New opportunity – fresh perspective

Interim report quarters 1–3/2014

Verbund

Power for the Future

Contents

At a glance

- Water supply in quarter 3/2014 was 10% above the long-term average
- Average contract prices achieved for electricity have fallen further due to market conditions
- Impairment loss on Romanian wind power plants has had a negative effect on the result
- French combined cycle gas turbine power plants sold; beneficial tax effect has improved the Group result
- Programme to reduce costs and increase efficiency has improved results

Key figures

	Unit	Q1–3/2013	**Q1–3/2014**	Change
Revenue	€m	2,406.3	**2,059.9**	–14.4%
EBITDA	€m	1,107.4	**633.0**	–42.8%
EBITDA adjusted	€m	923.0	**688.1**	–25.4%
Operating result	€m	125.2	**205.7**	–
Loss after tax from discontinued operations	€m	–431.0	**26.8**	–106.2%
Group result	€m	468.9	**63.8**	–86.4%
Group result adjusted	€m	338.0	**174.2**	–48.5%
Earnings per share	€	1.35	**0.18**	–86.1%
EBIT margin	%	5.2	**10.0**	–
EBITDA margin	%	46.0	**30.7**	–
Cash flow from operating activities	€m	672.7	**612.2**	–9.0%
Additions to property, plant and equipment (without business combination)	€m	319.7	**257.2**	–19.5%
Free cash flow after dividend	€m	506.1	**–133.6**	–
Average number of employees		3,352	**3,300**	–1.6%
Electricity sales volume	GWh	38,202	**38,052**	–0.4%
Hydro coefficient		1.04	**0.99**	–

	Unit	31/12/2013	**30/9/2014**	Change
Total assets	€m	12,833.4	**11,917.6**	–7.1%
Equity	€m	5,552.9	**5,214.5**	–6.1%
Equity ratio (adjusted)	%	44.5	**45.3**	–
Net debt	€m	3,706.3	**3,965.7**	7.0%
Gearing	%	66.7	**76.1**	–

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

Report of the Executive Board

Dear Shareholders, VERBUND continues to operate in a challenging environment. Economic growth is stagnating, as is electricity consumption. In addition, negative energy market effects are aggravating the situation of European energy suppliers: overcapacities and market distortion resulting from public subsidies are directly impacting our business. Conventional electricity generation plants are seeing a massive decline in profitability.

We have accepted this challenge and are continuing to turn VERBUND into Europe's most profitable carbon-free green electricity producer and energy service provider.

A key step in this direction is to successfully restructure thermal power plant generation, which is progressing rapidly. At the start of October, we reached agreement with international investor KKR on selling the French Pont-Sur-Sambre and Toul combined cycle gas turbine power plants. The sale puts a stop to the negative earnings contributions and cash outflows from these power plants. Our withdrawal from Sorgenia in Italy was already finalised at the end of July. It is expected that the creditor banks will take over the company. Thus VERBUND will divest itself of its 46% share by the end of the year. In Austria, the Dürnrohr hard coal power plant will be closed as planned following closure of the Neudorf-Werndorf oil-fired district heating plant. The temporary shutdown of the Mellach CCGT has been postponed due to a temporary injunction ordered by a Styrian court.

Our programme to reduce costs and increase efficiency, which already led to cost savings of €30m in 2013, will save us another €65m in 2014. Cost savings resulting from this programme will total more than €130m by 2015. These cost savings will further reduce average electricity generation costs and lead to VERBUND counting among the most efficient electricity producers in Europe.

A primary focus of VERBUND's strategy is, however, selective growth in the area of energy service provision. After having successfully launched new and innovative activities such as the VERBUND power pool and electromobility, we continued to advance the development of innovative services in the third quarter with the new formation of VERBUND GETEC Energiecontracting GmbH. Starting in 2015, VERBUND will begin offering energy services for industrial customers in Austria together with the German market leader for energy contracting, subject to approval from the competition authorities.

In quarters 1–3/2014, results were considerably lower than in the previous year, but still better than expected. The primary reason for the significant decrease was that the 2013 results had received a very significant boost from the sale of our Turkish activities and the concurrent purchase of hydropower plants in Germany. Results were also negatively impacted by the further decline in electricity sales prices, a lower water supply than in the previous year and impairment losses on the Romanian wind farms. Tax effects related to the sale of the French CCGTs had a positive impact. EBITDA decreased by 42.8% to €633.0m and the Group result dropped by 86.4% to €63.8m. After adjustment for non-recurring effects, EBITDA declined by 25.4% to €688.1m and the adjusted Group result fell by 48.5% to €174.2m.

VERBUND has raised its earnings forecast due to the better-than-expected water supply in the third quarter and margins from the electricity business as well as additional cost reductions. Based on average own generation from hydropower in the fourth quarter, we are anticipating EBITDA of approximately €770m and a Group result of approximately €85m for financial year 2014. The planned payout ratio for 2014 remains at approximately 50% of the Group result of approximately €190m after adjustment for non-recurring effects.

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

Investor relations

In the first nine months of 2014, sustained low interest rates were the main force driving performance on the international stock markets. Fears concerning a rapid return to the expansionary policies by the US Federal Reserve and the crisis in the Ukraine resulted in temporary price declines in the first quarter. In the second quarter, there was a slight upward trend accompanied by only slight fluctuations. Even the lowered economic forecasts, particularly for the US, had no significant effect on price trends. In the third quarter, varying analyst forecasts on future price trends in combination with political unrest led to investor uncertainty. As at 30 September 2014, the Euro Stoxx 50 was therefore at the same level as at 30 June 2014, i.e. 3.8% over its closing level at the end of 2013. The US Dow Jones Industrial stock market index was up 2.8% as at the end of September compared with 31 December 2013. The Japanese leading Nikkei 225 index gained ground in the third quarter to reduce the decline compared to the end of 2013 to 0.3%.

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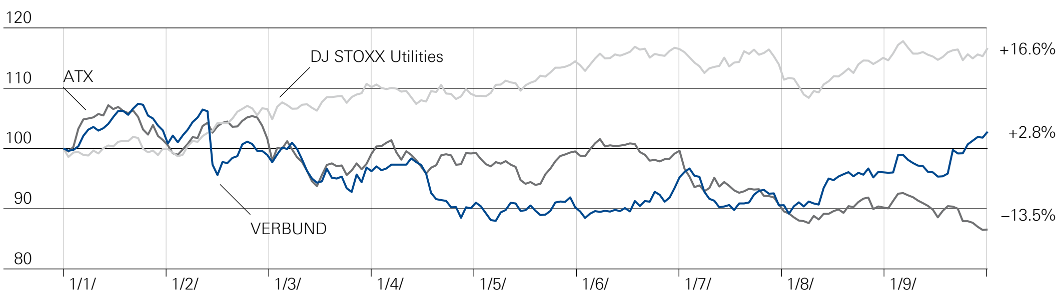
VERBUND share price: relative performance 2014



Performance of VERBUND shares was extremely volatile in the first nine months of 2014. After a brief upward trend at the beginning of the year, there was a significant price adjustment following publication of the earnings projection in February and the ex-dividend date in mid-April. The declines were more than compensated for in August and September thanks to positive reports from analysts. VERBUND shares closed at €15.9 on 30 September 2014, up 2.8% from 31 December 2013. The shares thus outperformed the ATX (–13.5%), but underperformed the DJ STOXX Utilities sector index (+16.6%).

Upcoming dates:
Publication of 2014 results: 11 March 2015

Shares: key figures

	Unit	Q1–3/2013	**Q1–3/2014**	Change
Share price high	€	19.9	**16.7**	–16.1%
Share price low	€	14.3	**13.7**	–4.5%
Closing price	€	16.7	**15.9**	–4.8%
Performance	%	–10.8	**2.8**	–
Market capitalisation	€m	5,812.3	**5,539.5**	–4.7%
ATX weighting	%	2.8	**2.9**	–
Value of shares traded	€m	1,256.2	**897.5**	–28.6%
Shares traded per day	Shares	413,376	**324,105**	–21.6%

Group interim management report

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

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

Business performance

Electricity supply and sales volumes

VERBUND's own generation in quarters 1–3/2014 amounted to 25,724 GWh, a decline of 1,141 GWh from quarters 1– 3/2013.

Group electricity supply GWh

	Q1–3/2013	**Q1–3/2014**	Change
Hydropower[1]	23,913	24,006	0.4%
Wind/solar power	351	558	59.0%
Thermal power	2,601	1,160	–55.4%
Own generation	26,865	**25,724**	–4.2%
Electricity purchased for trade	11,447	12,298	7.4%
Electricity purchased for grid loss and balancing energy volumes	2,205	2,564	16.3%
Electricity supply	40,517	**40,586**	0.2%

[1] incl. purchase rights

Generation from hydropower rose by 93 GWh. At 0.99, the hydro coefficient of the run-of-river power plants was 1% below the long-term average and 5 percentage points below the previous year's figure. The higher generation from hydropower was therefore predominantly attributable to the power plant interests acquired in Germany in 2013. In addition, generation from annual storage power plants increased by 7.0%, despite the fact that the reservoirs were less full at the start of the year. The rise was due above all to the sharp increase in water inflows and higher generation from pumping. Wind power and photovoltaic installations generated 207 GWh of additional electricity. The increase can be explained by the newly commissioned plants in Romania, Germany and Austria. In contrast, generation from thermal power fell by 1,441 GWh under extremely unfavourable market conditions. The Mellach combined cycle gas turbine power plant produced only 45 GWh in quarters 1–3/2014 (quarters 1–3/2013: 287 GWh). Generation from VERBUND's other thermal power plants in Austria fell by

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

Purchases of electricity from third parties for trading and sales increased by 851 GWh. Electricity purchased from third parties for grid losses and balancing energy increased by 359 GWh.

Group electricity sales volume and own use GWh

	Q1–3/2013	Q1–3/2014	Change
Consumers	7,555	7,009	–7.2%
Resellers	16,521	16,678	1.0%
Traders	14,126	14,366	1.7%
Electricity sales volume	38,202	**38,052**	–0.4%
Own use	1,929	2,077	7.7%
Balancing energy volumes	386	457	18.4%
Electricity sales volume and own use	40,517	**40,586**	0.2%

VERBUND's electricity sales volume decreased by 150 GWh in quarters 1–3/2014. Electricity volumes delivered to consumers declined by 546 GWh. The increase in Austria (+212 GWh) was more than offset by foreign consumers (–758 GWh). Sales to resellers rose by 157 GWh. Deliveries to domestic resellers increased by 339 GWh. The decline in sales to foreign resellers (–182 GWh) can be attributed to lower demand in Germany and France. Electricity deliveries to trading firms increased by 240 GWh, mainly due to the rise in sales via stock exchanges resulting from the high levels of electricity generated from hydropower in the third quarter. Own use of electricity rose by 148 GWh. This can be attributed in particular to higher generation from pumping.

Electricity sales by country GWh

	Q1–3/2013	Q1–3/2014	Change
Austria	18,760	19,436	3.6%
Germany	17,437	16,918	–3.0%
France	1,406	1,030	–26.7%
Romania	177	312	76.3%
Others	422	356	–15.6%
Electricity sales volume	38,202	**38,052**	–0.4%

In quarters 1–3/2014, approximately 51% of the electricity sold by VERBUND went to the Austrian market. International trading and sales activities focus on the German market, which accounts for 91% of all volumes sold abroad.

Financial performance

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

Results €m

	Q1–3/2013	Q1–3/2014	Change
Revenue	2,406.3	2,059.9	–14.4%
EBITDA	1,107.4	633.0	–42.8%
Operating result	125.2	205.7	64.3%
Group result	468.9	63.8	–86.4%
Earnings per share in €	1.35	0.18	–86.4%

Electricity revenue

Electricity revenue fell by €232.5m to €1,775.6m in quarters 1–3/2014 as a result of decreases in volumes and prices. The volume sold in the first quarter declined year-on-year by 0.4% or 150 GWh. VERBUND's average sales prices also declined due to market conditions, as did the futures and spot market prices for 2014.

Grid revenue

External grid revenue decreased by 22.4% to €215.0m in quarters 1–3/2014 compared with the same period in 2013. National grid revenue decreased by €33.0m, primarily as a result of lower grid tariffs. The decline of €4.9m in international grid revenue can be attributed in particular to the reduction in compensation revenues for the transit charges in the APG grid. The provisions recognised in previous years to comply with the System Charges Order (Systemnutzungsentgelte-Verordnung, SNE-VO) and the System Usage Rates Directive (Systemnutzungstarife-Verordnung, SNT-VO) were adjusted in quarters 1–3/2013, which led to a reversal of the provisions in some cases. The adjustment had a positive impact of €21.9m on grid revenue for 2013. The provisions under the SNE-VO and SNT-VO were again remeasured in quarters 1–3/2014, which led to a reallocation of €2.2m.

Other revenue and other operating income

Other revenue decreased by €52.1m to €69.3m. The decline can be attributed to lower revenue from gas sales as well as lower proceeds from green electricity certificates and emission rights. Other operating income decreased by €174.0m to €35.7m. Most of this significant decrease was due to the repurchase of 60% of the electricity supply commitment from the Zemm/Ziller (Tyrol) storage power plant group accounted for in 2013 following the asset swap with E.ON. In quarters 1–3/2013, the positive effect resulting from this amounted to €166.6m.

Expenses for electricity, grid, gas and certificate purchases

Expenses for electricity, grid, gas and certificate purchases increased by 1.5% to €910.5m. The purchase of electricity from third parties for trading and sales as well as for grid losses and balancing energy increased by a total of 1,210 GWh. This increase was mostly compensated by reduced purchase prices as well as lower reimbursements of expenses for purchase rights. Expenses for electricity purchases thus increased by €2.5m compared with quarters 1–3/2013. Expenses for grid purchases increased by €7.8m, and those for gas purchases by €5.6m. The natural gas supply agreement for the Mellach CCGT has had to be recognised at fair value through profit or loss since quarter 3/2012. In quarters 1–3/2014, the resulting effect on profit or loss amounted to €+14.7m (quarters 1–3/2013: €+44.6m). This was counteracted by lower expenses for gas purchases.

Fuel expenses

Fuel and other usage-dependent expenses fell by 40.9% to €89.6m. The sharp decrease can be attributed primarily to the considerably lower use of thermal power plants due to market conditions. However, expenses increased as a result of the write-down of coal inventories due to current measurement and the adjustment of the provision for expected losses in connection with a district heating supply commitment.

Personnel expenses

Personnel expenses rose by €22.8m to €272.5m. Expenses for current employees (excluding pensioners and employees in partial retirement) decreased by €1.0m in the reporting period. Expenses for severance payments and pensions rose by €23.8m, mainly as a result of initial allocations to the provision for part-time retirement during the course of the restructuring in the thermal sector (€19.5m), additional employees entering part-time retirement and severance payments (€4.3m).

Amortisation and depreciation

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €44.5m to €306.1m. The majority of the increase resulted from the acquisition of equity interests in Bavarian hydropower plants as part of the asset swap with E.ON in quarter 2/2013 as well as the wind farms in Romania and Germany that were commissioned in 2013.

Other operating expenses

Other operating expenses decreased by €30.0m to €188.9m. The decline resulted in particular from lower hydropower maintenance costs and the reversal of a provision relating to the Töging power plant as well as from the adjustment of a provision for an onerous lease for a gas storage facility. This was offset by expenses of €24.2m which related to a verdict issued by the ICC International Court of Arbitration on the natural gas supply agreement between Pont-sur-Sambre Power S.A.S. and ENI S.p.A. terminated in 2012.

Effects from impairment tests

Effects from impairment tests in quarters 1–3/2014 amounting to €–122.3m (quarters 1–3/2013: €–711.7m) resulted mainly from impairment losses on wind farms in Romania (€–160.4m) and Bulgaria (€–6.4m) and the Dürnrohr hard coal power plant (€–8.9m) and the reversal of impairment losses for the combined cycle gas turbine power plants in Mellach (€+36.7m), Pont-sur-Sambre (€+13.1m), and Toul (€+3.7m). The impairment tests of the previous year related mainly to the impairment of the Mellach, Pont-sur-Sambre and Toul combined cycle gas turbine power plants.

Operating result

As a consequence of the above developments, the operating result increased by €80.5m to €205.7m. The operating result before effects from impairment tests declined by €508.9m to €328.0m.

Result from interests accounted for using the equity method

The result from interests accounted for using the equity method increased by €164.7m to €27.2m. The contribution from foreign interests increased by €166.7m to €–1.5m. This can be attributed to the Italian entity Sorgenia S.p.A. (Group). The contribution of Sorgenia S.p.A. (Group) to the result from interests accounted for using the equity method in quarters 1–3/2014 was zero (quarters 1–3/2013: €–163.0m); the equity interest has been recognised as "held for sale" since 31 December 2013. Income from domestic interests accounted for using the equity method amounted to €28.7m (quarters 1–3/2013: €30.7m). This mainly included KELAG's earnings contribution in the amount of €28.3m (quarters 1–3/2013: €30.5m).

Interest income and expenses

Compared with quarters 1–3/2013, interest income decreased by €1.1m to €23.7m. Interest expenses increased by €77.7m to €217.8m. It is planned to repay loans taken out to finance the French gas power plants early (prior to finalising the sale) based on contractual obligations in connection with the sale of 100% of the shares in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. According to current estimates, the expenses to be incurred ahead of schedule due to the early loan repayment will amount to €60.3m. Elimination of the losses attributable to the other partners of VERBUND Thermal Power GmbH & Co KG represented another negative factor. Lower interest on other liabilities from electricity supply commitments had a counteracting effect and resulted in particular from the repurchase of 60% of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group as part of the asset swap with E.ON in 2013. Another positive effect arose from the decline in interest rates for bonds due to repayments.

Other financial result

Other financial result decreased by €11.4m to €2.5m in quarters 1–3/2014. This was primarily due to the measurement of interest hedging transactions in the amount of €–11.9m (quarters 1–3/2013: €+1.8m) as well as the year-on-year decrease in foreign exchange gains (€–7.5m). A positive effect was registered from the reduction of VERBUND's share in the power plant joint ventures on the Inn River to 10% (€+9.3m).

Effects from impairment tests on the financial result

Effects from impairment tests amounted to €–13.3m in quarters 1–3/2014 (quarters 1–3/2013: €–446.1m) and resulted mainly from the impairment of Shkodra Region Beteiligungsholding GmbH (€–9.4m) and Energie AG Oberösterreich (€–3.9m).
The impairment tests of the previous year related mainly to the impairment of Sorgenia S.p.A. (Group) and Energie AG Oberösterreich.

Effects from business acquisitions

Effects from business acquisitions totalled €0.0m in quarters 1–3/2014. Effects in quarters 1–3/2013 amounted to €+1,184.4m and resulted from the asset swap with E.ON.

Financial result

The financial result consequently fell by €668.4m, decreasing from €501.0m to €–167.4m. The financial result before effects from impairment tests and from business acquisitions increased by €83.2m to €–154.1m.

Taxes on income

Income taxes changed by €152.7m to €+54.8m. Deferred taxes were recognised in the amount of €109.5m, given that it was expected at 30 September 2014 that the French Pont-sur-Sambre and Toul combined cycle gas turbine power plants would be sold by disposing of 100% of the shares in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S.

Group result

Profit for the period was €93.2m, with the share in profit of minority interests in Group companies accounting for €29.3m of that figure. The Group result of VERBUND therefore amounted to €63.8m. This represents a decrease of 86.4% compared with the previous year. Earnings per share amounted to €0.18 (quarters 1–3/2013: €1.35) for 347,415,686 shares. The Group result after adjustment for non-recurring effects was €174.2m, representing a year-on-year decline of 48.5%.

Financial position

Consolidated balance sheet (short version)

€m

	31/12/2013	Share	30/9/2014	Share	Change
Non-current assets	11,092.1	86.4%	10,966.2	92.0%	– 1.1%
Current assets	1,603.9	12.5%	785.3	6.6%	– 51.0%
Non-current assets held for sale	137.5	1.1%	166.1	1.4%	20.8%
Total assets	12,833.4	100.0%	**11,917.6**	**100.0%**	– 7.1%
Equity	5,552.9	43.3%	5,214.5	43.8%	– 6.1%
Non-current liabilities	5,766.0	44.9%	4,857.9	40.8%	– 15.7%
Current liabilities	1,514.5	11.8%	1,825.1	15.3%	20.5%
Liabilities	12,833.4	100.0%	**11,917.6**	**100.0%**	– 7.1%

Assets

VERBUND's assets decreased by 7.1% in quarters 1–3/2014. With respect to property, plant and equipment, additions of €257.2m were offset by depreciation of €306.0m. The most important additions related to the conversion of reversion rights for a run-of-river power plant on the Bavarian Inn River to contingent reversion rights that had to be recognised as subsequent cost (€52.0m), as well as capital expenditure for the Reisseck II/Carinthia pumped storage power plant (€42.8m). The Mellach combined cycle gas turbine power plant underwent impairment testing which resulted in the reversal of an impairment loss in the amount of €37.8m. Impairment losses on wind farms in Romania and Bulgaria reduced the value of property, plant and equipment by €160.3m. As a result of the decision to shut down the Dürnrohr hard coal power plant, the plant was written off in full (€–8.9m). The slight increase in the carrying amount of equity-accounted interests is primarily attributable to the pro-rata results from KELAG-Kärntner Elektrizitäts AG.

The decrease in current receivables resulted mainly from the reversal of temporary investments (which were consequently used for the early repayment of bonds), a decrease in trade receivables and a decrease in short-term investments of excess liquidity in the money market.

Equity and liabilities

Net debt increased by €259.4m to €3,965.7m compared with 31 December 2013. Current and non-current financial liabilities decreased in particular due to scheduled repayments of loans. An increase resulted from new bank borrowing. Trade payables and outstanding capital expenditure invoices also decreased compared with 31 December 2013.

Cash flows

Cash flow statement (short version) €m

	Q1–3/2013	Q1–3/2014	Change
Cash flow from operating activities	672.7	612.2	–9.0%
Cash flow from investing activities	–172.2	376.5	–
Cash flow from financing activities	–574.0	–882.3	53.7%
Change in cash and cash equivalents	–73.5	106.4	–
Cash and cash equivalents as at 30/9/	48.3	**189.4**	–

Cash flow from operating activities

Cash flow from operating activities amounted to €612.2m in quarters 1–3/2014, a decline of €60.5m compared with quarters 1–3/2013.

The decrease resulted in particular from lower profit contributions (approximately €–219.1m) from the Electricity segment. Lower income tax payments (€+50.5m) in particular had an offsetting effect on the decline in cash flow from operating activities.

Cash flow from investing activities

Cash flow from investing activities changed by €+548.8m in quarters 1–3/2014. The medium-term investments with banks entered into in 2013 were liquidated in full in quarters 1–3/2014 which led to a change of €+1,120.0m compared with the previous year. The discontinuation of cash outflow for interests accounted for using the equity method (€+137.5m) and lower cash outflow from capital expenditure for intangible assets and property, plant and equipment (€+29.3m) continued to positively impact cash flow from investing activities compared with the prior year.

This was offset by the discontinuation of payments received from the disposal of the equity-accounted interest in SSG in the previous year (€–270.9m), the discontinuation of payments received from capital expenditure of consolidated companies in the previous year (€–377.0m), and higher cash outflow for short-term investments (€–29.6m).

Cash flow from financing activities

Cash flow from financing activities amounted to €–882.3m in quarters 1–3/2014, a change of €–308.4m. The change was due to higher scheduled repayments of loans and financial liabilities (€–334.7m) and higher dividend payments (€–112.8m).

A loan taken out (€+100.0m) and net cash inflows from money market transactions (€+45.7m) had an opposing effect.

Risk and opportunity management

Changing energy policies and the economic crisis are forcing Europe's energy market to implement changes across the board. Existing subsidy systems will require reforms in the areas of security of supply, sustainability and economic viability. This necessitates an approach at a pan-European level. VERBUND will be among those affected by the upheavals. Uncertainty relating to the transformation of the European electricity sector could endanger the company's business model. The Group's restructuring measures could lead to considerable deviations from earnings forecasts. It may be possible to take advantage of attractive conditions on the financial markets for early refinancing measures.

Operating result: low electricity prices and volatility

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

- Greater or less generation from hydropower: +/–€1.8m
- Wholesale electricity prices (hydropower plants and thermal power plants): +/–€0.3m

Financial result measurement effects

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

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

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

Operating segments

Electricity

Electricity supply – Electricity segment GWh

	Q1–3/2013	**Q1–3/2014**	Change
Hydropower[1]	23,913	24,006	0.4%
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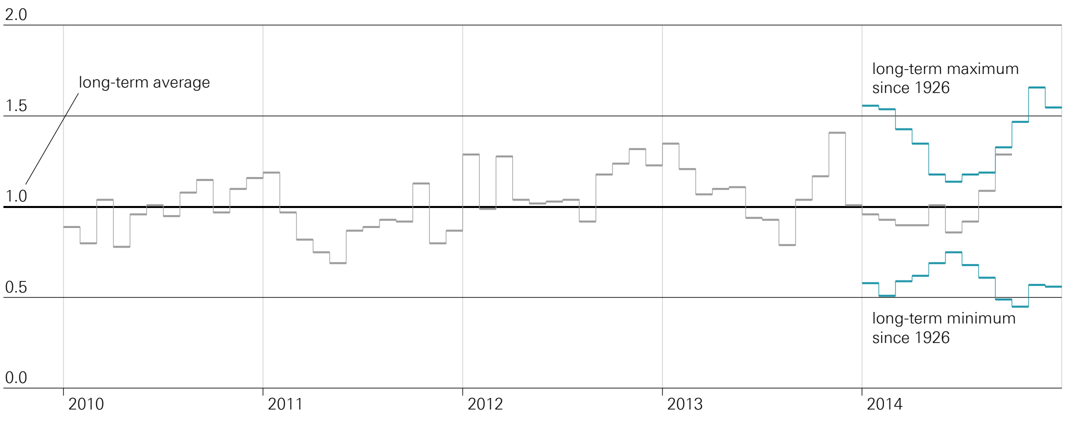
Intragroup	141	132	–6.4%
Electricity supply	38,453	**38,154**	–0.8%

[1] incl. purchase rights

Hydro coefficient (monthly averages)



Electricity generation

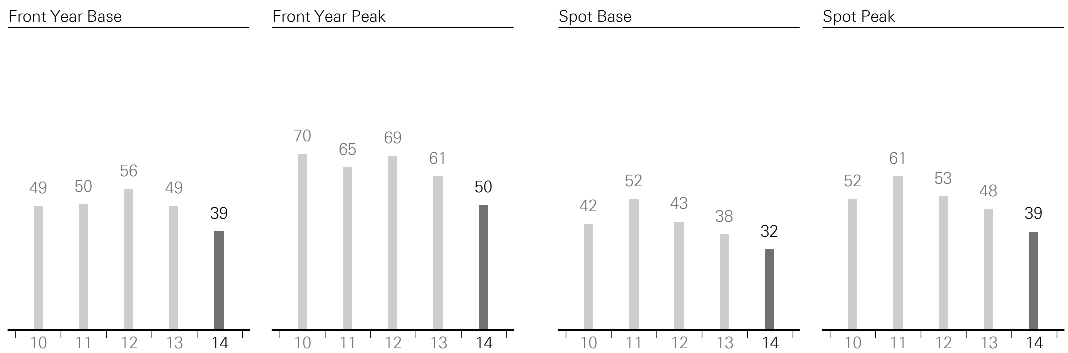
VERBUND's total generation in the Electricity segment decreased by 4.2% year-on-year to 25,724 GWh in quarters 1–3/2014. Generation from hydropower rose by 0.4%. At 0.99, the hydro coefficient of the run-of-river power plants was 1.0% below the long-term average and 5 percentage points below the figure for the prior-year comparative period. The annual storage power plants produced 7.0% more electricity, due primarily to improved water inflows in the third quarter and increased pumped storage operations.

Generation from wind power and photovoltaic installations increased by 59.0%. This was primarily due to the commissioning of wind power plants in Romania, Germany and Austria. In quarters 1–3/2014, around 95.5% of VERBUND's own generation came from renewable energy.

Generation from thermal power was reduced by 55.4% due to market conditions. The main reason for this was the persistently unfavourable ratio of gas to electricity prices. The purchase of electricity from third parties for the trading and sales business rose by 7.4%. As a result of the lower generation in the first two quarters, the need to fulfil electricity supply agreements was increasingly covered by means of additional purchases on the exchanges.

Futures prices €/MWh

Spot market prices €/MWh for quarters 1–3



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

Electricity prices

At an average of €39.1/MWh, prices for electricity futures contracts applicable to financial year 2014 (front-year base 2014) were down 20.7% from the previous year's level. As a result of its hedging strategy, VERBUND had already included the majority of its own generation in its pricing calculation in 2013 via the futures market. Spot market prices (base price) fell by 15.3% to €32.0/MWh. Spot price performance was driven above all by low demand as a result of the economy as well as the low prices for fuel and emission rights.

Prices for primary energy developed in different ways in quarter 3/2014. The price of Brent crude oil fell from $112/bbl at the start of the quarter to $95/bbl at the end of September. CIF ARA hard coal deliveries (6,000 kcal/kg) showed a slightly negative price trend, moving from approximately $74/t at the beginning of the third quarter to $72/t at the end of the quarter.

Spot market prices on the Net Connect Germany (NCG) gas hub performed well due to seasonal influences. They have risen from 16.8/MWh to €21.5/MWh since July 2014. Prices on the forward market for natural gas showed a sideways tendency: the price for the front-year future for 2015 was €23.8/MWh at the beginning of the third quarter and €24.8 at the end of the quarter at the NCG trading point. Prices for emission rights also trended sideways in quarter 3/2014. The price of EUAs (European Union Allowances) fluctuated between €5.6/t and €6.4/t and amounted to €5.8/t at the end of the quarter.

Electricity sales volume

Electricity sales and own use – Electricity segment

GWh

	Q1–3/2013	Q1–3/2014	Change
Consumers	7,555	7,009	–7.2%
Resellers	14,966	14,812	–1.0%
Traders	14,027	14,241	1.5%
Intragroup	577	608	5.4%
Electricity sales volume	37,125	**36,669**	–1.2%
Own use	1,328	1,484	11.7%
Electricity sales volume and own use	38,453	**38,154**	–0.8%

VERBUND's electricity sales volume and own use decreased by 0.8% in quarters 1–3/2014 compared with the same period in 2013. Sales to resellers declined by 1.0% and sales to trading firms rose by 1.5%. Sales volumes in the domestic consumer market increased by 5.0%. In Austria, VERBUND had around 314,000 consumers in the household/agriculture and commercial segment consuming up to 100,000 kWh of electricity annually at the end of the third quarter. Internationally, however, industrial consumer sales volumes declined. The increase in own use can be explained by the more favourable situation in the market for pumped storage power plants.

Expansion of generation from hydropower

The additional construction measures have been completed in the tailwater area at the Reisseck II/Carinthia pumped storage power plant. A total of 70% of the armouring has already been completed in this area. The checking of levels and leak tightness in the tailwater area and the pressure shaft is planned for December 2014. The headwater system is expected to be filled in January 2015 from a current perspective. The interior construction of the caverns is 90% completed, and the installation of the control systems is likewise in its final phase. The power plant is scheduled to be commissioned in quarter 2/2015.

Expansion of generation from wind power

Final inspections of the Hollern II and Petronell-Carnuntum II wind farms in Lower Austria (total capacity of 36 MW) were completed in quarter 3/2014.

Construction on the Bruck-Göttlesbrunn wind farm with a planned capacity of 21 MW began in quarter 1/2014. The foundations and deep foundations have been completed. At present, work is progressing at high speed on the construction of the towers, and finishing touches are being made to the transportation infrastructure. With these plants, VERBUND will more than double its total wind capacity in Austria from 2015 onwards to a total of 106 MW.

Grid

The energy volumes relevant to billing that were transported via the 380/220 kV grid in quarters 1–3/2014 (excluding electricity used for pumping) increased by 3.7% year on year to 17,269 GWh. Based on the transmission schedules, the APG control area imported a net amount of 8,382 GWh of electricity.

Electricity supply – Grid segment GWh

	Q1–3/2013	**Q1–3/2014**	Change
Electricity purchased for grid loss and balancing energy volumes	2,205	**2,564**	16.3%
Intragroup	577	**608**	5.4%
Electricity supply	2,782	**3,172**	14.0%

Electricity sales and own use – Grid segment GWh

	Q1–3/2013	**Q1–3/2014**	Change
Resellers	1,555	**1,866**	20.0%
Traders	99	**125**	26.3%
Intragroup	141	**132**	–6.4%
Electricity sales volume	1,795	**2,122**	18.2%
Own use	602	**593**	–1.5%
Balancing energy volumes	386	**457**	18.4%
Electricity sales volume and own use	2,782	**3,172**	14.0%

Security of supply and bottleneck management

In quarter 3/2014, APG had to intervene multiple times in the power plant usage in Austria to maintain the grid security of supply (redispatch). Technical network measures were no longer sufficient to ease the critical grid situation. The main reasons for this were high west-east loads as well as necessary line shutdowns relating above all to the assembly of the third and fourth systems in the 380 kV Dürnrohr–Vienna southeast line. To enable bottleneck management, APG had to contractually guarantee increased availability of certain thermal power plants at certain times in return for the settlement of costs. The need to guarantee this availability has already been confirmed by the draw-downs made.

Rate regulation

In this year's tariff review, the weighted average cost of capital (WACC) was again set at 6.42% before taxes. The primary objective of the 2014 tariff review was to continue to secure a return on capital employed.

380 kV Salzburg line: environmental impact assessment in progress

An environmental impact assessment – to which both official and non-official experts are contributing – is currently being prepared for the 380 kV Salzburg line. The EIA is expected to be ready for comment in December 2014. After this, the authorities will be able to compile the initial EIA notice. The notice is expected to be published in quarter 1/2015.

Equity interests

Foreign

Sorgenia S.p.A. (Group)

The contribution of Sorgenia S.p.A. (Group) in quarters 1–3/2014 to the result from interests accounted for using the equity method was zero (quarters 1–3/2013: €–163.0m). The equity interest has been recognised as “held for sale” since 31 December 2013.

On 23 July 2014, VERBUND, CIR Compagnie Industriali Riunite S.p.A. and the creditor banks of Sorgenia S.p.A. (Group) signed an agreement on the restructuring of Sorgenia S.p.A. (Group). The main component of the agreement is a restructuring plan to be determined between the banks and Sorgenia S.p.A. (Group) which must be approved by the competent court of law, followed by a capital increase by the creditor banks in the amount of €400 million by means of a debt/equity swap. VERBUND will not participate in the capital increase. As a result, VERBUND’s interest in Sorgenia S.p.A. (Group) will be reduced to less than 1%. Immediately after the capital increase, VERBUND will sell its interest by way of a share deal and thus terminate its involvement in the Italian electricity market. According to the current schedule, this will take place in quarter 4/2014.

Domestic

KELAG – Kärntner Elektrizitäts-Aktiengesellschaft

VERBUND’s interest in KELAG continued to show stable performance in 2014. Its contribution to the result from interests accounted for using the equity method in quarters 1–3/2014 was €28.3m (quarters 1–3/2013: €30.5m).

Events after the balance sheet date

Effective 13 October 2014, VERBUND and KKR Credit Advisors (US) LLC signed agreements for the sale of 100.0% of the shares in Pont-sur-Sambre Production S.A.S. and Toul Production S.A.S. The transaction is expected to settle in quarter 1/2015 following approval by the competition authorities. Provisions contained in the sales agreements stipulate that the Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. subsidiaries must be deconsolidated effective 13 October 2014 at the latest. The deconsolidation had not yet been fully recognised when the consolidated interim financial statements were approved for publication. The transaction is not expected to have a significant effect on profit or loss for the period.

Consolidated interim financial statements

of VERBUND

Income statement

€m

In accordance with IFRSs	Notes	Q1–3/2013[1]	Q1–3/2014	Q3/2013[1]	Q3/2014
Revenue		2,357.9	**2,050.5**	755.0	**661.1**
Electricity revenue	1	1,959.8	1,766.3	623.7	578.6
Grid revenue	2	276.9	215.0	104.6	62.4
Other revenue		121.2	69.3	26.7	20.1
Other operating income	3	209.4	35.6	15.4	8.1
Expenses for electricity, grid, gas and certificate purchases	4	–896.7	–910.2	–286.1	–250.2
Fuel expenses and other usage-dependent expenses	5	–102.6	–78.3	–28.9	–8.9
Personnel expenses	6	–246.9	–270.1	–75.2	–81.4
Amortisation of intangible assets and depreciation of property, plant and equipment		–252.8	–306.0	–94.6	–111.7
Other operating expenses		–200.6	–149.6	–70.9	–44.8
Operating result before effects from impairment tests		867.7	371.9	214.8	172.2
Effects from impairment tests	7	–321.2	–139.1	–2.4	–161.3
Operating result		546.5	**232.8**	212.4	**10.9**
Result from interests accounted for using the equity method	8	–137.5	27.2	–36.5	13.9
Other result from equity interests	9	1.7	10.3	0.0	0.5
Interest income	10	24.8	23.7	7.2	7.7
Interest expenses	11	–129.1	–146.6	–50.3	–44.2
Other financial result	12	12.3	1.9	2.4	5.1
Financial result before effects from impairment testing and business acquisitions		–227.8	–83.5	–77.2	–17.1
Effects from impairment tests	13	–446.1	–13.3	0.0	0.0
Effects from business acquisitions	14	1,184.4	0.0	0.0	0.0
Financial result		510.5	**–96.7**	–77.2	**–17.1**
Profit/loss before tax		1,057.0	**136.1**	135.2	**–6.2**
Taxes on income		–97.6	–69.7	–42.7	–41.7
Profit/loss after tax from continuing operations		959.4	**66.3**	92.5	**–47.8**
Profit/loss after tax from discontinued operations[2]	15	–431.0	**26.8**	–12.1	**58.9**
Profit for the period		528.4	**93.2**	80.4	**11.0**
Attributable to the shareholders of VERBUND AG (Group result)		468.9	63.8	62.4	7.2
Attributable to non-controlling interests		59.5	29.3	18.0	3.8
Earnings per share in €[3]		1.35	**0.18**	0.18	**0.02**

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

Statement of comprehensive income

€m

In accordance with IFRSs	Notes	Q1–3/2013[1]	**Q1–3/2014**	Q3/2013[1]	**Q3/2014**
Profit for the period		528.4	**93.2**	80.4	**11.0**
Remeasurements of the net defined benefit liability	16	–41.5	–49.7	–1.2	–36.1
Other comprehensive income from interests accounted for using the equity method		0.3	–3.3	–0.1	–1.0
Total of items that will not be reclassified subsequently to the income statement		–41.2	**–53.0**	–1.3	**–37.2**
Differences from currency translation		–0.6	0.7	–0.1	–2.1
Measurements of available-for-sale financial instruments		–3.3	14.4	1.2	10.0
Measurements of cash flow hedges		–41.9	7.3	–55.7	–6.4
Other comprehensive income from interests accounted for using the equity method		174.7	0.2	6.1	0.0
Total of items that will be reclassified subsequently to the income statement		128.8	**22.6**	–48.5	**1.5**
Other comprehensive income before tax		87.7	**–30.4**	–49.8	**–35.7**
Taxes on income relating to items that will not be reclassified subsequently to the income statement		10.6	12.8	0.3	9.3
Taxes on income relating to items that will be reclassified subsequently to the income statement		11.4	–4.1	13.7	0.3
Other comprehensive income after tax		109.7	**–21.7**	–35.8	**–26.2**
Total comprehensive income for the period		638.1	**71.5**	44.6	**–15.1**
Attributable to the shareholders of VERBUND AG		582.3	44.4	26.6	–17.0
Attributable to non-controlling interests		55.7	27.1	18.0	1.9

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

Balance sheet

€m

In accordance with IFRSs	Notes	1/1/2013[1]	31/12/2013[1]	30/9/2014
Non-current assets		9,807.5	11,092.1	**10,966.2**
Intangible assets		662.5	799.3	798.6
Property, plant and equipment		7,452.1	9,465.1	9,277.2
Interests accounted for using the equity method		888.1	243.2	255.0
Other equity interests	19	134.6	87.1	91.4
Investments and other receivables	19	670.3	497.3	544.0
Current assets		1,274.0	1,603.9	**785.3**
Inventories	17	129.3	84.9	79.8
Trade receivables and other receivables	19	1,023.0	1,435.6	516.1
Cash and cash equivalents	19	121.8	83.3	189.4
Assets held for sale	18	1,331.8	137.5	**166.1**
Total assets		12,413.3	12,833.4	**11,917.6**

€m

In accordance with IFRSs	Notes	1/1/2013[1]	31/12/2013[1]	30/9/2014
Equity		5,105.4	5,552.9	**5,214.5**
Attributable to the shareholders of VERBUND AG		4,464.4	4,947.3	4,641.5
Attributable to non-controlling interests		641.0	605.6	573.0
Non-current liabilities		6,062.4	5,766.0	**4,857.9**
Financial liabilities	19	3,935.3	3,359.5	2,541.7
Provisions		666.9	717.7	764.0
Deferred tax liabilities		204.1	616.9	465.7
Contributions to building costs and grants		649.6	685.1	710.3
Deferred income – cross-border leasing		53.6	52.0	50.8
Other liabilities	19	552.9	334.7	325.3
Current liabilities		1,245.5	1,514.5	**1,825.1**
Financial liabilities	19	385.8	654.2	1,085.2
Provisions		191.9	289.0	255.5
Current tax liabilities		37.2	36.1	125.7
Trade payables and other liabilities	19	630.6	535.1	358.7
Liabilities directly associated with assets held for sale	18	0.0	0.0	**20.1**
Total liabilities		12,413.3	12,833.4	**11,917.6**

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

Statement of changes in equity

In accordance with IFRSs	Share capital	Capital reserves	Retained earnings	Remeasure-ments of the net defined benefit liability
Notes				16
As at 1/1/2013	347.4	954.3	3,493.4	– 130.5
Change in accounting policies	–	–	7.2	– 1.1
As at 1/1/2013 adjusted retrospectively	347.4	954.3	3,500.6	– 131.6
Profit for the period	–	–	468.9	–
Other comprehensive income	–	–	–	– 26.6
Total comprehensive income for the period	–	–	468.9	– 26.6
Dividends	–	–	– 208.5	–
Other changes in equity	–	–	1.4	–
As at 30/9/2013	347.4	954.3	3,762.3	– 158.3
As at 1/1/2014	**347.4**	**954.3**	**3,873.3**	**– 158.8**
Profit for the period	–	–	63.8	–
Other comprehensive income	–	–	–	– 37.5
Total comprehensive income for the period	**–**	**–**	**63.8**	**– 37.5**
Shifts between shareholder groups	–	–	0.1	– 3.3
Dividends	–	–	– 347.4	–
Other changes in equity	–	–	0.1	–
As at 30/9/2014	**347.4**	**954.3**	**3,590.0**	**– 199.6**

€m

Difference 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
–128.9	6.8	–91.1	7.1	4,458.4	641.0	5,099.4
0.0	0.0	0.0	0.0	6.1	0.0	6.1
–128.9	6.8	–91.1	7.1	4,464.4	641.0	5,105.4
–	–	–	–	468.9	59.5	528.4
125.7	–2.2	15.8	0.8	113.5	–3.8	109.7
125.7	–2.2	15.8	0.8	582.4	55.7	638.1
–	–	–	–	–208.5	–97.0	–305.5
–	–	–	1.3	2.7	0.0	2.7
–3.2	4.6	–75.3	9.2	4,841.0	599.7	5,440.7
–3.5	**3.2**	**–78.3**	**9.6**	**4,947.3**	**605.6**	**5,552.9**
–	–	–	–	63.8	29.3	93.2
0.7	11.7	5.5	0.2	–19.4	–2.3	–21.7
0.7	**11.7**	**5.5**	**0.2**	**44.4**	**27.1**	**71.5**
–	–	–	–	–3.2	11.2	8.0
–	–	–	–	–347.4	–70.9	–418.3
–	–	–	0.3	0.4	0.0	0.5
–2.8	**14.9**	**–72.8**	**10.1**	**4,641.5**	**573.0**	**5,214.5**

Cash flow statement

€m

In accordance with IFRSs	Notes	Q1–3/2013[1]	Q1–3/2014
Profit for the period		528.4	93.2
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		982.2	427.2
Impairment losses on investments (net of reversals of impairment losses)		41.6	13.5
Result from interests accounted for using the equity method (net of dividends received)		564.9	–13.0
Result from the disposal of non-current assets		5.3	–7.9
Change in non-current provisions and deferred tax liabilities		–13.5	–141.4
Change in contributions to building costs and grants		25.1	25.2
Income from the reversal of deferred income from cross-border leasing transactions		–1.2	–1.2
Other non-cash expenses and income	20	–1,447.0	28.8
Subtotal		686.0	**424.5**
Change in inventories		34.0	5.0
Change in trade receivables and other receivables		45.7	183.3
Change in trade payables and other liabilities		–123.4	–59.9
Change in current provisions and current tax liabilities		30.5	59.4
Cash flow from operating activities[2]	20, 21	672.7	**612.2**

[1] The comparative figures have been adjusted retrospectively due to the initial application of IFRS 11. // [2] Cash flow from operating activities includes taxes paid on income of €33.3m (quarters 1–3/2013: €83.8m), interest paid of €123.3m (quarters 1–3/2013: €142.6m), interest received of €24.4m (quarters 1–3/2013: €35.2m) and dividends received of €22.1m (quarters 1–3/2013: €19.9m).

€m

In accordance with IFRSs	Notes	Q1–3/2013[1]	Q1–3/2014
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		–378.3	–349.0
Cash inflow from the disposal of intangible assets and property, plant and equipment		4.8	22.2
Cash outflow from capital expenditure for investments		–631.9	–18.4
Cash inflow from the disposal of investments		150.0	581.7
Cash inflow (outflow) from capital expenditure for subsidiaries		377.0	0.0
Cash outflow from capital expenditure for interests accounted for using the equity method		–137.5	–0.3
Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method		273.6	0.0
Cash inflow from the disposal of current investments		170.0	140.4
Cash flow from investing activities	21	–172.2	**376.5**
Cash inflow from shifts between shareholder groups		0.0	5.5
Cash inflow (previous year: outflow) from money market transactions		–45.5	0.2
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		12.1	100.0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		–235.0	–569.7
Dividends paid		–305.5	–418.3
Cash flow from financing activities	21	–574.0	**–882.3**
Change in cash and cash equivalents		–73.5	**106.4**
Cash and cash equivalents as at 1/1/		121.8	**83.3**
Change in cash and cash equivalents		–73.5	106.4
Classification as “held for sale”		0.0	–0.4
Cash and cash equivalents as at 30/9/		48.3	**189.4**

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

Selected explanatory notes

Financial reporting principles

Basic principles

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

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

Group of consolidated companies

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

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

In addition, VERBUND Beteiligungsholding GmbH, VERBUND International Finance GmbH and VERBUND International GmbH were merged with VERBUND AG, VERBUND Management Service GmbH with VERBUND Service GmbH (as at 31 December 2013 still VERBUND Telekom Service GmbH) and VERBUND International Frankreich with VERBUND Trading GmbH (as at 31 December 2013 still VERBUND Trading AG) in quarters 1–3/2014.

Accounting policies

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

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

New accounting standards

Newly applicable or applied accounting standards

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

Newly applicable or applied accounting standards

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

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

Adjustments to income statement items €m

	Q1–3/2013	**Q1–3/2014**	Q3/2013	**Q3/2014**
Revenue	–2.9	**–2.0**	–1.0	**–0.7**
Operating result	1.2	**1.6**	0.1	**0.9**
Financial result	–1.1	**–0.9**	–0.6	**–0.4**
Profit for the period	0.1	**0.7**	–0.5	**0.5**
Attributable to the shareholders of VERBUND AG (Group result)	0.1	0.7	–0.5	0.5
Earnings per share in €[1]	0.0	**0.0**	0.0	**0.0**

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

Adjustments to comprehensive income statement items

€m	Q1–3/2013	**Q1–3/2014**	Q3/2013	**Q3/2014**
Profit for the period	0.1	**0.7**	–0.5	**0.5**
Total of items that will not be reclassified subsequently to the income statement	–0.1	**–0.9**	0.3	**–0.6**
Total of items that will be reclassified subsequently to the income statement	0.0	**0.1**	0.1	**–0.1**
Other comprehensive income after tax	0.1	**–0.6**	0.4	**–0.3**
Total comprehensive income for the period	0.2	**0.2**	–0.2	**0.2**
Attributable to the shareholders of VERBUND AG	0.2	0.2	–0.2	0.2

Adjustments to balance sheet items

€m	1/1/2013	31/12/2013	**30/9/2014**
Non-current assets	25.6	47.4	**19.7**
Current assets	0.4	–22.6	**7.1**
Total assets	26.0	24.8	**26.8**

Adjustments to balance sheet items

€m	1/1/2013	31/12/2013	**30/9/2014**
Equity	6.1	6.4	**6.5**
Non-current liabilities	16.1	15.8	**16.0**
Current liabilities	3.7	2.7	**4.2**
Total liabilities	26.0	24.8	**26.8**

Discontinued operations

The two French Pont-sur-Sambre and Toul combined cycle gas turbine power plants, including intangible assets and/or other receivables (closely) associated with the combined cycle gas turbine power plants, have been classified as “held for sale” since 11 December 2013. Other assets and liabilities have been classified as “held for sale” as at 30 September 2014 because the sale of the two combined cycle gas turbine power plants is expected to be carried out by disposing 100% of the interest in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. (see: (18) Assets and liabilities held for sale).

Since the operations of Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. represent a geographical area of operation, the result attributable to them must be presented separately from continuing operations. Prior-year figures in the income statement were adjusted accordingly:

Adjustments to income statement items

€m

	Q1–3/2013	**Q1–3/2014**	Q3/2013	**Q3/2014**
Revenue	–48.4	**–9.3**	–3.1	**0.1**
Electricity revenue	–48.2	–9.3	–3.0	0.1
Other revenue	–0.2	0.0	0.0	0.0
Other operating income	–0.3	–0.1	0.0	0.0
Expenses for electricity, grid, gas and certificate purchases	0.7	0.3	0.1	0.0
Fuel expenses and other usage-dependent expenses	49.0	11.3	4.2	0.7
Personnel expenses	2.8	2.3	0.8	0.7
Amortisation of intangible assets and depreciation of property, plant and equipment	8.8	0.0	0.3	0.0
Other operating expenses	18.4	39.4	6.1	4.2
Operating result before effects from impairment tests	30.9	**43.9**	8.5	**5.7**
Effects from impairment tests	390.5	–16.9	0.0	–3.7
Operating result	421.3	**27.1**	8.5	**2.0**
Interest income	0.0	0.0	0.0	0.0
Interest expenses	11.0	71.2	3.7	63.9
Other financial result	–1.5	–0.6	–0.3	–0.2
Financial result	9.5	**70.6**	3.3	**63.7**
Profit/loss before tax	430.8	**97.7**	11.9	**65.7**
Taxes on income	0.3	–124.6	0.2	–124.5
Profit/loss after tax from continuing operations	431.0	**–26.8**	12.1	**–58.9**
Profit/loss after tax from discontinued operations	–431.0	**26.8**	–12.1	**58.9**
Profit for the period	0.0	**0.0**	0.0	**0.0**

Adjustment business acquisitions

The adjustment of the accounting treatment of a business acquisition as at 31 December 2013 that was still classified as “provisional” as at 30 September 2013 had the following impact on the income statement for quarters 1–3/2013:

Adjustments to income statement items

€m	Q1–3/2013	Q3/2013
Other operating income	9.0	0.0
Amortisation of intangible assets and depreciation of property, plant and equipment	1.5	1.0
Operating result	10.5	1.0
Effects from business acquisitions	–59.4	0.0
Financial result	–59.4	0.0
Profit/loss before tax	–48.9	1.0
Taxes on income	7.3	–0.3
Profit for the period	–41.5	0.8
Attributable to the shareholders of VERBUND AG (Group result)	–41.6	0.7
Attributable to non-controlling interests	0.1	0.0
Earnings per share in €[1]	–0.1	0.0

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

Segment reporting

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

€m	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
Q1–3/2014					
External revenue	1,726.1	315.4	9.0	0.0	2,050.5
Internal revenue	94.9	37.2	57.0	–189.1	0.0
Total revenue	1,821.0	352.7	66.0	–189.1	2,050.5
Operating result	**239.3**	**14.6**	**–19.2**	**–1.8**	**232.8**
Depreciation and amortisation	–248.0	–51.6	–7.3	0.9	–306.0
Effects from impairment tests	–139.1	0.0	0.0	0.0	–139.1
Other material non-cash items	–73.1	8.5	3.7	–7.7	–68.6
Result from equity interests	0.0	0.0	24.2	0.0	24.2
Of which result from interests accounted for using the equity method	0.0	0.0	27.2	0.0	27.2
Of which effects from impairment tests	0.0	0.0	–13.3	0.0	–13.3
Capital employed	**7,673.1**	**1,017.3**	**7,880.8**	**–7,437.2**	**9,134.0**
Of which carrying amount of interests accounted for using the equity method	2.2	1.3	251.4	0.0	255.0
Additions to intangible assets and property, plant and equipment	192.7	80.8	3.9	0.0	277.4
Additions to equity interests	0.0	0.0	1.2	0.0	1.2

	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
					€m
Q1–3/2013					
External revenue	1,968.8	376.8	12.3	0.0	2,357.9
Internal revenue	135.7	95.8	67.7	–299.1	0.0
Total revenue	2,104.5	472.6	80.0	–299.1	2,357.9
Operating result	**473.0**	**132.4**	**–20.1**	**–38.8**	**546.5**
Depreciation and amortisation	–191.8	–50.8	–11.2	0.9	–252.8
Effects from impairment tests	–321.2	0.0	0.0	0.0	–321.2
Other material non-cash items	237.5	68.1	2.2	–37.7	270.1
Result from equity interests	0.0	0.0	602.4	0.0	602.4
Of which result from interests accounted for using the equity method	0.0	0.0	–137.5	0.0	–137.5
Of which effects from impairment tests	0.0	0.0	–446.1	0.0	–446.1
Of which effects from business acquisitions	0.0	0.0	1,184.4	0.0	1,184.4
Capital employed	**7,835.8**	**901.1**	**9,316.1**	**–8,551.6**	**9,501.4**
Of which carrying amount of interests accounted for using the equity method	2.2	1.2	304.3	0.0	307.6
Additions to intangible assets and property, plant and equipment	2,951.8	58.8	8.4	0.0	3,019.0
Additions to equity interests	0.2	0.0	0.6	0.0	0.8

Notes to the income statement

(1) Electricity revenue

Electricity revenue by customer areas

€m

	Q1–3/2013 Domestic	**Q1–3/2014 Domestic**	Q1–3/2013 Foreign	**Q1–3/2014 Foreign**	Q1–3/2013 Total	**Q1–3/2014 Total**	Change
Electricity deliveries to resellers	22.4	**26.7**	720.8	**643.1**	743.2	**669.8**	–9.9%
Electricity deliveries to traders	332.4	**331.8**	219.1	**165.5**	551.5	**497.3**	–9.8%
Electricity deliveries to consumers	580.7	**499.2**	132.6	**109.3**	713.3	**608.5**	–14.7%
Electricity revenue by customer areas	935.6	**857.7**	1,072.5	**917.9**	2,008.0	**1,775.6**	–11.6%
Electricity deliveries to discontinued operations					7.0	**3.1**	–55.8%
Electricity deliveries of discontinued operations					–55.2	**–12.4**	77.6%
Electricity revenue					1,959.8	**1,766.3**	–9.9%

(2) Grid revenue

Grid revenue by customer areas

€m

	Q1–3/2013 Domestic	**Q1–3/2014 Domestic**	Change	Q1–3/2013 Foreign	**Q1–3/2014 Foreign**	Change
Electric power companies	180.0	**111.7**	–38.0%	0.0	**0.0**	n.a.
Industrial clients	12.2	**10.4**	–14.6%	0.0	**0.0**	n.a.
Other	34.6	**47.8**	38.2%	50.1	**45.1**	–10.1%
Grid revenue	226.8	**169.9**	–25.1%	50.1	**45.1**	–10.1%

(3) Other operating income

In quarters 1–3/2014, €–2.5m (quarters 1–3/2013: €2.9m) related to the changes in inventory of proof of origin and green electricity certificates. This included €12.9m (quarters 1–3/2013: €0.0m) in write-downs of Romanian green electricity certificate inventories to the net realisable value.

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

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

Expenses for electricity, grid, gas and certificate purchases

€m

	Q1–3/2013	Q1–3/2014	Change
Expenses for electricity purchases	762.8	765.5	0.3%
Expenses for grid purchases (system use)	125.4	133.4	6.4%
Expenses for gas purchases[1]	5.6	11.2	99.7%
Purchases of emission rights (trade)[2]	1.8	–0.6	–136.2%
Purchases of proof of origin and green certificates	1.1	0.8	–31.1%
Expenses for electricity, grid, gas and certificate purchases	896.7	**910.2**	1.5%

[1] VERBUND and EconGas GmbH have entered into a long-term natural gas supply agreement which, as a consequence of its management, was to be cassified as a freestanding derivative and recognised at fair value through profit or loss (see: (19) Additional disclosures regarding financial instruments). In quarters 1–3/2014, the resulting impact on profit or loss amounted to €14.7m (quarters 1–3/2013: €44,6m). // [2] In quarters 1–3/2014, the negative expenses for emission rights purchases mainly resulted from the measurement of inventories of emission rights held for trading.

(5) Fuel expenses and other usage-dependent expenses

Fuel expenses and other usage-dependent expenses

€m

	Q1–3/2013	Q1–3/2014	Change
Fuel expenses[1]	88.6	66.4	–25.0%
Emission rights acquired in exchange for consideration	5.8	3.5	–39.2%
Other usage-dependent expenses	8.2	8.4	2.2%
Fuel expenses and other usage-dependent expenses	102.6	**78.3**	–23.7%

[1] Fuel expenses in quarters 1–3/2014 included a write-down of coal inventories to net realisable value in the amount of €21.7m (quarters 1–3/2013: €9.7m).

(6) Personnel expenses

Personnel expenses

€m

	Q1–3/2013	Q1–3/2014	Change
Wages and salaries	189.9	188.8	–0.6%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	42.4	42.9	1.0%
Other social expenses	3.1	2.8	–10.3%
Subtotal	235.4	**234.4**	–0.4%
Expenses for severance payments	5.0	4.0	–20.1%
Expenses for pensions and similar obligations	6.6	31.8	n.a.
Personnel expenses	246.9	**270.1**	9.4%

(7) Effects from impairment tests

Effects from impairment tests

€m

	Q1–3/2013	Q1–3/2014	Change
Romanian wind farms	0.0	–154.8	n.a.
Mellach combined cycle gas turbine power plant	–277.5	37.8	113.6%
Change in deferred grants for the Mellach combined cycle gas turbine power plant	7.6	–1.1	–114.1%
Dürnrohr coal-fired power plant[1]	0.0	–8.9	n.a.
Kavarna wind farm[2]	–3.1	–6.4	–104.0%
Preliminary project costs for a wind farm in Romania[3]	0.0	–5.5	n.a.
Bruck/Hollern/Petronell-Carnuntum wind farms	–25.7	0.0	100.0%
Change in deferred grants for the Bruck/Hollern/Petronell-Carnuntum wind farms	0.0	0.0	–100.0%
Gössendorf and Kalsdorf run-of-river power plants	–19.3	0.0	100.0%
Change in deferred grants for the Gössendorf and Kalsdorf run-of-river power plants	1.3	0.0	–100.0%
Other	–4.6	–0.2	96.4%
Effects from impairment tests	–321.2	**–139.1**	56.7%

[1] An impairment loss was recognised in the amount of the residual carrying amount as a result of the decision to shut down the Dürnrohr coal-fired power plant. // [2] Due to the planned sale of the Kavarna wind farm, the disposal group (see: (18) Assets and liabilities held for sale) was to be measured at the lower fair value less costs to sell (corresponds to the expected sales price). // [3] An impairment loss was recognised in the amount of the previously incurred and capitalised preliminary project costs as a result of the decision not to pursue a project to build a wind farm in Romania.

Impairment test – Romanian wind farms

	30/9/2014[1]
Cash-generating unit	Alpha, CAS and Ventus wind farms on the Romanian Black Sea coast (installed capacity: 81, 76 and 69 MW)
Indications of impairment	Current electricity price forecasts as well as the revised estimate with respect to the opportunities for selling Rumanian green electricity certificates
Basis for recoverable amount	Value in use (Alpha, CAS) and fair value (Level 3) less costs to sell (Ventus)
Valuation method	Net present value approach (DCF method)
Derivation of cash flow	Alpha Wind S.R.L., CAS Regenerabile S.R.L. and Ventus Renew Romania S.R.L. budgets (based primarily on near-market data)
Volume	Annually expected electricity generation volumes of Alpha (198 GWh), CAS (170 GWh) and Ventus (168 GWh) and expected opportunities for selling Romanian green electricity certificates
Price	Price forecasts for electricity and green electricity certificates of the VERBUND Energy Market Model (value in use) or price listings of energy futures and price forecasts from two reputable market research institutes and information service providers in the energy market that are extrapolated after the end of the study with prices increasing constantly at a rate of 2% (fair value); estimate of maintenance costs based on maintenance agreements entered into (prices increasing at a rate of up to 2.7% annually)

Impairment test – Romanian wind farms

	30/9/2014[1]
Planning period	Detailed planning phase 6 years, after which rough planning phase until the end of the useful life in the year 2038
Key valuation assumptions	Price forecasts for electricity and green electricity certificates, annually expected electricity generation volumes and opportunity to sell Romanian green electricity certificates, discount rate
Discount rate[2]	Alpha: WACC before taxes: 8.0% CAS: WACC before taxes: 8.0% Ventus: WACC after taxes: 7.25%
Recoverable amount	Alpha: €56.4m; CAS: €61.6m; Ventus: €64.8m
Impairment during the period	Alpha: €68.1m; CAS: €49.1m; Ventus: €37.6m

[1] As at 31 December 2013, no indications of impairment were identified. // [2] All impairment testing was based on a WACC after taxes of 7.25%. The discount rate before taxes stated was determined iteratively.

Impairment test – Mellach combined cycle gas turbine power plant

	31/12/2013	30/9/2014
Cash-generating unit	Combined cycle gas turbine power plant (installed electrical capacity: 848 MW)	Combined cycle gas turbine power plant (installed electrical capacity: 848 MW)
Indications of a (reduction in) impairment	Lower market prices for electricity futures and lower electricity price forecasts	Temporary injunction by the Graz-West district court regarding the Graz district heating outage reserve and the German cold reserve premium
Basis for recoverable amount	Fair value (level 3) less costs of disposal	Fair value (level 3) less costs of disposal
Valuation method	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	VERBUND Thermal Power GmbH & Co KG in Liqu. budgets (based mainly on near-market data)	VERBUND Thermal Power GmbH & Co KG in Liqu. budgets (based mainly on near-market data)
Volume	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8%)	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8%)
Price	Energy futures price listings and price forecasts from two reputable market research institutes and information service providers in the energy market that are continued after the end of the study at a steady price increase of 2%; estimate of maintenance and decommissioning costs by the managers responsible; rates of price increases for annual expenses of 1.9% to 2.5%	Energy futures price listings and price forecasts from two reputable market research institutes and information service providers in the energy market that are continued after the end of the study at a steady price increase of 2%; expected revenue in connection with the Graz district heating outage reserve and the German cold reserve; estimate of maintenance and decommissioning costs by the managers responsible; rates of price increases for annual expenses of 1.7% to 2.5%

Impairment test – Mellach combined cycle gas turbine power plant

	31/12/2013	**30/9/2014**
Planning period[1]	Total capacity of around 150,000 equivalent operating hours (reached on average in 2049)	Total capacity of around 100,000 equivalent operating hours (reached on average in 2040)
Key valuation assumptions	Development of clean spark spreads and discount rate	Development of clean spark spreads, discount rate, estimation of the outcome of the arbitration proceedings and expected revenue in connection with the Graz district heating outage reserve
Discount rate	WACC after taxes: 6.75%	WACC after taxes: 6.75%
Recoverable amount	€144.5m	€177.4m
Impairment losses or impairment reversals in the period[2]	€–277.5m	€37.8m

[1] The estimate concerning the maximum equivalent operating hours was revised as a result of the clear reduction in the number of operating hours expected in the next few years. It is assumed that the useful business operating life ends with 100,000 equivalent operating hours. Without this change in the estimate, the recoverable amount of the Mellach combined cycle gas turbine power plant as at 30 September 2014 would be €49.8m higher. // [2] The impairment loss and/or reversal of impairment losses was reduced by the amount of the change in deferred government grants. The reversal of impairment losses in the reporting period was already recognised as at 30 June 2014 (indication for a reversal of impairment losses: decision to temporarily decommission) and confirmed as at 30 September 2014. The previous year's impairment loss was recognised as at 30 June 2013 and confirmed as at 31 December 2013.

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

Result from interests accounted for using the equity method €m

	Q1–3/2013 Domestic	**Q1–3/2014 Domestic**	Change	Q1–3/2013 Foreign	**Q1–3/2014 Foreign**	Change
Income or expenses (excluding impairment losses and reversals of impairment losses)	30.7	**28.7**	–6.4%	–168.2	**–1.5**	99.1%

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

(9) Other result from equity interests

Income of €2.5m was recognised in quarters 1–3/2014 as part of the sale of the 50.1% equity interest in POWEO Outre-mer Solaire S.A.S. (Group) classified as "held for sale" as at 31 December 2013.

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

(10)
Interest income

Interest income

€m	Q1–3/2013	Q1–3/2014	Change
Interest from investments under closed items on the balance sheet	20.9	21.1	1.3%
Interest from money market transactions	1.2	0.9	–24.0%
Other interest and similar income	2.7	1.7	–38.9%
Interest income	24.8	**23.7**	–13.8%

(11)
Interest expenses

Interest expenses

€m	Q1–3/2013	Q1–3/2014	Change
Interest on bonds	77.5	68.7	–11.3%
Interest on bank loans	23.2	27.2	17.7%
Interest on financial liabilities under closed items on the balance sheet	20.9	21.1	1.3%
Net interest expense on personnel-related liabilities	17.0	17.4	2.5%
Interest on other liabilities from electricity supply commitments	22.1	13.4	–39.5%
Interest on other non-current provisions	4.2	3.0	–28.4%
Profit or loss attributable to limited partners	–31.8	0.1	100.2%
Borrowing costs capitalised in accordance with IAS 23	–12.0	–12.7	–6.2%
Other interest and similar expenses	8.2	8.4	1.6%
Interest expenses	129.1	**146.6**	13.5%

(12)
Other financial result

Other financial result

€m	Q1–3/2013	Q1–3/2014	Change
Measurement of long position: Gemeinschaftskraftwerk Inn GmbH	0.0	9.3	n.a.
Foreign exchange gains	14.1	6.6	–53.3%
Income from securities and loans	4.5	3.2	–28.4%
Foreign exchange losses	–8.0	–5.3	34.1%
Measurement of derivatives in the finance area	1.8	–11.9	n.a.
Other financial result	12.3	**1.9**	139.6%

(13)
Effects from impairment tests

Effects from impairment tests

€m	Q1–3/2013	Q1–3/2014	Change
Equity-accounted interest in Shkodra Region Beteiligungsholding GmbH	–8.5	–9.4	–10.3%
Other equity interest in Energie AG Oberösterreich[1]	–41.6	–3.9	90.7%
Equity-accounted interest in Sorgenia S.p.A. (Group)	–396.0	–	n.a.
Effects from impairment tests	–446.1	**–13.3**	**97.0%**

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

Impairment test – Shkodra Region Beteiligungsholding GmbH

	31/12/2013	**30/9/2014**
Cash-generating unit	VERBUND and EVN AG joint venture that holds 100% of the interest in Ashta Shpk, which in turn operates a two-stage Hydromatrix power plant (installed capacity: 53 MW) in Albania	VERBUND and EVN AG joint venture that holds 100% of the interest in Ashta Shpk, which in turn operates a two-stage Hydromatrix power plant (installed capacity: 53 MW) in Albania
Indications of impairment	Non-payment by Korporata Elektroenergjetike Shqiptare (KESH)	Updated electricity price forecasts
Basis for recoverable amount	Value in use	Value in use
Valuation method	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	Budgets of Energji Ashta Shpk	Budgets of Energji Ashta Shpk
Volume	The annual output corresponding to the mean energy capability of 242 GWh	The annual output corresponding to the mean energy capability of 242 GWh
Price	VERBUND Energy Market Model (VEMM) electricity price forecasts; 2.0% price increase rate for annual expenses	VERBUND Energy Market Model (VEMM) electricity price forecasts; 2.0% price increase rate for annual expenses
Planning period	Detailed planning phase: 6 years, rough planning phase: 94 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)	Detailed planning phase: 6 years, rough planning phase: 94 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)
Key valuation assumptions	Electricity price forecasts, duration of the hydropower plant concession and discount rate	Electricity price forecasts, duration of the hydropower plant concession and discount rate
Discount rate	WACC before taxes: 14.75%	WACC before taxes: 17.50%
Recoverable amount[1]	€–31.7m	€–42.3m
Impairment[2]	€–25.7m	€–9.4m

[1] The carrying amount of the equity interest in Shkodra Region Beteiligungsholding GmbH was reduced to zero in the 2013 reporting period. However, VERBUND also holds long-term loans to Shkodra Region Beteiligungsholding GmbH which, based on their economic substance, represent an increase in the net investment in Shkodra Region Beteiligungsholding. // [2] The impairment in the reporting period was already recognised as at 30 June 2014 (indication of impairment: increase in the country risk premium due to a downgrading of the Republic of Albania's rating) and confirmed as at 30 September 2014. €8.5m of the previous year's impairment loss was recognised as at 30 June 2013 and €17.2m as at 31 December 2013.

(14) Effects from business acquisitions

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

(15) Profit/loss after tax from discontinued operations

Profit/loss after tax from discontinued operations[1] €m

	Q1–3/2013	Q1–3/2014	Change
Revenue	55.4	**12.4**	–77.6%
Electricity revenue	55.2	12.4	–77.6%
Other revenue	0.2	0.0	–85.0%
Other operating income	0.3	0.1	–75.9%
Expenses for electricity, grid, gas and certificate purchases	–7.7	–3.4	56.0%
Fuel expenses and other usage-dependent expenses	–49.0	–11.3	76.9%
Personnel expenses	–2.8	–2.3	15.8%
Amortisation of intangible assets and depreciation of property, plant and equipment	–8.8	0.0	99.9%
Other operating expenses[2]	–18.4	–39.4	–114.5%
Operating result before effects from impairment tests	–30.9	**–43.9**	–42.4%
Effects from impairment tests	–390.5	16.9	104.3%
Operating result	–421.3	**–27.1**	93.6%
Interest income	0.0	0.0	–100.0%
Interest expenses	–11.0	–71.2	n.a.
Other financial result	1.5	0.6	–61.4%
Financial result	–9.5	**–70.6**	n.a.
Profit/loss before tax	–430.8	**–97.7**	77.3%
Taxes on income	–0.3	124.6	n.a.
Profit/loss after tax from discontinued operations[3]	–431.0	**26.8**	106.2%
Earnings per share in €[4]	–1.2	**0.1**	106.2%

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

Since KKR Credit Advisors (US) LLC had made offers to acquire 100% of the interest in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. and VERBUND intends to accept these offers (see: Events after the balance sheet date), the fair value (Level 1) less costs to sell is based on these offers. The recoverable amount for the Pont-sur-Sambre Power S.A.S. disposal group (Toul Power S.A.S.) is €63.5m (€73.5m). Therefore, a reversal of impairment losses in the respective amounts of €13.1m (Pont-sur-Sambre Power S.A.S.) and €3.7m (Toul Power S.A.S.) was recognised in quarters 1–3/2014. As at 30 June 2014, a reversal of impairment losses on the combined cycle gas turbine power plant in Pont-sur-Sambre was recognised in the amount of €16.9m and an impairment loss on the combined cycle gas turbine power plant in Toul was recognised in the amount of €3.8m. In quarters 1–3/2013, impairment losses were recognised in the respective amounts of €198.7m (Pont-sur-Sambre) and €191.8m. As at 31 December 2013, these impairment losses recognised over the course of the year decreased by €26.2m (Pont-sur-Sambre) and €45.9m (Toul) respectively.

During the course of selling 100% of the interest in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S., loans for the financing of the French gas power plants will be repaid early as a result of contractual obligations before the transaction is completed. With respect to the early repayment of principal, the creditors are to be compensated for the interest that would have been incurred during the remaining term of the loan. This revised estimate of future cash flows led in quarters 1–3/2014 to the recognition of interest expenses in the amount of €60.3m (quarters 1–3/2013: €0.0m).

Since it was to be expected on 30 September 2014 that the sale of the French Pont-sur-Sambre and Toul combined cycle gas turbine power plants would be carried out by selling 100% of the interest in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. (see: (18) Assets and liabilities held for sale), tax deferrals were recognised in the amount of €109.5m for outside basis differences.

Notes to the statement of comprehensive income

(16) Remeasurements of the net defined benefit liability

Existing personnel-related provisions were measured on the basis of an actuarial report updated on 30 September 2014. The discount rate for this was 2.75% (30 September 2013 and 31 December 2013: 3.50%).

Notes to the balance sheet

(17) Inventories

Inventories €m

	31/12/2013	**30/9/2014**	Change
Inventories of primary energy sources held for generation	58.2	**45.7**	–21.5%
Natural gas held for trading	5.8	15.0	158.0%
Measurements of natural gas held for trading	0.2	1.9	n.a.
Natural gas held for trading	6.0	**16.9**	180.2%
Emission rights held for trading	8.7	8.7	0.0%
Measurements of emission rights held for trading	1.6	3.5	120.0%
Fair value of emission rights held for trading	10.3	**12.2**	18.5%
Proof of origin and green electricity certificates	5.7	**0.2**	–96.9%
Other	4.7	**4.9**	4.2%
Inventories	84.9	**79.8**	–5.9%

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

(18) Assets and liabilities held for sale

The two French Pont-sur-Sambre and Toul combined cycle gas turbine power plants, including intangible assets and other receivables (closely) associated with the combined cycle gas turbine power plants, continue to be classified as "held for sale" as at 30 September 2014. However, based on the current sales discussions, it can no longer be assumed that the two combined cycle gas turbine power plants in Pont-sur-Sambre and Toul will be sold by means of an asset deal. The sale is expected to be carried out by selling 100% of the interest in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. For this reason, those assets and liabilities that are expected to be sold together with the combined cycle gas turbine power plants were also classified as "held for sale" as at 30 September 2014. Effective 13 October 2014, VERBUND and KKR Credit Advisors (US) LLC signed agreements for the sale of 100% of the interest in Pont-sur-Sambre Production S.A.S. and Toul Production S.A.S. (see: Events after the balance sheet date).

At 30 September 2014, the 45.75% equity interest in the Italian entity Sorgenia S.p.A. (Group) was still to be classified as "held for sale". VERBUND, CIR Compagnie Industriali Riunite S.p.A. and the creditor banks of Sorgenia S.p.A. (Group) signed an agreement on the restructuring of Sorgenia S.p.A. (Group) on 23 July 2014 with the following content: a capital increase of €400m will be carried out at Sorgenia S.p.A. (Group) by means of creditor bank debt/equity swaps. VERBUND will not participate in any capital increases at Sorgenia S.p.A. (Group). As a result, VERBUND's interest in Sorgenia S.p.A. (Group) will be reduced to less than 1%. This equity interest is to be sold as part of a future share deal. The sale must take place by 31 December 2014 at the latest.

Effective 30 September 2014, the assets and liabilities of Haos Invest EAD (a 100% subsidiary of VERBUND Renewable Power GmbH) were classified as "held for sale". The sale is to take place in the form of a share deal in quarter 4/2014. Haos Invest EAD operates a wind farm (installed capacity: 16 MW) on the Bulgarian Black Sea coast. The sale of this equity interest was a consequence of VERBUND's strategic focus on majority interests which focus on electricity generation from hydropower and on the Austrian and German market.

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

(19) Additional disclosures regarding financial instruments

Carrying amounts and fair values by measurement categories 30/9/2014

€m

Assets – balance sheet items	Measurement categories in accordance with IAS 39	Level	Carrying amount	Fair value
Interests in non-consolidated subsidiaries	FAAC	–	0.8	–
Other equity interests	FAAFS	2	69.6	69.6
Other equity interests	FAAC	–	21.0	–
Other equity interests			**91.4**	
Securities	FAAFS	1	91.2	91.2
Securities	FAAC	–	3.0	–
Securities – closed items on the balance sheet	LAR	2	54.0	55.3
Other loans – closed items on the balance sheet	LAR	2	248.6	297.8
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	99.1	99.1
Loans to investees	LAR	2	41.5	44.1
Other loans	LAR	2	1.4	1.4
Other	–	–	5.3	–
Other non-current investments and non-current other receivables			**544.0**	
Trade receivables	LAR	–	201.9	–
Receivables from investees and non consolidated subsidiaries	LAR	–	63.3	–
Loans to investees	LAR	2	3.5	3.9
Other loans	LAR	2	0.3	0.3
Other loans – closed items on the balance sheet	LAR	2	0.9	1.2
Derivatives in the energy area	FAHFT	2	97.9	97.9
Long position: Gemeinschaftskraftwerk Inn GmbH	FAHFT	3	9.3	9.3
Money market transactions	LAR	2	11.3	11.3
Emission rights	IAS 38, IAS 2	–	3.2	–
Other	LAR	–	16.7	–
Other	–	–	107.7	–
Trade receivables and current other receivables			**516.1**	
Cash and cash equivalents	**LAR**	**–**	**189.4**	**–**
Aggregated by measurement categories				
Financial assets at cost	FAAC[1]		24.8	
Loans and receivables	LAR[2]		832.9	
Financial assets available-for-sale	FAAFS[3]		160.7	
Financial assets held for trading	FAHFT[4]		206.2	

[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 30/9/2014

€m

Liabilities – balance sheet items	Measurement categories in accordance with IAS 39	Level	Carrying amount	Fair value
Bonds	FLAAC	2	1,610.2	1,821.5
Financial liabilities to banks and to others	FLAAC	2	1,611.8	1,660.2
Financial liabilities to banks – closed items on the balance sheet	FLAAC	2	97.2	148.0
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	305.3	305.3
Capital shares attributable to limited partners	IAS 32	–	2.2	–
Non-current and current financial liabilities			3,626.8	
Electricity supply commitment	–	–	181.4	–
Obligation to return an interest	FLAAC	3	84.4	84.4
Derivatives in the energy area	FLHFT	3	42.0	42.0
Trade payables	FLAAC	–	1.9	–
Deferred income for grants (emission rights)	IAS 20	–	0.6	–
Other	FLAAC	–	15.0	–
Non-current other liabilities			325.3	
Trade payables	FLAAC	–	108.2	–
Derivatives in the energy area	FLHFT	1	9.9	9.9
Derivatives in the energy area	FLHFT	2	71.6	71.6
Derivatives in the energy area	FLHFT	3	8.8	8.8
Derivatives in the finance area	FLHFT	2	44.6	44.6
Other	FLAAC	–	65.6	–
Other	–	–	50.1	–
Trade payables and current other liabilities			358.7	
Aggregated by measurement categories				
Financial liabilities at amortised cost	FLAAC[1]		3,594.5	
Financial liabilities at fair value through profit or loss	FLAFVPL[2]		305.3	
Financial liabilities held for trading	FLHFT[3]		176.8	

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

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

€m

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

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

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

€m

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

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

Of the derivative financial instruments in the energy area classified as FAHFT and FLHFT in the above table, positive fair values of €30.0m (31 December 2013: €51.8m) and negative fair values of €58.9m (31 December 2013: €94.6m) relate to hedging relationships designated as cash flow hedges. These fair values represent gross amounts; following the inter-portfolio netting carried out in accordance with VERBUND's accounting policies, cash flow hedges can no longer be isolated.

Valuation methods and input factors for determining fair values

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

Level 3 measurement of financial instruments: natural gas supply contract

€m	2013	**2014**
Carrying amount as at 1/1/	60.4	**65.4**
Measurement gains or losses (recognised in expenses for electricity, grid, gas and certificate purchases)	–44.6	–14.7
Carrying amount as at 30/9/	15.8	**50.8**

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

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

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

€m

	Assumption	Change in assumption	If assumption increases, operating result changes by	If assumption decreases, operating result changes by
Forecast (oil-indexed) contract price for natural gas[2]	€29.5/MWh	± 10%	–47.6	28.1
Forecast wholesale price for natural gas[3]	€29.4/MWh	± 10%	31.6	–43.4
Term[4]	2026	n.a.	n.a.	n.a.
Annual take-or-pay volume[5]	3,125 GWh	n.a.	n.a.	n.a.
Scenarios relating to the outcome of the anti-competitive conduct proceedings[6]	n.a.	n.a.	n.a.	n.a.

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

Level-3-Measurement of financial instruments: long position: GKI

€m

	2013	**2014**
Carrying amount as at 1/1/	–	**–**
Additions	–	0.0
Measurement gains or losses (recognised in other financial result)	–	9.3
Carrying amount as at 30/9/	–	**9.3**

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

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

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

€m

	Assumption	Change in assumption	If assumption increases, financial result changes by	If assumption decreases, financial result changes by
Electricity price[2]	€53.5/MWh	± 5%	2.3	– 1.5
Discount rate	6.75%	± 10 PP	– 1.4	2.4
Volatility the underlying asset	9.45%	± 1 PP	0.8	– 0.8

[1] In the sensitivity analysis, one non-observable input factor was changed at a time while the other factors of influence remained constant. In reality, however, the changes in non-observable input parameters may also correlate. // [2] The electricity price shown relates to the year 2020. This is the first year in which the price is determined using the average price forecasts from two reputable market research institutes and information service providers in the energy market. The sensitivity analysis varies the forecast price constantly over the duration of the natural gas supply agreement.

Notes to the cash flow statement

(20) Cash flow from operating activities

Cash flow from operating activities in quarters 1–3/2014 includes variation margin payments from futures contracts in the energy area in the amount of €10.2m (quarters 1–3/2013: €–16.5m).

The other non-cash expenses and income in quarters 1–3/2013 mainly comprised non-cash fair value measurements in the course of business acquisitions of (additional) Bavarian hydropower plant capacities, the associated reclassification adjustments (“recyclings”) of other comprehensive income to the income statement and the income from the repurchase of 60% of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group.

(21) Cash flow from discontinued operations

Cash flow from discontinued operations

€m

	Q1–3/2013	**Q1–3/2014**
Cash flow from operating activities	– 55.1	**– 46.1**
Cash flow from investing activities	– 23.9	**– 0.1**
Cash flow from financing activities	77.7	**45.7**

Other note disclosures

Dividends paid

Dividends paid

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

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

Purchase commitments

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

€m

	30/9/2014	of which payable in 2014	of which payable 2015–2019
Total commitment	**457.4**	217.8	231.1

Contingent liabilities and contingent claims

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 30 September 2014, VERBUND's subsidiary liability for the non-redeemed portion of lease liabilities from cross-border leasing transactions amounted to €503.6m (31 December 2013: €478.6m). Of the rights of recourse against primary debtors, a total of €356.3m (31 December 2013: €349.7m) was secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €204.3m (31 December 2013: €179.5m) was covered by off-balance sheet investments.

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

VERBUND was served a temporary injunction by the Graz-West district court on 11 September 2014 (decision dated 5 September 2014) upon application by Energie Styria Wärme GmbH ("Wärme GmbH") as well as a request for arbitration from Wärme GmbH on 24 September 2014 by the Economic Chamber of Lower Austria. The subject of the legal dispute between VERBUND and Wärme GmbH is divergent views concerning the outage reserves for district heating deliveries by the Mellach power plant based on the existing district heating agreement. The temporary injunction essentially obligates VERBUND for the duration of its existence (i.e. for the duration of the arbitration proceedings) to have an operational outage reserve thermally ready for the delivery of a maximum of 230 MW in each case during the period from 15 September to 15 May of the following year at the Mellach site. The outcome of the arbitration proceedings expected by VERBUND was taken into consideration during the impairment testing of the Mellach combined cycle gas turbine power plant (see: (7) Effects from impairment tests).

Transactions with related parties

Transactions with investees accounted for using the equity method

€m

	Q1–3/2013	**Q1–3/2014**	Change
Income statement			
Electricity revenue	61.4	34.5	–43.8%
Grid revenue	19.1	7.3	–61.7%
Other revenue	5.2	0.2	–96.5%
Other operating income	6.6	2.0	–69.8%
Expenses for electricity, grid, gas and certificate purchases	–26.3	–18.0	31.6%
Fuel expenses and other usage-dependent expenses	0.0	0.0	100.0%
Other operating expenses	–0.6	–0.3	44.3%
Interest income	1.7	1.5	–13.5%
Interest expenses	0.0	0.0	88.7%
Other financial result	1.2	1.8	48.7%

	31/12/2013	**30/9/2014**	Change
Balance sheet			
Investments and other non-current receivables	37.9	20.6	–45.6%
Trade receivables and other current receivables	44.9	45.3	1.0%
Contributions to building costs and grants	255.5	268.2	5.0%
Current provisions	0.1	0.1	16.6%
Trade payables and other current liabilities	2.6	3.5	33.4%

When determining the above disclosures, it was correspondingly taken into account that, in quarters 1–3/2013, STEWEAG-STEG GmbH, Enerjisa Enerji A.S. (Group), Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH were in part still related parties of VERBUND within the meaning of IAS 24.

Electricity revenue with equity-accounted investees was generated mainly with KELAG-Kärntner Elektrizitäts-AG (€27.4m; quarters 1–3/2013: €32.8m). Electricity revenue of €23.2m was generated with STEWEAG-STEG GmbH in quarter 1/2013 before the equity interest was sold. Electricity revenue was offset by electricity purchases from KELAG-Kärntner Elektrizitäts-AG in the amount of €16.4m (quarters 1–3/2013: €15.7m). Electricity amounting to €5.7m was purchased in quarters 1–3/2013 from Österreichisch-Bayerische Kraftwerke AG, which still qualified in part as a related party in quarters 1–3/2013 and has been consolidated since quarter 2/2013.

Electricity revenue with companies controlled or significantly influenced by the Republic of Austria in quarters 1–3/2014 totalled €42.3m (quarters 1–3/2013: €47.5m). The electricity was purchased primarily by Bundesbeschaffungs GmbH (BBG), OMV, Telekom Austria and Autobahnen- and Schnellstraßen-Finanzierungs-AG (ASFINAG). Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €0.4m in quarters 1–3/2014 (quarters 1–3/2013: €0.5m). The electricity was delivered primarily by Österreichische Bundesbahnen (ÖBB). Gas purchased from companies significantly influenced by the Republic of Austria and included under fuel expenses amounted to €0.0m in quarters 1–3/2014 (quarters 1–3/2013: €20.6m). Gas purchases from EconGas GmbH were discontinued when an application for redress for competition law infringements by EconGas GmbH was filed on 29 May 2013. The effect on profit or loss of the fair value measurement of the natural gas supply agreement with EconGas GmbH to be qualified as a free-standing derivative that is being called into question under cartel laws amounted to €14.7m in quarters 1–3/2014 (quarters 1–3/2013: €44.6m). The corresponding derivative financial instrument in the energy area was recognised in non-current other liabilities in the amount of €42.0m (31 December 2013: €54.9m) and in current other liabilities in the amount of €8.8m (31 December 2013: €10.5m).

VERBUND's expenses for monitoring by Energie-Control in quarters 1–3/2014 amounted to a total of €9.4m (quarters 1–3/2013: €9.7m).

Audit or review

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

Events after the balance sheet date

Effective 13 October 2014, VERBUND and KKR Credit Advisors (US) LLC signed agreements for the sale of 100% of the shares in Pont-sur-Sambre Production S.A.S. and Toul Production S.A.S. The transaction is expected to settle in quarter 1/2015 following approval by the competition authorities. Provisions contained in the sales agreements stipulate that the Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. subsidiaries must be deconsolidated effective 13 October 2014 at the latest. The deconsolidation had not yet been fully recognised when the consolidated interim financial statements were approved for publication. The transaction is not expected to have a significant effect on profit or loss for the period.

Responsibility statement of the legal representatives

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

We also confirm that the Group interim management report of VERBUND gives a true and fair view of the assets and liabilities, financial position and profit or loss of the Group with respect to the important events during the first nine months of the financial year and their effects on the condensed consolidated interim financial statements as at 30 September 2014 and with respect to the principle risks and uncertainties in the remaining three months of the financial year.

Vienna, 28 October 2014
The Executive Board

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

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

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

Dr. Peter F. Kollmann
Member of the Executive Board

Notes

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 at the Annual General Meeting are restricted to 5% of share capital.

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

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

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

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

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

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

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