractually stipulated recognised expenses (excluding depreciation, amortisation and interest).

In the 2011 reporting period, an agreement was reached with the Free State of Bavaria to convert the existing reversion rights for the Wasserburg, Teufelsbrück and Gars run-of-river power plants into so-called contingent reversion rights – only in the event that VERBUND permanently ceases to operate the power plants or permanently shuts them down. In exchange, VERBUND undertook to implement certain water management measures and environmental and infrastructure measures on the Bavarian Inn River by 2021.

There is a district heating supply and purchase agreement between VERBUND Thermal Power GmbH & Co KG and Steirische Gas-Wärme GmbH to meet the district heating demand of the metropolitan area of Graz. The district heating power stations in Mellach and Neudorf-Werndorf were previously used to meet the supply commitment resulting from this contract. Since the commissioning of the Mellach combined cycle gas turbine power plant, which is also entitled to supply district heating, the supply commitment resulting from this contract is met by the district heating plant and combined cycle gas turbine power plant in Mellach.

As is typical for the energy industry, payments for damages are made to land owners for economic disadvantages associated with the construction of power plants and lines. The total present value of these commitments is not material to VERBUND.

Average number of employees

Average number of employees

	2011	**2012**	Change
Salaried employees	2,806	**2,850**	44
Wage earners	78	**78**	0
Apprentices	161	**172**	11
Average number of employees[1]	3,045	**3,100**	55

[1] Part-time employees were taken into account proportionately based on their working hours.

As at the balance sheet date, 289 (previous year: 347) employees had a letter of loyalty granting them a higher degree of employment protection. The prerequisite was at least 20 years of service at VERBUND and a minimum age of 45.

Provision of personnel

In the 2012 reporting period, an average of 60 (previous year: 63) employees were assigned to PÖYRY Energy GmbH to complete various engineering and consulting tasks. VERBUND holds an interest of 25.1% in PÖYRY Energy GmbH (see: Group companies). These assignments are remunerated at standard rates, based on the qualifications of the respective employees and the hourly rates prevailing in the market.

In the 2012 reporting period, there was, in addition, an average of 10 assignments (previous year: 6) to non-consolidated subsidiaries of VERBUND.

Expenses for services by the Group auditor

The expenses for services provided by the Group auditor refer to VERBUND's consolidated subsidiaries that are audited by the Group auditor/the Group auditor's network; the corresponding expenses for subsidiaries non-consolidated due to lack of materiality are not included here. VERBUND's Group auditor in both 2011 and 2012 was Deloitte Audit Wirtschaftsprüfungs GmbH.

Expenses for services provided by the Group auditor €k

	Deloitte[1] 2011	**Deloitte[1] 2012**	Network 2011	**Network 2012**
Audit services related to consolidated and separate financial statements	415.1	340.5	94.2	201.3
Other assurance services	254.6	208.9	9.4	8.0
Tax consulting services	4.8	8.0	0.0	0.0
Other advisory services	137.8	14.8	0.0	0.0
Total expenses	812.3	**572.2**	103.6	**209.3**

[1] Deloitte Audit Wirtschaftsprüfungs GmbH

The following expenses were incurred by VERBUND's joint ventures for Group auditor/Group auditor network services: €62.9k (previous year: €309.0k) for audit services related to the consolidated and separate financial statements (of which Deloitte Audit Wirtschaftsprüfungs GmbH: €62.9k; previous year: €60.9k), €8.3k (previous year: €8.0k) for other assurance services (of which Deloitte Audit Wirtschaftsprüfungs GmbH: €8.3k; previous year: €8.0k), €0.0k (previous year: €43.8k) for tax consulting services (of which Deloitte Audit Wirtschaftsprüfungs GmbH: €0.0k; previous year: €0.0k) and €0.0k (previous year: €2.5k) for other advisory services (of which Deloitte Audit Wirtschaftsprüfungs GmbH: €0.0k; previous year: €0.0k).

Transactions with related parties

Related parties of VERBUND include all subsidiaries, associates and joint ventures. In addition, related parties include the members of VERBUND's Executive Board and Supervisory Board, companies controlled or significantly influenced by them or their close family members. Due to its position as the majority shareholder, the Republic of Austria is a related party. Consequently, companies over which the Republic of Austria has a controlling or significant influence are also considered to be related parties. These include, in particular, Österreichische Bundesbahnen (ÖBB), Autobahnen- und Schnellstraßen-Finanzierungs-Aktiengesellschaft (ASFINAG), OMV and Telekom Austria as well as Energie-Control Austria für die Regulierung der Elektrizitäts- und Erdgaswirtschaft (E-Control).

Transactions with non-consolidated subsidiaries, joint ventures or associates are not presented due to lack of materiality.

Transactions with joint ventures

There is an electricity supply agreement with Ennskraftwerke AG under which VERBUND is entitled to purchase the electricity generated in their power plants, net of electricity purchases of other entitled partners, in exchange for reimbursement of contractually predetermined recognised expenses plus a reasonable return on equity.

There are electricity supply agreements with Österreichisch-Bayerische Kraftwerke AG and Donaukraftwerk Jochenstein AG according to which VERBUND is entitled to purchase half of the electricity generated in their power plants in exchange for reimbursement of contractually predetermined recognised expenses plus a reasonable return on equity.

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

Transactions with joint ventures

€m	2011	2012
Income statement		
Electricity revenue	37.5	32.0
Grid revenue	4.2	5.3
Other revenue	6.6	11.1
Other operating income	0.4	1.4
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	–45.1	–47.8
Other operating expenses	–1.1	–0.9
Interest expenses	–0.2	–2.0
Interest income	1.8	1.9
Other financial result	1.8	1.8

	31/12/2011	31/12/2012
Balance sheet		
Investments and non-current other receivables	91.1	106.3
Trade receivables and current other receivables	44.4	43.8
Non-current financial liabilities	40.0	44.0
Current financial liabilities	41.0	0.0
Non-current provisions	0.4	0.0
Current provisions	1.4	2.5
Trade payables and current other liabilities	13.4	16.4

In the 2012 reporting period, VERBUND purchased electricity based on electricity purchase agreements in the amount of €23.8m (previous year: €19.4m) from Ennskraftwerke AG, in the amount of €16.3m (previous year: €15.3m) from Österreichisch-Bayerische Kraftwerke AG and in the amount of €5.5m (previous year: €7.2m) from Donaukraftwerk Jochenstein AG.

Investments as at 31 December 2012 included a non-current loan to Energji Ashta Shpk in the amount of €67.3m (previous year: €51.9m) as well as a current other receivable in the amount of €27.2m (previous year: €32.6m); Both mainly served the financing of construction services related to an Albanian hydropower plant concession. In order to provide security for the companies providing construction services, guarantees (in favour of ANDRITZ HYDRO GmbH) and letters of comfort (in favour of Porr Bau GmbH and Siemens AG Österreich) issued by VERBUND existed at the balance sheet date. In addition, VERBUND had provided letters of comfort for the benefit of the Albanian Energy Regulatory Entity (ERE) and the Albanian Ministry of Economy, Trade and Energy (METE).

VERBUND issued letters of comfort and sponsor support agreements in order to secure financing for the subsidiaries (Enerjisa Enerji Üretim A.S. and Enerjisa Elektrik Dagitim A.S.) of the Turkish joint venture Enerjisa Enerji A.S. (Group) from international banking syndicates. In order to secure construction financing for a thermal power plant project in Tufanbeyli from an international banking syndicate and for a wind power project in Bares from the European Bank for Reconstruction and Development, VERBUND and Sabanci Holding A.S. concluded an additional sponsorship agreement (sponsor additional support agreement) and letters of comfort in the 2012 reporting period. All guarantees will end upon closing of the transaction for the sale of the equity-accounted interest in Enerjisa Enerji A.S. (Group) (see: (28) Non-current assets held for sale).

Transactions with associates

KELAG-Kärntner Elektrizitäts-AG has acquired (pro rata) electricity purchase rights by providing contributions to building costs for power plants on the Danube and Drau rivers and for the Malta power plant group. Due to these electricity supply agreements, VERBUND is obligated to deliver a portion of the electricity generated in these power plants to KELAG-Kärntner Elektrizitäts-AG in exchange for reimbursement of the contractually predetermined recognised expenses (excluding depreciation, amortisation and interest).

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

Transactions with associates

€m

	2011	**2012**
Income statement		
Electricity revenue	400.1	375.7
Grid revenue	48.1	50.0
Other revenue	11.5	–10.3
Other operating income	1.4	5.1
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	–199.8	–98.2
Other operating expenses	–2.2	–1.7
Interest expenses	–0.4	–0.5
Interest income	–1.0	3.3
Other financial result	–26.4	6.0

	31/12/2011	**31/12/2012**
Balance sheet		
Investments and non-current other receivables	178.3	0.1
Trade receivables and current other receivables	112.0	31.8
Current provisions	2.0	0.4
Trade payables and current other liabilities	63.1	9.1

Electricity revenue resulted mainly from the delivery of electricity to STEWEAG-STEG GmbH in the amount of €285.7m (previous year: €291.2m) and KELAG-Kärntner Elektrizitäts-AG in the amount of €57.6m (previous year: €21.7m). This revenue has to be seen alongside the electricity purchased from STEWEAG-STEG GmbH in the amount of €16.3m (previous year: €26.4m) and KELAG-Kärntner Elektrizitäts-AG in the amount of €20.8m (previous year: €11.7m). KELAG-Kärntner Elektrizitäts-AG made contributions to building costs of €47.6m (previous year: €35.5m) in the 2012 reporting period.

The interests previously accounted for using the equity method in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. were consolidated for the first time effective 31 October 2012. Open balances between VERBUND and the two French power plant companies were eliminated as part of the first-time consolidation (see: Financial reporting principles). Intragroup transactions, receivables, liabilities and intercompany profits were eliminated under consideration of deferred taxes from the acquisition date; disclosures pursuant to IAS 24 are therefore no longer necessary. Revenue with POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. between 1 January 2012 and 31 October 2012 amounted to €–13.9m (previous year: €8.7m). The negative revenue resulted mainly from gas purchases and sales in conjunction with the optimisation of the Pont-sur-Sambre combined cycle gas turbine power plant that were presented with offset (net) in other revenue. The purchase of electricity from POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. amounted to a total of €44.7m (previous year: €99.2m). In the 2011 reporting period, POWEO S.A. (Group) and POWEO Production S.A.S. – both interests accounted for using the equity method were sold in quarter 3/2011 – were also considered to be related parties as defined under IAS 24 in the 2011 reporting period.

The equity interests in Kärntner Restmüllverwertungs GmbH, Gletscherbahnen Kaprun AG and Energie Klagenfurt GmbH were sold in the 2012 reporting period (see: Financial reporting principles). In determining these disclosures, it was taken into consideration that these companies were only related parties as defined under IAS 24 until the date of the sale of the equity interest.

In quarter 3/2012, KELAG Kärntner Elektrizitäts-AG contributed its 6.51% equity interest in VERBUND Thermal Power GmbH & Co KG into VERBUND Thermal Power GmbH against a capital share consideration of 0.01% and then sold its 6.53% share of VERBUND Thermal Power GmbH to VERBUND Beteiligungsholding GmbH. In quarter 4/2012, VERBUND Beteiligungsholding GmbH acquired an additional 14.71% equity interest in VERBUND Thermal Power GmbH & Co KG from STEWEAG-STEG GmbH.

In order to secure the completion of the photovoltaic park and rooftop photovoltaic system projects of POWEO Outre-mer Solaire S.A.S. in French overseas territories, VERBUND provided various guarantees in the 2011 reporting period.

In addition, VERBUND has provided a guarantee to Eni North Africa BV that Sorgenia S.p.A. will meet its obligations from a natural gas supply agreement, and to OeMAG Abwicklungsstelle für Ökostrom AG that STEWEAG-STEG GmbH will meet its contractual obligations to the green energy clearing and settlement agency.

In the 2010 reporting period, VERBUND received an investment grant in the amount of €16.0m from OeMAG Abwicklungsstelle für Ökostrom AG for cogeneration at the Mellach combined cycle gas turbine power plant. This resulted in another current receivable in the amount of €4.8m (previous year: €4.8m) as at 31 December 2012.

Contingent liabilities to investees

As at 31 December 2012, other liabilities included contingent liabilities in the amount of €29.9m (previous year: €28.1m) in the form of guarantees issued by VERBUND for Verbundplan Birecik Baraji Isletme Ltd. Sti. (VBOC), which is not consolidated. VBOC is entrusted with the operation of the Birecik hydropower plant on the Euphrates River in Turkey as part of an operator model (build operate transfer, BOT) over 15 years. The guarantees relate to the commitments on the part of VBOC arising from its management activities for Birecik Baraj ve Hidroelektrik Santrali Tesis ve Isletme A.S. in Turkey.

Other commitments to investees

The outstanding contribution commitments to investees include equity contributions, provided that the corresponding shareholder resolutions have already been passed. As at 31 December 2012, there were no outstanding contribution commitments to investees (previous year: €0.0m).

In the future, contribution commitments could arise from a framework agreement between VERBUND and Sabanci Holding A.S. to create a generation portfolio with an installed capacity of around 5,000 MW in Turkey by 2015. The corresponding projects of Enerjisa Enerji Üretim A.S. are to be financed with equity ratios of between 30% and 40%. VERBUND's interest in these projects is 50%. These contribution commitments will end upon closing of the transaction for the sale of the equity-accounted interest in Enerjisa Enerji A.S. (Group) (see: (28) Non-current assets held for sale).

Sorgenia S.p.A. (Group) is running a share-based remuneration programme in which stock options are issued to members of management. For the shares of Sorgenia S.p.A. (Group) acquired as part of this share-based remuneration programme, members of management have put options which enable them to sell the shares proportionately to the shareholders of Sorgenia S.p.A. (Group). Currently, VERBUND holds a 45.66% interest in Sorgenia S.p.A. (Group).

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

Electricity deliveries to the Republic of Austria amounted to €0.0m in the 2012 reporting period (previous year: €0.0m). Electricity deliveries to companies controlled or significantly influenced by the Republic of Austria amounted to a total of €93.7m (previous year: €55.6m) in the 2012 reporting period. The primary buyers of this electricity were ÖBB, OMV and Telekom Austria. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €0.9m in the 2012 reporting period (previous year: €0.1m). The primary supplier of this electricity was the ÖBB.

Gas purchased from companies significantly influenced by the Republic of Austria and included under fuel expenses amounted to a total of €72.3m in the 2012 reporting period (previous year: €37.6m). These gas purchases occur mainly as a result of the long-term natural gas supply agreement in place with EconGas GmbH. This natural gas supply agreement was recognised for the first time at fair value through profit or loss in the 2012 reporting period (see: Notes to the income statement). The resulting effect on profit or loss of €–60.4m was recognised under expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade). The corresponding derivative financial instrument in the energy area was recognised in non-current other liabilities in the amount of €53.9m and in current other liabilities in the amount of €6.5m.

VERBUND's expense for monitoring by Energie-Control Austria für die Regulierung der Elektrizitäts- und Erdgaswirtschaft (E-Control) amounted to a total of €12.5m (previous year: €10.4m) in the 2012 reporting period.

Disclosures regarding the Boards of the Group

Detailed disclosures regarding the Boards of VERBUND AG are presented in the corporate governance report. The following disclosures focus on the remuneration of members of the Executive Board and the Supervisory Board.

Current remuneration of the Executive Board

€

	Fixed remuneration	Variable remuneration
Dipl.-Ing. Wolfgang Anzengruber	647,528	428,625
Dr. Johann Sereinig	616,793	353,216
Dr. Ulrike Baumgartner-Gabitzer	434,474	205,000
Dipl.-Ing. Dr. Günther Rabensteiner	435,610	153,299

Total remuneration of members of the Executive Board in 2012 amounted to €3,274,545 (previous year: €2,607,219). Because it is only possible to ascertain at the end of the year whether targets have been reached, variable remuneration components are paid out in the following year. Therefore, the variable remuneration paid to members of the Executive Board in the 2012 reporting period relates to the 2011 reporting period. Since Dipl.-Ing. Dr. Rabensteiner was only appointed to the Executive Board on 1 April 2011, no variable remuneration for the 2011 reporting period was paid out.

Variable remuneration depends on performance and is limited to a certain percentage of fixed remuneration. This percentage rate was between 50% and 70% for the 2011 reporting period. The level of performance-dependent remuneration components is based on the extent to which the targets agreed for the financial year are reached. 50% of the target agreement for the 2011 reporting period related to attainment of the planned Group result and 50% related to the attainment of qualitative (and, in part, medium-term) targets (for example, in the area of research and development as well as with respect to the strategic development of the equity interest portfolio). The principles underlying the Executive Board's share of profit were unchanged from the previous year.

A company pension plan has been set up for members of the Executive Board in the form of a defined contribution pension fund agreement. In the 2012 reporting period, contributions to the pension fund were paid for the Executive Board in the amount of €148,552 (previous year: €132,621).

Statutory regulations apply with respect to the claims of members of the Executive Board upon termination of their position. In the 2012 reporting period, €507,589 (previous year: €491,166) were paid out for pensions and severance payments in support of beneficiaries.

Profit or loss for the period included expenses for severance payments and pensions and similar obligations – i.e. post-employment benefits – in the amount of €107,451 (previous year: due to a non-recurring item, income in the amount of €135,679). Expenses for pensions and similar obligations for former members of the Executive Board and their surviving dependants included in the profit or loss for the period amounted to a total of €666,635 (previous year: €597,362). In addition, expenses related to remeasurements amounting to €624,983 were recognised in other comprehensive income.

Remuneration for members of the Supervisory Board amounted to a total of €203,679 (previous year: €200,133). As in the previous year, no loans or advances were paid out to members of the Group's or subsidiaries' Boards. As in the previous year, neither the members of the Executive Board nor senior management staff of VERBUND have stock options.

Group companies

The following list of Group companies prepared in accordance with Section 245a(1) in conjunction with Section 265(2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) comprises VERBUND's subsidiaries, joint ventures and associates. In addition, this list also contains non-consolidated subsidiaries and other joint ventures and equity interests of VERBUND not accounted for using the equity method with an interest of ≥ 20%.

Group companies

				2011				**2012**
Company	Head-quarters	Consoli-dation method	Parent company	Parent com-pany's share of equity in %	Head-quarters	Consoli-dation method	Parent company	Parent com-pany's share of equity in %
VERBUND AG (VH)	Vienna	FC	–	–	Vienna	FC	–	–
Austrian Power Grid AG (APG)	Vienna	FC	VH	100.00%	Vienna	FC	VH	100.00%
Haos Invest EAD	Sofia	FC	VRP	100.00%	Sofia	FC	VRP	100.00%
POWEO Pont-sur-Sambre Production S.A.S.	Pont-sur-Sambre	EM	VIN-FR VIN	60.00% 40.00%	Pont-sur-Sambre	FC	VIN-FR VIN	60.00% 40.00%
POWEO Toul Production S.A.S.	Toul	EM	VIN-FR VIN	60.00% 40.00%	Toul	FC	VIN-FR VIN	60.00% 40.00%
VERBUND Beteiligungsholding GmbH (VBH)	Vienna	FC	VH	100.00%	Vienna	FC	VH	100.00%
VERBUND Finanzierungs-service GmbH	Vienna	FC	VH	100.00%	Vienna	FC	VH	100.00%
VERBUND International Finance GmbH	Vienna	FC	VH	100.00%	Vienna	FC	VH	100.00%
VERBUND International Frankreich GmbH (VIN-FR)	Vienna	FC	VIN	100.00%	Vienna	FC	VIN	100.00%
VERBUND International GmbH (VIN)	Vienna	FC	VBH	100.00%	Vienna	FC	VBH	100.00%
VERBUND Italia S.p.A. (VIT)	Milan	FC	VIN	100.00%	Milan	FC	VIN	100.00%

FC = Fully consolidated subsidiary / EM = Investee accounted for using the equity method / NC = Company not consolidated due to immateriality

[1] Classified as held for sale // [2] Joint venture

Group companies

Company	2011 Headquarters	2011 Consolidation method	2011 Parent company	2011 Parent company's share of equity in %	2012 Headquarters	2012 Consolidation method	2012 Parent company	2012 Parent company's share of equity in %
VERBUND Photovoltaics Ibérica S.L.	Madrid	FC	VRP	100.00%	Madrid	FC	VRP	100.00%
VERBUND Renewable Power GmbH (VRP)	Vienna	FC	VBH	100.00%	Vienna	FC	VBH	100.00%
VERBUND Sales GmbH (VSA)	Vienna	FC	VH	100.00%	Vienna	FC	VH	100.00%
VERBUND Telekom Service GmbH	Vienna	FC	VH	100.00%	Vienna	FC	VH	100.00%
VERBUND Trading AG	Vienna	FC	VH	100.00%	Vienna	FC	VH	100.00%
VERBUND Umwelttechnik GmbH	Klagenfurt	FC	APG	100.00%	Klagenfurt	FC	APG	100.00%
VERBUND Wind Power Deutschland GmbH (VRP-DE)	–	–	–	–	Wörrstadt	FC	VRP-AT	100.00%
VERBUND Management Service GmbH	Vienna	FC	VH	100.00%	Vienna	FC	VH	100.00%
CAS Regenerabile S.R.L.	Bucharest	FC	VRP VRP-AT	99.90% 0.10%	Bucharest	FC	VRP VRP-AT	99.90% 0.10%
VERBUND Tourismus GmbH (VTO)	Vienna	FC	VH VBH	99.90% 0.10%	Vienna	FC	VH VBH	99.90% 0.10%
VERBUND Wind Power Austria GmbH (VRP-AT)	Vienna	FC	VRP VBH	99.75% 0.25%	Vienna	FC	VRP VBH	99.75% 0.25%
VERBUND Trading Romania S.R.L.	Bucharest	NC	VTR VH	99.00% 1.00%	Bucharest	FC	VTR VH	99.00% 1.00%
Windpark Dichtelbach GmbH & Co. KG	–	–	–	–	Wörrstadt	FC	VRP-AT	95.00%
Windpark Dörrebach GmbH & Co. KG	–	–	–	–	Wörrstadt	FC	VRP-AT	95.00%

FC = Fully consolidated subsidiary / EM = Investee accounted for using the equity method / NC = Company not consolidated due to immateriality

[1] Classified as held for sale // [2] Joint venture

Group companies

Company	2011 Head-quarters	2011 Consoli-dation method	2011 Parent company	2011 Parent com-pany's share of equity in %	2012 Head-quarters	2012 Consoli-dation method	2012 Parent company	2012 Parent com-pany's share of equity in %
Windpark Eichberg GmbH & Co. KG	–	–	–	–	Wörrstadt	FC	VRP-AT	95.00%
Windpark Ellern GmbH & Co. KG	–	–	–	–	Wörrstadt	FC	VRP-AT	95.00%
Windpark Hochfels GmbH & Co. KG	–	–	–	–	Wörrstadt	FC	VRP-AT	95.00%
Windpark Rheinböllen GmbH & Co. KG	–	–	–	–	Wörrstadt	FC	VRP-AT	95.00%
Windpark Schönborn GmbH & Co. KG	–	–	–	–	Wörrstadt	FC	VRP-AT	95.00%
Windpark Seibersbach GmbH & Co. KG	–	–	–	–	Wörrstadt	FC	VRP-AT	95.00%
Windpark Stetten I GmbH & Co. KG	–	–	–	–	Wörrstadt	FC	VRP-AT	95.00%
Windpark Utschenwald GmbH & Co. KG	–	–	–	–	Wörrstadt	FC	VRP-AT	95.00%
Alpha Wind S.R.L.	Bucharest	FC	VRP	90.00%	Bucharest	FC	VRP	90.00%
Infrastruktur Oberheimbach I GmbH & Co. KG	–	–	–	–	Wörrstadt	FC	VRP-AT	81.00%
VERBUND Hydro Power AG (VHP)	Vienna	FC	VH	80.33%	Vienna	FC	VH	80.33%
VERBUND Thermal Power GmbH (VTP GmbH)	Graz	FC	VH	59.49%	Graz	FC	VBH	80.00%
Infrastruktur Bischheim GmbH & Co. KG	–	–	–	–	Wörrstadt	FC	VRP-AT	76.00%
VERBUND Thermal Power GmbH & Co KG	Graz	FC	VH	55.65%	Graz	FC	VBH VTP GmbH	70.51% 6.51%
VERBUND-Innkraftwerke GmbH	Töging	FC	VH	70.27%	Töging	FC	VH	70.27%

FC = Fully consolidated subsidiary / EM = Investee accounted for using the equity method / NC = Company not consolidated due to immateriality

[1] Classified as held for sale // [2] Joint venture

Group companies

	2011				2012			
Company	Head-quarters	Consoli-dation method	Parent company	Parent com-pany's share of equity in %	Head-quarters	Consoli-dation method	Parent company	Parent com-pany's share of equity in %
Shkodra Region Beteiligungsholding GmbH (VHP-AL-HI)	Vienna	EM[2]	VHP	50.01%	Vienna	EM[2]	VHP	50.01%
Donaukraftwerk Jochenstein Aktiengesellschaft	Passau	EM[2]	VH	50.00%	Passau	EM[2]	VH	50.00%
Ennskraftwerke Aktiengesellschaft	Steyr	EM[2]	VH	50.00%	Steyr	EM[2]	VH	50.00%
Grenzkraftwerke Gesellschaft mit beschränkter Haftung	Simbach	EM[2]	VHP	50.00%	Simbach	EM[2]	VHP	50.00%
Österreichisch-Bayerische Kraftwerke Aktiengesellschaft	Simbach	EM[2]	VH	50.00%	Simbach	EM[2]	VH	50.00%
Enerjisa Enerji A.S. (VIN-TR-HI)	Istanbul	EM[2]	VIN	50.00%	Istanbul	EM[1, 2]	VIN	50.00%
Sorgenia S.p.A.	Milan	EM	VIT SOR-GENIA	16.94% 79.98%	Milan	EM	VIT SOR-GENIA	17.22% 81.30%
KELAG-Kärntner Elektrizitäts-Aktiengesellschaft	Klagenfurt	EM	VH	35.17%	Klagen-furt	EM	VH	35.17%
Sorgenia Holding S.p.A. (SORGENIA)	Milan	EM	VIT	34.97%	Milan	EM	VIT	34.97%
STEWEAG-STEG GmbH	Graz	EM	VH	34.57%	Graz	EM[1]	VH	34.57%
Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH & Co KG	Vienna	EM[2]	VHP	33.33%	Vienna	EM[2]	VHP	33.33%
Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH	Vienna	EM[2]	VHP	33.33%	Vienna	EM[2]	VHP	33.33%
OeMAG Abwicklungsstelle für Ökostrom AG	Vienna	EM	APG	24.40%	Vienna	EM	APG	24.40%

FC = Fully consolidated subsidiary / EM = Investee accounted for using the equity method / NC = Company not consolidated due to immateriality

[1] Classified as held for sale // [2] Joint venture

Group companies

Company	Headquarters (2011)	Consolidation method (2011)	Parent company (2011)	Parent company's share of equity in % (2011)	Headquarters (2012)	Consolidation method (2012)	Parent company (2012)	Parent company's share of equity in % (2012)
POWEO Blaringhem Production S.A.R.L.	Paris	NC	VIN-FR VIN	60.00% 40.00%	Paris	NC	VIN-FR VIN	60.00% 40.00%
VERBUND EcoSales GmbH	Vienna	NC	VSA	100.00%	Vienna	NC	VSA	100.00%
VERBUND Trading & Sales Deutschland GmbH	Munich	NC	VTR	100.00%	Munich	NC	VTR	100.00%
VERBUND Trading Croatia d.o.o. u likvidaciji	Zagreb	NC	VTR	100.00%	Zagreb	NC	VTR	100.00%
VERBUND Trading Czech Republic s.r.o.	Prague	NC	VTR	100.00%	Prague	NC	VTR	100.00%
VERBUND Trading Hungária Kft. "végelszámolás"	Budapest	NC	VTR	100.00%	Budapest	NC	VTR	100.00%
VERBUND Trading Macedonia DOOEL	Skopje	NC	VTR	100.00%	Skopje	NC	VTR	100.00%
VERBUND Trading Serbia d.o.o.	Belgrade	NC	VTR	100.00%	Belgrade	NC	VTR	100.00%
VERBUND Trading Slovakia s.r.o.	Bratislava	NC	VTR	100.00%	Bratislava	NC	VTR	100.00%
VERBUND Mobile Power Region GmbH	Vienna	NC	VH ALMEN-LAND	75.10% 24.90%	Vienna	NC	VH ALMEN-LAND	75.10% 24.90%
Lestin & Co Tauch-, Bergungs- und Sprengunternehmen Gesellschaft m.b.H. (LESTIN)	Vienna	NC	VHP	82.35%	Vienna	NC	VHP	82.35%
Verbundplan Birecik Baraji Isletme Ltd. Sti.	Birecik	NC	VHP	70.00%	Birecik	NC	VHP	70.00%
POWEO Outre-mer Solaire S.A.S.	Paris	NC[1]	VIN-FR	50.10%	Paris	NC[1]	VIN-FR	50.10%

FC = Fully consolidated subsidiary / EM = Investee accounted for using the equity method / NC = Company not consolidated due to immateriality

[1] Classified as held for sale // [2] Joint venture

Group companies

Company	2011 Head-quarters	2011 Consoli-dation method	2011 Parent company	2011 Parent company's share of equity in %	2012 Head-quarters	2012 Consoli-dation method	2012 Parent company	2012 Parent company's share of equity in %
E-Mobility Provider Austria GmbH	–	–	–	–	Vienna	NC[2]	VBH	50.00%
E-Mobility Provider Austria GmbH & Co KG	–	–	–	–	Vienna	NC[2]	VBH	50.00%
Gemeinschafts-kraftwerk Inn GmbH	Landeck	NC	VH	50.00%	Landeck	NC	VH	50.00%
Almenland Energie GmbH (ALMENLAND)	Fladnitz	NC	VRP	50.00%	Fladnitz	NC	VRP	50.00%
PÖYRY Energy GmbH	Vienna	NC	VH	25.10%	Vienna	NC	VH	25.10%
VERBUND Kraftwerke Beteiligungsholding GmbH	Vienna	FC	VBH	100.00%	–	–	–	–
Energie Klagenfurt GmbH	Klagenfurt	EM[2]	VH	49.00%	–	–	–	–
Gletscherbahnen Kaprun Aktiengesellschaft	Kaprun	EM	VTO	45.00%	–	–	–	–
Kärntner Restmüll-verwertungs GmbH	Arnold-stein	EM	VRP	42.87%	–	–	–	–

FC = Fully consolidated subsidiary / EM = Investee accounted for using the equity method / NC = Company not consolidated due to immateriality

[1] Classified as held for sale // [2] Joint venture

Events after the balance sheet date

VERBUND signed a sales agreement for 34.57% of the equity interest in STEWEAG-STEG GmbH in quarter 4/2012. The closing took place on 18 January 2013 following approval by competition authorities.

Effective 21 January 2013, a capital increase was resolved by Enerjisa Enerji A.S. (Group) and carried out the following day. The 50% share of VERBUND in this capital increase amounted to €137.5m.

Vienna, 1 February 2013
Executive Board

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

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

Dr. Ulrike Baumgartner-Gabitzer
Member of the Executive Board

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

Responsibility statement of the legal representatives

We confirm that, to the best of our knowledge, the consolidated financial statements of VERBUND, prepared in accordance with International Financial Reporting Standards (IFRSs) as they apply in the European Union, give a true and fair view of the assets and liabilities, financial position and profit or loss of VERBUND.

We also confirm that, to the best of our knowledge, the consolidated management report of VERBUND presents the development of the business, performance of the business and position of the Group so as to give a true and fair view of the assets and liabilities, financial position and profit or loss of VERBUND, and that the consolidated management report describes the significant risks and uncertainties to which VERBUND is exposed.

Vienna, 1 February 2013
Executive Board

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

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

Dr. Ulrike Baumgartner-Gabitzer
Member of the Executive Board

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

Auditor’s report

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of VERBUND AG, Vienna, for the financial year from 1 January 2012 to 31 December 2012. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the reporting period ended 31 December 2012 as well as the notes to the consolidated financial statements.

Management’s responsibility for the consolidated financial statements and for the accounting system

The Company’s management is responsible for the Group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditors’ responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and with the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These standards require that we comply with professional guidelines and that we plan and perform the audit so as to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at 31 December 2012 and of its financial performance and its cash flows for the financial year from 1 January 2012 to 31 December 2012 in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union.

Comments on the consolidated management report

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

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

Vienna, 1 February 2013
Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Maximilian Schreyvogl
Certified Public Accountant

MMag. Dr. Klaus-Bernhard Gröhs
Certified Public Accountant

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

Corporate governance report 2012

Corporate governance report 2012

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

Corporate governance – framework

VERBUND AG is a listed stock corporation domiciled in Austria. Its corporate governance framework is derived from Austrian law, specifically including stock corporation and capital market law, regulations governing employee co-determination, the Company's Articles of Association, the rules of procedure for the Company's Boards, and the Austrian Code of Corporate Governance (Österreichischer Corporate Governance Kodex, ÖCGK).

Declaration of commitment to the Austrian Code of Corporate Governance

General

VERBUND declares its unconditional commitment to the Austrian Code of Corporate Governance as currently amended. It actively implements the requirements of the Code to ensure responsible management and control of the Group directed at the sustainable and long-term creation of value and the creation of a high level of transparency for every stakeholder.

During financial year 2012, the Executive Board and Supervisory Board saw it as their primary duty to act in compliance with all the rules of the Code as fully as possible, as well as to maintain and continue to develop the Group's high internal standards. As in previous years, an independent external auditor evaluated the application of and adherence to the Code, and approved the present corporate governance report.

The Austrian Code of Corporate Governance is available from the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at. It was revised in January 2012 and again in July 2012, primarily as a result of the incorporation of legislative changes.

More detailed information about the composition and operation of the Executive Board and Supervisory Board as well as the Supervisory Board's committees is provided in the sections on "Executive Board" and "Supervisory Board."

Deviations

VERBUND complies with almost all of the rules in the Austrian Code of Corporate Governance, including the R Rules. The deviations in financial year 2012, which remained the same as those in the previous year, relate to the Code as amended in July 2012, which applied for financial year 2012. There was a partial and minor deviation in the handling of two C Rules out of the total 83 rules in the Code. In accordance with the "comply or explain" principle, these deviations are explained below:

C Rule 2:

The principle of "one share – one vote" is generally adhered to with respect to VERBUND shares. The sole exception is based on a restriction on voting rights embodied in the "federal constitutional act regulating the ownership structure of enterprises in the Austrian electricity industry" and in the provision of the Articles of Association based upon this. This reads, "With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder in the General Meeting are restricted to 5% of the share capital."

C Rule 45:
The rule according to which Supervisory Board members may not assume any functions on the boards of other companies that are competitors of the Group was adhered to by all the members of the Supervisory Board, with 2 exceptions.

Executive Board

Composition of the Executive Board

The Executive Board had four members in financial year 2012. There were no changes in the Executive Board.

Executive Board

Name	Year of birth	Date of initial appointment	End of current term of office
CEO Dipl.-Ing. Wolfgang Anzengruber, Chairman	1956	1/1/2009	31/12/2013
Deputy CEO Dr. Johann Sereinig, Vice-Chairman	1952	1/1/1994	31/12/2013
Member of the Executive Board Dr. Ulrike Baumgartner-Gabitzer	1957	1/1/2007	31/12/2013
Member of the Executive Board Dipl.-Ing. Dr. Günther Rabensteiner	1953	1/4/2011	31/12/2013

Supervisory board mandates of Executive Board members outside the Group

Name	Company	Function
Dipl.-Ing. Wolfgang Anzengruber	Palfinger AG	Member
Dr. Johann Sereinig	VIENNA INSURANCE GROUP AG (until 20 June 2012)	Member
	FK Austria Wien AG	Member
Dr. Ulrike Baumgartner-Gabitzer	FIMBAG-Finanzmarktbeteiligung AG	Member

Operation and allocation of responsibilities

The rules of procedure regulate the allocation of responsibilities and how the members of the Executive Board must work together. In addition, they lay down the Executive Board's duties to inform and its reporting duties, and contain a catalogue of measures that require approval by the Supervisory Board or its Working Committee. These also include material business transactions at the most important subsidiaries.

The allocation of responsibilities within the Executive Board is part of the rules of procedure, and like these rules, it remained unchanged during the past financial year. The areas of responsibility of the members of the Executive Board are specified there as follows, without prejudice to the overall responsibility of the Executive Board:

Allocation of responsibilities

Dipl.-Ing. Wolfgang Anzengruber	Strategy, M&A and corporate development, corporate affairs, legal, communication, innovation, finance, controlling, risk management, audit, Human Resources Committee
Dr. Johann Sereinig	Business management and marketing, strategic human resources management, electricity trading, electricity distribution, telecom services, management services, audit, Human Resources Committee
Dr. Ulrike Baumgartner-Gabitzer	Transmission grid Hydropower generation Centre of excellence for hydropower Tourism
Dipl.-Ing. Dr. Günther Rabensteiner	International equity interests Thermal generation Renewable energy Centres of excellence for hydropower, thermal power and renewables

Remuneration of the members of the Executive Board

Remuneration of the members of the Executive Board totalled €3,274,545 in 2012 (previous year: €2,607,219).

Remuneration of the members of the Executive Board

Name	Fixed remuneration in €	Variable remuneration in €
Dipl.-Ing. Wolfgang Anzengruber	647,528	428,625
Dr. Johann Sereinig	616,793	353,216
Dr. Ulrike Baumgartner-Gabitzer	434,474	205,000
Dipl.-Ing. Dr. Günther Rabensteiner	435,610	153,299

Because the achievement of targets can be ascertained only at the end of the year, variable remuneration components are paid out in the following year. Consequently, the variable remuneration components granted to the members of the Executive Board in 2012 were paid for financial year 2011.

Because Dr. Rabensteiner was appointed to the Executive Board only on 1 April 2011, he did not receive payment of any variable remuneration for 2011.

Variable remuneration is performance-based and is limited to a certain percentage of the respective fixed remuneration. This percentage ranged from 50% to 70% for financial year 2011. The amount of the performance-based remuneration components is based on the extent to which the targets agreed for the financial year are reached. 50% of the target agreement for 2011 was based upon the attainment of the planned Group result, and 50% was based upon the attainment of qualitative, and in part medium-term, targets in areas such as research and development or organisational structures. The principles underlying the Executive Board's share of profit were unchanged from the previous year.

A company pension plan has been set up for members of the Executive Board in the form of a defined contribution pension fund agreement. In financial year 2012, contributions to the pension fund were paid for the Executive Board in the amount of €148,552 (previous year: €132,621). Statutory regulations apply with respect to the claims of members of the Executive Board upon termination of their position.

In 2012, €507,589 was paid out for pensions and severance payments in support of beneficiaries (previous year: €491,166). The profit or loss for the period included expenses for severance payments and pensions (post-employment benefits) in the amount of €107,451 (previous year: income due to a non-recurring item of €135,679). Expenses recognised in the profit or loss for the period for pensions and similar obligations for former members of the Executive Board and their surviving dependants amounted to a total of €666,635 (previous year: €597,362). In addition, expenses relating to remeasurements in the amount of €624,983 were recognised in other comprehensive income.

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

D&O insurance

VERBUND has taken out pecuniary loss liability insurance in favour of its Boards. This insurance covers the members of the Executive Board and Supervisory Board and the senior management staff of VERBUND AG, as well as all the members of the managing boards, supervisory boards, advisory boards and management, and the authorized signatories and other senior management staff of subsidiaries. The costs are borne by the Group.

Supervisory Board

The Supervisory Board has also expressly declared its commitment to the Austrian Code of Corporate Governance and reaffirmed its commitment in 2012. Consequently, the Code, together with the Austrian Stock Corporation Act (Aktiengesetz, AktG) and the Austrian Commercial Code (UGB), the Company's Articles of Association, and the rules of procedure for the Executive Board and Supervisory Board, have become the basis for the Supervisory Board's actions.

Personal details, chairpersons and functions on the Board

The Supervisory Board has a total of 15 members. Ten are shareholder representatives elected by the General Meeting, and five are employee representatives appointed by the Works Council. There were no changes in the Supervisory Board in 2012.

Name	Year of birth	Date of initial appointment	End of current term of office
Dr. Gilbert Frizberg Chairman Sole member of the managing board of FI Beteiligungs- und Finanzierungs AG, CEO of Transfer Industries GmbH, Wildon, managing partner of Franz Heresch & Co GmbH	1956	16/3/2000	AGM in 2015
Dkfm. Peter Püspök 1st Vice-Chairman Member of the supervisory board of Semper Constantia Privatbank (vice-chairman)	1946	16/3/2000	AGM in 2015
Mag. Dr. Reinhold Süßenbacher 2nd Vice-Chairman Member of the supervisory boards of KSV 1870 Holding AG (vice-chairman), Richter Pharma AG (vice-chairman), Bene AG (vice-chairman), Voglauer Möbelwerk Gschwandtner & Zwilling GesmbH, UMDASCH AG, LISEC Holding GmbH (formerly LICON Treuhand- und Verwaltungs-Gmbh), and LISEC Maschinenbau GesmbH	1949	7/4/2010	AGM in 2015
Dipl.-Betriebswirt Alfred H. Heinzel Managing partner of Heinzel Holding GmbH, member of the supervisory boards of Miba AG, Allianz Elementar Versicherungs AG, Zellstoff Pöls AG (chairman), Wilfried Heinzel AG (chairman), Europapier AG (chairman), Biocel Paskov A.S. (chairman) in the Czech Republic, and Estonian Cell A.S. in Kunda/Estonia	1947	16/3/2000	AGM in 2015

Name	Year of birth	Date of initial appointment	End of current term of office
Mag. Harald Kaszanits General Secretary and Head of Cabinet of the Federal Ministry of Economy, Family and Youth	1963	7/4/2010	AGM in 2015
Mag. Herbert Kaufmann Member of the supervisory boards of Letisco Kosice-Airport Kosice a.s., Ksc Holding a.s., Flughafen Friedrichshafen GmbH, and Austro Control Österreichische Gesellschaft für Zivilluftfahrt mbH (until September 2012), member of the boards of VIE (Malta) Limited and MMLC-Malta Mediterranean Link Consortium Limited	1949	26/3/2008	AGM in 2015
Dipl.-Ing. Dr. Peter Layr Speaker of the managing board of EVN AG, vice-chairman of the supervisory board of Burgenland Holding AG, chairman of the supervisory boards of Rohöl-Aufsuchungs AG and RAG-Beteiligungs-AG	1953	13/4/2011	AGM in 2015
Dr. Gabriele Payr Chairwoman of the managing board of WIENER STADTWERKE Holding AG, chairwoman of the supervisory boards of WIEN ENERGIE GmbH, WIEN ENERGIE Gasnetz GmbH, WIEN ENERGIE Stromnetz GmbH, Aktiengesellschaft der Wiener Lokalbahnen, B&F WIEN – Bestattung und Friedhöfe GmbH, Gemeinnützige Wohnungs- und Siedlungsgesellschaft der Wiener Stadtwerke Gesellschaft m.b.H., member of the supervisory board of WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, member of the General Council of Österreichische Nationalbank	1959	13/4/2011	AGM in 2015
Christa Wagner Managing partner of JOSKO Fenster und Türen GmbH	1960	7/4/2010	AGM in 2015
Ing. Siegfried Wolf Chairman of the supervisory board of GAZ Group, Russian Machines OJSC, Glavstroy Corporation LLC, SBERBANK Europe AG (formerly Volksbank Int. AG), member of the supervisory boards of Österreichische Industrieholding AG, Siemens Aktiengesellschaft Österreich, STRABAG SE, Banque Baring Brothers Sturdza SA, and Continental AG	1957	16/3/2000	AGM in 2015

Employee representatives

Name	Year of birth		
Anton Aichinger Chairman of the Group's employee representatives	1955	since 25/10/2006	appointed by the employee representatives
Kurt Christof Chairman of the Central Works Council Member of the supervisory board of Sparkasse Voitsberg/Köflach Bankaktiengesellschaft	1964	since 8/3/2004	appointed by the employee representatives
Harald Novak Chairman of the Central Works Council	1952	27/9/1991–9/5/1993 since 15/12/2000	appointed by the employee representatives
Dipl.-Ing. Ingeborg Oberreiner Chairwoman of the Works Council, member of the supervisory board of BAV Pensionskassen AG	1951	since 29/8/2006	appointed by the employee representatives
Ing. Joachim Salamon Member of the Central Works Council	1956	since 25/10/2006	appointed by the employee representatives

Independence

Criteria for independence

During its meeting on 23 February 2010, the Supervisory Board of VERBUND AG defined the following criteria for its independence (pursuant to C Rule 53 of the Austrian Code of Corporate Governance):

- "The Supervisory Board member shall not have served as a member of the Executive Board or as a member of the senior management staff of the Company or one of its subsidiaries in the past 5 years.
- The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the Company or one of its subsidiaries to an extent of significance for the member of the Supervisory Board. This shall also apply to relationships with companies in which the member of the Supervisory Board has a considerable economic interest, although not to exercising functions in the boards of the Group. The approval of individual transactions by the Supervisory Board pursuant to L Rule 48 shall not automatically mean that the person is deemed not to be independent.
- The Supervisory Board member shall not have acted as auditor of the Company or have owned a share in the audit firm or have worked there as an employee in the past 3 years.
- The Supervisory Board member shall not be a member of the managing board of another company in which a member of the Executive Board of the Company is a supervisory board member.
- The Supervisory Board member may not remain on the Supervisory Board for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with a direct equity interest in the Company or who represent the interests of such a shareholder.
- The Supervisory Board member shall not be a close relative (direct offspring, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the Executive Board or of persons who hold one of the aforementioned positions."

On the basis of these guidelines for independence defined in the decision of the Supervisory Board on 23 February 2010 (Annex to the Austrian Code of Corporate Governance), all ten shareholder representatives have issued a written declaration of their independence. Eight of them have declared their independence, and two members of the Supervisory Board (Layr, Payr) have classified themselves as not being independent (with respect to one criterion in each case). In addition, the following shareholder representatives on the Supervisory Board meet the criteria for independence contained in C Rule 54 (not representing the interests of a shareholder with a holding of more than 10%): Frizberg, Püspök, Süßenbacher, Heinzel, Kaufmann, Wagner, and Wolf.

Meetings of the Supervisory Board

6 plenary meetings of the Supervisory Board were held during financial year 2012. The overall attendance rate of all the members of the Supervisory Board was approximately 91%. No members of the Supervisory Board attended fewer than half of the meetings in person.

The activities of the Supervisory Board focused primarily on resolutions related to the following topics:

- Consolidated financial statements and annual financial statements of VERBUND AG for 2011
- Motions for the General Meeting
- Election of the General Committee of the Supervisory Board and constitution of the committees
- Asset swap with E.ON through the purchase of shares in Bavarian hydropower plants in return for selling equity interest in the Turkish joint venture EnerjiSA
- Acquisition of wind power projects in Germany
- Streamlining of the investment portfolio through the sale of shares in STEWEAG-STEG GmbH and Energie Klagenfurt GmbH, and the increase in shares in VERBUND Thermal Power
- Sale of shares in Gletscherbahnen Kaprun AG and Kärntner Restmüllverwertungs GmbH
- Capitalisation of E-Mobility Provider Austria
- Borrowing and the furnishing of guarantees and assumption of liabilities
- Approval of the Group's budget for 2013

(See also the focuses of the activities of the Supervisory Board's committees).

Self-evaluation of Supervisory Board activity

Pursuant to the requirement of the Austrian Code of Corporate Governance (Rule 36), the Supervisory Board once again conducted a self-evaluation during the past financial year. This was done as part of a detailed discussion in the 366th meeting, in which the Supervisory Board reviewed its activities without participation by the Executive Board, focussing primarily on its organisational and operational efficiency.

Composition and operation of the Committees

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

Every chairperson of a committee is required to report to the Supervisory Board on the work of the committee he or she heads and on its decisions. In urgent cases, the chairperson of a committee is required to report in advance to the chairperson of the Supervisory Board.

Working Committee, which also functions as the Audit and Emergencies Committee

During financial year 2010, the number of members of the Working Committee, which also functions as the Audit and Emergencies Committee (hereinafter referred to as the "Working Committee"), was reduced from six to four elected members. The Working Committee consists of the chairperson, the two vice-chairpersons, and another member of the Supervisory Board. The membership of employee representatives is governed by Section 92(4) of the Austrian Stock Corporation Act (AktG). The financial expert required by law and by the Code (Rule 40) is at the disposal of the Audit Committee.

The Working Committee

- is required to prepare the meetings of the Supervisory Board and to assist the Supervisory Board in the continuous monitoring of the Company's management without prejudice to the rights of the Supervisory Board pursuant to Section 95 of the Austrian Stock Corporation Act (AktG),
- acts as the Audit Committee within the meaning of Section 92(4a) of the Austrian Stock Corporation Act (AktG), and
- as the Emergencies Committee (Rule 39 of the Austrian Code of Corporate Governance).

The Supervisory Board has permanently assigned to the Working Committee responsibility for the matters that are subject to approval as listed in Annex 2 of the Executive Board's rules of procedure.

The chairperson is required to create the prerequisites for rapid decision making on matters that fall within the scope of competence of the Emergencies Committee or are referred to that committee for a decision (calling of a meeting within a shorter period, video conferences). The grounds for urgency must be stated. If necessary, the Working Committee can assign decision-making competence to its chairperson in a specific individual case.

The Emergencies Committee makes decisions on all matters where an immediate Supervisory Board decision is needed to gain economic advantages or to fend off the threat of financial damage.

The chairperson of the Supervisory Board chairs the Working Committee, and in the event he or she is hindered from doing so, the vice-chairpersons chair the Committee in the selected sequence.

Members of the Working Committee

Name	Function
Dr. Gilbert Frizberg	Chairman
Dkfm. Peter Püspök	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher	2nd Vice-Chairman
Mag. Harald Kaszanits	Member
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Supervisory Board's Working Committee met 6 times during financial year 2012. The Audit Committee also met 6 times. The Working Committee granted its consent to the final closing of the asset swap with E.ON in a written consent procedure in accordance with the authorisation by the Supervisory Board.

The activities of the Working Committee focused on:
- preparing meetings of the Supervisory Board
- asset swap with E.ON through the purchase of shares in Bavarian hydropower plants in return for selling equity interest in the Turkish joint venture EnerjiSA
- outsourcing of parts of the distribution company VSA
- sale of the property belonging to the Zeltweg power plant
- reports of the Executive Board pursuant to the rules of procedure

The activities of the Audit Committee focused on:
- preparing the resolution on the annual financial statements for 2011, including appropriation of profit
- proposal for the election of the auditor
- semi-annual financial statements for 2012
- monitoring financial reporting processes
- internal control, audit and risk management systems
- coordinating the audit priorities for 2012 with the auditor
- public tender for the 2013 audit
- internal audit's audit programme and audit reports

The General and Remuneration Committee

According to its rules of procedure, the Supervisory Board is required to appoint a General and Remuneration Committee made up of the chairperson and the two vice-chairpersons. The Supervisory Board has permanently assigned responsibility for the following matters to the Remuneration Committee:
- conclusion and amendment of contracts with members of the Executive Board
- determination of Executive Board member remuneration
- decisions on management bonuses and premiums for members of the Executive Board

Members of the General and Remuneration Committee

Name	Function
Dr. Gilbert Frizberg	Chairman
Dkfm. Peter Püspök	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher	2nd Vice-Chairman

The expert required by Rule 43 of the Code (ÖCGK) is at the Remuneration Committee's disposal. The Remuneration Committee met once during financial year 2012. The meeting dealt with the target agreements and the variable remuneration components of the members of the Executive Board. In addition, the General Committee met regularly to discuss current issues. In part, it did so with the Executive Board or individual members of the Executive Board.

Nomination Committee

According to its rules of procedure, the Supervisory Board is required to appoint a Nomination Committee made up of the chairperson and the two vice-chairpersons. Employee co-determination is governed by Section 92(4) of the Austrian Stock Corporation Act (AktG).

The Nomination Committee submits proposals to the Supervisory Board for filling mandates in the Executive Board. The Nomination Committee is required to take account of the fact that a candidate's final nomination for the Executive Board must take place before the nominee's 65th birthday and to prepare the election of members of the Supervisory Board.

Members of the Nomination Committee

Name	Function
Dr. Gilbert Frizberg	Chairman
Dkfm. Peter Püspök	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher	2nd Vice-Chairman
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Nomination Committee met once in financial year 2012 to prepare its submissions for appointments to the Executive Board.

Contracts requiring consent – conflicts of interest

In financial year 2012, the Supervisory Board of VERBUND AG, in accordance with the Austrian Stock Corporation Act (Aktiengesetz, AktG) and the Austrian Code of Corporate Governance (Rule 49) approved the following contracts and/or transactions between the VERBUND Group and individual Supervisory Board members or companies having close relationships with Supervisory Board members exists:

Supervisory Board member Dr. Gilbert Frizberg

VERBUND Sales GmbH entered into a framework agreement with Hereschwerke Regeltechnik GmbH, a company over which Supervisory Board member Dr. Gilbert Frizberg exercises a degree of economic influence, as an expert partner for the construction of photovoltaic plants for VERBUND customers. Based upon this agreement, which was entered into under customary market conditions, Hereschwerke Regeltechnik GmbH paid VERBUND agency fees totalling €4,800.

Trade payables of Hereschwerke Regeltechnik GmbH for VERBUND Hydro Power AG and VERBUND Telekom Service GmbH had already been approved by the Supervisory Board in 2011 were in part only paid and settled in financial year 2012.

Supervisory Board member Dr. Gabriele Payr

Between VERBUND and the Wiener Stadtwerke Group, of which Dr. Gabriele Payr is the chairwoman of the managing board, there are a number of contractual relationships, some of which have been in existence for many years; they had already been entered into before Dr. Payr became a member of the Supervisory Board. An order volume totalling €1m was processed in financial year 2012 on the basis of existing contracts. This involved primarily electricity bills, transmission losses, system fees, and other payments for various VERBUND companies. In addition, contractual relationships for electricity supply exist with e&t Energie HandelsgmbH, in which Wiener Stadtwerke holds a 45% interest.

Supervisory Board member Dipl.-Ing. Dr. Peter Layr

Between VERBUND and the EVN Group, of which Dr. Peter Layr is the Executive Board spokesman, there are a number of contractual relationships, some of which have been in existence for many years; they had already been entered into before Dr. Layr became a member of the Supervisory Board. An order volume totalling €6.52m was processed in financial year 2012 on the basis of existing contracts. This involved primarily electricity, gas, or grid purchases, operational management, usage fees, grid access fees, and other payments and recharging of costs for various VERBUND companies. (The largest individual item was a gas purchase in the amount of €2.35m). In addition, contractual relationships for electricity supply exist with e&t Energie HandelsgmbH, in which EVN holds a 45% interest.

Supervisory Board member Mag. Dr. Reinhold Süßenbacher

In return for the granting of an easement for a line on his property, Dr. Reinhold Süßenbacher received one-off compensation from VERBUND Telekom Service GmbH in the amount of €16,231. The amount of the compensation was commensurate with local conditions.

In addition, the Supervisory Board dealt extensively in its 366th meeting with (other) possible conflicts of interest among Supervisory Board members that could result in particular from activities or equity interests in the energy area. In this process, individual members disclosed their involvement or equity interests, primarily in the area of small hydropower plants and wind power projects. In the assessment of the Supervisory Board, none of the disclosed activities represent a fundamental conflict of interest that would necessarily involve further measures. Should such conflicts occur in individual cases in the future, then suitable measures, such as the withholding of voting rights or non-participation in providing advice and voting on individual agenda items, must be taken in a timely manner.

Remuneration of members of the Supervisory Board

Remuneration of the members of the Supervisory Board totalled €203,679 in 2012 (previous year: €200,133). This includes reimbursements of recharged costs (travel expenses).

The following remuneration scheme for the members of the Supervisory Board was adopted by the 59th Annual General Meeting held on 20 March 2006, when the annual remuneration for the members elected by the General Meeting and the attendance fees (for all members) were decided. This remuneration scheme also applied for financial year 2012:

Remuneration scheme in €

Annual remuneration	
Chairman	15,000
Vice-Chairman	11,250
Member	7,500
Attendance fee	400

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

In detail, the following remuneration was paid to the members of the Supervisory Board for financial year 2012:

Remuneration of members of the Supervisory Board in €

Name (without title)	Annual remuneration	Attendance fees
Gilbert Frizberg, Chairman	30,000	4,800
Peter Püspök, Vice-Chairman	22,500	4,000
Reinhold Süßenbacher, Vice-Chairman	22,500	4,000
Alfred Heinzel	7,500	2,000
Harald Kaszanits	15,000	4,400
Herbert Kaufmann	7,500	2,400
Peter Layr	7,500	2,400
Gabriele Payr	7,500	2,400
Christa Wagner	7,500	1,600
Siegfried Wolf	7,500	1,600
Employee representatives		
Anton Aichinger	–	4,800
Kurt Christof	–	2,000
Harald Novak	–	2,400
Ingeborg Oberreiner	–	4,800
Joachim Salamon	–	2,400

No loans or advances were disbursed to the members of the Supervisory Board. All members of the Supervisory Board are covered by the D&O insurance taken out by VERBUND (see above, page 222).

Measures taken to promote women

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

In accordance with its commitment to sustainable management, VERBUND addresses issues of social relevance such as equal opportunity in the workplace. VERBUND treats all its employees equally, regardless of their gender, age, religious beliefs, culture, skin colour, social origins, sexual orientation, or nationality. Decisive action is taken against any form of discrimination or harassment.

On 1 January 2007, Dr. Ulrike Baumgartner-Gabitzer became the first woman appointed to the Executive Board of VERBUND. This makes VERBUND one of the very few listed companies in Austria with a woman in a high-ranking management position.

Because choosing the members of the Supervisory Board is solely the responsibility of the shareholders (i.e. the General Meeting), the Executive Board has little influence over whether there are women in the Supervisory Board of VERBUND AG. With Dr. Gabriele Payr, Christa Wagner, and Dipl.-Ing. Ingeborg Oberreiner (as employee representative), the Supervisory Board of VERBUND AG now has three female members.

As at 31 January 2012, 18 women held managerial positions within the Group (including the Executive Board and the first and second tiers of management). This increased the number of women in senior positions by 29% compared with the previous year. The percentage of women throughout the Group is 19%, which is an increase over the previous year. In addition, one female executive was allowed to perform her duties part-time in 2012.

In order to promote the subject matter of equal treatment (diversity management) at VERBUND, responsibility for all existing measures was concentrated in the position of an equal opportunities officer; these measures will be continually refined going forward. For example, the VERBUND Women's Network was launched in 2012 at the initiative and under the sponsorship of Dr. Baumgartner-Gabitzer. Over the medium term, the focus will be on ensuring equal opportunities for male and female employees. Over the long term, the network will address all aspects of diversity management, particularly issues related to changes in socio-political conditions.

Participation in the "Zukunft.Frauen" (Women.Future) executive personnel programme is another specific measure in this direction. This programme was initiated by the Austrian Federal Ministry of Economy, Family and Youth, the Austrian Federal Economic Chamber and the Federation of Austrian Industries. Its goal is to give women support on their way to the top and to strengthen their confidence in their ability to hold management positions.

In order to actively promote equal treatment, VERBUND has been committed for many years to focussing on the promotion of highly qualified women. The goal is to recruit more qualified women, above all technicians, as employees for the Company. As a result, in the spring of 2012, VERBUND for the fourth time awarded women's scholarships to three outstanding female students at Vienna University of Technology. A jury chose a first-year student of civil engineering, a masters student of microelectronics, and a PhD student in the technical mathematics field. They will be supported by made-to-measure scholarship packages worth €5,000 each.

In addition, the Company was able to recruit two former VERBUND award recipients for the VERBUND trainee programme in 2012.

VERBUND also participates each year in Take Your Daughter to Work Day ("Töchtertag") and in the Women in Technology ("Frauen in die Technik," FIT) information days. This enables us to address a female target group when they are still very young, and encourage them to explore the fascinating technical professions. The Group is also glad to have a growing number of female apprentices each year commence their training in a unique dual profession with good prospects, namely electrical engineering and metalworking.

VERBUND is serious in its commitment to the goal of maintaining work-life balance, and has successfully implemented various measures for this purpose, such as flexible working hours or the option of claiming a third year of parental leave. Since being awarded the basic certificate in the "Career and Family Audit" in 2009, the many activities available have been supplemented each year by targeted measures such as the introduction of an Employee Assistance Programme, which offers advice and coaching to support employees who are having family or career problems. Another audit was performed in 2012 and VERBUND received the full "Career and Family" certificate valid until 2015.

Executive Board’s Declaration of Conformity to the Austrian Code of Corporate Governance

Since its introduction in 2002, VERBUND has had its application of and adherence to the Austrian Code of Corporate Governance evaluated annually by an external auditor.

Following the now tenth such evaluation, the Executive Board issued the following statement:

“The Austrian Code of Corporate Governance was applied within VERBUND AG during financial year 2012, and was adhered to in accordance with the explanatory notes above. There were only 2 rules in the Code from which partial deviations occurred. These were in part the result of legislative circumstances, and were explained and justified accordingly. VERBUND will continue to adhere to the Code in its amended form during financial year 2013 and will continue to endeavour to comply with all rules as fully as possible.

From the outset, VERBUND has placed a very high priority on applying the Code of Corporate Governance. Its application is an essential building block in strengthening the trust of shareholders, business associates, employees and the public in the Group.”

Vienna, 1 February 2013

Executive Board

Dipl.-Ing. Wolfgang Anzengruber | Dr. Johann Sereinig | Dr. Ulrike Baumgartner-Gabitzer | Dipl.-Ing. Dr. Günther Rabensteiner

External audit

As in previous years, an independent auditor carried out a voluntary external evaluation of adherence to the provisions of the Austrian Code of Corporate Governance for financial year 2012.

Summary of the results of the evaluation of adherence to the Austrian Code of Corporate Governance during financial year 2012

We evaluated adherence to the recommendations of the Austrian Code of Corporate Governance as amended in July 2012 (ÖCGK; issued by the Austrian Working Group for Corporate Governance) at VERBUND AG during financial year 2012.

Management's responsibility: The Executive Board of the Company is responsible for reporting on the implementation of and adherence to corporate governance principles within the Group ("Declaration of Conformity").

Auditors' responsibility: Our task is to ascertain, based on our evaluation, whether the statements in the Declaration of Conformity are accurate. We performed our evaluation in accordance with the Austrian professional standards for other audits (KFS/PG 13). According to these standards, we must maintain our professional obligations, including requirements of independence, and must plan and perform the mandate in accordance with the principle of materiality in such a way that we can issue our opinion with sufficient certainty. The procedures selected depend on the auditor's judgement, and include in particular the following activities: we carried out our evaluation on the basis of the questionnaire for the voluntary external evaluation of adherence to the Code (ÖCGK) published by the Austrian Working Group for Corporate Governance. The evaluation was carried out by questioning the Boards of the Company and the employees of the Company named by them, and by inspecting the documents made available to us by the Company. Our evaluation also included the random sample-based auditing of the proofs presented to us and the statements made. The subject matter of our mandate is neither an audit nor a review of financial statements. Similarly, our mandate does not include either the discovery and clarification of criminal offences, e.g. misappropriations or other breaches of trust and violations of law, nor does it include an assessment of the effectiveness and economic efficiency of the Company's management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion concerning the adequacy of the Declaration of Conformity.

Audit opinion: Based upon the results of our evaluation, in our opinion that the Executive Board's Declaration of Conformity correctly represents the implementation of the recommendations in the Code at VERBUND AG during financial year 2012.

Vienna, 1 February 2013
Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Helmut Maukner
Certified Public Accountant

Mag. Elfriede Baumann
Certified Public Accountant

Glossary

Glossary

Asset based trading

Trading activity based on a company's own assets.

Base load

Base-power deliveries are quantities supplied in constant amounts 24 hours a day.

Benchmark

Designation for a reference value to which a fund or portfolio is compared for orientation.

Capital Employed

Total assets less those assets that do not (yet) contribute to the performance and commercialisation processes (e.g. advance payments, plants under construction, investments under closed items on the balance sheet) and less non-interest-bearing debt.

Cash flow

Net balance of the inflow and outflow of cash and cash equivalents; broken down into cash flow from operating activities, from investment activities and from financing activities.

Clean dark spread

Difference between the price of fuel (coal) including CO2 and the price of electricity.

Clean spark spread

Difference between the price of fuel (gas) including CO2 and the price of electricity.

Closed items on the balance sheet

Closed items on the balance sheet include (continued) financial liabilities and related investments from cross-border leasing transactions that have been terminated early; previously, financial liabilities relating to cross-border leasing transactions and to the Republic of Austria, as well as associated investments, were treated in the same way.

Code of corporate governance

Code of conduct for corporations establishing the principles of good management. However, the contents do not represent codified law, but instead provide rules and standards, which companies voluntarily adhere to.

Cross-border leasing

International leasing transactions in which the lessor and lessee are based in different countries.

Discounted cash flow method

A method of determining enterprise value by discounting future net cash flows which are defined differently depending on the method. VERBUND applies the entity approach (gross method).

Earnings before interest and tax (EBIT)

Operating result.

Earnings before interest, taxes, depreciation and amortisation (EBITDA)

Operating result before interest, taxes and depreciation of property, plant and equipment and amortisation of intangible assets taking into account effects from impairment tests.

EBIT margin

Return on sales

Economic value added (EVA®)

Difference between the income a company earns on the assets used for performance and commercialisation processes and the (total) costs of capital; EVA® = NOPAT – (capital employed x WACC).

E-Control (Energie-Control Austria)

Energie-Control GmbH (E-Control) was established in 2001. On 3 March 2011, E-Control was transformed into a public authority (Sections 2 and 43 of the Energy Regulatory Authorities Act or Energie-Control Gesetz); it is tasked with monitoring the implementation of the deregulation of the Austrian electricity and gas market and intervening for regulatory purposes if necessary.

ECRA (Emission Certificate Registry Austria GmbH)

Set up by the legislator as the emissions registry on the basis of the Emissions Allowance Trading Act (Emissions-zertifikategesetz, EZG); it is tasked with the technical administration of issuing, holding, transferring and cancelling emission rights.

ElWOG

Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG). ElWOG implements the EU’s Electricity Directive (2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC) in Austria.

Enterprise value (EV)

The enterprise value corresponds to market capitalisation plus net debt and reflects the market value of the whole business.

Equity method

Method to account for investees upon which a significant influence can be exercised, and for joint ventures. Under the equity method, the carrying amount of the equity interest is basically adjusted for changes in the proportionate share in the investee’s net assets; the result is a one-line consolidation”. The changes are either recognised in profit or loss or in other comprehensive income (i.e. directly in equity).

Equity ratio (adjusted)

Equity in relation to total capital adjusted for items closed on the balance sheet.

Fluctuation rate

The fluctuation rate is a percentage of employees who have left the company due to termination, mutual agreement, early retirement or dismissal during the probationary period. The percentage is calculated based on the actual number of employees as at the balance sheet date.

Free cash flow

Cash flow from operating activities plus cash flow from investment activities; available for financing activities (e.g. dividend distributions, repayment of loans).

Funds from operations (FFO)

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

Gearing

Net debt in relation to equity.

Gross debt

Non-current and current financial liabilities plus interest-bearing provisions and other interest-bearing liabilities net of closed items on the balance sheet.

Gross debt coverage

Relation of FFO to gross debt.

Gross interest cover

Relation of FFO to interest expenses (including interest related to personnel expenses).

Hydro coefficient

The hydro coefficient is the quotient of the actual electricity generation of one (or a series of) hydropower plant(s) in a period and the average (calculated based on historical water supply) generation potential of the (series of) hydropower plant(s) in the same period. The long-term average = 1; consequently, 1.1 signifies a 10% increase in generation.

International Financial Reporting Standards (IFRSs)

The abbreviation IFRSs is the generic term used for all International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs), as well as all interpretations issued by the Standing Interpretations Committee (SICs) and the International Financial Reporting Standards Interpretations Committee (IFRICs).

Inter-TSO compensation (ITC)

Compensation for transmission charges relating to cross-border flows of electricity in transmission grids.

Maximum electrical capacity

The maximum capacity at which a power plant can sustain operation under normal conditions.

Mean energy capability

Average generation potential of a hydropower plant calculated based on historical water supply.

(n-1) criterion

Rule according to which the failure of a single operating asset, e.g. a power line, may not endanger the safety of network operation.

Net debt

Gross debt less cash and cash equivalents, short-term investments and loans as well as securities held in current and non-current assets.

Operator model

Operator models are public private partnerships (PPPs) for which the planning, financing, construction and independent operation of the plant-specific infrastructure are assigned to an operating company.

Payout ratio

Recommended dividend payments in relation to Group result.

Peak load

Peak denotes the time period with high demand for electricity; generally during the day on weekdays. In Germany, France, Austria, Italy and Switzerland from 8 a.m. to 8 p.m. every weekday (Monday to Friday).

Performance

Describes the performance of a security or portfolio, e.g. over a period of one year, in relation to a specific measure of risk.

Portfolio

Total inventory of securities held by a customer or investment fund; serves to diversify risk.

Proprietary trading

Trading activity conducted for own account.

Public private partnership (PPP)

Public and private sector partnership to complete public tasks (e.g. infrastructure projects).

Return on capital employed (ROCE)

Net operating profit after tax (NOPAT) adjusted for interest expenses for tax purposes (including interest on personnel expenses) in relation to average capital employed.

Return on equity (ROE)

Net profit or loss for the period (adjusted for results from the termination of cross-border leasing transactions) in relation to average equity.

Return on sales

Earnings before interest and tax (EBIT) in relation to revenue.

Risk management

Systematic method of identifying and measuring potential risks and opportunities as well as selecting and implementing measures to counteract risks.

System Usage Rates Directive (SNT-VO)

The System Usage Rates Directive (Systemnutzungstarife-Verordnung, SNT-VO) dictated the principles for determining and allocating costs, the criteria for calculating rates as well as the rates for grid usage fees. The Energy Control Commission issued the directive annually. From 2012, the E-Control Commission will issue the System Usage Rates Directive.

Total heating degree days

Sum of heating degree days for a certain period.

Value at risk (VaR)

A method applied to calculate the potential trading position loss arising from price changes. The loss potential is calculated based on an assumed probability (e.g. 95%) and on the basis of market-oriented price changes.

Variation margin

The variation margin represents an amount paid or credited daily on the price fluctuations of futures contracts (i.e. paid to or from the futures exchange). In contrast to the initial margin, the variation margin does not represent collateral. Although the amounts are debited or credited to a margin account daily, the variation margin represents unrealised gains or losses. The position per se remains pending.

VERBUND energy market model (VEMM)

An energy simulation tool for the development of medium- and long-term electricity price scenarios for electricity markets.

Volatility

The intensity of price fluctuations of stocks and foreign currency and/or changes in the price of bulk goods.

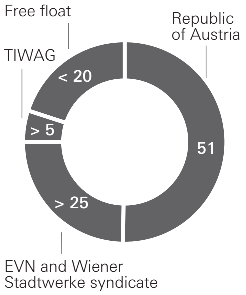
Weighted average cost of capital (WACC)

Weighted average costs of capital for equity and debt.

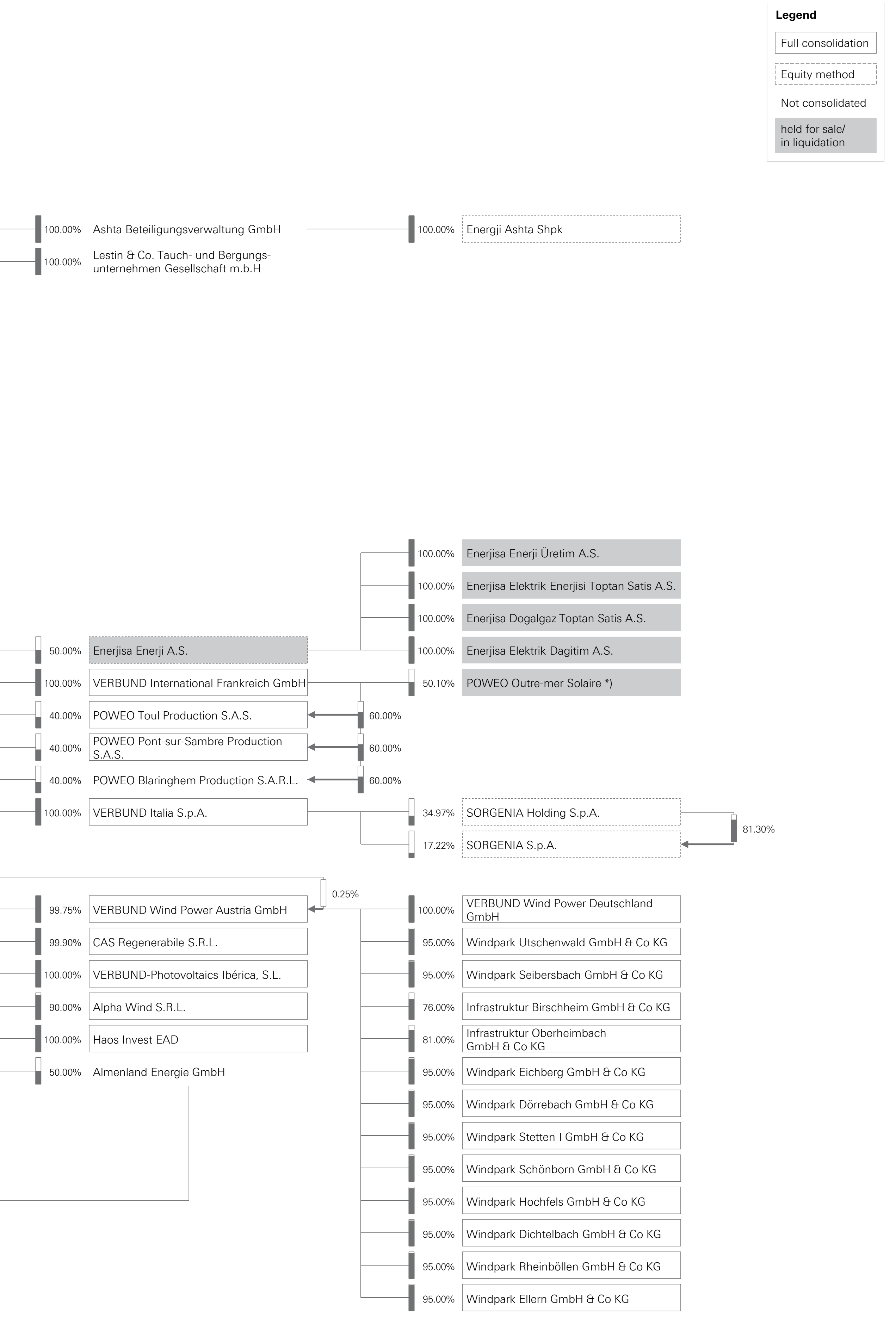
VERBUND AG Group structure

As at 31/12/2012

Shareholder structure %



- 80.33% VERBUND Hydro Power AG
  - 50.00% Grenzkraftwerke Gesellschaft mit beschränkter Haftung
  - 33.33% Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH
  - 33.33% Kraftwerk Nußdorf, Errichtungs- und Betriebs GmbH & Co KG
  - 70.00% Verbundplan Birecik Baraji Isletme Ltd.Sti.
  - 50.01% Shkodra Region Beteiligungsholding GmbH
  - 82.35% Lestin & Co. Tauch-, Bergungs- und Sprengunternehmen Gesellschaft m.b.H
- 100.00% VERBUND Trading AG
  - 100.00% VERBUND Trading & Sales Deutschland GmbH
  - 100.00% VERBUND Trading Czech Republic s.r.o.
  - 100.00% VERBUND Trading Slovakia, s.r.o.
  - 100.00% VERBUND Trading Hungary Kft
  - 100.00% VERBUND Trading Croatia d.o.o.
  - 100.00% VERBUND Trading Serbia d.o.o.
  - 100.00% VERBUND Trading Macedonia dooel
  - 99.00% VERBUND Trading ROMANIA S.R.L. (1.00%)
- 100.00% Austrian Power Grid AG
  - 24.40% OeMAG Abwicklungsstelle für Ökostrom AG
  - 100.00% VERBUND Umwelttechnik GmbH
- 100.00% VERBUND Telekom Service GmbH
- 100.00% VERBUND International Finance GmbH
- 100.00% VERBUND Management Service GmbH
- 25.10% PÖYRY Energy GmbH
- 100.00% VERBUND Finanzierungsservice GmbH
- 100.00% VERBUND Sales GmbH
  - 100.00% VERBUND EcoSales GmbH
- 99.90% VERBUND Tourismus GmbH (0.10%)
- 100.00% VERBUND Beteiligungsholding GmbH
  - 100.00% VERBUND International GmbH
  - 50.00% E-Mobility Provider Austria GmbH
  - 50.00% E-Mobility Provider Austria GmbH & Co KG
  - 100.00% VERBUND Renewable Power GmbH
  - 90.00% VERBUND Thermal Power GmbH
  - 70.51% VERBUND Thermal Power GmbH & Co KG (6.51%)
- 70.27% VERBUND-Innkraftwerke GmbH
- 50.00% Österreichisch-Bayerische Kraftwerke Aktiengesellschaft
- 50.00% Ennskraftwerke Aktiengesellschaft
- 50.00% Donaukraftwerk Jochenstein Aktiengesellschaft
- 35.17% KELAG-Kärntner Elektrizitäts-Aktiengesellschaft
- 34.57% STEWEAG-STEG GmbH *)
- 50.00% Gemeinschaftskraftwerk Inn GmbH
- 75.10% VERBUND Mobile Power Region GmbH (24.90%)



Legend
Full consolidation
Equity method
Not consolidated
held for sale/ in liquidation
100.00% Ashta Beteiligungsverwaltung GmbH
100.00% Energji Ashta Shpk
100.00% Lestin & Co. Tauch- und Bergungs-unternehmen Gesellschaft m.b.H
100.00% Enerjisa Enerji Üretim A.S.
100.00% Enerjisa Elektrik Enerjisi Toptan Satis A.S.
100.00% Enerjisa Dogalgaz Toptan Satis A.S.
50.00% Enerjisa Enerji A.S.
100.00% Enerjisa Elektrik Dagitim A.S.
100.00% VERBUND International Frankreich GmbH
50.10% POWEO Outre-mer Solaire *)
40.00% POWEO Toul Production S.A.S.
60.00%
40.00% POWEO Pont-sur-Sambre Production S.A.S.
60.00%
40.00% POWEO Blaringhem Production S.A.R.L.
60.00%
100.00% VERBUND Italia S.p.A.
34.97% SORGENIA Holding S.p.A.
81.30%
17.22% SORGENIA S.p.A.
0.25%
99.75% VERBUND Wind Power Austria GmbH
100.00% VERBUND Wind Power Deutschland GmbH
99.90% CAS Regenerabile S.R.L.
95.00% Windpark Utschenwald GmbH & Co KG
100.00% VERBUND-Photovoltaics Ibérica, S.L.
95.00% Windpark Seibersbach GmbH & Co KG
90.00% Alpha Wind S.R.L.
76.00% Infrastruktur Birschheim GmbH & Co KG
100.00% Haos Invest EAD
81.00% Infrastruktur Oberheimbach GmbH & Co KG
50.00% Almenland Energie GmbH
95.00% Windpark Eichberg GmbH & Co KG
95.00% Windpark Dörrebach GmbH & Co KG
95.00% Windpark Stetten I GmbH & Co KG
95.00% Windpark Schönborn GmbH & Co KG
95.00% Windpark Hochfels GmbH & Co KG
95.00% Windpark Dichtelbach GmbH & Co KG
95.00% Windpark Rheinböllen GmbH & Co KG
95.00% Windpark Ellern GmbH & Co KG

EDITORIAL DETAILS

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

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

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

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

Executive Board:
Wolfgang Anzengruber (Chairman),
Johann Sereinig (Vice-Chairman),
Ulrike Baumgartner-Gabitzer,
Günther Rabensteiner

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

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

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

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