

Verbund

Power for the Future

(incorporated as a joint-stock corporation (*Aktiengesellschaft*) under the laws of the Republic of Austria)

€ 500,000,000 1.50 per cent. Notes due 2024

VERBUND AG, Vienna, Republic of Austria (the "**Issuer**" or "**VERBUND**"), will issue on 20 November 2014 (the "**Issue Date**") € 500,000,000 1.50 per cent. Notes due 2024 (the "**Notes**"). The Notes will be redeemed at par on 20 November 2024. The Notes will bear interest from and including 20 November 2014 to, but excluding, 20 November 2024 at a rate of 1.50 per cent. per annum, payable annually in arrear on 20 November in each year, commencing on 20 November 2015.

This prospectus (the "**Prospectus**") constitutes a prospectus within the meaning of Article 5.3 of the Directive 2003/71/EC of the European Parliament and the Council of November 4, 2003, as amended (the "**Prospectus Directive**"). This Prospectus will be published in electronic form together with all documents incorporated by reference on the website of the Luxembourg Stock Exchange (www.bourse.lu). This Prospectus has been approved by the *Commission de Surveillance du Sector Financier* of the Grand Duchy of Luxembourg (the "**CSSF**") in its capacity as competent authority under the Luxembourg law relating to prospectuses (*Loi relative aux prospectus pour valeurs mobilières*, the "**Prospectus Law**"), as amended, which implements the Prospectus Directive into Luxembourg law. The Issuer has requested the CSSF to provide the competent authority in the Republic of Austria ("**Austria**") with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Law.

Application has been made to list the Notes (i) on the official list of the Luxembourg Stock Exchange and admit the Notes to trading on the regulated market of the Luxembourg Stock Exchange ("**Bourse de Luxembourg**"), and (ii) on the second regulated market (*Geregelter Freiverkehr*) of the Vienna Stock Exchange (*Wiener Börse*), each a market appearing on the list of regulated markets issued by the European Commission pursuant to Directive 2004/39/EC of April 21, 2004 on Markets in Financial Instruments amending Council Directives 85/811/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.

The Notes are issued in bearer form with a denomination of € 100,000 each.

The issue price of the Notes is 98.437 per cent.

The Notes have been assigned the following securities codes: ISIN XS1140300663, Common Code 114030066, WKN A1ZSFW.

Joint Lead Managers

Commerzbank
Raiffeisen Bank International

Société Générale
Corporate & Investment Banking

J.P. Morgan
UniCredit Bank Austria AG

RESPONSIBILITY STATEMENT

The Issuer with its registered office in Vienna, Austria accepts responsibility for the information contained in this Prospectus and any document incorporated herein by reference and hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its importance.

The Issuer further confirms that (i) this Prospectus contains all information with respect to the Issuer and its subsidiaries and affiliates taken as a whole (the "**VERBUND Group**") and to the Notes which is material in the context of the issue and listing of the Notes, including all information which, according to the particular nature of the Issuer and of the Notes, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the VERBUND Group and of the rights attached to the Notes; (ii) the statements contained in this Prospectus relating to the Issuer, the VERBUND Group, and the Notes are in every material aspect true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, the VERBUND Group, or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in the Prospectus misleading in any material respect; and (iv) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

Pursuant to Article 7(7) of the Prospectus Law, by approving this Prospectus, the CSSF gives no undertaking as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer.

NOTICE

No person is authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Lead Managers. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or any of their affiliates since the date of this Prospectus, or that the information herein is correct at any time since its date.

This Prospectus contains certain forward-looking statements, including statements using the words "believes", "anticipates", "intends", "expects" or other similar terms. This applies in particular to statements under the caption "GENERAL INFORMATION ON THE ISSUER – Business Overview – VERBUND Group" and statements elsewhere in this Prospectus relating to, among other things, the future financial performance, plans and expectations regarding developments in the business of the Issuer. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of the Issuer, to be materially different from or worse than those expressed or implied by these forward-looking statements. In light of these risks, uncertainties and assumptions, future events described herein may not occur. The Issuer does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments.

Neither the Joint Lead Managers nor any other person mentioned in this Prospectus, except for the Issuer, is responsible for the information contained in this Prospectus or any other document incorporated herein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents. The Joint Lead Managers have not independently verified any such information and accept no responsibility for the accuracy thereof.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. This Prospectus does not constitute an offer of Notes or an invitation by or on behalf of the Issuer or the Joint Lead Managers to purchase any Notes. Neither this Prospectus nor any other information

supplied in connection with the Notes should be considered as a recommendation by the Issuer or the Joint Lead Managers to a recipient hereof and thereof that such recipient should purchase any Notes.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The offer, sale and delivery of the Notes and the distribution of this Prospectus in certain jurisdictions are restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain limited exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

IN CONNECTION WITH THE ISSUE OF THE NOTES, COMMERZBANK AKTIENGESELLSCHAFT (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT COMMERZBANK AKTIENGESELLSCHAFT (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN AT ANY TIME AFTER THE ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE OF THE RECEIPT OF THE PROCEEDS OF THE ISSUE BY THE ISSUER AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL LAWS, DIRECTIVES, REGULATIONS AND RULES OF ANY RELEVANT JURISDICTION.

In this Prospectus all references to "€", "**EUR**" or "**Euro**" are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended.

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RISK FACTORS

The following is a disclosure of risk factors that are material to the Notes issued under the Prospectus in order to assess the market risk associated with these Notes and risk factors that may affect the Issuer's ability to fulfil its obligations under the Notes. Prospective investors should consider these risk factors before deciding to purchase any Notes. The following statements are not exhaustive. Prospective investors should consider all information provided in this Prospectus and consult with their own professional advisers if they consider it necessary. In addition, investors should be aware that the risks described may combine and thus intensify one another.

Risks relating to the Issuer

VERBUND Group is subject to volume and price risks

Volume and price risk in the electricity business have the greatest influence on the VERBUND Group result.

The term "volume risk" means the risk that the average volume of electricity cannot be produced. VERBUND Group produces electricity mostly through hydroelectric power stations, which are particularly dependent on the water supply and therefore the weather situation for reaching their planned output. A decrease of available water would cause a decrease in the electricity production of VERBUND Group and therefore a decrease in sales. As a result of low hydro availability and thus lower than planned electricity generation, VERBUND Group may be forced to buy electricity on the markets to cover the electricity demand fixed in its sales contracts. An adverse weather development could, thus, negatively affect VERBUND Group's ability to produce the planned volume of electricity and might have significant adverse effects on the net assets, financial position and/or results of operations of VERBUND Group and on the Issuer's ability to fulfil its obligations under the Notes.

"Price risk" means the risk that VERBUND Group is subject to price fluctuations on the electricity wholesale and retail market. VERBUND Group sells most of its produced electricity on the market linked to prices derived from the electricity exchanges and buys electricity which it distributes to different groups of customers on the market. Therefore, the development of the wholesale prices on the electricity market has a significant influence on VERBUND Group, because VERBUND Group would only be able to sell its produced electricity at lower prices in case of a respective negative development of the wholesale prices. In case of an increase of wholesale prices for electricity, based on Verbund Group's hedging strategy, under which a big part of the own electricity produced is sold on the basis of forward prices with different durations, these price increases will be realised with a certain time delay. The development of wholesale electricity prices could therefore have significant adverse effects on the net assets, financial position and/or results of operations of VERBUND Group and on the Issuer's ability to fulfil its obligations under the Notes.

Electricity and primary energy market risks

In its electricity division, consisting of electricity production, trading and sales activities, VERBUND Group is exposed to pricing and sales risks. Since generation of electricity with its power stations is a cornerstone of VERBUND Group's business model, the market prices of electricity and fuels (including hard coal and gas) have a significant effect on VERBUND Group's financial performance. Further increases in fuel prices may substantially and negatively impact the operating result and consequently the financial position of VERBUND Group, in particular if higher fuel prices cannot be passed on. The same applies to CO₂ allowances (European Emission Allowances; Certified Emission Reductions) if these must be purchased. VERBUND Group is also exposed to the risk that a decline in electricity prices is not compensated by a corresponding decline in fuel prices. With regard to the purchase and sale of gas to end customers, VERBUND Group is also exposed to market price risks. A further risk arises from the intensifying competition in the electricity and gas market which may result in decreasing sales volumes and prices. The earnings performance of VERBUND Group is affected by falling electricity prices on wholesale markets. In light of the current and anticipated long-term development of prices, VERBUND Group expects for its current planning period from 2015 to 2017 that it may have a negative impact on the net assets, financial position and/or results of operations. The occurrence of any of these risks could have material adverse effects on the net assets, financial

position and/or results of operations of the VERBUND Group and the Issuer's ability to fulfil its obligations under the Notes.

VERBUND Group is exposed to risks in connection with its electricity trading activities.

VERBUND Group, through its electricity trading company, VERBUND Trading GmbH ("**VERBUND Trading**"), engages in electricity trading activities in the most important European markets, such as the European Energy Exchange in Leipzig, Germany ("**EEX**"), the European Power Exchange in Leipzig, Germany ("**EPEX**"), and the Energy Exchange Austria in Vienna, Austria ("**EXAA**"), as well as in over-the-counter ("**OTC**") markets. Electricity markets in some European countries, such as France, Italy, Spain and some Eastern European countries, may not be fully developed and may be characterised by high barriers to market entry and limited information. As a result, VERBUND Group could face higher transaction costs, information asymmetry and other difficulties when trading in such markets. In addition, in times of financial or economic crisis, reduced liquidity in the electricity markets could result in significant pricing and credit risk pressures. As a result, VERBUND Group may experience difficulties in selling its electricity on such markets or decreased profits from electricity trading. Pricing and quantity risks are inherent in electricity trading activities. VERBUND Group may miscalculate its electricity needs or pricing estimates or underestimate risks in connection with electricity trading contracts. As a result, VERBUND Group may enter into electricity forward or futures contracts at prices that could prove to be unfavourable at a later point in time, at which time VERBUND Group may be locked in and obligated to complete such transactions at the agreed price. The occurrence of any of these risks could have material adverse effects on the net assets, financial position and/or results of operations of the VERBUND Group and the Issuer's ability to fulfil its obligations under the Notes.

VERBUND Group may incur significant expenses for the maintenance of its facilities.

Many of VERBUND Group's facilities were originally constructed many years ago. Older equipment, even if maintained in accordance with good engineering practices, may require significant capital expenditures to operate at peak efficiency. In addition, other equipment may require maintenance or modernisation even though it was put in use only recently. If VERBUND Group underestimates required maintenance or is unable to make required expenditures due to liquidity constraints or for other reasons, it risks incurring more frequent unplanned outages, higher than anticipated maintenance expenditures or the need to purchase electricity from third parties to meet its supply obligations, possibly at times when the market price for electricity is high. The occurrence of any of these risks could have material adverse effects on the net assets, financial position and/or results of operations of the VERBUND Group and the Issuer's ability to fulfil its obligations under the Notes.

Competition risks in the retail markets

A part of VERBUND Group's business is the retail sales of energy to consumers. To cover the consumer's demand, the energy sourcing and allocation processes occur before ultimate delivery. Since a broad range of different procurement strategies are implemented to meet customers' needs and since retail consumers are free to change their provider, VERBUND Group may not be able to pass on the acquisition costs, e.g. for energy sourcing, renewable energy compensation fees, transmission charges, sales and distribution costs to customers. The competition in retail markets might have significant adverse effects on the net assets, financial position and/or results of operations of VERBUND Group and on the Issuer's ability to fulfil its obligations under the Notes.

Risks arising from economic development

The further development of the Single European Markets, the Euro and the European Union itself as well as forecasts of future economic development and the related demand for energy are essential components of VERBUND Group's projection of sales of electricity. Any significant negative deviation between actual and projected economic development exposes VERBUND Group to numerous risks. A decline in industrial production may result in lower demand for electricity and thus lower levels of demand from VERBUND Group customers. In case of a growing number of company insolvencies and companies experiencing financial difficulties, VERBUND Group may face difficulties to recover customer claims and bad debts may increase. The realisation of these risks could have material

adverse effects on the net assets, financial position and/or results of operations of VERBUND Group and the Issuer's ability to fulfil its obligations under the Notes.

Operating risks

VERBUND Group operates technologically complex production facilities with considerable supply chains and is thus exposed to the associated operational risks, such as unscheduled downtimes or the implementation of additional measures due to operational or regulatory reasons. VERBUND Group's activities are also subject to obligations arising from environmental legislation and the associated risks. Furthermore, VERBUND Group's operations are exposed to seasonal and weather-related fluctuation, exposing it to the risk of fluctuating generation depending on the development of the weather. This is not only applicable to the volatilities in hydro generation but also in wind power generation. Wind power generation is dependent on the availability of wind. Actual wind power generation can deviate significantly from the planned wind forecasts. The realisation of any of the foregoing risks could result in material adverse effects on the net assets, financial position and/or results of operations of VERBUND Group and have considerable negative impact on the Issuer's ability to fulfil its obligations under the Notes.

A change of the legal and regulatory framework as well as statutory interventions and actions may have an adverse effect on VERBUND Group's business operations

VERBUND Group and its operations are subject to significant regulation and supervision by various regulatory bodies, including Austrian municipal, state, and federal as well as EU authorities. These regulations and supervision are subject to change (including the expansion to areas not yet regulated or the subjection to voluntary arrangements such as, for example, for balancing energy and grid loss energy) and it can be difficult to determine whether existing restrictions are fully complied with. The further development of the European electricity market and the implementation of the "Energiewende", which is characterised by the decision of the German Government to exit nuclear generation and to subsidise and promote the electricity generation from new renewables like wind and solar generation are critical for VERBUND Group. Such governmental regulation and supervision, as well as future changes to laws, regulations or government policy (or in the interpretation or enforcement of existing laws or regulations) that affect VERBUND Group, its competitors or the industry as a whole may result in increased operational and administrative expenses and thus adversely affect the net assets, financial position and/or results of operations of VERBUND Group and could have considerable negative impact on the Issuer's ability to fulfil its obligations under the Notes.

Environmental risks

The business operations of VERBUND Group are subject to numerous legal provisions regarding the protection of human life and health and the environment, which are becoming increasingly strict. The increase in costs for complying with these environmental provisions (and in particular a failure of VERBUND Group to pass on these costs to consumers), possible infringements by VERBUND Group and relating sanctions could have a material adverse effect on the net assets, financial position and/or results of operations of VERBUND Group and could have considerable negative impact on the Issuer's ability to fulfil its obligations under the Notes.

VERBUND Group is subject to the risk of regulatory actions by the relevant supervisory authorities (E-Control Commission (Regulierungskommission), Energie-Control Austria)

Energie-Control Austria - within the scope of the electricity and natural gas supervision - is responsible for the supervision of competition in Austria for all market participants and network operators, in particular with regard to equal treatment of all market participants, supervision of unbundling, supervision of persons responsible for balance groups, balance group coordinators and control area leaders as well as supervision of import of electronic energy and natural gas from the EU and third countries. Within its competencies, Energie-Control Austria may require market participants to remedy any infringements within an appropriate period. If a market participant fails to do so, Energie-Control Austria has to issue a decree ordering the remediation of the breach and can further take "all measures" in this regard.

E-Control Commission (*Regulierungskommission*) is responsible, in particular, for the determination of the system utilisation fees (i.e. the fees for utilising the networks) and other tariffs, the approval of the general terms and conditions of network operators for the usage of the transmission and distribution networks, the prohibition of conditions for end users, which infringe statutory law or good morals, dispute resolution as well as functioning as appeal authority for appeals against decisions of Energie-Control Austria.

Both, Energie-Control Austria and E-Control Commission (*Regulierungskommission*) directly influence and regulate the electricity and gas business by their actions. Energie-Control Austria has the power to enact regulations, for instance for the determination of the system utilisation fees. Thereby, they are subject to the supervision of the Austrian Federal Minister for Science, Research and Economy (*Bundesminister für Wissenschaft, Forschung und Wirtschaft*).

VERBUND Group is subject to the risk of regulatory actions by the competent authorities Energie-Control Austria and E-Control Commission (*Regulierungskommission*), which could adversely affect the net assets, financial position and/or results of operations of VERBUND Group and could have considerable negative impact on the Issuer's ability to fulfil its obligations under the Notes.

VERBUND Group is subject to the risks of force majeure and sabotage

Force majeure and sabotage could materially impair the production and distribution capabilities of VERBUND Group and significantly affect its business operations. Against such force majeure and sabotage no insurance is available. Thus, VERBUND Group must bear this risk on its own. The occurrence of force majeure or sabotage could adversely affect the net assets, financial position and/or results of operations of VERBUND Group and could have considerable negative impact on the Issuer's ability to fulfil its obligations under the Notes.

Economic or political developments and/or an economical decline in the main markets could negatively affect VERBUND Group

As a result of its activities in central Europe, the Issuer is affected by global and national economic factors such as changes in currency exchange rates and changes on the financial markets. Exchange rate fluctuations of certain currencies in relation to the Euro can also have a material impact on earnings. Changes in international commodity markets with regard to certain commodities which relate to the Issuer's activities may also have an impact on the business development of the Issuer. Furthermore, cyclical economic volatility also entails an element of risk for future business development. Unforeseeable interventionist economic policies can also impair the Issuer's performance in specific markets. An escalation of political tensions or terrorist activities could have a negative impact on the economic situation, the international capital markets and, as a result, the business development of the Issuer. A general economic downturn (recession), in particular in the main markets of VERBUND Group (i.e. Austria and Germany) could have significant negative effect on VERBUND Group's business operations, since this could cause a reduction in electricity demand by business customers. If any of the abovementioned factors materialise, this could adversely affect the net assets, financial position and/or results of operations of VERBUND Group and could have considerable negative impact on the Issuer's ability to fulfil its obligations under the Notes.

VERBUND Group is subject to credit risks

The Issuer defines credit risk as a risk due to uncertainty in one of the Issuer's counterparties' ability to meet its obligations towards the Issuer. When evaluating credit risks, the Issuer has to consider (i) default probability, i.e. the Issuer evaluates the likelihood that the relevant counterparty will default on its obligation either over the life of the obligation or over some specific period of time; (ii) credit exposure, i.e. in the event of a default, how large the outstanding obligation will be when the default occurs; and (iii) recovery rate, i.e. in the event of a default, what fraction of the exposure may be recovered through bankruptcy proceedings or some other form of settlement. The amounts recognised on the asset side also represent the maximum credit risk and risk of default. As a rule, counterparty risks are not insured. A realisation of the credit risk could adversely affect the net assets, financial position and/or results of operations of VERBUND Group and could have considerable negative impact on the Issuer's ability to fulfil its obligations under the Notes.

Interest Rate Risk

Interest rate risk refers to potential changes of value in financial assets, liabilities or derivatives caused by fluctuations in interest rates. The Issuer holds interest rate sensitive assets and liabilities for financing activities. Changes in interest rates can have adverse effects on the financial position of the Issuer and could have considerable negative impact on the Issuer's ability to fulfil its obligations under the Notes.

Liquidity risks

These risks are related to VERBUND Group's ability of ensuring adequate liquidity to meet its financial obligations in due time. VERBUND Group is dependent upon adequate free lines of credit at banks, capital market access as well as free cash and cash equivalents in order to meet its financial obligations. Margin regulations for transactions in exchange traded instruments and bilateral margin agreements may lead to short-term cash outflows as a result of unfavourable market developments. In the event that VERBUND Group does not have sufficient liquidity, this would result in material adverse effects on the net assets, financial position and/or results of operations of VERBUND Group and the Issuer's ability to fulfil its obligations under the Notes.

Risks from contingent liabilities

In order to fulfil its ordinary course of business VERBUND has provided different kinds of liabilities to subsidiaries within the VERBUND Group or has provided back to back liabilities in order to cover bank liabilities for subsidiaries within the VERBUND Group, including parent company guarantees, letter of comforts, letter of credits, margining for electricity trading activities. In case these liabilities against external business partners become effective, this would result in material adverse effects on the net assets, financial position and/or results of operations of VERBUND Group and the Issuer's ability to fulfil its obligations under the Notes.

Financial market risks

In the course of its ordinary operations, VERBUND Group is exposed to financial market risks such as financial asset price, interest rate and currency risks. The volatile financial markets make VERBUND Group's financial assets subject to price risks and other risks of potential losses. Impairment losses have to be recognised on securities if these risks lead to a significant or prolonged decline in the fair value of these investments below their present value. Depending on the market environment, there is a risk that impairment losses will have to be recognised on the portfolio of assets held as of the end of the current reporting period due to a prolonged decline in fair value. Pension provisions are subject to a risk in respect of the development of the interest rate, since the actual cash value of pension obligations is very dependent on the discount rate. A lower discount rate leads to a higher current actual cash value for future financial liabilities. As a result, this could have a negative impact on the value of net financial liabilities and, as a consequence, on VERBUND's external rating. VERBUND's rating is a key driver for the costs of funding and therefore a key risk factor. Recently the rating has been subject to close observation by the rating agencies as a result of the changing conditions in the business environment of the energy supply industry. The occurrence of such risks could have material adverse effects on the net assets, financial position and/or results of operations of VERBUND Group and the Issuer's ability to fulfil its obligations under the Notes.

VERBUND Group is subject to personnel risks

A key success factor in VERBUND Group's operating and strategic corporate development is its personnel. In this respect, VERBUND Group is exposed to the risk of not having a sufficient number of employees with the necessary qualifications or skills. When recruiting in the relevant target groups, for example, this risk is primarily caused by competition on the labour market from other companies, exacerbated by demographic developments and stricter conditions for the energy industry. Any of these risks could result in material adverse effects on the net assets, financial position and/or results of operations of VERBUND Group and on the Issuer's ability to fulfil its obligations under the Notes.

Information and communication technology risks

Information and communication technology ("ICT") has an important role in the production and business processes of VERBUND Group. Innovative and efficient ICT systems are a key success factor for VERBUND Group. For this reason, the security and availability of the ICT network and ICT applications employed are of special importance. VERBUND Group is exposed to ICT risks in connection with the development, deployment and usage (plan, build, run) of ICT solutions designed to support the business processes. Further risks exist in the context of the storing and usage of business-related data. Unauthorised access to sensitive data from outside, the improper use of such data, or the unintentional forwarding of such data by employees might lead not only to the loss of company secrets, they may also breach data privacy regulations and terms. These kinds of ICT security incidents in the form of an unauthorised flow of confidential information or contravention of the law further can also involve considerable reputational damage. The occurrence of ICT risks may have material adverse effects on the net assets, financial position and/or results of operations of VERBUND Group and the Issuer's ability to fulfil its obligations under the Notes.

VERBUND Group is subject to the risk of price increases

Operating expenses (in particular personnel costs and material purchasing) may increase over the next years. This could have material adverse effects on the net assets, financial position and/or results of operations of VERBUND Group and the Issuer's ability to fulfil its obligations under the Notes.

Strategic Risks

As is the case with any business undertaking, VERBUND Group's strategic development involves risks. Development opportunities always harbour the risk of a potential loss of income. In general, the latter arises from a misinterpretation of customer requirements and framework conditions as well as technological misjudgements. In implementing strategic projects, there is also a risk that the phase of economic viability may not be reached at all or only with a delay. In this respect, construction projects in the area of generation capacities entail some basic risks. Large-scale projects are subject to approval by the authorities which may be delayed in some cases and projects may have to be abandoned if approval is not forthcoming. As a consequence, any investments already made will have to be written off. In addition, there is a noticeable trend of subsequently questioning the legality of approvals that have already been issued. The current market environment may give rise to financing risks with consequences for the overall costs of the project. Furthermore, the implementation phase of a project generally entails quality, deadline and cost risks. The occurrence of any of these risks may have material adverse effects on the net assets, financial position and/or results of operations of VERBUND Group and the Issuer's ability to fulfil its obligations under the Notes.

Litigation risk

Due to the nature of its business and the actual need to adjust it to changing overall conditions, VERBUND Group is subject to the risk of litigation by customers, employees, shareholders, competitors or others through private actions, and to administrative proceedings and regulatory actions. The outcome of litigation or similar proceedings or of administrative or regulatory actions is difficult to assess or quantify. Plaintiffs in private action, regulators, supervisory authorities or prosecutors in these types of actions against VERBUND Group may seek recovery or fines or penalties in large or indeterminate amounts or other remedies that may affect the ability of VERBUND Group to conduct its business, and the magnitude of the potential losses relating to such actions may remain unknown for substantial periods of time. The cost of defending future actions may be significant. There may also be adverse publicity associated with litigation, administrative proceedings or regulatory action against VERBUND Group that could damage its reputation, regardless of whether the allegations are valid or whether VERBUND Group is ultimately found liable. As a result, litigation or other proceedings may have material adverse effects on the net assets, financial position and/or results of operations of VERBUND Group and the Issuer's ability to fulfil its obligations under the Notes.

Risk of suspension, downgrading or withdrawal of VERBUND's ratings

The risk in connection with the capability of a rated company to fulfil its payment obligations under certain unsubordinated obligations is described by its external rating. The rating of VERBUND is dependent on, in particular, its business development and its analysis by a rating agency. A rating of a company such as VERBUND may not adequately reflect all risks of the investment in financial instruments of such rated company. Equally, ratings may be suspended, downgraded or withdrawn. Such suspension, downgrading or withdrawal may have an adverse effect on the market value and trading price of financial instruments issued by a rated company such as VERBUND and the Notes issued by the Issuer. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

VERBUND Group is subject to reputation risks

VERBUND Group is subject to reputation risks of loss of customer satisfaction and trust, e.g. due to dissatisfactory management of elementary incidents (floods, black out) or management failures. The realisation of such risks could have a material adverse effect on the net assets, financial position and/or results of operations of VERBUND Group and could have considerable negative impact on the Issuer's ability to fulfil its obligations under the Notes.

Risks relating to the Notes

An investment in the Notes involves certain risks associated with the characteristics, specification and type of the Notes which could lead to substantial losses that holders of the Notes (the "**Holders**") would have to bear in the case of selling their Notes or with regard to receiving interest payments and repayment of principal. Risks regarding the Notes comprise, inter alia, the following risks:

Notes may not be a suitable Investment for all Investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms and conditions of the Notes and the contents of this Prospectus; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Liquidity Risk

Application has been made to the Luxembourg Stock Exchange and the Vienna Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the second regulated market (*Geregelter Freiverkehr*) of the Vienna Stock Exchange. However, there is a risk that no liquid secondary market for the Notes will develop or, if it does develop, that it will not continue. The fact that the Notes may be listed does not necessarily lead to greater liquidity as

compared to unlisted Notes. In an illiquid market, an investor is subject to the risk that he will not be able to sell his Notes at any time or at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons.

Risk of Early Redemption

The Notes may be redeemed at the option of the Issuer (in whole, but not in part) at the principal amount of the Notes plus accrued interest to the date fixed for redemption for reasons of a change in tax law, as more fully described in the Terms and Conditions of the Notes. In the event that the Issuer exercises the option to redeem the Notes, the Holders might suffer a lower than expected yield and might not be able to reinvest the funds on the same terms.

Market Price Risk

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the Notes. The Holders are therefore exposed to the risk of an unfavourable development of market prices of their Notes which materialise if the Holders sell the Notes prior to the final maturity. If a Holder decides to hold the Notes until final maturity, the Notes will be redeemed at the amount set out in the Terms and Conditions of the Notes.

The market value of the Notes could decrease if the creditworthiness of VERBUND Group worsens

If, e.g., because of the materialisation of any of the risks regarding the Issuer, the likelihood that the Issuer will be in a position to fully perform all obligations under the Notes when they fall due decreases, the market value of the Notes will suffer. In addition, even if the likelihood that the Issuer will be in position to fully perform all obligations under the Notes when they fall due actually has not decreased, market participants could nevertheless have a different perception. In addition, the market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business as the Issuer could adversely change.

If any of these risks occurs, third parties would only be willing to purchase Notes for a lower price than before the materialisation of said risk. Under these circumstances, the market value of the Notes will decrease.

Currency Risk

The Notes are denominated in Euro. If such currency represents a foreign currency to a Holder, such Holder is particularly exposed to the risk of changes in currency exchange rates which may affect the yield of such Notes. Changes in currency exchange rates result from various factors such as macro-economic factors, speculative transactions and interventions by central banks and governments.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable currency exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal at all.

Fixed Rate Notes

The Notes bear a fixed interest rate. A Holder of fixed rate Notes is particularly exposed to the risk that the price of such Notes falls as a result of changes in the market interest rate. While the nominal interest rate of a fixed rate Note as specified in the Terms and Conditions of the Notes is fixed during the life of the Notes, the current interest rate on the capital market typically changes on a daily basis. As the market interest rate changes, the price of fixed rate Notes also changes, but in the opposite direction. If the market interest rate increases, the price of fixed rate Notes typically falls, until the yield of such Notes is approximately equal to the market interest rate of comparable issues. If the market interest rate falls, the price of fixed rate Notes typically increases, until the yield of such Notes is approximately equal to the market interest rate of comparable issues. If, however, a Holder of the

Notes holds its Notes until maturity, changes in the market interest rate are without relevance to such Holder as the Notes will be redeemed at the principal amount of the Notes.

No restriction on the amount of debt which the Issuer may incur in the future

There is no restriction on the amount of debt which the Issuer may issue which ranks equal to the Notes. Such issuance of further debt may reduce the amount recoverable by the Holders upon winding-up or insolvency of the Issuer.

Holders of the Notes may not be able to exercise rights on their behalf

The Trustee Act (*Kuratorgesetz*; RGGI 1874/49, last amended by BGBl 1991/10) and the Trustee Supplemental Act (*Kuratorenergänzungsgesetz*; RGGI 1877/111, last amended by BGBl 1929/222) in certain cases like court trials or insolvency proceedings initiated over the Issuer's assets in Austria provide that holders of instruments (such as the Notes) cannot exercise their rights under the instruments on their own behalf but only collectively via a trustee appointed by the competent court for all holders of such instruments, if such holders' rights are endangered or a third party's rights are delayed due to a lack of common representation of the holders of such instruments.

Inflation Risk

The inflation risk is the risk of future money depreciation. The effective yield from an investment is reduced by inflation. The higher the rate of inflation, the lower the real yield on the Notes. If the inflation rate is equal to or higher than the nominal yield, the real yield is zero or even negative.

Ratings of the Notes

A rating of the Notes, if any, may not adequately reflect all risks of the investment in the Notes. Equally, ratings may be suspended, downgraded or withdrawn. Such suspension, downgrading or withdrawal may have an adverse effect on the market value and trading price of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**"), a "foreign financial institution" may be required to withhold U.S. tax on payments on certain debt instruments and the gross proceeds from the disposition of such debt instruments a rate of 30 per cent. on all, or a portion of, payments made after December 31, 2016 in respect of any Notes issued or materially modified on or after the date that is six months after the date on which Treasury Regulations that define the term "foreign passthru payment" are filed with the Federal Register (such date, the "**Grandfathering Date**") unless "materially modified" (for U.S. federal income tax purposes) after such date. Treasury Regulations, however, that define the term "foreign passthru payments" have not yet been filed in the Federal Register. This withholding tax may be triggered if (i) the Issuer is a foreign financial institution ("**FFI**") (as defined in FATCA) which enters into and complies with an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information regarding its account holders (making the Issuer a "**Participating FFI**"), and (ii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA (a "**Recalcitrant Holder**"), (b) an investor does not consent, where necessary, to have its information disclosed to the IRS or (c) an investor that is an FFI or any FFI through which payment on such Notes is made is not a Participating FFI or otherwise exempt from FATCA withholding.

The United States and Austria have entered into an intergovernmental agreement to facilitate the implementation of FATCA (an "**IGA**"). The IGA leaves open the possibility that an Austrian FFI might in the future be required to withhold on "foreign passthru payments".

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If an amount in respect of withholding tax was to be deducted or withheld from interest, principal

or other payments on the Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less interest or principal than expected. Holders of the Notes should consult their own tax advisors on how these rules may apply to payments they receive under the Notes.

USE OF PROCEEDS

The net proceeds of the issuance of the Notes will be used by the Issuer exclusively to finance and refinance, in whole or in part, Eligible Green Projects (as defined below), carried out directly or indirectly through the Issuer's subsidiaries.

"Eligible Green Projects" include Energy Efficiency Improvements of Hydropower Plants (as defined below) in Austria and Wind Power Projects (as defined below) both in Austria and Germany which meet the Environmental and Social Criteria (as defined below).

"Energy Efficiency Improvements of Hydropower Plants" include (i) the modernisation and efficiency improvement of the Danube hydropower plant Ybbs-Persenbeug in Austria and (ii) the construction of a new pump storage unit (Reisseck II), enlarging the existing hydropower plant group "Malta" and "Reisseck/Kreuzeck" in Austria.

"Wind Power Projects" include (i) the construction of three wind power plants in Lower Austria (Hollern II, Petronell II, Bruck-Göttlesbrunn II) and (ii) the operation of five wind power plants in the Hunsrück region in Germany (Dörrebach, Hochsteinchen, Ellern, Stetten, Dichtelbach).

"Environmental and Social Criteria" means the criteria approved both by the Issuer and Oekom Research AG as described in the Green Bond Framework available on the Issuer's website.

Eligible Green Projects may in the future include projects committed after the issuance of the Notes meeting the Environmental and Social Criteria.

Oekom Research AG has issued a second party opinion on the sustainability quality of the Notes and is expected to conduct an annual verification of the compliance of the Eligible Green Projects with the Environmental and Social Criteria until the maturity of the Notes. The second party opinion and the annual verification reports will be made available on the Issuer's website (<http://www.verbund.com/cc/de/investor-relations/finanzierung/anneihen>).

It is expected that approximately 88 per cent. of the net proceeds of the Notes will be allocated immediately to refinance existing Eligible Green Projects and that approximately 12 per cent. will be used to finance Eligible Green Projects in 2015.

Pending the full allocation to Eligible Green Projects, the Issuer will hold the balance of net proceeds not yet allocated to Eligible Green Projects within its treasury, invested at its discretion in cash, cash equivalent and/or money market instruments. The Issuer will establish internal tracking systems to monitor and account for the allocation of the proceeds.

Until the net proceeds are allocated in full to Eligible Green Projects and in the case of any material change in the list of Eligible Green Projects, the Issuer intends to inform about this in its sustainability report.

GENERAL INFORMATION ON THE ISSUER

Statutory Auditors

Independent auditors of VERBUND AG (the "Issuer", "VERBUND" or, together with its subsidiaries and affiliates consolidated in the relevant reporting period, "VERBUND Group") and the VERBUND Group for the financial year ended 31 December 2012 and 2013, respectively, are Deloitte Audit Wirtschaftsprüfungs GmbH, Renngasse 1, Freyung, 1013 Vienna, Austria, registered with the Commercial Register (*Firmenbuch*) of the Commercial Court (*Handelsgericht*) of Vienna under FN 36059d (the "Verbund AG Auditors"). The Verbund AG Auditors are a member of the Chamber of Certified Accountants (*Kammer der Wirtschaftstreuhänder*) in Austria and of the Institute of Austrian Accountants (*Institut Österreichischer Wirtschaftsprüfer*).

Selected Financial Information

The following table shows selected financial information with regard to VERBUND Group which is taken from the consolidated financial statements of VERBUND Group for the financial years ended 31 December 2012 and 2013, respectively, and from the consolidated interim financial statements of VERBUND Group as of 30 September 2014:

(in Euro million)	31 December 2012	31 December 2013¹	30 September 2014
Total assets	12,387.3	12,808.6	11,917.6
Current liabilities	1,241.7	1,511.8	1,825.1
Equity attributable to shareholders of VERBUND AG	4,458.4	4,940.9	4,641.5
Equity attributable to non-controlling interests	641.0	605.6	573.0

¹ The comparative figures have been adjusted retrospectively in 2014 as further set out in the interim financial statements as of 30 September 2014 due to the initial application of IFRS 11.

Information about the Issuer

History and Development

The Issuer is incorporated as a joint-stock corporation (*Aktiengesellschaft*) under the laws of Austria. The Issuer was incorporated on 26 September 1947 in Austria for an indefinite term. The legal name of the Issuer was Österreichische Elektrizitätswirtschafts-Aktiengesellschaft, the commercial name of the Issuer was VERBUND. In May 2010, the legal name of the Issuer was changed from Österreichische Elektrizitätswirtschafts-Aktiengesellschaft to VERBUND AG. The Issuer is domiciled in Vienna, Austria, with registered office at Am Hof 6a, 1010 Vienna, Austria (telephone number: +43 (0)5 03 13-0). The Issuer is registered with the Commercial Register (*Firmenbuch*) of the Commercial Court (*Handelsgericht*) of Vienna under FN 76023z.

When the Issuer was founded in 1947 on the basis of the 2nd Nationalisation Act, the Austrian legislator gave the Issuer the task of rebuilding and expanding the Austrian electricity system.

In 1987 in an amendment of the 2nd Nationalisation Act (and after the cancellation of the 2nd Nationalisation Act in 1998 in form of a constitutional law), the Austrian legislator decreed that at least 51 per cent. of the shares of VERBUND AG must be owned by the Republic of Austria and at least 51 per cent. of the shares in (the legal predecessor companies) of the hydro generation company VERBUND Hydro Power and 50 per cent. of the shares in Donaukraftwerk Jochenstein AG, Ennskraftwerke AG and Österreichisch-Bayerische Kraftwerke AG must be owned by the Republic of

Austria or VERBUND AG. In 1988, the Issuer was privatised to 49 per cent. within the framework of an initial public offering of its shares (IPO) and acquired the federal shares in special companies (such as Donaukraft, Tauernkraft and Draukraft, now merged into VERBUND-Hydro Power GmbH). Austria's joining of the European Union in 1995 and the deregulation of the European power market in February 1999 marked a change for VERBUND Group. It used the new opportunities, implemented reorganisation measures to modernise and internationalised its business activities. In 2001, the Austrian electricity market was fully deregulated.

Business Overview – VERBUND Group

General

VERBUND is focused on the core business of "electricity". The main business areas of VERBUND are generation (hydro power, wind power and thermal power), trading/sales and transmission. VERBUND's output is predominantly based on low-cost and environmentally favorable hydro power (about 90 per cent. of own generation). VERBUND achieves approx. 50 per cent. of its sales in markets abroad, especially in Germany.

The Issuer's objectives are described within section 3 (1) and (2) of its Articles of Incorporation.

The holding company of VERBUND Group is VERBUND AG. With regard to a list of VERBUND's main subsidiaries reference is made to the section "Organisational Structure" below.

VERBUND AG is 51 per cent. owned by the Republic of Austria. More than 25 per cent. of VERBUND AG's shares are held by the syndicate of the Austrian provincial utility companies EVN AG and Wiener Stadtwerke Holding AG and more than 5 per cent. are held by TIWAG-Tiroler Wasserkraft AG. Less than 20 per cent. of the share capital is free floating. The Austrian constitution, which can only be changed with a two-thirds majority in parliament, reduces the likelihood of further privatisation. Any further privatisation requires a change in Austrian constitutional law which can only be adopted by a majority of 2/3 of the members of the first chamber (*Nationalrat*) of the Austrian Parliament.

After a period of expanding its business in Germany, Italy, France, Turkey and some CEE countries through acquisitions and joint ventures until 2011/2012 VERBUND had to adjust its strategy due to the transformation of the European electricity markets resulting from massive subsidies for wind and solar power and the failure of the CO₂ market. Demand for electricity is weak, with wholesale prices persisting at a low level. As a result, VERBUND focuses on the generation of electricity from hydropower and wind power, the optimum marketing of the own generation in Austria and Germany and on the Austrian high-voltage grid.

In 2013, VERBUND completed an asset swap in which VERBUND sold its 50 per cent. interest in Enerjisa Enerji A.S. in Turkey and in return acquired shares in 8 run-of-river power plants in Germany. Furthermore, Italy and France are no longer among VERBUND's strategic growth markets (for details and recent developments on VERBUND's activities in Italy and France see chapter "*Recent Acquisitions and Developments*" below).

In May 2014, VERBUND published its plans to restructure the entire thermal generation business including the temporary decommissioning of the combined cycle gas turbine power plants in Mellach, Austria as well as the temporary decommissioning of the two combined cycle gas turbine power plants in France. In addition, the Dürnröhr hard coal power plant and the Neudorf-Werndorf oil-fired power plant was closed (for details and recent developments on the restructuring of thermal generation see chapter "*Recent Acquisitions and Developments*" below).

Beyond that, VERBUND is reducing costs and tightening its investment programme. VERBUND is primarily investing in the regulated Austrian high-voltage grid with stable results and a predictable return. The current investment plan amounts to €2.3 billion for the period 2014 through 2018. Of this total, €1.5 billion is intended to be spent on growth investments and €0.8 billion on maintenance. The investments will mainly be made in VERBUND's core markets of Austria and Germany. However, it is intended to publish a revised capex plan during the fourth quarter of 2014 or the first quarter of 2015.

An implemented programme to reduce costs and increase efficiency is expected to have a saving target of €130 million by 2015.

In addition, VERBUND is meeting the current challenges with market initiatives as well as with new services on the basis of renewable energy. VERBUND is continuously expanding its portfolio for its approximately 314,000 customers. VERBUND is also developing innovative energy-related services for the industrial and the commercial segments.

In 2013, VERBUND Group had 3,256 employees (compared to 3,100 in 2012), achieved annual sales of approx. €3.3 billion (compared to €3.2 billion in 2012) and a group result of around €580 million for the financial year 2013 (compared to €389 million in 2012).

A summary of material recent acquisitions and developments is set out below in the chapter "*Recent Acquisitions and Developments*".

Generation

VERBUND is an environmentally friendly large generator of electricity. Approximately 90 per cent. of VERBUND's electricity is generated by 127 hydro power plants; approximately 10 per cent. are derived from thermal power plants and wind parks.

On 24 April 2013, VERBUND completed the asset swap with the German electricity supplier E.ON. VERBUND exchanged its 50 per cent. interest in the Turkish company Enerjisa Enerji A.S. for E.ON shares of 8 run-of-river power plants on the border sections of the Inn and Danube rivers between Germany and Austria. Through this transaction, the Issuer acquired an additional proportional and average annual generation of 2,011 GWh. VERBUND had previously held direct or indirect interests in these binational plants, and also held electricity purchase rights. VERBUND now has full ownership of these power plants.

Together with the plants that went online in 2013 – the Mur power plant in Kalsdorf/Styria and the Inn power plant in Gars/Germany – VERBUND owned 94 run-of-river power plants and 21 storage power plants at the end of 2013. VERBUND also held purchase rights in 12 run-of-river power plants owned by Ennskraftwerke AG. As at 31 December 2013, the maximum electrical capacity (maximum capacity for sustained operations) of electricity generation from hydropower was 7,745 MW. The mean energy capability – the generation potential in one year with average water supply – was 28,778 GWh.

2013 saw the largest growth thus far in wind power at VERBUND. In Romania, the Casimcea II (102 MW) and Casimcea III (25 MW) wind farms went online. In Germany, the last plants of the acquired 86 MW wind power portfolio went into operation. VERBUND therefore had 17 wind farms in 4 countries (Austria, Germany, Romania and Bulgaria), with a total capacity of 377 MW at the end of 2013.

Thermal power plants in Austria and France complete VERBUND's electricity generation portfolio. With the 6 commercially operated thermal power plants (2,505 MW) and the decommissioned Korneuburg steam power plant (285 MW), VERBUND had a total capacity of 2,790 MW from thermal power at the end of 2013.

In 2013, VERBUND generated 30.2 TWh of electricity in Austria. Overall generation in Austria in 2013 was 66.2 TWh (according to Energie-Control GmbH).

For recent developments on generation see chapter "*Recent Acquisitions and Developments*" below.

Transmission

VERBUND's transmission unit, Austrian Power Grid AG ("**APG**") operates the Austrian transmission grid, which is part of the trans-European transmission grid of the Regional Group Continental Europe (RGCE) of the European Network of Transmission System Operators for Electricity (ENTSO-E).

As the control area manager for Austria, APG is responsible for ensuring a stable balance between generation and utilisation at all times.

With a route length of approximately 3,500 kilometres and just under 6,800 kilometres of connected lines as well as 62 substations and switching systems, APG's grid is the backbone of Austria's power supply. It ensures the cross-regional exchange of electricity both inside and outside of Austria between energy providers and consumers while guaranteeing a stable supply to the distribution grids.

Trading/Sales

VERBUND Trading is the leading company for VERBUND's electricity trading and selling activities and the central trading platform of VERBUND. VERBUND Trading trades on all important energy exchanges in Europe and on OTC (over the counter) markets and supplies distributors, local municipal utilities as well as resellers in Austria and abroad with flexible and structured energy and environmental products. VERBUND Trading is also responsible for the optimisation and operational management of the VERBUND power plants.

Alongside the core business of energy trading, VERBUND Trading is also active in the field of energy management for renewable energy sources (trading, marketing and energy related services) and environmental products such as CO2 certificates and green certificates.

VERBUND's end customer company (VERBUND Sales GmbH ("**VSA**")) was established in July 2005. It offers electricity and energy services to household customers, business customers and industries. Electricity trading activities for the standard load profile segment are performed for and on behalf of VERBUND by VSA. VSA acts as a broker and receives commission from VERBUND for its expenses in the amount of the full costs incurred.

In order to develop new customer related business activities, VERBUND established a new subsidiary named VERBUND Solutions GmbH. This company is developing new activities in the field of planning, developing, implementing and sales of products and services for B2B and B2C end customers.

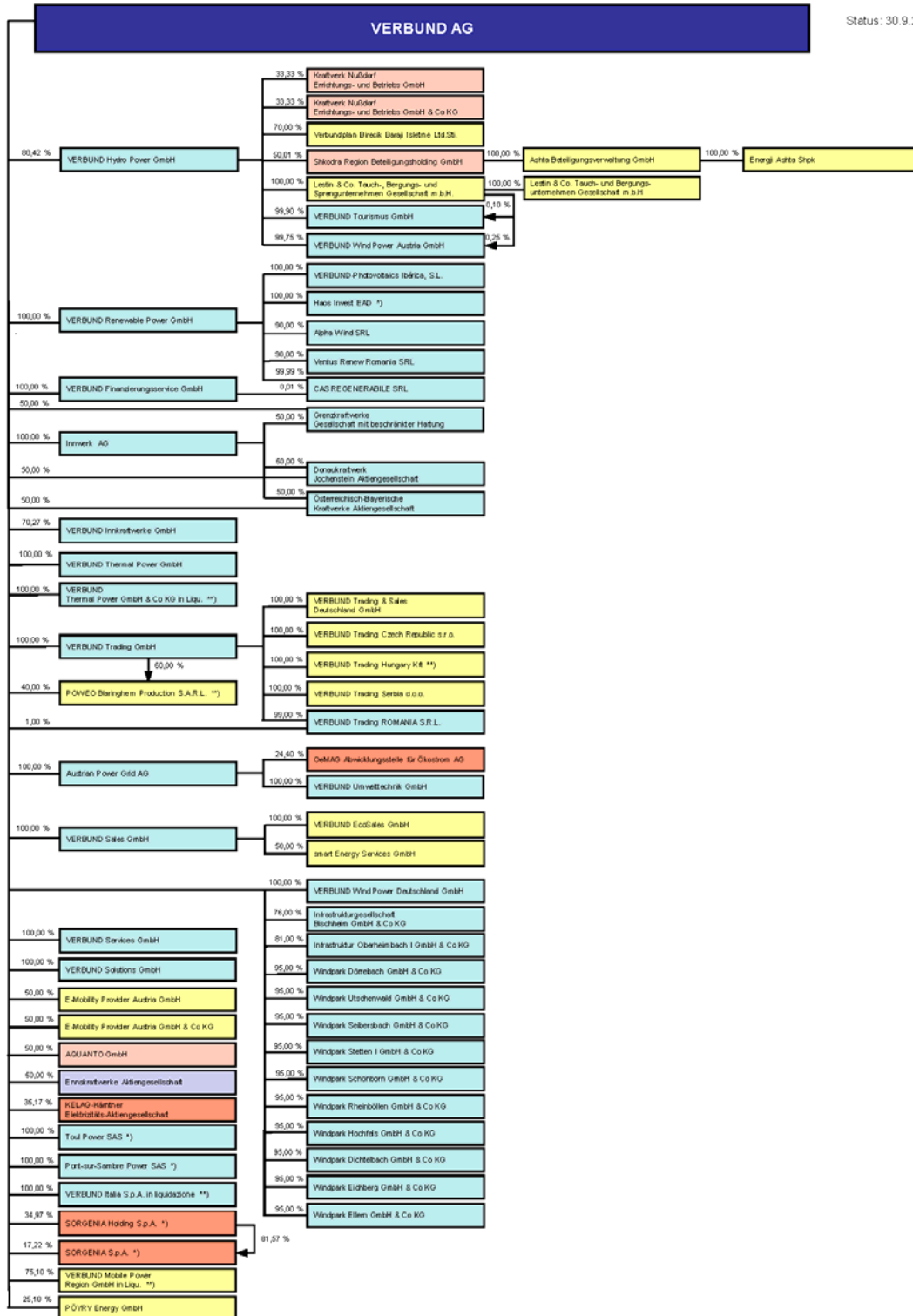
Approximately 314,000 customers obtain electricity from VERBUND's end customer company.

Organisational Structure

The Issuer is the parent company of VERBUND Group and is not dependent upon other entities within VERBUND Group.

VERBUND AG

Status: 30.9.2014



Interpretation:
 Anzahlen sind Beteiligungsverhältnisse größer 20 %
 (Tochterunternehmen, Gemeinschaftsunternehmen, assoziierte Unternehmen)
 Ab der Konsolidierungsart At Equity werden keine Beteiligungsverhältnisse abgebildet.
 Für die Ermittlung der Quote sind die von den Mutterunternehmen und den Tochterunternehmen gehaltenen Anteile zusammenzurechnen.
 Konsolidierungsart ist jene heranzuziehen, welche im letztgültigen Quartalsabschluss veröffentlicht wurde.
 *) held for sale
 **) in Liquidation

- Vollkonsolidierung
- Equitybeteiligung
- Anteile
- Gemeinschaftsunternehmen, Equitybeteiligung
- Konsolidierung
- nicht konsolidiert

For further details on the main companies of VERBUND Group reference is made to pages 208 to 213 of the Annual Report of the Issuer for the financial year ended 31 December 2013 which is incorporated by reference into this Prospectus (see "*Incorporation by Reference*" below).

Trend Information

Save as disclosed in this Prospectus, there has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements for the financial year ended 31 December 2013.

Administrative, Management, and Supervisory Bodies

The Issuer has a managing board and a supervisory board.

Members of the Managing Board

The Managing Board of the Issuer comprises the following 4 members:

General Director Dipl.-Ing. Wolfgang Anzengruber, CEO, Chairman

Chairman/President of Oesterreichs Energie, the Austrian Association of Electricity Companies (Chairman since 2014); Member of the Supervisory Board of Palfinger AG

Deputy General Director Dr. Johann Sereinig, Deputy Chairman of the Board

Member of the Supervisory Board of FK Austria Wien AG

Managing Director Dipl.- Ing. Dr. Günther Rabensteiner

Managing Director Dr. Peter Kollmann, CFO

The business address of the Managing Board is Am Hof 6a, 1010 Vienna, Austria.

Members of the Supervisory Board

The Issuer's Supervisory Board comprises currently the following 14 members:

Dr. Gilbert Frizberg, Chairman

CEO of FI Beteiligungs- und Finanzierungs GmbH, CEO of Transfer Industries GmbH, managing partner of Franz Heresch & Co GmbH

Dkfm. Peter Püspök, First Deputy Chairman

Member of the supervisory boards of Semper Constantia Privatbank (vice-chairman), of Mareto Kunststoffverarbeitung GmbH and of TUPACK Verpackungen GmbH

Mag. Dr. Reinhold Süßenbacher, Second Deputy Chairman

Member of the supervisory boards of KSV 1870 Holding AG (vice-chairman), of Richter Pharma AG, of Bene AG (vice-chairman), of Voglauer Möbelwerk Gschwandtner & Zwilling GesmbH, of UMDASCH AG, of LISEC Holding GmbH and of LISEC Austria GmbH

Dipl.-BW Alfred H. Heinzel

Managing partner in several companies of the Heinzel Group; member of the supervisory boards of Miba AG (vice-chairman), of Allianz Elementar Versicherungs AG, of Zellstoff Pöls AG (chairman), of Wilfried Heinzel AG (chairman), of Europapier AG (chairman), of Europapier International AG (chairman), of Laakirchen Papier AG (chairman), of Mitterbauer Beteiligungs-AG (vice-chairman) and of Estonian Cell A.S. in Kunda/Estonia

Mag. Harald Kaszanits

General Secretary and Head of Cabinet of the Federal Ministry of Science, Research and Economy

Mag. Herbert Kaufmann

Member of the supervisory boards of Letisco Kosice-Airport Kosice a.s., of Ksc Holding a.s. and of Flughafen Friedrichshafen GmbH, Board of VIE Malta Limited and of MMLC-Malta Mediterranean Link Consortium Limited

Mag. Dr. Martin Krajcsir

Spokesman for the management board at the WIENER STADTWERKE Holding AG.
Supervisory board at the WIENER STADTWERKE Finanzierungs-Services GmbH (chairman), at IWS TownTown (Chairman), at the B&F Wien-Bestattung und Friedhöfe GmbH, at WIEN ENERGIE GmbH (vice chairman), at WIENER NETZE GmbH, at PORR AG and Burgenland Holding AG

Dipl.-Ing. Dr. Peter Layr

Spokesman of the managing board of EVN AG; vice-chairman of the supervisory board of Burgenland Holding AG, chairman of the supervisory boards of Netz Niederösterreich GmbH, of Rohöl-Aufsuchungs AG and of RAG-Beteiligungs-AG

Christa Wagner

Managing partner of several companies of the JOSKO Group

Anton Aichinger (employees representative)

Kurt Christof (employees representative)

Ing. Wolfgang Liebscher (employees representative)

Dipl.-Ing. Ingeborg Oberreiner (employees representative)

Ing. Joachim Salamon (employees representative)

Annual General Meeting

The Annual General Meeting is called by the Managing Board or the Chairman of the Supervisory Board.

Conflicts of interests

The following contracts or transactions between the VERBUND Group and individual current Supervisory Board members or companies where a related party relationship with Supervisory Board members exists, were completed in the financial year 2013 and were approved by the Supervisory Board of VERBUND AG in accordance with the Austrian Stock Corporation Act (AktG) and the Austrian Code of Corporate Governance (Rule 49):

“1.1.1.1. Supervisory Board member Dr. Gilbert Frizberg

Hereschwerke Regeltechnik GmbH, a company over which Supervisory Board member Dr. Gilbert Frizberg exercises certain economic influence, provided services in 2013 for orders from Group companies from the previous years that were approved by the Supervisory Board. Based upon the billing statement, payments of an amount of €115,673 (incl. VAT and payout of a retention of invoice on account) were made in 2013. In addition, two small follow-up orders with a total value of €3,900 were issued and billed.

1.1.1.2. Supervisory Board member Dr. Peter Layr

A number of contractual relationships, some of which have been in existence for many years, exist between VERBUND and EVN, of which Dr. Peter Layr is spokesman of the executive board. These had already been entered into before Dr. Layr became a member of the Supervisory Board. In the financial year 2013, an order volume totaling €5.63 million was processed on the basis of the existing contracts. These primarily involved electricity, gas, or grid purchases, operational management, usage fees, grid access fees and other payments and recharging of costs for various VERBUND companies. The largest individual item was a gas purchase in the amount of €3.42 million. In addition, contractual relationships for electricity supply exist with e&t Energie HandelsgmbH, in which EVN holds a 45 per cent. interest.”

In addition, the Supervisory Board also thoroughly addressed possible (other) conflicts of interest involving Supervisory Board members in the financial year 2013, which could have resulted in particular from activities or equity interests in the energy area. There were no new notifications or disclosures. In the assessment of the Supervisory Board, none of the disclosed activities involve a fundamental conflict of interest that would require further measures.

Besides the above-mentioned conflicts of interest, with regard to the members of the Supervisory Board, there are no further or other conflicts of interests which exist between their private interests or other duties and their duties to VERBUND Group.

With regard to members of the Managing Board, no conflicts of interest exist between their private interest or other duties and their duties to VERBUND Group.

Board Practices

Working Committee

The Working Committee of the Issuer comprises the following 6 members:

Dr. Gilbert Frizberg, Chairman
Dkfm. Peter Püspök
Mag. Dr. Reinhold Süßenbacher
Mag. Harald Kaszanits
Anton Aichinger
Dipl.-Ing. Ingeborg Oberreiner

Audit Committee

The Audit Committee of the Issuer comprises the following 6 members:

Dkfm. Peter Püspök, Chairman
Dr. Gilbert Frizberg
Mag. Dr. Reinhold Süßenbacher
Mag. Harald Kaszanits
Anton Aichinger
Dipl.-Ing. Ingeborg Oberreiner

The audit committee is established and responsible according to article 92 section 4a Austrian Stock Corporation Act (*Aktiengesetz*) e.g. to review and prepare the adoption of the annual accounts, the proposal for the distribution of profits, the management report and the consolidated accounts. It deals with the management letter and reports on this to the Supervisory Board. Furthermore, it deals with the risk management and the auditor's report about risk management, and it reports on this to the Supervisory Board. Finally, the committee deals with the work and results of the VERBUND Group Auditors. The members of the Audit Committee possess the necessary financial expertise for such responsibilities in sufficient number.

Corporate Governance

The Issuer is committed to the Austrian Corporate Governance Code (the "**Code**"). By implementing the code, the Issuer aims to ensure that the VERBUND Group is managed and controlled in a responsible manner that facilitates sustainable and long-term value creation and that a high level of transparency is created for all stakeholders. In the financial year 2003, the Issuer was one of the first companies in Austria to give the commitment to comply with the Code. Since then, to the greatest extent possible, the observance of all rules set up in the Code and the continuous optimisation of the high internal standards have been precedent tasks for the Managing Board and the Supervisory Board. Every year, an independent auditor externally evaluates the application of and adherence to the Code, and approves the corporate governance report set up by the Managing Board.

Major Shareholders

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

In accordance with constitutional law, which regulates the ownership structure of companies in the Austrian electricity sector, and in accordance with the Articles of Association based upon this, the following voting restriction applies:

"With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51 per cent., the voting rights of each shareholder in the Annual General Meeting are restricted to 5 per cent. of the share capital."

Financial Information concerning VERBUND Group's Assets and Liabilities, Financial Position and Profits and Losses

Financial Information

Consolidated financial statements for the financial year ended 31 December 2012 and 2013

The consolidated financial statements of VERBUND AG for the financial years ended 31 December 2012 and 2013, respectively, comprise the following financial information relating to VERBUND AG:

2012

- the consolidated income statement for the financial year ended 31 December 2012;
- the consolidated balance sheet as of 31 December 2012;
- the consolidated cash flow statement for the financial year ended 31 December 2012;
- consolidated statement of changes in equity for the financial year ended 31 December 2012; and
- the Notes to the consolidated financial statements for the financial year ended 31 December 2012.

2013

- the consolidated income statement for the financial year ended 31 December 2013;
- the consolidated balance sheet as of 31 December 2013;
- the consolidated cash flow statement for the financial year ended 31 December 2013;
- consolidated statement of changes in equity for the financial year ended 31 December 2013; and
- the Notes to the consolidated financial statements for the financial year ended 31 December 2013.

The consolidated financial statements of VERBUND AG for the financial years ended 31 December 2012 and 2013, respectively, have been incorporated by reference into this Prospectus (see "*Incorporation by Reference*" below).

Interim financial statements for the period 1 January 2014 through 30 September 2014

The condensed consolidated interim financial statements of VERBUND AG for the period from, and including, 1 January 2014 to, and including, 30 September 2014, comprise the following financial information relating to VERBUND AG:

- the consolidated income statement for the period from, and including, 1 January 2014 to, and including, 30 September 2014;
- the consolidated balance sheet as of 30 September 2014;
- the consolidated cash flow statement for the period from, and including, 1 January 2014 to, and including, 30 September 2014;
- consolidated statement of changes in equity for the period from, and including, 1 January 2014 to, and including, 30 September 2014; and
- selected explanatory notes to the consolidated interim financial statements for the period from, and including, 1 January 2014 to, and including, 30 September 2014.

The consolidated interim financial statements of VERBUND AG for the period from, and including, 1 January 2014 to, and including, 30 September 2014 have been incorporated by reference into this Prospectus (see "*Incorporation by Reference*" below).

Auditing of Historical Financial Information

The consolidated financial statements of VERBUND AG for the financial years ended 31 December 2012 and 2013, respectively have been prepared on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of Section 245a of the Austrian Commercial Code and have been audited by the Verbund AG Auditors on the basis of International Standards of Auditing (ISA). The Verbund AG Auditors have given their unqualified opinion to the German language version of the financial statements dated 1 February 2013 and 18 February 2014, respectively. The translations of the consolidated financial statements for the financial years ended 31 December 2012 and 2013, respectively, of VERBUND AG as well as the related audit reports are incorporated by reference into this Prospectus (see "*Incorporation by Reference*" below).

The consolidated interim financial statements of VERBUND AG for the period from, and including, 1 January 2014 to, and including, 30 September 2014 have neither been audited nor reviewed.

Legal and Arbitration Proceedings

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the period covering the last 12 months as from the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer's and/ or VERBUND Group's financial position or profitability other than:

- *Proceedings before the Austrian Cartel Court and arbitral proceedings (ICC) (pending) in connection with a long term gas supply agreement: Application of VERBUND Thermal GmbH & Co KG in Ligu. ("**VERBUND Thermal**") and VERBUND AG ("**VERBUND**") at the Austrian Cartel Court to cease a behavior of EconGas GmbH ("**EconGas**"), which is against Austrian Antitrust Law and in parallel arbitral proceeding (claim of EconGas and counter claim of VERBUND Thermal) with venue Vienna:*

In 2008, VERBUND Thermal concluded a long term gas supply agreement with EconGas GmbH, the incumbent Austrian gas trader for the supply of a gas fired cogeneration plant (800 MW) in Mellach, in the federal state of Styria (*Bundesland Steiermark*), Austria. The plant was erected and

first deliveries under the gas supply contract started in the commissioning period in the year 2011. Parallel to the start of the regular operation in the year 2012, VERBUND Thermal entered into negotiations with the objective to make the contract compliant with mandatory applicable law. Since negotiations failed, VERBUND Thermal filed an application to the Austrian Cartel Court to cease a behavior of EconGas which is not consistent with Austrian and European Antitrust Law. This procedure is pending. In parallel VERBUND Thermal stopped the fulfilment of the gas supply contract in question.

Hereinafter, EconGas started arbitral proceedings against VERBUND Thermal claiming the payment of invoices under the gas supply contract and the determination that the gas supply contract is fully valid. VERBUND Thermal in return filed a counterclaim for overpayments in the past. This arbitral proceedings are pending as well.

- *Arbitration proceedings with EVN AG (Economic Chamber Vienna) regarding part of costs in connection with electricity drawing rights of EVN concerning certain hydro power plants on the river Danube:*

In 1979, 1982 and 1988 VERBUND AG and EVN AG have concluded agreements in connection with electricity drawing rights of EVN AG concerning the hydro power plants Freudenau, Greifenstein and Melk on the river Danube. In each case two agreements were signed by the parties, namely an “electricity drawing right agreement” and a “peage agreement” (agreements defining the treatment of the transportation of electricity from a power plant to the delivery point of the grid), which has been transferred to Austrian Power Grid AG (“**APG**”), when APG was founded in 1999. Due to the electricity drawing right agreement EVN had to pay an agreed percentage of the construction costs of the said power plants (“**percentage**”) and has to pay this percentage of the running costs of the power plants until the operation time of the power plants. In consideration for these payments EVN is entitled to receive the same percentage of the production of the respective hydro power plant for its own use.

Amongst others, pursuant to the “Federal Act Providing New Rules for the Organisation of the Electricity Sector” (“**EIWOG**”) electricity producers are obliged to pay the “system service charges” (*Systemdienstleistungsentgelte*) and to “provide primary control capacity” (*Bereitstellung der Primärregelleistung*). In addition to that since 2009 electricity producers are furthermore obliged to pay together with the “withdrawing parties” (*Entnehmer*) the “charge for system losses” (*Netzverlustentgelte*). All these tariff components are part of the running costs of the hydro power plants. Since November 2013 EVN refuses to pay the percentage of the running costs of the hydro power plants relating to these mentioned tariff components, because in the opinion of EVN the grid usage for EVN AG is exclusively settled by agreements which are still in force. VERBUND AG and EVN AG intend to solve this controversial matter by arbitral proceedings under the arbitration rules of the Economic Chamber of Vienna.

- *Mediation proceedings with Energie Steiermark AG (pending) concerning an agreement of 1999 with respect to shares of VERBUND Hydro Power GmbH in connection with Stranded Costs:*

In 1999, in connection with the merger of Tauernkraftwerke Aktiengesellschaft (“**Tauernkraft**”), Verbundkraft Elektrizitätswerke Gesellschaft m. b. H. (“**Verbundkraft**”) and VERBUND-Elektrizitätserzeugungs-GmbH (“**VEG**”) with Österreichische Donaukraftwerke Aktiengesellschaft (“**Donaukraft**”, now VERBUND Hydro Power GmbH) an agreement was concluded between the shareholders of the said companies which were merged into VERBUND Hydro Power GmbH (“**Ausgleichsvereinbarung**”). After a certain time VERBUND AG and KELAG-Kärntner Elektrizitäts-AG (“**KELAG**”) also transferred their shares in Österreichische Draukraftwerke AG into VERBUND Hydro Power GmbH. It was explicitly agreed that the shares in VERBUND Hydro Power GmbH were fixed without consideration of the stranded costs (being subsidies related to investments which became unprofitable due to the deregulation of the European electricity market) which have been announced but not known in detail at that time. After the stranded costs definitively were settled (which was the case end of 2012) the shares of VERBUND Hydro Power GmbH should be recalculated and the shares should be adjusted and transferred between the shareholders in a manner which would have been realised in 1999 if the shareholders of

VERBUND Hydro Power GmbH had known the final amount of the stranded costs already in 1999. Energie Steiermark AG joined the Ausgleichsvereinbarung in 2002 and argues now, that according to another agreement in 2012 the Ausgleichsvereinbarung is not applicable for Energie Steiermark AG any longer. Now VERBUND and Energie Steiermark have agreed to mediation procedures to reach an amicable solution on this issue.

- *Injunction and arbitral proceedings with Energie Steiermark AG (District Court Graz-West and Economic Chamber Lower Austria) (pending) regarding the closing of thermal power plants in Mellach, Styria, because of an agreement with respect to district heating:*

Due to the economic situation of the electricity branch and in particular of thermal power plants, in May 2014 VERBUND AG ("**VERBUND**") and VERBUND Thermal Power GmbH & Co KG in Lique ("**VERBUND Thermal**") decided to finally close the oil fired power plants Neudorf/Werndorf 2 and 1 and to temporarily close the gas fired power plant Mellach, all of them situated on the power plant area in Mellach in Styria. Energie Steiermark AG and Energie Steiermark Wärme GmbH ("**Wärme GmbH**") argue that VERBUND Thermal is obliged under the agreed district heating supply agreement as of 31 August 2000 (*Wärmelieferungs- und Bezugsvertrag für den "Großraum Graz"*) to hold an additional block of a power plant in Mellach in addition to the coal fired FHKW Mellach as a reserve ready for operation. VERBUND/VERBUND Thermal are convinced that no such obligation exists under the valid district heating supply agreement. Wärme GmbH obtained an injunction against the close of the mentioned power plants and started arbitral proceedings on this issue. In the meantime VERBUND Thermal objected the injunction.

- *Court proceedings of the electricity producing subsidiaries of VERBUND Group against transmission system or other grid operators, including Austrian Power Grid AG (APG), (pending) in connection with certain components of the tariffs according to EIWOG:*

Pursuant to the "Federal Act Providing New Rules for the Organisation of the Electricity Sector" ("**EIWOG**"), amongst others, electricity producers were obliged to pay "system service charges" (*Systemdienstleistungsentgelte*). In addition to that, since 2009 electricity producers are obliged to pay together with the "withdrawing parties" (*Entnehmer*) the "charge for system losses" (*Netzverlustentgelte*) and pump storage power plants are deemed to be "withdrawing parties" (*Entnehmer*) and therefore are charged twice, for producing electricity and pumping water into the higher reservoir as well.

For a certain time the electricity producing companies paid these mentioned tariff components under the explicit reservation of repayment. In a number of court proceedings the producers requested the repayment of these tariff components. In the beginning the Austrian Constitutional Court cancelled the legal basis for these tariff components. But afterwards the Austrian Supreme Court decided that "appropriate amounts" have to be paid by the electricity producers instead of the cancelled tariff components in lack of such tariffs. Since that time authorised experts have to determine "appropriate amounts". The court proceedings of VERBUND's subsidiaries with an amount in dispute of approx. € 30 million in total are pending. The proceedings with the highest amount in dispute are VERBUND Hydro Power GmbH against Austrian Power Grid AG (approx. € 22 million). To the date of this Prospectus, no proceedings have been finally decided yet.

- *Criminal proceedings and law suit for damages against VERBUND Hydro Power GmbH (pending) concerning the flood on the river Danube in 2013:*

The city of Klosterneuburg/Lower Austria filed a lawsuit against VERBUND Hydro Power GmbH for payment of damages to the amount of € 558,882.55 due to the flood on the river Danube in 2013. The legal proceedings are still pending. The result of these proceedings might be a prejudice for other claimants.

The public prosecutor's office of Vienna has undertaken investigations against VERBUND Hydro Power GmbH following the suspicion of negligence of public safety. The public prosecutor has charged the criminal police agency with the investigations. VERBUND Hydro Power GmbH made

a detailed statement to the criminal police agency regarding the flood on the river Danube in 2013 and the internal organisation and procedures of VERBUND Hydro Power GmbH.

- *Criminal proceedings and law suit for damages against VERBUND Hydro Power GmbH (pending) concerning the flood on the river Drau/Drava in 2012:*

The public prosecutor's office of Klagenfurt has undertaken investigations following the suspicion of negligence of public safety. At present neither charges nor criminal procedures have been brought forth.

The city of Lavamünd filed a lawsuit against VERBUND Hydro Power GmbH for payment of damages to the amount of € 622,006.21 due to the flood on the river Drau in 2012. The legal proceedings are still pending. The result of these proceedings might be a prejudice for other claimants.

Significant change in VERBUND Group's Financial Position

Save as disclosed in this Prospectus, there has been no significant change in VERBUND Group's financial or trading position since 30 September 2014, the date of the last published interim financial statements.

Additional Information

Objects and Purposes of the Issuer

As laid down in § 3 (1) of the Issuer's Articles of Association and as stipulated by Austrian law, the Issuer is statutorily obliged to buy from special power producing companies, against compensation of expenses as shown in the books and a contractually agreed share in the surplus from power trading, the entire electric energy that can be generated in special power producing companies' power plants, with the exception of energy to be sold to third parties under contractual obligations and own usage, in order to safeguard the Austrian system of integrated power producing.

As laid down in § 3 (1) of its Articles of Association, the Issuer has to perform the following tasks for the benefit of public interest:

- “1. holding in trust the federal shareholdings in special power producing companies and regional power supplying companies;
2.
 - a) ascertaining the present and the future power requirements as well as the power generated by special power producing companies, regional power supplying companies, municipal power supplying companies and private power generation plants with a rated output of more than 500 kW, and registering the power rates;
 - b) realising a balance between production and demand within the Verbund grid, while striving for optimal economic utilisation of the power available, on the one hand, and, on the other hand, distributing the burden of inevitable surplus productions of electricity on the producers as equally as possible. This includes the development and promotion of measures aiming at the socially fruitful utilisation of electric energy (conservation of energy), taking into account environmental protection;
 - c) taking over, building and operating Verbund transmission lines for the purpose mentioned under b), concluding transportation and supply contracts of whatsoever kind;
 - d) arranging for the building and operation of big power plants including the appurtenant transmission lines by special power producing companies existing or to be established;
 - e) striving for observance of the principles of division of labour between the regional power supplying companies and the national system of integrated power producing proven in many years of experience.”

As laid down in § 3 (4) of its Articles of Association, the Issuer has the right to take all measures and directly or indirectly appropriate action to promote the corporate purpose as laid down above. In particular, the Issuer has the right to do business, execute orders, establish or operate enterprises or participate in such enterprises, acquire such enterprises or merge with them as required in order to serve the corporate purpose. Furthermore, the Issuer has the right to carry out the following activities either directly or indirectly:

- Generation of energy and energy sources of any kind and purchase, storage, processing, transportation and selling of all secondary and waste products produced when generating, converting and utilising energy and energy sources;
- Planning, building and operation of power plants, electricity distribution plants and associated railway facilities;
- Development and utilisation of energy sources;
- Development and utilisation of alternative technologies for generating, transporting, storing and distributing electricity, for electricity consumption control and electricity saving, the use of power, and for the production of new energy sources;
- Use of its experience and knowledge in its whole range of activities, especially within the scope of engineering, consulting, franchise and know-how agreements.

Also, the Issuer has the right to provide services in automatic data processing and information technology and to carry out activities in the framework of operating social services, e.g. restaurants, on a commercial basis.

Since the cancellation of the 2nd Nationalisation Act (as further described above), some provisions of the Issuer's Articles of Association, in particular parts of § 3 (1) and § 3 (2), are obsolete and therefore not valid any more.

Share Capital

As of the date of this Prospectus, the share capital of the Issuer amounts to €347,415,686 and comprises a total of 347,415,686 shares, divided into 170,233,686 no-par shares (bearer shares category A), equivalent to 49 per cent. of share capital and 177,182,000 no-par shares (registered shares category B), equivalent to 51 per cent. of share capital, authenticated by an interim certificate deposited with the Federal Ministry of Finance and made out in the name of the Republic of Austria.

Recent Acquisitions and Developments

Acquisition of (additional) German hydropower plant capacities (*Grenzkraftwerke*): (Additional) German hydropower plant capacities with an average annual generation of around 2,000 GWh were acquired with effect of 24 April 2013. These German hydropower plant capacities are represented by 50 per cent. interests in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH, a 47 per cent. co-ownership interest in the Nußdorf run-of-river power plant, and by the facilities of the Ering-Frauenstein and Obernberg-Eggfling run-of-river power plants located on German state territory (including a right to purchase 50 per cent. of the electricity generated in the power plants). Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH were previously managed by VERBUND AG and/or VERBUND Hydro Power AG and E.ON Wasserkraft GmbH (now E.ON Kraftwerke GmbH) as joint ventures; the 50 per cent. equity interests already held by VERBUND were previously accounted for using the equity method. The Ering-Frauenstein and Obernberg-Eggfling run-of-river power plant facilities on Austrian state territory were the share of the jointly managed assets of VERBUND Hydro Power AG and E.ON Wasserkraft GmbH (now E.ON Kraftwerke GmbH) that were previously attributable to VERBUND. At the beginning of 2013, the German hydropower plant capacities were spun off by E.ON Wasserkraft GmbH (now E.ON Kraftwerke GmbH) into the (newly formed) Innwerk AG in which VERBUND acquired a total of 100 per cent. of the interest after receiving all competition-related and other (regulatory) approvals.

The business combination of Innwerk AG was part of a transaction to be viewed in its entirety (asset swap), under which 20.28 per cent. of the capacity of the Tyrolean Zemm/Ziller storage power plant group was (re)acquired and 50 per cent. of the interest in Turkish Enerjisa Enerji A.S. (Group) was sold to DD Turkey Holdings S.a.r.l., a 100 per cent. subsidiary of E.ON SE. In the third quarter of 2009, capacities of the Tyrolean Zemm/Ziller storage power plant group were assigned to E.ON Wasserkraft GmbH (now E.ON Kraftwerke GmbH) in the form of a long-term electricity supply agreement as part of the consideration transferred for the acquisition of 13 run-of-river power plants on the Inn River in Bavaria, Germany. The transaction, which is to be viewed in its entirety, was a consequence of VERBUND's strategic focus on majority interests focusing on electricity generation from hydropower and on the Austrian and German market.

The total consideration transferred comprises the fair value of the 50 per cent. equity-accounted interest in Enerjisa Enerji A.S. (Group), classified as held for sale as at 31 December 2012 (carrying amount as at 24 April 2013: €1,192.4 million), the fair value of the equity interests previously held in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH (carrying amount as at 24 April 2013: €30.8 million), the fair value of receivables and liabilities extinguished as a result of confusion, the reacquisition of 60 per cent. of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group and a payment of the difference of €405.0 million by E.ON to VERBUND. No contingent consideration was agreed. The fair value measurements of the equity interests in Enerjisa Enerji A.S. (Group), Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH were also recognised in profit or loss, just as the recognition of gains or losses determined from previously existing relationships between VERBUND and Innwerk AG or its investees.

Expansion of generation from hydropower: At the Reißbeck II/Carinthia pumped storage power plant, injection work in the mountains is ongoing in all construction areas. From a current perspective, the work in the headwaters will be completed by the end of 2014 so that a first filling will be possible by the turn of the year 2014/2015. Commissioning can begin after completion of the tail water area – from a current perspective in February 2015. If everything proceeds according to plan, the power plant will be commissioned in the second quarter of 2015. The new power plant will increase the turbine capacity of the Malta/Reisseck power plant group by 430 MW to 1,459 MW.

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

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

Sorgenia S.p.A. (Group): Sorgenia S.p.A. (Group) is an associate of VERBUND, with the majority being held by the Italian company CIR Compagnie Industriali Riunite S.p.A. Sorgenia's generation portfolio consists mainly of 4 combined cycle gas turbine power plants. Furthermore, Sorgenia S.p.A. (Group) holds a (calculated) 39 per cent. equity interest in Tirreno Power S.p.A., an Italian power plant company with a generation portfolio (also) dominated by combined cycle gas turbine power plants. The situation in the Italian market is characterised by decreasing demand for electricity due to the negative macroeconomic trend and/or excess capacities on the electricity market as well as decreasing clean spark spreads.

In the 2013 reporting period, the carrying amount of VERBUND's 45.75 per cent. equity interest in Sorgenia S.p.A. (Group) was reduced to zero due to current losses and impairment losses.

The contribution of Sorgenia S.p.A. (Group) in the first and second quarter of 2014 to the result from interests accounted for using the equity method was zero (first and second quarter of 2013: €-12.6 million). The equity interest has been recognised as "held for sale" since 31 December 2013, and a

sales process has been initiated. Due to Sorgenia's strained financial position, there was an extensive negotiation process between the banks and the majority shareholder CIR Compagnie Industriali Riunite S.p.A. with the goal of developing a sustainable solution for Sorgenia in the long term.

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) with the following content: a capital increase will be carried out at Sorgenia S.p.A. (Group) in the amount of €400m by means of debt/equity swaps on the part of the creditor banks. VERBUND will not participate in any capital increases at Sorgenia S.p.A. (Group). As a result, VERBUND'S interest in Sorgenia S.p.A. (Group) will be reduced to less than 1 per cent. VERBUND will subsequently sell its remaining equity interest.

Due to the difficult market environment and the resulting pressure on the profitability of thermal power plants VERBUND entered into a restructuring process.

On 14 May 2014, VERBUND published the following ad hoc announcement related to the restructuring:

"Massive distortions in the European electricity market are creating sector-wide pressure on profitability, particularly in the thermal area, adversely affecting all utilities. In recent months, VERBUND has intensively examined all options for optimising the entire thermal power plant portfolio and plans to implement the following measures, which will result in lasting economic improvement in subsequent years:

- temporary decommissioning of the Mellach combined cycle gas turbine power plant,
- temporary decommissioning of the French Pont-sur-Sambre and Toul combined cycle gas turbine power plants,
- closure of the Dürnröhr hard coal power plant and
- closure of the Neudorf/Werndorf II oil-fired power plant."

On 13 October 2014, VERBUND and KKR, a global investment firm, signed the contracts for the sale of the French combined cycle gas power plants Pont-Sur-Sambre and Toul. The sale of these power plants, classified as held for sale since 31 December 2013, is part of VERBUND's plan to optimise its entire thermal power plant portfolio. The transaction is scheduled to close in the first quarter of 2015 and still requires competition and other regulatory approvals. The sales price corresponds to the level of the current carrying amount of the power plants.

On 30 October 2014, VERBUND announced the sale of the wind farm on the Bulgarian Black Sea coast with an installed capacity of 16 MW. The transaction is scheduled to close by the end of 2014.

Rating:

The Issuer has been rated with Baa1/negative outlook by Moody's and BBB+/stable outlook by Standard & Poor's.

Each of Moody's Investors Services Ltd ("**Moody's**") and Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**") are established in the European Union and are currently registered pursuant to Regulation (EC) No 1060/2009 of the European Parliament and the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**"). Moody's and Standard & Poor's are each listed in the "List of registered and certified CRAs" as published by the European Securities and Markets Authority on its website (<http://www.esma.europa.eu>) in accordance with the CRA Regulation.

Risk management of the Issuer

Risk and opportunity management at VERBUND Group is based upon guiding principles such as the increase in value, security of supply and sustainability. As part of the management and control system,

risk management is being refined continuously. Assessments of the risk position are incorporated into strategic decisions, into the analyses that are periodically updated during implementation of projects, and into the management of ongoing business. The thorough quantitative analysis of risks and opportunities facilitates the incorporation of risk management into the value-based management philosophy of VERBUND Group.

VERBUND AG has established various Risk Management Committees (RMCs). These bodies deal with topics such as energy management, business management and financial management, regulatory conditions, or information security and data protection. Under the leadership of the department "Group Risk Management", the risk position in the operating units is analysed and decisions on specific risks are being made by Group Risk Management, respectively. Since 2008, a Chief Information Security Officer (CISO) organisationally assigned to Group Risk Management has been coordinating all information security and data protection issues within VERBUND Group. To deal with extraordinary events, VERBUND Group has established a "Group Crisis Management system", which is constantly being adapted to changing conditions and increasing requirements. The VERBUND AG subsidiary Austrian Power Grid AG was certified as an independent transmission system operator in 2012, and has had its own independent risk organisation ever since.

As part of the group-wide risk management system, the counterparty credit risk in electricity and grid business as well as in the financial area is assessed and monitored in a uniform manner across the VERBUND Group. Transactions, apart from minor amounts, are only entered into with customers with a sufficient credit rating either on the basis of an external investment grade rating of an international rating agency (Moody's, Standard & Poor's) or derived from an internal credit check which determines a rating equivalent. For this purpose, each counterparty is assigned an individual limit which is monitored across the VERBUND Group. Money market investments are also only concluded with financial counterparties that have an appropriate credit rating. All counterparty risks and the customer structure portfolio are monitored on the basis of default probabilities which are calculated by international rating agencies. If the credit assessment or rating does not meet the requirements, transactions will be entered into only on the precondition of sufficient security (e.g., prepayments, bank guarantees, letters of comfort).

TERMS AND CONDITIONS OF THE NOTES

*These terms and conditions of the notes (the "**Terms and Conditions of the Notes**") are written in the German language and provided with an English language translation. The German text shall be the legally binding version. The English language translation is provided for convenience only.*

*Diese Emissionsbedingungen der Schuldverschreibungen (die "**Emissionsbedingungen der Schuldverschreibungen**") sind in deutscher Sprache abgefasst und mit einer englischen Übersetzung versehen. Der deutsche Wortlaut ist rechtsverbindlich. Die englische Übersetzung dient nur zur Information.*

§ 1

CURRENCY, DENOMINATION, FORM

(1) *Currency; Denomination.* These Notes (the "**Notes**") of VERBUND AG (the "**Issuer**") are being issued in Euro (the "**Specified Currency**") in the aggregate principal amount subject to §1(6) of Euro 500,000,000 (in words: fivehundred million) in denominations of Euro 100,000 (the "**Specified Denominations**").

(2) *Form.* The Notes are being issued in bearer form.

(3) *Temporary Global Note – Exchange.*

(a) The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Notes in Specified Denominations represented by a permanent global note (the "**Permanent Global Note**") and together with the Temporary Global Note, a "**Global Note**") without coupons. The Temporary Global Note and the Permanent Global Note shall each be signed by one or two authorised signatories of the Issuer and shall each be authenticated by or on behalf of the Fiscal Agent. Definitive Notes and interest coupons will not be issued.

(b) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the "**Exchange Date**") not earlier than 40 days after the date of issue of the Temporary Global Note. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the

§ 1

WÄHRUNG, STÜCKELUNG, FORM

(1) *Währung; Stückelung.* Diese Schuldverschreibungen (die "**Schuldverschreibungen**") der VERBUND AG (die "**Emittentin**") werden in Euro (die "**festgelegte Währung**") im Gesamtnennbetrag vorbehaltlich §1(6) von Euro 500.000.000 (in Worten: fünfhundert Millionen) in Stückelungen von Euro 100.000 (die "**festgelegten Stückelungen**") begeben.

(2) *Form.* Die Schuldverschreibungen lauten auf den Inhaber.

(3) *Vorläufige Globalurkunde – Austausch.*

(a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Globalurkunde (die "**vorläufige Globalurkunde**") ohne Zinsscheine verbrieft. Die vorläufige Globalurkunde wird gegen Schuldverschreibungen in den festgelegten Stückelungen, die durch eine Dauerglobalurkunde (die "**Dauerglobalurkunde**") und zusammen mit der vorläufigen Globalurkunde eine "**Globalurkunde**") ohne Zinsscheine verbrieft sind, ausgetauscht. Die vorläufige Globalurkunde und die Dauerglobalurkunde tragen jeweils die Unterschriften eines oder zweier ordnungsgemäß bevollmächtigte(n)(r) Vertreter(s) der Emittentin und sind jeweils von der Zahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen. Einzelurkunden und Zinsscheine werden nicht ausgegeben.

(b) Die vorläufige Globalurkunde wird an einem Tag (der "**Austauschtag**") gegen die Dauerglobalurkunde ausgetauscht, der nicht weniger als 40 Tage nach dem Tag der Ausgabe der vorläufigen Globalurkunde liegt. Ein solcher Austausch soll nur nach Vorlage von Bescheinigungen erfolgen, wonach der

Notes represented by the Temporary Global Note is not a U.S. person (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40th day after the date of issue of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to subparagraph (b) of this § 1 (3). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 4 (3)).

oder die wirtschaftlichen Eigentümer der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen keine U.S.-Personen sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten). Zinszahlungen auf durch eine vorläufige Globalurkunde verbriefte Schuldverschreibungen erfolgen erst nach Vorlage solcher Bescheinigungen. Eine gesonderte Bescheinigung ist hinsichtlich einer jeden solchen Zinszahlung erforderlich. Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Tag der Ausgabe der vorläufigen Globalurkunde eingeht, wird als ein Ersuchen behandelt, diese vorläufige Globalurkunde gemäß Absatz (b) dieses § 1 Absatz (3) auszutauschen. Wertpapiere, die im Austausch für die vorläufige Globalurkunde geliefert werden, sind nur außerhalb der Vereinigten Staaten zu liefern (wie in § 4 (3) definiert).

(4) *Clearing System.* Each Global Note representing the Notes will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Notes have been satisfied. "**Clearing System**" means each of the following: Clearstream Banking, société anonyme, Luxembourg, ("**CBL**"), 24 Avenue JF Kennedy, 1855 Luxembourg and Euroclear Bank SA/NV ("**Euroclear**"), 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium (CBL and Euroclear each an "**International Central Securities Depository**" or "**ICSD**" and together the "**ICSDs**").

(4) *Clearing System.* Die die Schuldverschreibungen verbriefende Globalurkunde wird von einem oder im Namen eines Clearing Systems verwahrt. "**Clearing System**" bedeutet jeweils folgendes: Clearstream Banking, société anonyme, Luxembourg, ("**CBL**"), 24 Avenue JF Kennedy, 1855 Luxembourg und Euroclear Bank SA/NV ("**Euroclear**"), 1 Boulevard du Roi Albert II, 1210 Brüssel, Belgien (CBL und Euroclear jeweils ein "**International Central Securities Depository**" oder "**ICSD**" und zusammen die "**ICSDs**").

The Notes are issued in new global note ("**NGN**") form and are kept in custody by a common safekeeper on behalf of both ICSDs.

Die Schuldverschreibungen werden in Form einer new global note ("**NGN**") ausgegeben und von einem common safekeeper im Namen beider ICSDs verwahrt.

(5) *Holder of Notes.* "**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Global Notes.

(5) *Gläubiger von Schuldverschreibungen.* "**Gläubiger**" bedeutet jeder Inhaber eines Miteigentumsanteils oder anderen treugeberischen oder eigenen Rechts an den Globalurkunden.

(6) *Records of the ICSDs.* The nominal amount of Notes represented by the Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect

(6) *Register der ICSDs.* Der Nennbetrag der durch die Globalurkunde verbrieften Schuldverschreibungen entspricht dem jeweils in den Registern beider ICSDs eingetragenen Gesamtbetrag. Die Register der ICSDs (unter denen man die Register versteht, die jeder ICSD

the amount of such customer's interest in the Notes) shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and, for these purposes, a statement issued by a ICSD stating the nominal amount of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by the Global Note the Issuer shall procure that details of any redemption, payment or purchase and cancellation (as the case may be) in respect of the Global Note shall be entered pro rata in the records of the ICSDs and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the ICSDs and represented by the Global Note shall be reduced by the aggregate nominal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalment so paid.

On an exchange of a portion only of the Notes represented by a Temporary Global Note, the Issuer shall procure that details of such exchange shall be entered pro rata in the records of the ICSDs.

§ 2 STATUS, NEGATIVE PLEDGE

(1) *Status*. The obligations under the Notes constitute unsecured and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all other present or future unsecured and unsubordinated obligations of the Issuer except for any obligations preferred by law.

(2) *Negative Pledge of the Issuer*. So long as any of the Notes remain outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, the Issuer undertakes not to grant or permit to subsist any encumbrance (except for any Permitted Encumbrance) over any or all of its

für seine Kunden über den Betrag ihres Anteils an den Schuldverschreibungen führt) sind schlüssiger Nachweis über den Nennbetrag der durch die Globalurkunde verbrieften Schuldverschreibungen, und eine zu diesem Zweck von einem ICSD jeweils ausgestellte Bescheinigung mit dem Nennbetrag der so verbrieften Schuldverschreibungen ist ein schlüssiger Nachweis über den Inhalt des Registers des jeweiligen ICSD zu diesem Zeitpunkt.

Bei Rückzahlung oder einer Zinszahlung bezüglich der durch die Globalurkunde verbrieften Schuldverschreibungen bzw. bei Kauf und Entwertung der durch die Globalurkunde verbrieften Schuldverschreibungen stellt die Emittentin sicher, dass die Einzelheiten über Rückzahlung und Zahlung bzw. Kauf und Löschung bezüglich der Globalurkunde pro rata in die Unterlagen der ICSDs eingetragen werden, und dass nach dieser Eintragung vom Nennbetrag der in die Register der ICSDs aufgenommenen und durch die Globalurkunde verbrieften Schuldverschreibungen der Gesamtnennbetrag der zurückgekauften bzw. gekauften und entwerteten Schuldverschreibungen bzw. der Gesamtbetrag der so gezahlten Raten abgezogen wird.

Bei Austausch eines Anteils von ausschließlich durch eine vorläufige Globalurkunde verbrieften Schuldverschreibungen wird die Emittentin sicherstellen, dass die Einzelheiten dieses Austauschs pro rata in die Aufzeichnungen der ICSDs aufgenommen werden.

§ 2 STATUS, NEGATIVVERPFLICHTUNG

(1) *Status*. Die Schuldverschreibungen begründen nicht besicherte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen gegenwärtigen und zukünftigen nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind, soweit diesen Verbindlichkeiten nicht durch gesetzliche Bestimmungen ein Vorrang eingeräumt wird.

(2) *Negativverpflichtung der Emittentin*. Die Emittentin verpflichtet sich, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen der Zahlstelle zur Verfügung gestellt worden sind, weder ihr gegenwärtiges noch ihr zukünftiges Vermögen ganz oder

present or future assets, as security for any present or future Capital Market Indebtedness (as defined below) issued or guaranteed by the Issuer or any of its Material Subsidiaries.

"Capital Market Indebtedness" means any obligation for the payment of borrowed money which is in the form of, or represented by, a certificate of indebtedness or in the form of, or represented by bonds, notes, loan stock or other securities which are, or are capable of being quoted, listed, dealt in or traded on a stock exchange or other recognised securities market amounting to or exceeding EUR 50,000,000 or its equivalent in another currency or currencies. Any security which has been issued within the scope of a securitisation of assets (e. g. Asset Backed Securities, Mortgage Pfandbriefe) or with regard to project financings is not a Capital Market Indebtedness.

"Material Subsidiary" means any subsidiary of the Issuer consolidated in accordance with the International Financial Reporting Standards (IFRS) or any other accounting standard applicable to the Issuer, the net revenues or total assets of which (other than intra group revenues or intra group assets of a subsidiary which are not reflected in the consolidated revenues or the consolidated total assets of the Issuer) represent at least 10 per cent. of the consolidated revenues or the consolidated total assets of the Issuer as shown in the most recent audited consolidated financial statements of the Issuer.

"Permitted Encumbrance" means (i) any encumbrance arising solely by operation of law, (ii) any encumbrance in the context of existing cross border finance transactions of VERBUND Hydro Power GmbH and (iii) any existing encumbrance on the Issue Date and any other future encumbrance replacing such existing encumbrance up to the original amount thereof.

teilweise zur Besicherung einer gegenwärtigen oder zukünftigen Kapitalmarktverbindlichkeit (wie im Folgenden definiert), die von der Emittentin, einer Wesentlichen Tochtergesellschaft eingegangen oder gewährleistet ist, zu belasten oder eine solche Belastung zu diesem Zweck bestehen zu lassen (ausgenommen hiervon sind Erlaubte Belastungen).

"Kapitalmarktverbindlichkeit" ist jede Zahlungsverpflichtung aus Mittelaufnahmen in Form von oder verbrieft in Schuldscheinen, Teilschuldverschreibungen, Schuldverschreibungen, Anleihen oder sonstigen Wertpapieren, die an einer Wertpapierbörse oder in einem anderen anerkannten Wertpapiermarkt notiert oder zugelassen sind oder gehandelt werden bzw. notiert, zugelassen oder gehandelt werden können, in einem Betrag von mindestens EUR 50.000.000 oder Gegenwert in einer oder mehreren anderen Währung/en. Wertpapiere, die im Rahmen einer Verbriefung von Forderungen (z.B. Asset Backed-Wertpapiere, Hypothekenpfandbriefe) oder einer Projektfinanzierung begeben wurden, stellen keine Kapitalmarktverbindlichkeiten dar.

"Wesentliche Tochtergesellschaft" bezeichnet jede Tochtergesellschaft der Emittentin, die nach Maßgabe der International Financial Reporting Standards (IFRS) oder anderer auf die Emittentin anwendbarer Rechnungslegungsgrundsätze konsolidiert ist und deren Nettoumsatz oder Bilanzsumme (mit Ausnahme konzerninterner Umsätze oder Vermögenswerte einer Tochtergesellschaft, die sich nicht in den konsolidierten Umsatzerlösen oder der konsolidierten Bilanzsumme der Emittentin niederschlagen) mindestens 10% der konsolidierten Umsatzerlöse oder der konsolidierten Bilanzsumme der Emittentin gemäß Ausweis im jüngsten geprüften konsolidierten Abschluss der Emittentin entspricht.

"Erlaubte Belastung" bezeichnet (i) jede Belastung, die sich ausschließlich per Gesetz ergibt, (ii) jede Belastung in Verbindung mit bestehenden Cross-Border Finanzierungstransaktionen der VERBUND Hydro Power GmbH sowie (iii) jede zum Ausgabebetrag bestehende Belastung sowie jede andere künftige Belastung, die diese bestehende Belastung ersetzt, bis zur Höhe ihres ursprünglichen Betrags.

§ 3 INTEREST

(1) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their principal amount at the rate of 1.50 per cent. per annum from (and including) 20 November 2014 (the "**Interest Commencement Date**") to (but excluding) the Maturity Date (as defined in § 5 (1)). Interest shall be payable in arrears on 20 November in each year (each such date, an "**Interest Payment Date**"). The first payment of interest shall be made on 20 November 2015.

(2) *Accrual of Interest.* The Notes shall cease to bear interest as from the expiry of the day preceding the day on which they are due for redemption. If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue on the outstanding principal amount of the Notes beyond the due date until the actual redemption of the Notes at the default rate of interest established by law¹.

(3) *Day Count Convention.* Where interest is to be calculated in respect of a period which is shorter than an Interest Period (as defined in this § 3 (3)), the interest will be calculated on the basis of the actual number of calendar days elapsed in the relevant period, from and including the first date in the relevant period to but excluding the last date of the relevant period, divided by the actual number of calendar days in the Interest Period in which the relevant period falls (including the first such day of the relevant Interest Period but excluding the last day of the relevant Interest Period).

"**Interest Period**" means the period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and thereafter from and including each relevant Interest Payment Date to but excluding the next following Interest Payment Date.

§ 3 ZINSEN

(1) *Zinssatz und Zinszahlungstage.* Die Schuldverschreibungen werden bezogen auf ihren Nennbetrag verzinst, und zwar von einschließlich 20. November 2014 (der "**Verzinsungsbeginn**") bis zum Fälligkeitstag (wie in § 5 Absatz 1 definiert) (ausschließlich) mit jährlich 1,50 %. Die Zinsen sind nachträglich am 20. November eines jeden Jahres zahlbar (jeweils ein "**Zinszahlungstag**"). Die erste Zinszahlung erfolgt am 20. November 2015.

(2) *Auflaufende Zinsen.* Die Verzinsung der Schuldverschreibungen endet mit Ablauf des Tages, der dem Tag vorangeht, an dem sie zur Rückzahlung fällig sind. Falls die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlöst, fallen auf den ausstehenden Nennbetrag der Schuldverschreibungen ab dem Fälligkeitstag (einschließlich) bis zum Tag der tatsächlichen Rückzahlung (ausschließlich) Zinsen zum gesetzlich festgelegten Satz für Verzugszinsen an¹.

(3) *Zinsberechnungsmethode.* Sind Zinsen für einen Zeitraum zu berechnen, der kürzer als eine Zinsperiode (wie in diesem § 3 Absatz (3) definiert) ist, so werden die Zinsen auf der Grundlage der tatsächlichen Anzahl der Kalendertage in dem jeweiligen Zeitraum ab dem ersten Tag des jeweiligen Zeitraums (einschließlich) bis zum letzten Tag des jeweiligen Zeitraums (ausschließlich) berechnet, geteilt durch die Anzahl der Kalendertage in der Zinsperiode, in die der jeweilige Zeitraum fällt (einschließlich des ersten Tages der betroffenen Zinsperiode, aber ausschließlich des letzten Tages der betroffenen Zinsperiode).

"**Zinsperiode**" bezeichnet den Zeitraum ab dem Verzinsungsbeginn (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) und danach ab dem jeweiligen Zinszahlungstag (einschließlich) bis zum nächstfolgenden Zinszahlungstag (ausschließlich).

¹ The default rate of interest established by law is five percentage points above the basic rate of interest published by Deutsche Bundesbank from time to time, §§ 288(1), 247 German Civil Code.

Der gesetzliche Verzugszinssatz beträgt für das Jahr fünf Prozentpunkte über dem von der Deutsche Bundesbank von Zeit zu Zeit veröffentlichten Basiszinssatz, §§ 288 Absatz 1, 247 BGB.

**§ 4
PAYMENTS**

(1) (a) *Payment of Principal.* Payment of principal in respect of Notes shall be made, subject to subparagraph (2) below, to the Clearing System or (if applicable) to its order for credit to the accounts of the relevant account holders of the Clearing System upon presentation and (except in the case of partial payment) surrender of the Global Note representing the Notes at the time of payment at the specified office of the Fiscal Agent outside the United States.

(b) *Payment of Interest.* Payment of interest on Notes shall be made, subject to subparagraph (2), to the Clearing System or (if applicable) to its order for credit to the relevant account holders of the Clearing System.

(2) *Manner of Payment.* Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in the freely negotiable and convertible currency which on the respective due date is the currency of the country of the Specified Currency. No payments shall be made either by check mailed to an address inside the United States or by transfer to an account maintained in the United States.

(3) *United States.* For purposes of subparagraph (1) and (2) of this § 4, "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

(4) *Discharge.* The Issuer shall be discharged by payment to, or to the order of, the Clearing System.

**§ 4
ZAHLUNGEN**

(1) (a) *Zahlungen auf Kapital.* Zahlungen auf Kapital in Bezug auf die Schuldverschreibungen erfolgen nach Maßgabe des nachstehenden Absatzes (2) an das Clearing System oder gegebenenfalls dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems gegen Vorlage und, soweit es sich nicht um eine Teilzahlung handelt, Übergabe der Globalurkunde, mit der die Schuldverschreibungen verbrieft werden, zum Zeitpunkt der Zahlung in der bezeichneten Geschäftsstelle der Zahlstelle außerhalb der Vereinigten Staaten.

(b) *Zahlung von Zinsen.* Die Zahlung von Zinsen auf Schuldverschreibungen erfolgt nach Maßgabe von Absatz (2) an das Clearing System oder gegebenenfalls dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems.

(2) *Zahlungsweise.* Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen zu leistende Zahlungen auf die Schuldverschreibungen in der frei handelbaren und konvertierbaren Währung, die am entsprechenden Fälligkeitstag die Währung des Staates der festgelegten Währung ist. Zahlungen erfolgen nicht durch einen an eine Adresse in den Vereinigten Staaten gesandten Scheck oder durch Überweisung auf ein Konto in den Vereinigten Staaten.

(3) *Vereinigte Staaten.* Für die Zwecke des Absatzes (1) und (2) dieses § 4 bezeichnet "**Vereinigte Staaten**" die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Rico, der U.S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Mariana Islands).

(4) *Erfüllung.* Die Emittentin wird durch Leistung der Zahlung an das Clearing System oder dessen Order von ihrer Zahlungspflicht befreit.

(5) *Payment Business Day.* If the date for payment of any amount in respect of any Note is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day in the relevant place. It shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Business Day**" means any day which is a day (other than a Saturday or a Sunday) on which all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2) and the relevant Clearing System are operational to forward the relevant payment.

(6) *References to Principal and Interest.* Reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable: the Final Redemption Amount of the Notes; the Early Redemption Amount of the Notes; and any premium and any other amounts which may be payable under or in respect of the Notes. Reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 7.

(7) *Deposit in Court.* The Issuer may deposit with the lower court (*Amtsgericht*) of Frankfurt am Main principal and interest, if any, not claimed by Holders within twelve months after having become due, together with a waiver of the right to withdraw such deposit, even if the Holders are not in default of acceptance; such deposit will be at the risk and cost of such Holders. Upon such deposit, with such waiver of the right to withdraw, all claims of such Holders against the Issuer and against third parties which are liable for its obligations shall cease.

§ 5 REDEMPTION

(1) *Redemption at Maturity.* Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount on 20 November 2024 (the "**Maturity Date**"). The Final Redemption Amount in respect of each Note shall be its

(5) *Zahltag.* Fällt der Fälligkeitstag einer Zahlung in Bezug auf eine Schuldverschreibung auf einen Tag, der kein Zahltag ist, dann hat der Gläubiger keinen Anspruch auf Zahlung vor dem nächsten Zahltag am jeweiligen Geschäftsort. Der Gläubiger ist nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verspätung zu verlangen.

Für diese Zwecke bezeichnet "**Zahltag**" einen Tag, der ein Tag (außer einem Samstag oder Sonntag) ist, an dem alle betroffenen Bereiche des Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2) und das betreffende Clearing System betriebsbereit sind, um die betreffenden Zahlungen weiterzuleiten.

(6) *Bezugnahmen auf Kapital und Zinsen.* Bezugnahmen in diesen Emissionsbedingungen auf einen Kapitalbetrag der Schuldverschreibungen schließen, soweit anwendbar, die folgenden Beträge ein: den Rückzahlungsbetrag der Schuldverschreibungen; den vorzeitigen Rückzahlungsbetrag der Schuldverschreibungen; sowie jeden Aufschlag sowie sonstige auf oder in Bezug auf die Schuldverschreibungen zahlbaren Beträge. Bezugnahmen in diesen Emissionsbedingungen auf Zinsen auf die Schuldverschreibungen sollen, soweit anwendbar, sämtliche gemäß § 7 zahlbaren zusätzlichen Beträge einschließen.

(7) *Hinterlegung.* Die Emittentin kann die von Gläubigern innerhalb von zwölf Monaten nach Fälligkeit nicht geltend gemachten Beträge an Kapital und etwaigen Zinsen auf Gefahr und Kosten dieser Gläubiger beim Amtsgericht Frankfurt am Main unter Verzicht auf das Recht der Rücknahme hinterlegen, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Mit der Hinterlegung unter Verzicht auf das Recht der Rücknahme erlischt jeglicher Anspruch dieser Gläubiger gegen die Emittentin und für die Erfüllung von deren Verbindlichkeiten haftende Dritte.

§ 5 RÜCKZAHLUNG

(1) *Rückzahlung bei Endfälligkeit.* Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen zu ihrem Rückzahlungsbetrag am 20. November 2024 (der "**Fälligkeitstag**") zurückgezahlt. Der Rückzahlungsbetrag in Bezug auf jede

principal amount.

(2) *Early Redemption for Reasons of Taxation.* If as a result of any Tax Law Change (as hereinafter defined) the Issuer is required to pay Additional Amounts (as defined in § 7 herein) on the next succeeding Interest Payment Date (as defined in § 3 (1)) and this obligation cannot be avoided by the use of reasonable measures available to the Issuer, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Fiscal Agent and, in accordance with § 12 to the Holders, at their Early Redemption Amount (as defined below), together with interest (if any) accrued to the date fixed for redemption.

A "**Tax Law Change**" is (i) any change in, or amendment to, the laws or regulations of the Republic of Austria or any political subdivision or taxing authority thereof or therein affecting taxation or the obligation to pay duties of any kind, (ii) any change in, or amendment to, an official interpretation, administrative guidance or application of such laws or regulations, (iii) any action and/or decision which shall have been taken by any taxing authority, or any court of competent jurisdiction of the Republic of Austria or any political subdivision or taxing authority thereof or therein, whether or not such action was taken or brought with respect to the Issuer, or (iv) any change, amendment, application, interpretation or execution of the laws of the Republic of Austria (or any regulations or ruling promulgated thereunder), which change, amendment, action, application, interpretation or execution is officially proposed and would have effect on or after the date on which the last tranche of this series of Notes was issued.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts where a payment in respect of the Notes then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts or make such deduction or

Schuldverschreibung entspricht dem Nennbetrag der Schuldverschreibungen.

(2) *Vorzeitige Rückzahlung aus steuerlichen Gründen.* Sollte die Emittentin zur Zahlung von zusätzlichen Beträgen (wie in § 7 dieser Bedingungen definiert) aufgrund einer Änderung des Steuerrechts (wie nachstehend definiert) am nächstfolgenden Zinszahlungstag (wie in § 3 Absatz 1 definiert) verpflichtet sein und kann diese Verpflichtung nicht durch das Ergreifen angemessener, der Emittentin zur Verfügung stehender Maßnahmen vermieden werden, können die Schuldverschreibungen insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber der Zahlstelle und gemäß § 12 gegenüber den Gläubigern vorzeitig gekündigt und zu ihrem vorzeitigen Rückzahlungsbetrag (wie nachstehend definiert) zuzüglich bis zu dem für die Rückzahlung festgesetzten Tag aufgelaufener Zinsen zurückgezahlt werden.

Eine "**Änderung des Steuerrechts**" ist (i) eine Änderung oder Ergänzung der Steuer- oder Abgabengesetze und -vorschriften der Republik Österreich oder deren politischen Untergliederungen oder Steuerbehörden, (ii) die Folge einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze und Vorschriften, (iii) jede von den Steuerbehörden oder der zuständigen Gerichtsbarkeit in der Republik Österreich oder deren politischen Untergliederungen oder Steuerbehörden getroffene Maßnahme/Entscheidung, unabhängig davon, ob eine derartige Maßnahme in Zusammenhang mit der Emittentin stehen, oder (iv) jede Änderung, jeder Zusatz, jede Neufassung, Anwendung, Auslegung oder Durchsetzung der Gesetze der Republik Österreich (oder jeder dazu ergangenen Verordnung oder Regelung), der oder die offiziell vorgeschlagen wurde (vorausgesetzt, diese Änderung, dieser Zusatz, diese Neufassung, Anwendung, Auslegung oder Durchsetzung würde am oder nach dem Tag, an dem die letzte Tranche dieser Serie von Schuldverschreibungen begeben wird, wirksam werden).

Eine solche Kündigung darf allerdings nicht (i) früher als 90 Tage vor dem frühestmöglichen Termin erfolgen, an dem die Emittentin verpflichtet wäre, solche zusätzlichen Beträge zu zahlen, falls eine Zahlung auf die Schuldverschreibungen dann fällig sein würde, oder (ii) erfolgen, wenn zu dem Zeitpunkt, zu dem die Kündigung erfolgt, die Verpflichtung zur

withholding does not remain in effect.

Zahlung von zusätzlichen Beträgen nicht mehr wirksam ist.

Any such notice shall be given in accordance with § 12. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

Eine solche Kündigung hat gemäß § 12 zu erfolgen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die das Rückzahlungsrecht der Emittentin begründenden Umständen darlegt.

(3) *Change of Control.* If there occurs a Change of Control (as defined below) and within the Change of Control Period a Rating Downgrade (as defined below) in respect of that Change of Control occurs (together a "**Put Event**"), each Holder will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Notes in accordance with § 5(2)) to require the Issuer to redeem the Note held by him on the Optional Redemption Date at its principal amount together with interest accrued to but excluding the Optional Redemption Date.

(3) *Kontrollwechsel.* Tritt ein Kontrollwechsel (wie nachstehend definiert) ein und kommt es innerhalb des Kontrollwechselzeitraums zu einer Absenkung des Ratings (wie nachstehend definiert) auf Grund des Kontrollwechsels (zusammen, ein "**Rückzahlungsereignis**"), hat jeder Gläubiger das Recht (sofern nicht die Emittentin, bevor die nachstehend beschriebene Rückzahlungsmitteilung gemacht wird, die Rückzahlung der Schuldverschreibungen nach § 5(2) angezeigt hat), die Rückzahlung seiner Schuldverschreibungen durch die Emittentin zum Nennbetrag, zuzüglich angewachsener Zinsen bis zum Rückzahlungstag (ausschließlich), zu verlangen.

For the purposes of this option:

Für Zwecke dieses Wahlrechts:

"**Rating Agency**" means Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**"), Fitch Rating Ltd ("**Fitch**") and Moody's Investors Services Limited ("**Moody's**") or any of their respective successors or any other rating agency of equivalent international standing specified from time to time by the Issuer;

Bedeutet "**Rating Agentur**" Standard and Poor's Rating Services, eine Abteilung von The McGraw-Hill Companies, Inc. ("**S&P**"), Fitch Rating Ltd ("**Fitch**") und Moody's Investors Services Limited ("**Moody's**") oder eine ihrer jeweiligen Nachfolgesellschaften oder jede andere Rating Agentur vergleichbaren internationalen Ansehens, wie von Zeit zu Zeit durch die Emittentin bestimmt;

a "**Rating Downgrade**" shall be deemed to have occurred in respect of a Change of Control (a) if within the Change of Control Period any rating previously assigned to the Issuer or the Notes by any Rating Agency is (i) withdrawn or (ii) changed from an investment grade rating (BBB- by S&P/BBB- by Fitch/Baa3 by Moody's, or its equivalent for the time being, or better) to a non-investment grade rating (BB+ by S&P/BB+ by Fitch/Ba1 by Moody's, or its equivalent for the time being, or worse) or (iii) (if the rating assigned to the Notes by any Rating Agency shall be below an investment grade rating) lowered one full rating notch (e.g. from BB+ to BB by S&P or from Ba1 to Ba2 by Moody's or such similar lower of equivalent rating) or (b) if at the time of the Change of Control, there is no rating assigned to the Notes or the Issuer and no Rating Agency assigns during the Change of Control Period an

gilt eine "**Absenkung des Ratings**" in Bezug auf einen Kontrollwechsel als eingetreten, wenn (a) innerhalb des Kontrollwechselzeitraums ein vorher für die Emittentin oder die Schuldverschreibungen vergebenes Rating einer Rating Agentur (i) zurückgezogen oder (ii) von einem Investment Grade Rating (BBB- von S&P/BBB- von Fitch/Baa3 von Moody's oder jeweils gleichwertig, oder besser) in ein non-Investment Grade Rating (BB+ von S&P/BB+ von Fitch/Ba1 von Moody's oder jeweils gleichwertig, oder schlechter) geändert oder (iii) (falls das für die Schuldverschreibungen vergebene Rating einer Rating Agentur unterhalb des Investment Grade Ratings liegt) um einen ganzen Punkt (z.B. von BB+ auf BB von S&P oder von Ba1 auf Ba2 von Moody's oder eine ähnliche Absenkung eines gleichwertigen Ratings) abgesenkt wird oder (b) zur Zeit des Kontrollwechsels kein Rating für die

investment grade credit rating to the Notes (unless the Issuer is unable to obtain such a rating within such period having used all reasonable endeavours to do so and such failure is unconnected with the occurrence of the Change of Control);

a "**Change of Control**" means exceeding the threshold of 50 per cent. of the voting shares of the Issuer through obtaining any direct or indirect legal or beneficial ownership or obtaining any direct or indirect legal or beneficial entitlement (as described in Sections 91 to 92 of the Austrian Exchange Act (Börsegesetz)); a "Change of Control" shall not have occurred if (i) the Republic of Austria or any direct or indirect wholly-owned subsidiary directly or indirectly holds at least 50 per cent. of the shares in the Issuer carrying voting rights or otherwise Controls the Issuer; or (ii) the Republic of Austria or any direct or indirect wholly-owned subsidiary holds less than 50 per cent. of the shares of the Issuer and no other person or persons acting in concert acquire Control over the Issuer.

"**Change of Control Period**" means the period ending 120 days after the occurrence of the Change of Control; and

"**Control**" means the power to direct or cause the direction of the management of a company, whether through ownership of shares, voting securities, or other ownership interests, or through preferential or veto rights, by contract or otherwise, or owning, directly or indirectly, the majority of the shares in such company or the majority of the shares in such company carrying voting rights; and "Controls" shall be construed accordingly.

the "**Optional Redemption Date**" is the seventh day after the last day of the Put Period.

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a "**Put Event Notice**") to the Holders in accordance with § 12 specifying the nature of the Put Event and the circumstances giving rise to it

Schuldverschreibungen oder die Emittentin vergeben ist und keine Rating Agentur während des Kontrollwechselzeitraums ein Investment Grade Rating für die Schuldverschreibungen vergibt (es sei denn, die Emittentin ist trotz zumutbarer Anstrengungen innerhalb dieses Zeitraums nicht in der Lage ein solches Rating zu erhalten, ohne dass dies seine Ursache im Kontrollwechsel hat);

gilt ein "**Kontrollwechsel**" als das Überschreiten des Schwellenwertes von 50% der stimmberechtigten Aktien der Emittentin durch jede direkte oder indirekte Erlangung des unmittelbaren oder wirtschaftlichen Besitzes sowie jede Erlangung eines direkten oder indirekten unmittelbaren oder wirtschaftlichen Anspruchs (wie in den §§ 91 bis 92 österreichisches Börsegesetz beschrieben); ein "Kontrollwechsel" gilt nicht als eingetreten, wenn (i) die Republik Österreich oder eine direkte oder indirekte 100%ige Tochtergesellschaft unmittelbar oder mittelbar mindestens 50% der stimmberechtigten Aktien der Emittentin hält oder anderweitig die Kontrolle über die Emittentin ausübt; oder (ii) die Republik Österreich oder eine direkte oder indirekte 100%ige Tochtergesellschaft weniger als 50% der Aktien der Emittentin hält und keine andere Person oder andere gemeinsam handelnde Personen die Kontrolle über die Emittentin erlangt/erlangen.

ist der "**Kontrollwechselzeitraum**" der Zeitraum, der 120 Tage nach dem Eintritt eines Kontrollwechsels endet; und

"**Kontrolle**" bezeichnet die Ermächtigung, die Geschäftsführung eines Unternehmens zu steuern oder steuern zu lassen, entweder durch das Eigentum von Geschäftsanteilen, stimmberechtigten Wertpapieren oder anderen Beteiligungspapieren oder über Vorzugs- oder Vetorechte, aufgrund vertraglicher Vereinbarung oder anderweitig, durch das unmittelbare oder mittelbare Eigentum der Mehrheit der Anteile bzw. der stimmberechtigten Anteile an diesem Unternehmen; und „Kontrolle ausüben“ ist entsprechend auszulegen.

ist der "**Rückzahlungstag**" der siebte Tag nach dem letzten Tag des Rückzahlungszeitraums.

Sofort nachdem die Emittentin von einem Rückzahlungsereignis Kenntnis erlangt, wird die Emittentin den Gläubigern gemäß § 12 Mitteilung vom Rückzahlungsereignis machen (eine "**Rückzahlungsmittteilung**"), in der die

and the procedure for exercising the option set out in this § 5 (3).

In order to exercise such option, the Holder must submit during normal business hours at the specified office of the Fiscal Agent a duly completed option exercise notice ("**Exercise Notice**") in the form available from the specified office of the Fiscal Agent within the period (the "**Put Period**") of 45 days after a Put Event Notice is given. No option so exercised may be revoked or withdrawn without the prior consent of the Issuer.

(4) *Early Redemption Amount.*

For purposes of subparagraph (2) of this § 5 and § 9, the Early Redemption Amount of a Note shall be its Final Redemption Amount.

**§ 6
FISCAL AGENT**

(1) *Appointment; Specified Offices.* The initial Fiscal Agent and its initial specified office is:

Citibank, N.A., London Branch
Agency and Trust
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

The Fiscal Agent reserves the right at any time to change its respective specified office to some other specified office in the same city.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent and to appoint another Fiscal Agent or additional Fiscal Agents. The Issuer shall at all times maintain (i) a Fiscal Agent and (ii) so long as the Notes are listed on the Luxembourg Stock Exchange, a Fiscal Agent with a specified office in Luxembourg and/or in such other place as may be required by the rules of such stock exchange.

Umstände des Rückzahlungsereignisses sowie das Verfahren für die Ausübung des in diesem § 5 Abs. (3) genannten Wahlrechts angegeben sind.

Zur Ausübung dieses Wahlrechts muss der Gläubiger während der normalen Geschäftsstunden innerhalb eines Zeitraums (der "**Rückzahlungszeitraum**") von 45 Tagen nachdem die Rückzahlungsmitteilung veröffentlicht ist eine ordnungsgemäß ausgefüllte und unterzeichnete Ausübungserklärung bei der angegebenen Niederlassung der Zahlstelle einreichen (die "**Ausübungserklärung**"), die in ihrer jeweils maßgeblichen Form bei der angegebenen Niederlassung der Zahlstelle erhältlich ist. Ein so ausgeübtes Wahlrecht kann nicht ohne vorherige Zustimmung der Emittentin widerrufen oder zurückgezogen werden.

(4) *Vorzeitiger Rückzahlungsbetrag.*

Für die Zwecke des § 9 und des Absatzes (2) dieses § 5, entspricht der vorzeitige Rückzahlungsbetrag einer Schuldverschreibung dem Rückzahlungsbetrag.

**§ 6
DIE ZAHLSTELLE**

(1) *Bestellung; bezeichnete Geschäftsstelle.* Die anfänglich bestellte Zahlstelle und ihre bezeichnete Geschäftsstelle lautet wie folgt:

Citibank, N.A., London Branch
Agency and Trust
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
Vereinigtes Königreich

Die Zahlstelle behält sich das Recht vor, jederzeit seine bezeichnete Geschäftsstelle durch eine andere bezeichnete Geschäftsstelle in derselben Stadt zu ersetzen.

(2) *Änderung der Bestellung oder Abberufung.* Die Emittentin behält sich das Recht vor, jederzeit die Bestellung Zahlstelle zu ändern oder zu beenden und eine andere oder zusätzliche Zahlstellen zu bestellen. Die Emittentin wird zu jedem Zeitpunkt (i) eine Zahlstelle unterhalten und (ii) solange die Schuldverschreibungen an der Luxemburger Börse notiert sind, eine Zahlstelle (die mit der Zahlstelle identisch sein kann) mit bezeichneter Geschäftsstelle in

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 12.

(3) *Agents of the Issuer.* The Fiscal Agent acts solely as agent of the Issuer and does not have any obligations towards or relationship of agency or trust to any Holder.

§ 7 TAXATION

All payments of principal and interest in respect of the Notes to the Holders shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Austria or any authority therein or thereof having power to tax (the "**Taxing Jurisdiction**"), unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as shall result in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Amounts shall be payable with respect to any Notes if:

- (a) these are to be paid otherwise than by withholding or deduction at the source of payments under the Notes; or
- (b) a Holder who has no relationship to a Taxing Jurisdiction other than the mere holding of the Notes, and is thus liable to pay duties and taxes; or
- (c) the withholding or deduction constitutes a

Luxemburg und/oder an solchen anderen Orten unterhalten, die die Regeln dieser Börse verlangen. Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Gläubiger hierüber gemäß § 12 vorab unter Einhaltung einer Frist von mindestens 30 und nicht mehr als 45 Tagen informiert wurden.

(3) *Beauftragte der Emittentin.* Die Zahlstelle handelt ausschließlich als Beauftragte der Emittentin und übernimmt keinerlei Verpflichtungen gegenüber den Gläubigern und es wird kein Auftrags- oder Treuhandverhältnis zwischen ihr und den Gläubigern begründet.

§ 7 STEUERN

Alle in Bezug auf die Schuldverschreibungen an die Gläubiger zahlbaren Kapital- oder Zinsbeträge werden ohne Einbehalt oder Abzug an der Quelle für oder wegen gegenwärtiger oder zukünftiger Steuern, Abgaben oder Gebühren bzw. Veranlagungen gleich welcher Art gezahlt, die von Österreich oder einer politischen Untergliederung oder einer Steuerbehörde dieses Staates (die "**Steuerjurisdiktion**") im Wege des Einbehalts oder des Abzugs auferlegt, einbehalten oder erhoben werden, es sei denn, ein solcher Abzug oder Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In diesem Fall wird die Emittentin diejenigen zusätzlichen Beträge ("**Zusätzliche Beträge**") zahlen, die erforderlich sind, damit die den Gläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen an Kapital und Zinsen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Gläubigern erhalten worden wären; jedoch sind solche Zusätzlichen Beträge nicht zu zahlen, falls:

- (a) diese auf andere Weise als durch Abzug oder Einbehalt an der Quelle aus Zahlungen auf die Schuldverschreibungen zu entrichten sind; oder
- (b) ein Gläubiger, der zu einer Steuerjurisdiktion eine andere aus steuerlicher Sicht relevante Verbindung hat, als den bloßen Umstand, dass er Inhaber der Schuldverschreibungen ist oder dies zum Zeitpunkt des Erwerbs der Schuldverschreibungen war, der Abgaben- oder Steuerpflicht unterliegt; oder
- (c) es sich bei dem Einbehalt oder Abzug um

- | | |
|---|--|
| <p>withholding pursuant to § 93 (1) first sentence of the Austrian Income Tax Act (<i>Einkommensteuergesetz</i>) or a withholding according to a tax convention concluded by the Republic of Austria; or</p> | <p>einen Steuerabzug gemäß § 93 Abs 1 Satz 1 Einkommensteuergesetz oder um Abzugsbeträge nach einem Steuerabkommen Österreichs handelt; oder</p> |
| <p>(d) these are to be paid because of a change of law which will enter into force later than 30 days after the maturity date of the respective payment under the Notes or, if payment is made later, after proper provision of all due amounts and a respective notice in accordance with § 12; or</p> | <p>(d) diese aufgrund einer Rechtsänderung zahlbar sind, die später als 30 Tage nach Fälligkeit der betreffenden Zahlung auf die Schuldverschreibungen oder, wenn dies später erfolgt, nach ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 12 der Emissionsbedingungen wirksam wird; oder</p> |
| <p>(e) these are withheld or deducted after payment by the Issuer in the course of the transfer to the relevant Holder; or</p> | <p>(e) diese nach Zahlung durch die Emittentin im Rahmen des Transfers an die jeweiligen Gläubiger abgezogen oder einbehalten werden; oder</p> |
| <p>(f) these could be reclaimed pursuant to a double taxation treaty or the fiscal laws of a Taxing Jurisdiction or be dischargeable at the source due to community law (EU) provisions; or</p> | <p>(f) aufgrund eines Doppelbesteuerungsabkommens oder den Steuergesetzen einer Steuerjurisdiktion rückerstattbar wären oder aufgrund gemeinschaftsrechtlicher Bestimmungen (EU) an der Quelle entlastbar wären; oder</p> |
| <p>(g) these are imposed or levied pursuant to or as a consequence of an international treaty to which a Taxing Jurisdiction is a party or a regulation or a directive on the basis of or as a consequence of such international treaty; or</p> | <p>(g) aufgrund oder infolge eines internationalen Vertrages, dessen Partei eine Steuerjurisdiktion ist oder einer Verordnung oder Richtlinie aufgrund oder infolge eines solchen internationalen Vertrages auferlegt oder erhoben werden; oder</p> |
| <p>(h) these were withheld or deducted by a disbursement agent pursuant to Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income in the form of interest payments or due to statutory or administrative provisions enacted for the implementation of this directive; or</p> | <p>(h) von einer auszahlenden Stelle aufgrund der vom Rat der Europäischen Union am 3. Juni 2003 erlassenen Richtlinie im Bereich der Besteuerung von Zinserträgen (Richtlinie 2003/48/EG des Rates) einbehalten oder abgezogen wurden, oder aufgrund von Rechts- und Verwaltungsvorschriften, welche zur Umsetzung dieser Richtlinien erlassen wurden; oder</p> |
| <p>(i) these are withheld or deducted by a disbursement agent, if such payment could have been effected by another disbursement agent without such withholding or deduction; or</p> | <p>(i) von einer auszahlenden Stelle einbehalten oder abgezogen werden, wenn die Zahlung von einer anderen auszahlenden Stelle ohne den Einbehalt oder Abzug hätte vorgenommen werden können; oder</p> |
| <p>(j) these would not have to be paid by a Holder if it could have obtained tax exemption, tax restitution or tax rebate in a reasonable way; or</p> | <p>(j) ihnen ein Gläubiger nicht unterläge, sofern er zumutbarerweise Steuerfreiheit oder eine Steuererstattung oder eine Steuervergütung hätte erlangen können; oder</p> |
| <p>(k) any withholding or deduction imposed with</p> | <p>(k) ein Einbehalt oder Abzug im Hinblick auf die</p> |

respect of any Note pursuant to Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**"), any current or future regulations or agreements thereunder, or official interpretations of, or other official guidance enacted by any Taxing Jurisdiction or jurisdiction in which payments on Notes are made, or any law implementing an intergovernmental approach thereto.

Schuldverschreibungen gemäß den Abschnitten 1471 bis 1474 des U.S. Internal Revenue Code of 1986, wie geändert, ("**FATCA**"), hierunter erlassenen gegenwärtigen oder zukünftigen Verordnungen oder geschlossenen Verträge sowie offiziellen Auslegungen oder anderen offiziellen Richtlinien einer Steuerjurisdiktion oder einer Jurisdiktion, in die Zahlungen auf die Schuldverschreibungen geleistet werden, oder einem Gesetz, das ein zwischenstaatliches Konzept hierzu umsetzt, auferlegt wird.

(l) any combination of items (a)-(k).

(l) jegliche Kombination der Absätze (a)-(k).

§ 8
PRESENTATION PERIOD, PRESCRIPTION PERIOD

§ 8
VORLEGUNGSFRIST, VERJÄHRUNGSFRIST

(1) *Presentation Period.* The presentation period provided in § 801 paragraph 1, sentence 1 BGB (*German Civil Code*) is reduced to ten years.

(1) *Vorlegungsfrist.* Die Vorlegungsfrist gemäß § 801 Absatz 1 Satz 1 BGB wird auf zehn Jahre verkürzt.

(2) *Prescription Period.* The prescription period for Notes presented for payment during the presentation period shall be two years beginning at the end of the relevant presentation period.

(2) *Verjährungsfrist.* Die Verjährungsfrist für während der Vorlegungsfrist zur Zahlung vorgelegte Schuldverschreibungen beträgt zwei Jahre beginnend mit dem Ablauf der jeweiligen Vorlegungsfrist.

§ 9
EVENTS OF DEFAULT

§ 9
KÜNDIGUNG

(1) *Events of Default.* Each Holder shall be entitled to declare his Notes due and demand immediate redemption thereof at the Early Redemption Amount (as described in § 5), together with accrued interest (if any) to the date of repayment, in the event that:

(1) *Kündigungsgründe.* Jeder Gläubiger ist berechtigt, seine Schuldverschreibung zu kündigen und deren sofortige Rückzahlung zu ihrem vorzeitigen Rückzahlungsbetrag (wie in § 5 beschrieben), zuzüglich etwaiger bis zum Tage der Rückzahlung aufgelaufener Zinsen zu verlangen, falls:

(a) any principal has not been paid within 7 days, or interest on the Notes has not been paid within 14 days, following the due date for payment; or

(a) das Kapital nicht innerhalb von 7 Tagen oder die Zinsen in Bezug auf solche Schuldverschreibungen nicht innerhalb von 14 Tagen nach dem betreffenden Fälligkeitstag gezahlt worden sind; oder

(b) the Issuer fails to perform any other material obligation arising from the Notes and such failure continues for more than 30 days after the Fiscal Agent has received notice thereof from a Holder; or

(b) die Emittentin eine wesentliche Verpflichtung aus den Schuldverschreibungen nicht erfüllt und diese Nichterfüllung mehr als 30 Tage andauert nachdem die Zahlstelle hierüber eine Benachrichtigung von einem Gläubiger erhalten hat; oder

(c) the Issuer fails to fulfil any payment obligation under any Capital Market

(c) die Emittentin eine Zahlungsverpflichtung aus Kapitalmarktverbindlichkeiten oder

Indebtedness or under any guarantees or suretyships given for any Capital Market Indebtedness of others within 30 days from its due date or, in the case of a guarantee or suretyship, within 30 days of such guarantee or suretyship being invoked; or

- (d) Austrian insolvency proceedings or similar proceedings in other jurisdictions are commenced by a court in the relevant place of jurisdiction against the Issuer and such proceedings are not set aside or suspended within 90 days as far as the occurrence thereof may be stipulated as an Event of Default; or
- (e) an order is made or an effective resolution is passed for the winding up or liquidation of the Issuer or any event which under the applicable laws of any jurisdiction has an analogous effect to such events (other than (i) in connection with a scheme of reconstruction, merger or amalgamation the terms of which have previously been approved by the Holders or (ii) any merger or other restructuring where the Issuer is the surviving entity); or
- (f) the Issuer ceases all or substantially all of its business operations or sells or disposes of its assets or the substantial part thereof.

For the avoidance of doubt, any organisational change in VERBUND AG required by European or national legal or other provisions (so called "unbundling" according to Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity and repealing Directive 96/92/EC – Statements made with regard to decommissioning and waste management activities and Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing

aufgrund einer Bürgschaft oder Garantie, die für Kapitalmarktverbindlichkeiten Dritter gegeben wurde, nicht innerhalb von 30 Tagen nach ihrer Fälligkeit oder im Falle einer Bürgschaft oder Garantie nicht innerhalb von 30 Tagen nach Inanspruchnahme aus dieser Bürgschaft oder Garantie erfüllt; oder

- (d) gegen die Emittentin ein österreichisches Insolvenzverfahren oder ein vergleichbares Verfahren in einer anderen Rechtsordnung eröffnet wird und ein solches Verfahren nicht innerhalb von 90 Tagen aufgehoben oder ausgesetzt wird, soweit ein solches Ereignis als Kündigungsgrund vereinbart werden kann; oder
- (e) die Emittentin durch wirksamen Beschluss in ein Auflösungs- oder ein Liquidationsverfahren eintritt oder ein Ereignis eintritt, das unter dem anwendbaren Recht einer Jurisdiktion eine mit solchen Ereignissen vergleichbare Wirkung hat (außer (i) zum Zweck einer Restrukturierung oder Verschmelzung, deren Bedingungen zuvor durch eine Versammlung der Gläubiger genehmigt wurde oder (ii) im Zusammenhang mit einer Verschmelzung oder einer Restrukturierung bei der die Emittentin die fortbestehende Rechtsperson ist); oder
- (f) die Emittentin ihre Geschäftstätigkeit ganz oder überwiegend einstellt, veräußert oder ihr gesamtes Vermögen oder den wesentlichen Teil ihres Vermögens anderweitig abgibt.

Zur Vermeidung von Missverständnissen: jegliche Änderung der Organisationsstruktur der VERBUND AG, die auf Grund europäischer oder nationaler Vorschriften durchzuführen ist (sog. Entflechtung – "Unbundling" gemäß Richtlinie 2003/54/EG des Europäischen Parlaments und des Rates vom 26. Juni 2003 über gemeinsame Vorschriften für den Elektrizitätsbinnenmarkt und zur Aufhebung der Richtlinie 96/92/EG – Erklärungen zu Stilllegungen und Abfallbewirtschaftungsmaßnahme und Richtlinie 2009/72/EG des Europäischen Parlaments und des Rates vom 13. Juli 2009 über gemeinsame Vorschriften für

Directive 2003/54/EC, both as amended) shall not fall under this § 9(1)(f); or

den Elektrizitätsbinnenmarkt und zur Aufhebung der Richtlinie 2003/54/EG in ihrer jeweils aktuellen Fassung), fällt nicht unter diesen § 9 Abs. 1 (f); oder

(g) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, in respect of any indebtedness in an aggregate principal amount in excess of Euro 25,000,000 or its equivalent becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and such enforcement is not set aside or suspended within 60 days; or

(g) eine von der Emittentin geschaffene oder übernommene Hypothek, Belastung, Pfand, dingliches Sicherungsrecht oder andere Belastung, gegenwärtig oder zukünftig, im Hinblick auf die Summe der Nennbeträge von über Euro 25.000.000 oder dem Gegenwert davon durchsetzbar wird, und ein Schritt zur Durchsetzung vorgenommen wird (einschließlich der Übernahme von Besitz oder der Bestellung eines Zwangsverwalters, Verwalters oder einer anderen gleichartigen Person) und eine solche Durchsetzung nicht innerhalb von 60 Tagen aufgehoben oder ausgesetzt wird; oder

(h) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or

(h) es für die Emittentin unrechtmäßig ist oder wird, eine oder mehrere ihrer Verpflichtungen nach den Schuldverschreibungen durchzuführen oder einzuhalten; oder

(i) the Issuer announces its inability to meet its financial obligations or ceases its payments.

(i) die Emittentin ihre Zahlungsunfähigkeit bekannt gibt oder ihre Zahlungen einstellt.

(2) The right to declare Notes due shall terminate if the situation giving rise to it has been cured before the right is exercised.

(2) Das Kündigungsrecht erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt wurde.

(3) *Notice.* Any notice, including any notice declaring Notes due, in accordance with subparagraph (1) above shall be made by means of a written declaration in the German or English language delivered by hand or registered mail to the Fiscal Agent together with proof that such Holder at the time of such notice is a holder of the relevant Notes by means of a certificate of his Custodian (as defined in § 13 (3)) or in any other appropriate manner.

(3) *Benachrichtigung.* Eine Benachrichtigung einschließlich einer Kündigung der Schuldverschreibungen gemäß vorstehendem Absatz (1) ist schriftlich in deutscher oder englischer Sprache gegenüber der Zahlstelle zu erklären und dieser persönlich oder per Einschreiben zu übermitteln. Der Benachrichtigung ist ein Nachweis beizufügen, aus dem sich ergibt, dass der betreffende Gläubiger zum Zeitpunkt der Abgabe der Benachrichtigung Inhaber der betreffenden Schuldverschreibung ist. Der Nachweis kann durch eine Bescheinigung der Depotbank (wie in § 13 Absatz 3 definiert) oder auf andere geeignete Weise erbracht werden.

§ 10 SUBSTITUTION

§ 10 ERSETZUNG

(1) *Substitution.* The Issuer may, without the consent of the Holders, if no payment of principal

(1) *Ersetzung.* Die Emittentin ist jederzeit berechtigt, sofern sie sich nicht mit einer Zahlung

of or interest on any of the Notes is in default, at any time substitute for the Issuer any other company more than 90 per cent. Of the voting share or other equity interests of which are directly or indirectly owned by the Issuer as principal debtor in respect of all obligations arising from or in connection with the Notes (the "Substitute Debtor") provided that:

- (a) the Substitute Debtor assumes all obligations of the Issuer in respect of the Notes;
- (b) the Issuer and the Substitute Debtor have obtained all necessary authorisations and may transfer to the Fiscal Agent in the currency required hereunder and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor or the Issuer has its domicile or tax residence, all amounts required for the fulfilment of the payment obligations arising under the Notes;
- (c) the Substitute Debtor has agreed to indemnify and hold harmless each Holder against any withholding tax, duty, assessment or governmental charge imposed on such Holder in respect of such substitution;
- (d) the Issuer irrevocably and unconditionally guarantees in favour of each Holder the payment of all amounts payable by the Substitute Debtor in connection with the Notes; and
- (e) there shall have been delivered to the Fiscal Agent an opinion or opinions of lawyers of recognised standing to the effect that subparagraphs (a), (b), (c) and (d) above have been satisfied.

von Kapital oder Zinsen auf die Schuldverschreibungen in Verzug befindet, ohne Zustimmung der Gläubiger jede andere Gesellschaft, deren stimmberechtigte Anteile zu mehr als 90% direkt oder indirekt von der Emittentin gehalten werden, an Stelle der Emittentin als Hauptschuldnerin (die "Nachfolgeschuldnerin") für alle Verpflichtungen aus und im Zusammenhang mit dieser Emission einzusetzen, vorausgesetzt, dass:

- (a) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin in Bezug auf die Schuldverschreibungen übernimmt;
- (b) die Nachfolgeschuldnerin alle erforderlichen Genehmigungen erhalten hat und berechtigt ist, an die Zahlstelle die zur Erfüllung der Zahlungsverpflichtungen aus den Schuldverschreibungen zahlbaren Beträge in der hierin festgelegten Währung zu zahlen, ohne verpflichtet zu sein, jeweils in dem Land, in dem die Nachfolgeschuldnerin oder die Emittentin ihren Sitz oder Steuersitz haben, erhobene Steuern oder andere Abgaben jeder Art abzuziehen oder einzubehalten;
- (c) die Nachfolgeschuldnerin sich verpflichtet hat, jeden Gläubiger hinsichtlich solcher Quellensteuern, Abgaben oder behördlichen Lasten freizustellen, die einem Gläubiger bezüglich der Ersetzung auferlegt werden;
- (d) die Emittentin unwiderruflich und unbedingte gegenüber den Gläubigern die Zahlung aller von der Nachfolgeschuldnerin in Zusammenhang mit den Schuldverschreibungen zahlbaren Beträge garantiert; und
- (e) der Zahlstelle jeweils ein Rechtsgutachten bezüglich der betroffenen Rechtsordnungen von anerkannten Rechtsanwältinnen vorgelegt werden, die bestätigen, dass die Bestimmungen in den vorstehenden Unterabsätzen (a), (b), (c) und (d) erfüllt wurden.

(2) *Notice.* Notice of any such substitution shall be published in accordance with § 12.

(3) *Change of References.* In the event of any such substitution, any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substitute Debtor and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substitute Debtor.

Furthermore, in the event of such substitution the following shall apply:

- (a) in § 7 and § 5 (2) an alternative reference to the Republic of Austria shall be deemed to have been included in addition to the reference according to the preceding sentence to the country of domicile or residence for taxation purposes of the Substitute Debtor; and
- (b) in § 9 (1) (a) to (e) an alternative reference to the Issuer in its capacity as Guarantor shall be deemed to have been included in addition to the reference to the Substitute Debtor.

§ 11 FURTHER ISSUES, PURCHASES AND CANCELLATION

(1) *Further Issues.* The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the Issue Date, interest commencement date and/or issue price) so as to form a single Series with the Notes.

(2) *Purchases.* The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Fiscal Agent for cancellation.

(2) *Bekanntmachung.* Jede Ersetzung ist gemäß § 12 bekanntzumachen.

(3) *Änderung von Bezugnahmen.* Im Fall einer Ersetzung gilt jede Bezugnahme in diesen Emissionsbedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin und jede Bezugnahme auf das Land, in dem die Emittentin ihren Sitz oder Steuersitz hat, gilt ab diesem Zeitpunkt als Bezugnahme auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat.

Außerdem gilt im Falle der Ersetzung folgendes:

- (a) in § 7 und § 5 Absatz 2 gilt eine alternative Bezugnahme auf die Republik Österreich als aufgenommen (zusätzlich zu der Bezugnahme nach Maßgabe des vorstehenden Satzes auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat); und
- (b) in § 9 Absatz 1(a) bis (e) gilt eine alternative Bezugnahme auf die Emittentin in ihrer Eigenschaft als Garantin als aufgenommen (zusätzlich zu der Bezugnahme auf die Nachfolgeschuldnerin).

§ 11 BEGEBUNG WEITERER SCHULDVERSCHREIBUNGEN, ANKAUF UND ENTWERTUNG

(1) *Begebung weiterer Schuldverschreibungen.* Die Emittentin ist jederzeit berechtigt, ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit den gleichen Bedingungen (gegebenenfalls mit Ausnahme des Tags der Begebung, des Verzinsungsbeginns und/oder des Ausgabepreises) in der Weise zu begeben, dass sie mit den Schuldverschreibungen eine einheitliche Serie bilden.

(2) *Ankauf.* Die Emittentin ist berechtigt, jederzeit Schuldverschreibungen im Markt oder anderweitig zu jedem beliebigen Preis zu kaufen. Die von der Emittentin erworbenen Schuldverschreibungen können nach Wahl der Emittentin von ihr gehalten, weiterverkauft oder bei der Zahlstelle zwecks Entwertung eingereicht werden.

(3) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 12 NOTICES

(1) *Publication.* So long as any Notes are listed on the official list of the Luxembourg Stock Exchange or traded on the Luxembourg Stock Exchange, all notices concerning the Notes will be published in a leading daily newspaper having general circulation in Luxembourg. This newspaper is expected to be the *Luxemburger Wort*. All notices concerning the Notes can also be made by means of electronic publication on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any notice so given will be deemed to have been validly given on the day of such publication (or, if published more than once, on the first day of such publication).

(2) *Publication on the Issuer's website.* So long as any Notes are listed on the second regulated market (*Geregelter Freiverkehr*) of the Vienna Stock Exchange or traded on the Vienna Stock Exchange, all notices concerning the Notes will be published on the Issuer's webpage if the rules of the Vienna Stock Exchange so permit. Any notice so given will be deemed to have been validly given on the third day following the date of such publication.

(3) *Notification to Clearing System.* In the case of notices regarding the Rate of Interest or, if the Rules of the Luxembourg Stock Exchange and the Vienna Stock Exchange so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders in lieu of publication pursuant to subparagraph (1) above; any such notice shall be deemed to have been given to the Holders on the seventh day after the day on which the said notice was given to the Clearing System.

§ 13 APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT

(1) *Applicable Law.* The form and content of the Notes and the Global Note(s) and all the rights and duties arising therefrom shall be governed exclusively by the laws of the Federal Republic of

(3) *Entwertung.* Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.

§ 12 MITTEILUNGEN

(1) *Bekanntmachung.* Solange Schuldverschreibungen an der *official list* der Luxemburger Börse notiert sind oder an der Luxemburger Börse gehandelt werden, sind alle die Schuldverschreibungen betreffenden Mitteilungen in einer führenden Tageszeitung mit allgemeiner Verbreitung in Luxemburg, voraussichtlich *Luxemburger Wort* bekannt zu machen. Alle die Schuldverschreibungen betreffenden Mitteilungen können auch durch elektronische Publikation auf der Website der Luxemburger Börse (www.bourse.lu) gemacht werden. Jede derartige Mitteilung gilt mit dem Tag der Veröffentlichung (oder bei mehreren Veröffentlichungen mit dem Tag der ersten solchen Veröffentlichung) als wirksam erfolgt.

(2) *Veröffentlichungen auf der Webseite der Emittentin.* Solange Schuldverschreibungen am *Geregelten Freiverkehr* der Wiener Börse notiert sind oder an der Wiener Börse gehandelt werden, sind alle die Schuldverschreibungen betreffenden Mitteilungen auf der Internetseite der Emittentin bekannt zu machen, sofern die Regeln der Wiener Börse dies zulassen. Jede Mitteilung gilt am dritten Tag nach dem Tag der Veröffentlichung als wirksam erfolgt

(3) *Mitteilung an das Clearing System.* Betreffend Mitteilungen über den Zinssatz oder soweit die Regeln der Luxemburger Börse und der Wiener Börse dies zulassen, kann die Emittentin eine Veröffentlichung nach Absatz 1 durch eine Mitteilung an das Clearing System zur Weiterleitung an die Gläubiger ersetzen; jede derartige Mitteilung gilt am siebten Tag nach dem Tag der Mitteilung an das Clearing System als den Gläubigern mitgeteilt.

§ 13 ANWENDBARES RECHT, GERICHTSSTAND UND GERICHTLICHE GELTENDMACHUNG

(1) *Anwendbares Recht.* Form und Inhalt der Schuldverschreibungen und der Globalurkunde(n) sowie alle sich daraus ergebenden Rechte und Pflichten bestimmen sich ausschließlich nach dem

Germany.

Recht der Bundesrepublik Deutschland.

(2) *Submission to Jurisdiction.* The District Court (*Landgericht*) in Frankfurt am Main shall have non-exclusive jurisdiction for any action or other legal proceedings ("**Proceedings**") arising out of or in connection with the Notes.

(2) *Gerichtsstand.* Nicht ausschließlich zuständig für sämtliche im Zusammenhang mit den Schuldverschreibungen entstehenden Klagen oder sonstige Verfahren ("**Rechtsstreitigkeiten**") ist das Landgericht Frankfurt am Main.

(3) *Enforcement.* Any Holder may in any proceeding against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian (as defined below) with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Note in global form certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the global note representing the Notes. For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other way which is admitted in the country of the Proceedings.

(3) *Gerichtliche Geltendmachung.* Jeder Gläubiger ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Gläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage wahrzunehmen oder geltend zu machen: (i) er bringt eine Bescheinigung der Depotbank bei, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, dass die Depotbank gegenüber dem Clearing System eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält; und (ii) er legt eine Kopie der die betreffenden Schuldverschreibungen verbriefenden Globalurkunde vor, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person des Clearing Systems oder des Verwahrers des Clearing Systems bestätigt hat, ohne dass eine Vorlage der Originalbelege oder der die Schuldverschreibungen verbriefenden Globalurkunde in einem solchen Verfahren erforderlich wäre. Für die Zwecke des Vorstehenden bezeichnet "**Depotbank**" jede Bank oder ein sonstiges anerkanntes Finanzinstitut, das berechtigt ist, das Wertpapierverwahrungsgeschäft zu betreiben und bei der/dem der Gläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich des Clearing Systems. Unbeschadet des Vorstehenden kann jeder Gläubiger seine Rechte aus den Schuldverschreibungen auch auf jede andere Weise schützen oder geltend machen, die im Land des Rechtsstreits prozessual zulässig ist

(4) *Appointment of Process Agent.* For any Proceedings before German courts, the Issuer appoints VERBUND Trading Deutschland GmbH, Sonnenstraße 17, 80331 Munich, Germany, as its authorised agent for service of process in

(4) *Bestellung von Zustellungsbevollmächtigten.* Für etwaige Rechtsstreitigkeiten vor deutschen Gerichten bestellt die Emittentin VERBUND Trading Deutschland GmbH, Sonnenstraße 17, 80331 München, Deutschland, zu ihrem

Germany.

Zustellungsbevollmächtigten in Deutschland.

**§ 14
LANGUAGE**

These Terms and Conditions are written in the German language and provided with an English language translation. The German text shall be controlling and binding. The English language translation is provided for convenience only.

**§ 14
SPRACHE**

Diese Emissionsbedingungen sind in deutscher Sprache abgefasst. Eine Übersetzung in die englische Sprache ist beigefügt. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

TAXATION

The following is a general description of certain tax considerations relating to the Notes in the Republic of Austria and the Grand Duchy of Luxembourg. It does not purport to be a complete analysis of all tax considerations relating to the Notes. In particular, this description does not consider any specific facts or circumstances that may apply to a particular purchaser. This description is based on the laws of the Republic of Austria and the Grand Duchy of Luxembourg currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR TAX ADVISERS AS TO THE CONSEQUENCES, UNDER THE TAX LAWS OF THE COUNTRY IN WHICH THEY ARE RESIDENT FOR TAX PURPOSES AND UNDER THE TAX LAWS OF THE REPUBLIC OF AUSTRIA AND THE GRAND DUCHY OF LUXEMBOURG OF ACQUIRING, HOLDING AND DISPOSING OF NOTES AND RECEIVING PAYMENTS OF PRINCIPAL, INTEREST AND OTHER AMOUNTS UNDER THE NOTES. THE INFORMATION CONTAINED WITHIN THIS SECTION IS LIMITED TO TAXATION ISSUES, AND PROSPECTIVE INVESTORS SHOULD NOT APPLY ANY INFORMATION SET OUT BELOW TO OTHER AREAS; INCLUDING (BUT NOT LIMITED TO) THE LEGALITY OF TRANSACTIONS INVOLVING THE NOTES.

1. Republic of Austria

General remarks

This section on taxation contains a brief summary of the Issuer's understanding with regard to certain important principles which are of significance in connection with the purchase, holding or sale of the Notes in the Republic of Austria. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. They are not intended to be, nor should they be construed to be, legal or tax advice. This summary is based on the currently applicable tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that potential investors in the Notes consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Notes. Tax risks resulting from the Notes shall in any case be borne by the investor. For the purposes of the following it is assumed that the Notes are legally and factually offered to an indefinite number of persons.

Individuals having a permanent domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria (in the following referred to as "residents", "resident individuals" or generally "resident investors") are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a permanent domicile nor their habitual abode in Austria (in the following referred to as "non-residents", "non-resident individuals" or generally "non-resident investors") are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of effective management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*) in Austria (in the following referred to as "resident corporations" or generally "resident investors") are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of effective management nor their legal seat in Austria (in the following referred to as "non-resident corporations" or generally "non-resident investors") are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

Income taxation of the Notes

Resident Investors

(i) *Taxation of notes held as private assets*

In Austria, interest income as well as income from "realised capital gains" received in connection with the Notes constitutes investment income. If interest income is paid out by an Austrian paying agent to an Austrian-resident individual, it is subject to withholding tax at a rate of 25 per cent. Income from realised capital gains is equally subject to Austrian withholding tax if an Austrian custodian agent or, if the custodian agent is not located in Austria, an affiliated Austrian paying agent is involved in the sale of the Notes. The term "domestic paying agent" or "domestic custodian agent" comprises in particular any Austrian bank, or any Austrian branch of a non-resident bank or of an investment service provider domiciled in an EU Member State.

If the investment income is not received via an Austrian paying agent nor an Austrian custodian agent, it has to be included in the taxpayer's individual tax return and is equally subject to a special flat rate of 25 per cent. upon assessment.

Neither tax deduction nor the specific tax rate is however applicable in connection with securities that are ("in legal and factual respects") not publicly offered; income derived therefrom are subject to the applicable individual income tax rate with a marginal rate of up to 50 per cent. and have to be declared in the income tax return.

Income from realised capital gains is computed as the difference between the proceeds (e.g. sales proceeds, redemption or other settlement amounts) and the acquisition cost (accrued interest is to be considered). The acquisition costs must not contain any ancillary acquisition costs. Different Notes that are not acquired at the same time but held on the same deposit account having the same identification number are accounted for at an average acquisition price.

Expenses and costs that are directly related to investment income (e.g. to the Notes) are not tax-deductible.

Taxable realised capital gains are basically also triggered upon circumstances leading to a loss of Austria's taxation right regarding the Notes vis-à-vis other countries, e.g. a relocation from Austria with a change of the residence status (*Wegzug*), or upon withdrawal of the Notes from the deposit account. For both cases exemptions are in place, in particular in the case of migration to another EU Member State or, upon the transfer to another deposit account, if certain notifications are made.

The 25 per cent. withholding tax has the effect of final taxation for individuals, i.e. they need not include the income in their income tax return. They may however (optionally) apply for taxation at the general personal income tax rate (tax assessment option), which will then uniformly apply to all investment income received in that year. Whether the use of the option is beneficial from a tax perspective should be determined by consulting a tax advisor.

Losses from Notes held as private assets can only be offset against other investment income (however excluding - inter alia - interest income from cash deposits and other receivables from banks as well as income from private law foundations and comparable legal estates) and may not be offset against income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation). The offsetting of losses generally has to be put into effect by the respective custodian agent. The carrying forward of losses from investment income is not possible.

(ii) *Taxation of notes held as business assets*

The principles outlined above are generally also applicable to Notes held by individuals as business assets, however with the following differences: Income from realised capital gains, even when subject to withholding tax in Austria, is not subject to final taxation and thus has to be included in the income tax return. Nonetheless the special flat rate of 25 per cent. applies upon assessment. With respect to the acquisition costs, as opposed to Notes held as private assets, also ancillary costs may be taken into account (i.e. deducted from the proceeds). Losses in value (impairment losses) and realised losses from Notes may be offset in a first step with positive income from realised capital gains and from derivatives. Subsequently, 50 per cent. of the remaining losses may be offset with any other income and be carried forward.

It should be noted that expenses and costs that are directly related to investment income (e.g. to the Notes) are not tax-deductible for individuals even though the Notes are held as business assets.

(iii) *Notes held by Austrian resident corporations*

Generally, corporations that are domiciled or have a permanent establishment in Austria are deemed to receive only income from business activities (no private income). The income deriving from the Notes have to be included in the tax return and are subject to the general corporate income tax at a rate of 25 per cent. An exemption from an Austrian withholding obligation applies if the receiving company declares in writing to the paying agent liable to withhold the tax that the investment income constitutes business income, and such an "exemption declaration" is submitted to the Austrian tax authority. Losses are taken into account upon tax assessment. If no exemption declaration is provided, any withholding tax deducted and remitted may then be credited to the corporate income tax or refunded, if applicable.

Special rules apply in relation to private foundations.

Non-Resident Investors

Investment income derived by investors that are not tax-resident in Austria before 1 January 2015 is generally not taxable in Austria. An Austrian paying agent or custodian agent nevertheless has to retain withholding tax if the investor has not provided evidence that he is not resident in Austria. Any deducted withholding tax may however be recovered in a tax refund procedure.

A limited Austrian tax liability however applies if the Notes are allocated to an Austrian permanent establishment of the non-resident investor. Where non-residents receive income from the Notes as part of business income taxable in Austria (e.g. permanent establishment), they are, in general, subject to the same tax treatment as resident investors.

Individuals that are residents of another EU Member State are subject to the EU Withholding Tax at a rate of 35 per cent. on interest payments, provided that the paying agent is located in Austria. By submitting a certificate of residence (containing specific personal data, such as the beneficial owner's name, address, tax identification number, bank account number and other details) issued by the tax authorities of his state of residence to the paying agent, the investor may however avoid the deduction of EU withholding tax.

As of 1 January 2015, interest (as defined in the EU Withholding Tax Act) paid to recipients outside the scope of the EU Withholding Tax Act, is generally subject to limited tax liability in Austria, provided they are also subject to the domestic withholding tax. An exemption with respect to interest payments owed by a debtor that has neither its seat nor its place of management in Austria and is further no branch of a foreign bank does not apply for the Notes. For the Notes the withholding tax at a rate of 25 per cent. will be levied on all interest payments received by non-residents that do not fall within the scope of the EU Withholding Tax Act (whether corporations or individuals) as of 1 January 2015. The withholding tax can be reduced or recovered in accordance with Art 11 of the relevant double tax treaty with the investor's state of residence, if applicable. Non-resident corporations holding the Notes as business assets are generally exempt from Austrian tax regarding interest paid on the Notes, if they

submit an "exemption declaration" (including relevant tax information) according to the law. The new withholding tax on interest payments is meant to correspond to the EU Withholding Tax based on the EU Savings Directive and is based on the same definition of interest payments.

EU withholding tax

Under EU Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). Such withholding tax is currently 35 per cent. A number of non-EU countries (including Switzerland) and dependent and associated territories have agreed to adopt similar measures (a withholding system in the case of Switzerland). Under Austrian rules no withholding is imposed if information of the investors is provided in a qualified manner, including a certificate of residence of the tax authority of the other member state with detailed information on the taxpayer (see also "non-resident investors" above). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from January 1, 2015, in favour of automatic information exchange under the Directive.

It is expected that changes to the EU Withholding Tax Act – implementing Council Directive 2014/48/EU of 24 March 2014 amending Directive 2003/48/EC on taxation of savings income in the form of interest payments – will enter into effect by 1 January 2017.

Tax treaties Austria/Switzerland and Austria/Liechtenstein

The Treaty between the Republic of Austria and the Swiss Confederation on Cooperation in the Areas of Taxation and Capital Markets and the Treaty between the Republic of Austria and the Principality of Liechtenstein on Cooperation in the Area of Taxation provide that a Swiss, respectively Liechtenstein, paying agent has to withhold an Austrian tax amounting to 25 per cent. on, inter alia, interest income, dividends and capital gains from assets booked with an account or deposit of such Swiss, respectively Liechtenstein, paying agent if the relevant holder of such assets (i.e. in general individuals on their own behalf and as beneficial owners of assets held by a domiciliary company (*Sitzgesellschaft*) is tax resident in Austria. The same applies to such income from assets managed by a Liechtenstein paying agent or trust if the relevant holder of the assets (i.e. in general individuals as beneficial owners of a transparent structure) is tax resident in Austria. The treaties, however, do not apply to interest covered by the agreements between the European Community and the Swiss Confederation, respectively the Principality of Liechtenstein, regarding Council Directive 2003/48/EC on taxation of savings income in the form of interest payments. The taxpayer can opt for voluntary disclosure instead of the withholding tax by expressly authorising the Swiss, respectively Liechtenstein, paying agent to disclose to the competent Austrian authority the income, which subsequently has to be included in the income tax return. Possible relief of double taxation is available and has to be checked in the individual case.

Austrian inheritance and gift tax

The Austrian inheritance and gift tax (*Erbschafts- und Schenkungssteuer*) was abolished in 2008. However, certain gift notification obligations may apply in case gratuitous transfers of assets exceed specific thresholds.

Other Taxes

The gratuitous transfer of assets to (Austrian or foreign) private law foundations and comparable legal estates is subject to foundation tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Tax Act (*Stiftungseingangssteuergesetz*). Such tax is triggered if the transferor and/or the foundation at the time of transfer have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. An exemption applies in case of a transfer mortis causa of financial assets

(except for participations in corporations) that is subject to the special tax rate of 25 per cent. The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate is in general 2.5 per cent., with a higher rate of 25 per cent. applying in special cases.

Further, gratuitous transfers of the Notes may lead to a loss of Austrian taxing rights and can therefore trigger income tax at the level of the transferor pursuant to the Austrian Income Tax Act (see above).

2. Luxembourg

This taxation overview solely addresses withholding tax consequences of the acquisition, ownership and disposal of Notes issued by the Issuer on or after the date of this Prospectus under Luxembourg Tax Law. It does not describe any other Luxembourg tax consequences. It does therefore not consider every aspect of taxation that may be relevant to a particular Holder of Notes.

Prospective Holders of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Notes on the basis of this Prospectus, including the effect of any state or local taxes, under the tax laws of Luxembourg and each country of which they are residents.

Withholding Tax

All payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

- (i) the application of the Luxembourg laws of 21 June, 2005, as amended, implementing Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (the "**EU Savings Directive**") and ratifying several agreements concluded with certain dependent or associated territories and providing for the possible application of a 35 per cent. withholding tax on interest paid to certain non Luxembourg resident investors (individuals and certain types of entities called "residual entities" within the meaning of article 4.2 of the EU Savings Directive) in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the above-mentioned directive (see section "EU Savings Directive" below) or agreements. On 18 March 2014, the Luxembourg Government has submitted to the Luxembourg Parliament the draft Bill N° 6668 on taxation of savings income putting an end to the current withholding tax regime as from 1 January 2015 and implementing the automatic exchange of information as from that date. This draft Bill is in line with the announcement of the Luxembourg Government dated 10 April 2013;
- (ii) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005, as amended, which has introduced a 10 per cent. withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005, as amended, implementing the EU Savings Directive).

Pursuant to the law of 23 December 2005, as amended, Luxembourg resident individuals can opt to self declare and pay a 10 per cent. levy on interest payments made by paying agents located in a Member State of the European Union other than Luxembourg, a Member State of the European Economic Area or in a State or territory which has concluded an agreement directly relating to the EU Savings Directive.

The 10 per cent. withholding tax as described above or the 10 per cent. levy are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 21 June 2005 and 23 December 2005, as amended, is assumed by the Luxembourg paying agent within the meaning of these laws and not by the Issuer.

3. EU Savings Directive

Under the EU Savings Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity named Residual Entities (within the meaning of Article 4 (2) of the EU Savings Directive) established in that other Member State; however, for a transitional period, Austria and Luxembourg apply instead a withholding system in relation to such payments, deducting tax at a rate of meanwhile 35 per cent.. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. On 18 March 2014, the Luxembourg Government has submitted to the Luxembourg Parliament draft Bill N° 6668 on taxation of savings income putting an end to the current withholding tax regime as from 1 January 2015 and implementing the automatic exchange of information as from that date. This draft Bill is in line with the announcement of the Luxembourg Government dated 10 April 2013. In addition, also Austria has undertaken to implement an automatic exchange of information in the future (with no concrete date of implementation given at the moment).

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain Residual Entities established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Investors who are in any doubt as to their position should consult their professional advisers.

4. The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective Holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SELLING RESTRICTIONS AND OTHER INFORMATION

General

In addition to the specific restrictions set out below, the Joint Lead Managers have agreed that they will observe all applicable provisions of law in each jurisdiction in or from which it may offer Notes or distribute any offering material.

European Economic Area

In relation to each Member State of the European Economic Area (the EU plus Iceland, Norway and Liechtenstein) which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Lead Manager has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive); subject to obtaining the prior consent of the relevant Joint Lead Manager or Joint Lead Managers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes the relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United States of America and its Territories

The Notes have not been and will not be registered under the Securities Act and the Notes may not be offered, or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act. Each Joint Lead Manager has represented and agreed that it has offered and sold the Notes, and will offer and sell the Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all the Notes only in accordance with Rule 903 of the Regulation S under the Securities Act. Neither the Joint Lead Managers, their affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act. Each Joint Lead Manager has also agreed that at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:

"The securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes as determined and certified by each Joint Lead Manager, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them in Regulation S under the Securities Act".

Terms used in the preceding paragraphs have the meaning given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

In addition, each Joint Lead Manager has represented and agreed that:

- (a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) or substantially identical successor provisions (the "**TEFRA D Rules**"), (i) it has not offered or sold, and during the restricted period will not offer or sell, directly or indirectly, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and will not deliver, directly or indirectly, within the United States or its possessions definitive Notes in bearer form that are sold during the restriction period;
- (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
- (c) if it was considered a United States person, that is acquiring the Notes for purposes of resale in connection with their original issuance and agrees that if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of the TEFRA D Rules;
- (d) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period that it will either (i) repeat and confirm the representations and agreements contained in sub-clauses (a), (b) and (c); or (ii) obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-clauses (a), (b) and (c); and
- (e) it will obtain for the benefit of the Issuer the representations and agreements contained in sub-clauses (a), (b), (c) and (d) from any person other than its affiliate with whom it enters into a written contract, as defined in U.S. Treas. Reg. Section 1.163 5(c)(2)(i)(D)(4) or a substantially identical successor provision, for the offer or sale during the restricted period of Notes.

Terms used in the preceding paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA D Rules.

United Kingdom of Great Britain and Northern Ireland

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) Financial promotion: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer; and

- (b) General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

GENERAL INFORMATION

Interest of natural and legal persons involved in the issue

Save for any fees payable to the Joint Lead Managers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

Total amount of Notes to be admitted to trading and specified denomination of each Note

Aggregate principal amount: 500,000,000

Specified denomination of each Note: Euro 100,000

Security Codes

The following security codes have been assigned to the Notes:

ISIN: XS1140300663

Common Code: 114030066

WKN: A1ZSFW

Legislation under which the Notes will be created

German law

Form of Notes

The Notes are issued in bearer form. The Notes are initially represented by the Temporary Global Note without coupons. The Temporary Global Note will be exchangeable for Notes in Specified Denominations represented by the Permanent Global Note without coupons. The Temporary Global Note and the Permanent Global Note shall each be signed by one or two authorised signatories of the Issuer and shall each be authenticated by or on behalf of the Fiscal Agent. Definitive Notes and interest coupons will not be issued.

Specified Currency

The Specified Currency of the Notes is Euro.

Status of the Notes

The obligations under the Notes constitute unsecured and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all other present or future unsecured and unsubordinated obligations of the Issuer except for any obligations preferred by law.

Limitation of rights

Tax Call

If as a result of any Tax Law Change (as defined in § 5 (2) of the Terms and Conditions of the Notes) the Issuer is required to pay Additional Amounts (as defined in § 7 of the Terms and Conditions of the Notes) on the next succeeding Interest Payment Date (as defined below) and this obligation cannot be avoided by the use of reasonable measures available to the Issuer, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Fiscal Agent and, in accordance with § 12 of the Terms and Conditions of the Notes to the Holders, at their Early Redemption Amount (as defined in § 5 (4) of the Terms and Conditions of the Notes), together with interest (if any) accrued to the date fixed for redemption.

Interest on the Notes

The Notes shall bear interest on their principal amount at the rate of 1.50 per cent. per annum from (and including) 20 November 2014 to (but excluding) the Maturity Date (as defined in § 5 (1) of the Terms and Conditions of the Notes). Interest shall be payable in arrears on 20 November in each year (each such date, an "**Interest Payment Date**"). The first payment of interest shall be made on 20 November 2015.

Maturity Date

The maturity date of the Notes is 20 November 2024.

Yield of the Notes

The yield on the Notes is 1.671 per cent. The yield was calculated at the Issue Date on the basis of the issue price of the Notes as specified on the cover page of this Prospectus. It is not an indication of future yield.

Issue date of the Notes

The issue date of the Notes is 20 November 2014.

Restrictions on free transferability

None.

Authorisations

The issue of Notes has been authorised by resolution of the Issuer's Management Board dated 14 October 2014 and by the resolution of the Issuer's Supervisory Board dated 17 September 2014.

Admission to listing and trading

Application has been made to list the Notes (i) on the official list of the Luxembourg Stock Exchange and admit the Notes to trading on the regulated market of the Luxembourg Stock Exchange ("**Bourse de Luxembourg**"), and (ii) on the second regulated market (*Geregelter Freiverkehr*) of the Vienna Stock Exchange (*Wiener Börse*), each a market appearing on the list of regulated markets issued by the European Commission pursuant to Directive 2004/39/EC of April 21, 2004 on Markets in Financial Instruments amending Council Directives 85/811/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.

Estimate of total expenses related to the admission to listing and trading

Approximately EUR 10,000.

Rating of the Notes

As of the date of this Prospectus, it is expected that the Notes receive the following credit ratings:

Rating Agency	Expected Rating
Standard & Poor's	BBB+ (stable outlook)
Moody's	Baa1 (negative outlook)

Each of Standard & Poor's and Moody's is established in the European Union and is currently registered pursuant to Regulation (EC) No 1060/2009 of the European Parliament and the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**"). Each of Standard & Poor's and Moody's is listed in the "List of registered and certified CRAs" as published by

the European Securities and Markets Authority on its website (<http://www.esma.europa.eu>) in accordance with the CRA Regulation.

With regard to the rating of the Issuer, reference is made to the section "GENERAL INFORMATION ON THE ISSUER - Rating".

A rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the assigning rating agency at any time.

Incorporation by Reference

The following information is incorporated by reference into this Prospectus:

- Translations of the audited consolidated financial statements of VERBUND AG for the fiscal year ended on 31 December 2013 and the Auditors' Report
 - Consolidated Income statement (page 71 in the Annual Report 2013),
 - Consolidated Statement of comprehensive income (page 72 in the Annual Report 2013),
 - Consolidated Balance sheet (page 73 in the Annual Report 2013),
 - Consolidated Statement of changes in equity (pages 74 - 75 in the Annual Report 2013),
 - Consolidated Cash flow statement (pages 76 - 77 in the Annual Report 2013),
 - Notes (pages 78 - 213 in the Annual Report 2013).
 - Auditors' Report to the Issuer's financial statements (pages 216 - 217 in the Annual Report 2013).
- Translations of the audited consolidated financial statements of VERBUND AG for the fiscal year ended on 31 December 2012 and the Auditors' Report
 - Consolidated Income statement (page 73 in the Annual Report 2012),
 - Consolidated Statement of comprehensive income (page 74 in the Annual Report 2012),
 - Consolidated Balance sheet (page 75 in the Annual Report 2012),
 - Consolidated Statement of changes in equity (pages 76 - 77 in the Annual Report 2012),
 - Consolidated Cash flow statement (pages 78 - 79 in the Annual Report 2012),
 - Notes (pages 80-213 in the Annual Report 2012).
 - Auditors' Report to the Issuer's financial statements (pages 216 - 217 in the Annual Report 2012).
- Translation of the unaudited condensed consolidated interim financial statements of VERBUND AG for the nine months ended on 30 September 2014 consisting of
 - Consolidated Income statement (page 23 in the Third Quarter Report 2014),
 - Consolidated Statement of comprehensive income (page 24 in the Third Quarter Report 2014),

- Consolidated Balance sheet (page 25 in the Third Quarter Report 2014),
- Consolidated Statement of changes in equity (pages 26 - 27 in the Third Quarter Report 2014),
- Consolidated Cash flow statement (pages 28 - 29 in the Third Quarter Report 2014),
- Selected explanatory notes (pages 30 - 56 in the Third Quarter Report 2014).

Any information not incorporated by reference into this Prospectus but contained in one of the documents mentioned as source documents in the cross reference list above is either not required by the relevant schedules of the Commission Regulation (EC) No. 809/2004 of 29 April 2004, as amended or covered in another part of this Prospectus.

The source documents from which the information mentioned above has been incorporated by reference into this Prospectus will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and may be inspected and are available free of charge at the specified office of the Fiscal Agent(s) as long as any Notes are listed on the regulated market of the Luxembourg Stock Exchange and the rules of such stock exchange so require.

Documents on Display

For so long as any Note is outstanding, copies of the following documents may be inspected during normal business hours at the specified office of the Fiscal Agent and as long as the Notes are listed on the Luxembourg Stock Exchange the documents set out below will be available (free of charge) on the website of the Luxembourg Stock Exchange (www.bourse.lu):

- (a) the Prospectus and any supplement thereto; and
- (b) documents incorporated by reference.

The Issuer's Articles of Association are available (free of charge) on the Issuer's website under <http://www.verbund.com/cc/de/investor-relations/corporate-governance> (a non-binding English translation is available under <http://www.verbund.com/cc/en/investor-relations/corporate-governance>).

Any websites included in the Prospectus are for information purposes only and do not form part of the Prospectus.

NAMES AND ADDRESSES

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