The information on the Capital market calendar 2020 included in this Annual Financial Report 2019 has been revised.

The dates published in the corporate news dated 27 March 2020 entitled "Postponement of the 73rd Annual General Meeting of VERBUND AG" are applicable.

Vienna, 9 April 2020

VERBUND AG's current capital market calendar can be found below:

Event	**Date**
Record date for Annual General Meeting	Saturday, 6 June 2020
Annual General Meeting	Tuesday, 16 June 2020
Ex-dividend date	Tuesday, 23 June 2020
Record date for dividends	Wednesday, 24 June 2020
Dividend payment date	Monday, 6 July 2020
Results and interim report quarter 1/2020	Wednesday, 13 May 2020, 8:00 a.m.
Results and interim report quarters 1–2/2020	Thursday, 30 July 2020, 8:00 a.m.
Results and interim report quarters 1–3/2020	Thursday, 5 November 2020, 8:00 a.m.

Shaping a sustainable energy future.
Our drive. Our energy.

Annual Financial Report 2019

Verbund
Power for the Future

VERBUND Integrated Annual Report
This report combines our annual financial report and our sustainability report.

How should this report be used?
The information in this integrated report focuses on the main aspects of economic, environmental and social performance.
Additional information about the content presented here can be found

- in the Disclosures on Management Approach (DMA) at www.verbund.com > Investor Relations > Financial reports,
- in the GRI and TCFD Content Index at www.verbund.com > About VERBUND > Responsibility > Non-financial Information,
- in the NFI download at www.verbund.com > About VERBUND > Responsibility > Non-financial Information and
- on other web pages referred to separately.

GRI indicators, SDGs and TCFD references in the margin notes point to the corresponding content in the text.

The integrated annual report is also available online at www.verbund.com > Investor Relations > Financial reports.

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

UN GLOBAL COMPACT
COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Design concept for charts and tables

Column/bar width

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

Medium columns or bars represent aggregate amounts.
Examples: €k, €m, €bn

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

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

Colours

- Current year
- Neutral
- Previous years
- Budgeted figures
- VERBUND
- Emphasis

Five-year comparison

Economic performance

	Unit	2015	2016	2017	2018	2019
Revenue[1]	€m	2,969.6	2,795.9	2,913.2	2,671.1	**3,895.0**
EBITDA	€m	888.7	1,044.2	922.3	864.2	**1,183.5**
Adjusted EBITDA[2]	€m	838.8	894.5	899.7	863.5	**1,183.5**
Operating result (EBIT)	€m	410.6	615.1	400.1	655.1	**865.9**
Operating result before effects from impairment tests	€m	528.6	704.9	581.0	536.9	**819.3**
Group result	€m	207.7	424.4	301.4	433.2	**554.8**
Adjusted Group result[2]	€m	268.9	325.9	354.5	342.2	**549.0**
Total assets	€m	11,763.0	11,538.2	11,283.6	11,704.8	**11,838.6**
Equity	€m	5,433.3	5,529.5	5,690.8	5,941.0	**6,568.0**
Net debt	€m	3,685.4	3,221.7	2,843.8	2,560.7	**2,256.1**
Additions to property, plant and equipment	€m	269.3	255.3	231.0	292.5	**438.9**
Cash flow from operating activities	€m	674.0	804.3	640.6	664.1	**1,204.3**
Free cash flow before dividends	€m	551.4	580.7	416.1	415.3	**817.4**
Free cash flow after dividends	€m	392.7	415.7	293.5	237.2	**639.3**
EBITDA margin[1]	%	29.9	37.3	31.7	32.4	**30.4**
EBIT margin[1]	%	13.8	22.0	13.7	24.5	**22.2**
Return on capital employed (ROCE)[1]	%	3.9	5.7	4.2	5.6	**7.8**
Return on equity (ROE)	%	4.7	8.4	5.4	8.2	**10.2**
Equity ratio (adjusted)	%	48.2	50.0	52.4	52.7	**57.7**
Gearing	%	67.8	58.3	50.0	43.1	**34.4**
Net debt/EBITDA	X	4.1	3.1	3.1	3.0	**1.9**
FFO/Net debt (net debt coverage)	%	23.9	32.1	30.0	28.7	**44.3**
Gross debt coverage (FFO)	%	22.8	30.4	28.1	25.7	**41.0**
Gross interest cover (FFO)	X	5.2	8.7	8.1	7.3	**11.9**
Closing price	€	11.86	15.18	20.15	37.24	**44.74**
Market capitalisation	€m	4,120.4	5,272.0	6,998.7	12,937.8	**15,543.4**
Earnings per share	€	0.60	1.22	0.87	1.25	**1.60**
Cash flow per share	€	1.94	2.32	1.84	1.91	**3.47**
Carrying amount per share[3]	€	13.75	14.05	14.58	15.27	**16.95**
Price/earnings ratio (last trading day)	X	19.83	12.42	23.22	29.87	**28.02**
Price/cash flow ratio	X	6.11	6.55	10.93	19.48	**12.91**
Price/book value ratio[3]	X	0.86	1.08	1.38	2.44	**2.64**
(Proposed) dividend per share	€	0.35	0.29	0.42	0.42	**0.69**
Dividend yield	%	3.0	1.9	2.1	1.1	**1.5**
Payout ratio from Group result	%	58.5	23.7	48.4	33.7	**43.2**
Entity value/EBITDA	X	8.8	8.1	10.7	17.9	**15.0**
Average number of employees		3,089	2,923	2,819	2,742	**2,772**
Electricity sales volume	GWh	51,375	55,189	58,518	58,908	**62,179**
Hydro coefficient		0.93	1.00	0.99	0.94	**1.01**

[1] calculation adjusted retrospectively in accordance with IAS 8 in financial year 2019 with effect from 1 January 2018 // [2] adjusted for extraordinary effects // [3] calculation adjusted retrospectively in accordance with IAS 8 in financial year 2017

Environmental performance

	Unit	2015	2016	2017	2018	**2019**
Hydropower generation[1]	GWh	28,098	29,809	29,687	28,684	**30,660**
Wind power generation	GWh	882[2]	835[2]	952	834	**929**
Thermal power generation	GWh	2,259	1,351	2,227	1,611	**1,570**
Share of generation from renewables	%	93	96	93	95	**95**
Specific GHG emissions (Scope 1/total electricity generated)[3]	g CO_2e/kWh	56	31	41	34	**32**
Emissions avoided through renewable generation[4]	kt CO_2	24,167	25,457	23,666	22,411	**24,071**
Percentage of sites certified to ISO 14001 and EMAS[5]	%	93	93	100	100	**100**

Social performance

	Unit	2015	2016	2017	2018	**2019**
Number of employees under labour law[6]	Number	3,098	2,952	2,819	2,784	**2,843**
Training per employee[7]	Hours	33.6	35.2	36.0	33.6	**40.0**
Lost time injury frequency (LTIF)[8]	Number	11.9	8.9	10.1	5.4	**6.4**
Proportion of women	%	17.8	17.5	17.5	17.6	**17.8**
Average duration of employment[9]	Years	19.2	18.9	18.8	18.1	**17.6**
Employee turnover rate[10]	%	2.7	2.7	2.8	2.1	**2.0**

[1] incl. purchase rights // [2] incl. the solar power generated in Spain that was available until the sale of the Spanish activities (sale completed in mid-December 2016) // [3] total electricity generated incl. purchase rights excluding generation of district heating; preliminary data prior to audit // [4] calculation using the share of thermal generation based on ENTSO-E mix // [5] sites of consolidated companies, excluding wind power plants if the operating company is certified and sites in which VERBUND has a share of <51% and where another co-owner is responsible for management; as at 31 December of the year // [6] as at 31 December, excl. members of the Executive Board and employees in partial retirement // [7] incl. executives and long-term agency staff, excl. apprentices, apprentices in post-qualification retention period (Behaltefristen), employees seconded to third parties and those on long-term leave; excluding safety instruction // [8] ratio of workplace injuries from the first day of leave to million working hours; excluding injuries requiring only first aid measures. Beginning in 2017, the basis for calculating the working hours is defined for the industry at 1,740 working hours per year (previously 1,618), incl. external contractors from 2018. // [9] Change in calculation method in 2016: personnel from acquired and newly consolidated companies are included in the duration of employment with the acquired/consolidated company and no longer in the duration of employment with the VERBUND Group. // [10] excl. retirements, incl. employees leaving during their probationary period

GRI 102-7

Basic information

Share capital (€)	347,415,686
Shares (number)	347,415,686
Official quotation	
Vienna	VER
Information systems	
Bloomberg	VER AV
Reuters	VERB.VI
ISIN	AT0000746409

Capital market calendar 2020

Event	Date
Annual result 2019	18 March 2020
Publication of integrated annual report	18 March 2020
Record date for Annual General Meeting	18 April 2020
Annual General Meeting	28 April 2020
Ex-dividend date	5 May 2020
Record date for dividends	6 May 2020
Dividend payment date	18 May 2020
Interim report quarter 1/2020	13 May 2020
Interim report quarters 1–2/2020	30 July 2020
Interim report quarters 1–3/2020	5 November 2020

VERBUND

Annual Financial Report 2019

Contents

Part 1
Group

Information about the integrated report

This integrated annual report contains the Group management report published by VERBUND for financial year 2019, the Group report on non-financial information (NFI Report) and the Group's consolidated financial statements, including the notes to the consolidated financial statements. The principles of fair enterprise management followed by VERBUND are laid out in the Corporate Governance Report. This integrated annual report thus not only presents the Group's financial and legal information but also deals with further aspects of sustainability and proper conduct of business operations.

GRI 102-46
GRI 102-48

The report covers the activities of all of the companies included in the Group's consolidated financial statements. It also includes sustainability reporting. Changes in reporting from the prior-year period are noted in the respective sections. Significant events occurring at unconsolidated companies are likewise presented to provide a complete picture of the Group.

The reporting period comprises the 2019 calendar year. The most recent preceding report (for the 2018 financial year) was published on 13 March 2019. To ensure that our report is up to date, we also report on any major events occurring at VERBUND between 31 December 2019 and authorisation of the annual report for issue on 13 February 2020. Supplementary information on sustainability topics is available in our Disclosures on Management Approach (DMA) document and on the VERBUND website at www.verbund.com > About VERBUND > Responsibility > Non-financial Information.

GRI 102-50
GRI 102-51
GRI 102-52

Integrated report focuses on stakeholder interests

Investors, owners, customers, employees and other interest groups all require different types of information. The relevant information was collected once again in 2019 in an extensive stakeholder survey and is summarised in the VERBUND materiality matrix. The sustainability-related contributions to VERBUND's integrated annual report are updated annually on the basis of the materiality analysis conducted in accordance with the Global Reporting Initiative (GRI), the stakeholder survey, internal media analyses and material topics relating to stakeholder engagement.

The materiality analysis is presented in the Materiality section

Reporting pursuant to the Austrian Sustainability and Diversity Improvement Act (NaDiVeG)

VERBUND's NFI Report prepared in accordance with Section 267a of the Austrian Commercial Code (UGB), which is included in this integrated annual report, compiles the disclosures required by the Austrian Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG), which implements Directive 2014/95/EU (Non-financial Reporting (NFR) Directive) regarding the disclosure of non-financial and diversity information. These relate in particular to environmental matters, social and employee-related matters, respect for human rights and anti-corruption matters.

The Group's auditor reviewed the NFI Report for completeness and recorded the outcome in an Independent Assurance that was subsequently presented to the Supervisory Board.

The Supervisory Board reviewed the NFI Report and reports on its findings to the General Meeting held in the year following the reporting period.

GRI 102-32

Standards and guidelines

GRI 102-54
GRI 102-55

All data and calculations taken for this integrated annual report are based on national and international standards as well as on guidelines for financial reporting (including the International Financial Reporting Standards (IFRSs)) and sustainability reporting (the Global Reporting Initiative Standards and the G4 Electric Utilities Sector Disclosures). This report was prepared in accordance with the "Core" option of the 2016 GRI Standards and the 2018 GRI Standards (relating to GRI 303: Water and Effluents). The current GRI Content Index is published on the VERBUND website along with the TCFD Index that was prepared in 2019 for the first time.

Information about the methods, standards and factors used and the assumptions made in the calculation of key performance indicators (KPIs) is available from the Group's Investor Relations and Sustainability departments at any time upon request.

The margins of this report include references to GRI disclosures as well as to VERBUND's contributions to the respective Sustainable Development Goals (SDGs) set by the UN. The "TCFD" references in the margins point to information on how VERBUND is implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to manage its climate-related financial risk exposure.

VERBUND is one of the signatories to the United Nations Global Compact and as such supports the UN's 2030 Agenda for Sustainable Development. This integrated annual report doubles as VERBUND's UN Global Compact Communication on Progress Report.

External audit

The content of the consolidated financial statements, the Group management report and the NFI Report is subjected to an external audit by independent auditor Deloitte Audit Wirtschaftsprüfungs GmbH.

GRI 102-56
See: Independent Assurance and Independent Auditor's Report

VERBUND's power plant app

Visit the virtual world of VERBUND using your mobile device. You can find the app for Android and iOS devices at www.verbund.com/app. We invite you to gain an exciting virtual insight into the world of VERBUND that will open up fresh perspectives for you. Dive into the VERBUND world directly with the map accompanying this report or by scanning the QR code in the margin.

Report of the Executive Board

Ladies and Gentlemen,

GRI 102-14

Financial year 2019 was a very important and gratifying year for us. Important because we adopted additional key strategic objectives that will have lasting positive effects for the future of our Group. Gratifying because, as in the two preceding financial years, we again delivered a highly respectable economic performance, which confirms our chosen strategy. This was also reflected in our share price. VERBUND shares were up 20.1% in 2019, underpinned by the sustained favourable market environment for producers of renewable energy, and thus continued the upward trend observed in 2018. Our shares' solid performance on the stock market also put VERBUND into the ATX five, the index of the top five companies in the ATX in terms of market capitalisation.

We firmly believe that VERBUND's almost exclusive use of renewable energy sources ideally positions the Group for a decarbonised, decentralised and digitalised future of energy.

VERBUND strategy refined and honed. Our strategy is based on five strategic pillars: environmentally friendly generation of electricity from hydropower, sustainable expansion and efficient operation of the Austrian high-voltage grid, expansion of electricity generation from the new renewable energy sources of wind and solar power, use of our flexible power plants to maintain security of supply, and provision of a broad range of energy solutions for our customers. The strategy is supplemented by key topics relating to innovation, such as green hydrogen and new storage technologies, as well as to digitalisation, which provide an ideal complement to our business model. Further important decisions were made in all pillars of the strategy in 2019.

In the area of environmentally friendly generation of electricity from hydropower, we are focusing on maintaining value while increasing efficiency at existing power plants and on selective construction of new hydropower plants. 2019 saw the start of construction of the Töging hydropower project in Bavaria. Built in 1924 on the Inn River channel, the run-of-river power plant with output of around 85 MW will be expanded and modernised. Following an investment period lasting around four years and with projected total capital expenditure of approximately €250m, about 32 MW of additional capacity will be available from 2023 onwards. The Gries hydropower plant was also inaugurated in 2019. This facility, which entailed an aggregate investment of around €50m, will supply around 10,000 households with green electricity from hydropower. Over the next three years, we are planning to invest a total of around €650m in the further expansion and maintenance of our hydropower facilities, thereby making a large contribution to mitigating climate change.

In 2019, important decisions were also made with regard to the expansion of the Austrian high-voltage grid, operated by our wholly owned subsidiary Austrian Power Grid AG. Substantial investment in the Austrian high-voltage grid is necessary to integrate the growing volumes of new renewable energy sources into the European power grid, reduce the resulting volatility in the power grid and close the 380-kV ring in Austria. A resolution was adopted in 2019 to construct the 380-kV Salzburg line, a project with an investment volume of around €890m which is part of an approx. €2.9bn network development plan that Austrian Power Grid AG plans to implement over the next ten years.

In the future, we will focus much more heavily on expanding electricity generation from the new renewable energy sources of wind and solar power. VERBUND's honed strategy envisages that by 2030 around 20–25% of the electricity we generate will come from new renewable sources of energy. To this effect, a new VERBUND subsidiary was set up in financial year 2019. Photovoltaic installations and onshore wind farms are growing in importance for VERBUND. We believe that the increasing marketability of the new renewable energy sources offers great potential for us and we intend to leverage this to increase the regional diversification of our product portfolio in Europe. What is more, VERBUND projects represent key building blocks in achieving Austria's and Europe's climate targets. These necessitate expanding all renewable energy sources, enlarging the infrastructure and storage facilities and investing in energy efficiency.

A downstream project focuses sales activities. In 2019, we focused our sales activities in a downstream project aimed at aligning our product portfolio and organisational structure with our customers' requirements and the new challenges we are facing in the energy world. At the same time, processes were optimised to ensure a sustained contribution to earnings. Going forward, in addition to the commodity of electricity, VERBUND will offer photovoltaic and battery solutions for its customers and expand its solutions for the marketing of flexibility options to customers. In terms of our residential customer base, we exceeded the 500,000 electricity and gas customer mark as at 31 December 2019.

Strategic further development through digitalisation and innovation. VERBUND also continued to work on digitalisation and research into new storage technologies and green hydrogen in 2019. Digitalisation is at the front and centre of activities in all of VERBUND's business divisions with the goal of being highly efficiently and effectively positioned for the future of energy. The Digital Power Plant project at the Rabenstein pilot plant in Styria is an example of how we are proceeding in the field of digitalisation. Storage technologies will be indispensable in implementing the energy transition. Alongside pumped storage power plants, the new storage technologies are designed to support VERBUND in balancing volatile renewable energy generation. Such technologies are being tested in the context of project BlueBattery, for example, in which an industrial-scale battery storage unit is being integrated into the existing Wallsee-Mitterkirchen run-of-river hydropower plant. Green hydrogen as a source of energy is also at the forefront of research at VERBUND. For example, one of the world's largest proton exchange membrane (PEM) electrolyser installations with a capacity of 6 MW was put into operation at the voestalpine site in Linz during the current financial year. In addition, VERBUND is researching the topic of green hydrogen at the Mellach power plant site in collaboration with the Technical University of Graz. VERBUND and OMV are also assessing the options for establishing electrolytic hydrogen production.

Strong commitment to social responsibility. At VERBUND we take our social responsibilities very seriously. The topic of sustainability has been a key aspect of activities in our Group for several decades now. We published our first environmental report back in 1994, setting a trend towards reporting on environmental factors in Austria. Since 2015, we have responded to rising demand from our stakeholders for comprehensive company information by publishing an integrated annual report. On top of this, we are continuously developing our sustainability strategy and intensively engaging with our stakeholder groups. Two flagship projects deserve particular mention in relation to our activities in the social area. We have cooperated with Diakonie, a Protestant welfare organisation, for ten years, jointly implementing the legally enforceable right of disabled persons in Austria to receive support for communication and assistive technologies. The VERBUND Electricity Relief Fund in collaboration with Caritas (a Catholic charity) provides assistance quickly, in an unbureaucratic manner, to people who are at risk of poverty. Since the collaboration began in 2009, the VERBUND Electricity Relief Fund has offered assistance to a total of 4,500 households with 11,500 people altogether living in these households.

Excellent performance. The results posted by VERBUND for financial year 2019 were highly encouraging. All of the Group's management KPIs saw a considerable improvement. This growth is mainly due to a sharp rise in average sales prices attributable to higher price levels for wholesale electricity. The average sales price for our own generation from hydropower increased by €9.7/MWh to €39.0/MWh. Generation from hydropower was also up year-on-year. The hydro coefficient for the run-of-river power plants came to 1.01, or 7 percentage points above the prior-year figure and 1 percentage point above the long-term average. The earnings contribution from the Grid segment likewise improved compared with the prior-year reporting period as a result of higher temporary additional revenue.

EBITDA, the operating result before depreciation and amortisation, increased by 36.9% to €1,183.5m and the Group result was up 28.1% on the previous year to €554.8m. Adjusted for non-recurring effects, EBITDA rose by 37.1% and the Group result climbed by as much as 60.4% to €549.0m. The Group's financial performance and cash flows both saw a marked improvement. Cash flow from operating activities surged by 81.3% to €1,204.3m and the free cash flow after dividends reached a record figure of €639.3m. This financial strength enabled us to reduce our debt level. Net debt/EBITDA as at 31 December 2019 stood at 1.9, putting us in the group of top-performing European utilities. The Group also achieved record figures in terms of profitability and returns. The return on capital employed (ROCE) and return on equity improved to 7.8% and 10.2%, respectively. The EBITDA margin is a gratifying 30.6%.

Dividend. We plan to propose a dividend of €0.69 per share for financial year 2019 at the Annual General Meeting to be held on 28 April 2020. The payout ratio calculated on the basis of the adjusted Group result thus amounts to 43.7% for 2019 (or 43.2% based on the reported Group result).

We would like to express our gratitude to all of our customers as well as to all of our employees, investors, suppliers and business partners. Let us together summon up the strength and the courage to take further action against climate change!

Dipl.-Ing. Wolfgang Anzengruber   Mag. Dr. Michael Strugl   Dr. Peter F. Kollmann   Mag. Dr. Achim Kaspar

Report of the Supervisory Board

VERBUND, Austria's leading utility, succeeded in making good use of the positive energy market climate and operating environment in financial year 2019 and once again generated very good results, remaining on a profitable and sustainable trajectory. The Supervisory Board actively monitored and supported this strong performance.

Performance of duties

GRI 102-26

In financial year 2019, the Supervisory Board discharged the responsibilities and exercised the powers incumbent upon it by virtue of the law and the Articles of Association at five plenary meetings. The overall attendance rate for all Supervisory Board members was 95%. The Chairman additionally kept in regular contact with the Board members to discuss matters of importance as they arose. The Executive Board provided the Supervisory Board with regular and comprehensive real-time information, both verbally and in writing, on all relevant matters relating to the performance as well as the position and strategy of the Group and all significant Group companies; information was also provided on the Group's risk position and its risk management activities.

The Supervisory Board advised the Executive Board on key questions concerning the future, particularly as regards the Group's structure and strategy, and monitored the Executive Board's management activities continuously based on its extensive reporting. Following a detailed strategy process, the revised corporate strategy was approved. Supervision took place in the context of open and constructive meetings between the Executive Board and the Supervisory Board and revealed no grounds for objection. The main resolutions adopted by the Supervisory Board are presented in the 2019 Consolidated Corporate Governance Report. Between Board meetings, the Chairman of the Supervisory Board conversed regularly with the members of the Executive Board, particularly the Chairman.

New General Committee of the Supervisory Board

In place of Dr. Gerhard Roiss, who stepped down from the Supervisory Board, MMag. Thomas Schmid was elected to the Supervisory Board at the Annual General Meeting on 30 April 2019 and subsequently unanimously elected as its Chairman. Mag. Martin Ohneberg was elected to the Supervisory Board as a further shareholder representative and as 1st Vice-Chairman to replace Prof. Dr. Michael Süß, who also stepped down from the Board.

Among the employee representatives, Veronika Neugeboren took the place of Dipl.-Ing Hans Pfau on the Supervisory Board effective 30 April 2019.

Code of Corporate Governance, Supervisory Board Committees

As a leading listed Group, VERBUND made an early commitment to comply with the Austrian Code of Corporate Governance. VERBUND's Supervisory Board views compliance with the Code as obligatory and endeavours to consistently comply with the provisions relating to the Supervisory Board. In this spirit, we have achieved fundamental compliance with the rules relating to the Supervisory Board's collaboration with the Executive Board and within the Supervisory Board itself.

Pursuant to the requirements of the Code (Rule 36), the Supervisory Board again conducted a self-evaluation of its activities, particularly of its organisation and work procedures. The evaluation was undertaken in the form of a comprehensive written questionnaire that was completed by the Board members. The Supervisory Board discussed the results of its evaluation at a meeting. In addition, the Supervisory Board again discussed at length possible conflicts of interest when dealing with the approval of contracts with companies where individual Supervisory Board members are related parties.

No conflicts of interest were identified that would require any action to be undertaken beyond that taken at the meetings.

The Supervisory Board's Audit Committee met three times during the financial year now ended. It dealt above all with the quarterly financial statements, the budget and preparation of the resolution to approve the annual financial statements, as well as with the appointment of the auditor and examination of the auditor's work. In addition, the Audit Committee concentrated on opportunity and risk management as well as the Group's internal control and audit procedures and on the audits performed by Internal Audit.

The Strategy Committee of the Supervisory Board is responsible above all for coordinating corporate strategy with the Executive Board, conducting the annual strategy review and supervising any modifications to be made. During the reporting period, the Strategy Committee held three meetings for the purpose of monitoring revision of the Group's strategy and to discuss individual topics of strategic relevance.

In accordance with the Code of Corporate Governance and the rules of procedure, three other Supervisory Board committees – an Emergencies Committee, a Nomination Committee and a Remuneration Committee – were again formed in the past financial year. The Remuneration Committee held one meeting to discuss in particular target agreements and the achievement of targets for the variable remuneration for the Executive Board. The Nomination Committee and the Emergencies Committee did not meet in the reporting period.

Further information on the composition, work procedures and meetings of the Supervisory Board and its committees as well as on the remuneration paid to its members is contained in the Group's Consolidated Corporate Governance Report for 2019.

Annual financial statements and consolidated financial statements

The annual financial statements, together with the management report, the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs) and the Group management report for financial year 2019 were audited by Deloitte Audit Wirtschaftsprüfungs GmbH and issued with an unqualified auditor's report. The auditor prepared the additional report required to be made to the Audit Committee under Article 11 of the Regulation on the statutory audit of public-interest entities and reported its findings in writing. The auditor found that the Executive Board had provided the explanations and evidence requested and that the book-keeping, annual financial statements and consolidated financial statements fulfilled the legal requirements and, in conformity with generally accepted accounting principles, gave a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group. The auditor also confirmed that the management report and the Group management report were consistent with the annual financial statements and the consolidated financial statements.

Following in-depth examination and discussion by the Audit Committee and the Supervisory Board, the Supervisory Board approved the annual financial statements for financial year 2019 as presented by the Executive Board. As a result, they are final for the purposes of Section 96(4) of the Austrian Stock Corporation Act (Aktiengesetz, AktG). The management report prepared by the Executive Board was approved, as was the proposal for the appropriation of profit. The Supervisory Board also approved the consolidated financial statements and the Group management report along with the consolidated corporate governance report submitted by the Executive Board and the separate Non-Financial Report. There were no grounds for any material objections.

In conclusion, the Supervisory Board would like to thank the Executive Board and all employees for their high level of dedication and their successful work during financial year 2019. The Supervisory Board would also like to thank the Group's shareholders, customers and business partners for their trust.

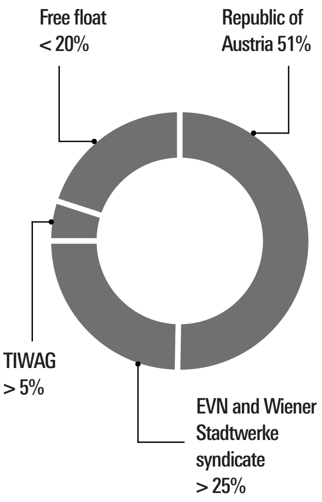
Vienna, March 2020

MMag. Thomas Schmid
Chairman of the Supervisory Board

OUR DRIVE. OUR ENERGY.

At VERBUND, we use our expertise in regional hydropower to create a liveable energy future by providing reliable, customised energy solutions.

SHAREHOLDER STRUCTURE



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www.verbund.com

GRI 102-1, GRI 102-2,
GRI 102-3, GRI 102-4,
GRI 102-5, GRI 102-6

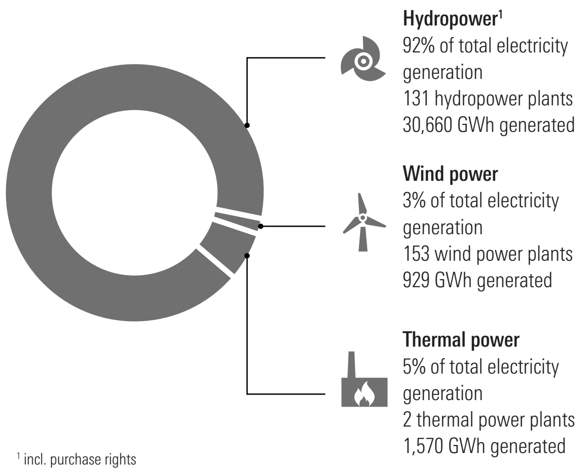
VERBUND at a glance. Power for the future.

Our mission is to energise the future with clean electricity and innovative solutions. We are one of the largest producers of hydroelectricity in Europe. VERBUND's value chain comprises the generation, transportation, trading and sale of electrical energy and other energy sources as well as the provision of energy services. In 2019, the Group generated annual revenue of around €3.9bn with approximately 2,800 employees. VERBUND has been listed on the Vienna Stock Exchange since 1988, with 51% of the share capital held by the Republic of Austria.

GENERATION

All amounts are for 2019

VERBUND is Austria's leading utility and one of the largest producers of hydroelectricity in Europe. Our most important energy generation technologies are hydropower and wind power – renewable resources that account for some 95% of all energy produced by VERBUND. Making the generation of 100% carbon-free electricity a long-term reality is our goal.



[1] incl. purchase rights

TRADING AND SALES

100% of the electricity sold to residential customers comes from hydropower and climate-neutral natural gas. Residential customers are also provided with a range of innovative solutions for the smart home. For industrial and commercial customers, VERBUND develops customised energy efficiency solutions along with solutions for flexible energy management, among other things. In Austria, VERBUND holds a market share of 8% in the small customer segment and 20% in the large customer segment. In Germany, VERBUND is the leading provider of green electricity to resellers and large customers. VERBUND's trading activities are focused on twelve countries.

TRANSPORTATION

Austrian Power Grid (APG) is the wholly owned grid subsidiary of VERBUND AG. APG operates the Austrian transmission grid, which extends over approx. 3,400 km and includes 64 substations and switching stations. Located in the heart of Europe, the grid integrates electricity from renewable sources into the electricity supply for Austria and the rest of Europe and plays a crucial role in enabling the energy transition. APG's high-performance grid ensures security of supply and forms the basis for the development of a liberalised electricity market throughout the EU.

ENERGY-RELATED SERVICES

By providing new energy services and smart products, VERBUND is already taking an active part in shaping the future of energy. We are working to develop technical and cost-effective solutions for a secure, affordable and environmentally friendly supply of energy. The products offered range from convenience services and decentralised plants for generating and storing energy to energy optimisation services for household customers as well as commercial and industrial customers.

VERBUND's 2030 strategy

TCFD

VERBUND's strategy is based on five strategic pillars: efficient generation of electricity from hydropower; expansion of electricity generation from renewable energy sources such as wind and solar power; sustainable expansion and safe operation of the Austrian high-voltage grid; use of the flexible power plants to maintain security of supply in Austria; and the Sales segment, with provision of customer-centric, innovative products and services.

Efficient generation of electricity from hydropower is and will remain the core of our business as one of Europe's biggest producers of electricity from hydropower. Our strategy is twofold: maintaining the value of our 131 existing power plants while continuously improving our flexible generation facilities so that we can continue to ensure carbon-free base-load and peak-load energy generation in our core markets of Austria and Germany. By implementing new initiatives such as the Digital Hydro Power Plant pilot project we are setting new standards in the digitalisation of hydropower plants. In addition to maintaining value and optimising the existing generation portfolio, we are focusing on harnessing existing hydropower potential in an environmentally compatible manner.

Complementing our hydropower activities, we will place increased emphasis on the expansion of renewable energy sources from onshore wind power plants and photovoltaic systems in the coming years. Here, we will be concentrating not only on achieving organic growth in our existing core markets, but also on acquiring attractive wind and photovoltaic plants in Europe. Our long-term goal is to profitably build up an onshore wind and solar portfolio that will account for approx. 20–25% of VERBUND's overall generation by 2030. Combined with our flexible generation facilities in particular, this will enable us to make a major contribution to decarbonisation in Austria and Europe.

Our wholly owned subsidiary Austrian Power Grid AG (APG) is the control area manager and operates the Austrian transmission grid. Extending over 3,428 km and including 64 substations and switching stations, the APG grid forms the backbone of domestic electricity supply. It ensures that electricity produced and consumed can be exchanged within Austria and internationally and guarantees a stable supply for the distribution networks. APG is committed to security of supply; it is a market platform and paramount in the implementation of the energy transition. Extensive investment in the Austrian transmission grid is required for this and will be secured through the implementation of the network development plan. This sustainable expansion of the transmission grid is pivotal to the achievement of Austria's climate targets.

Our flexible thermal power plants are instrumental in maintaining security of supply in Austria in connection with congestion management. To achieve further decarbonisation, we will switch the Mellach district heating power plant over to exclusive gas operation once the 2019/20 heating season has ended. In the future, promising technologies for the future of energy will be researched and tested at the Mellach site.

We see ourselves as a partner to our customers in the energy sector, especially in relation to the development of innovative, sustainable solutions. Our electricity trading activities serve to optimise the marketing of our own generation, with innovative green electricity and flexible products enhancing the value of our electricity. However, we are also continuously expanding our portfolio with customer-focused commercial products and new services. In the sales area our customers are provided with clean electricity and climate-neutral gas, together with other energy-related products and innovative solutions to promote the efficient use of energy. Particularly in the case of cross-sectoral projects involving alternative energy sources and new storage technologies, we are positioning ourselves as a leading enterprise in the field of sector coupling together with our partners from business and society.

VERBUND is a catalyst for the future of energy in Austria, safeguarding a secure supply of electrical energy for business and society. We provide decisive support for the system integration of volatile renewable generation and are shaping Europe's energy industry as a driver of sector coupling.

Strategic pillars of VERBUND's 2030 strategy

Efficient hydropower generation

Maintaining the value of existing hydropower generation, optimising the flexible generation portfolio and commercial exploitation of existing opportunities to grow hydropower

New renewables generation

Long-term, profitable expansion of around 20–25% of the total electricity generated from onshore wind power plants and photovoltaic systems to advance decarbonisation

Safe grid operation

Sustainable expansion of the transmission grid as the basis for safe operation and a liquid electricity market in Austria and Europe

Security of supply

Use of existing, flexible gas power plants for congestion management purposes

Customer-centric solutions

Innovative partner for customers in the energy sector and development of sustainable solutions with alternative energy sources and new storage systems

VERBUND's 2030 strategy guides the actions of the entire Group. This is ensured by setting binding operational targets for all stages in the value chain.

Corporate objectives

GRI 102-14

TCFD

The following medium-term corporate objectives have been defined based on the materiality analysis performed and the VERBUND strategy:

Material topics	Corporate objectives
Increasing enterprise value[1]	Financial stability: net debt/EBITDA < 3.0
	Return on capital: ROCE > 7.0%
	Target/ensure an A-level rating
Security of supply	Maintain value and expand further in the field of hydropower generation
	Provide flexible generation units
Safe grid operation	Implement network development plan
New renewables generation	20–25% of the total electricity generated by 2030 will come from wind and solar power
Customer relations	Customer Loyalty Index: ≥75 points
Innovation	Develop and implement a VERBUND start-up engagement programme
	Conclude an international innovation partnership
	Develop and launch new flagship projects throughout the strategic innovation areas
	(Further) develop a VERBUND innovation index
Digitalisation, information security and data protection	Implement projects focused on rolling out digital solutions throughout the Group's supply chain
	Set up a technology radar for proactive identification and evaluation of innovative digital solutions
	Reach all relevant employees in relation to awareness of data and information security
	Implement the planned information security projects
Climate protection	Discontinue coal-fired electricity generation and district heating in 2020
	Reduce specific emissions to < 10g CO_2e/kWh (Scope 1) by 2021
Use of energy and resources	Reduce energy intensity by 25% (2015–2021)
	Reduce water intensity by 50% (2015–2021)
	Reduce material intensity in thermal power plants by 80% (2015–2021)
	Implement economic efficiency measures from energy audits
Environmental protection and conservation	Invest around €280m by 2027 in environmental measures at rivers such as fish passes and restoration
	Increase number of fish passes by 50% (2015–2021)
	Reduce NO_x emissions by 80% (2015–2021)
	Reduce SO_2 emissions by 100% (2015–2021)
	Reduce dust emissions by 90% (2015–2021)

Health and safety	Lost time injury frequency (LTIF) ≤ 5
	Progressive ISO 45001 certification of all VERBUND sites by 2025
Attractive employer	Turnover rate < 5%
	38.5 hours of training per employee/year
	35 new apprentices each year
Diversity and inclusion in the Group	Proportion of women > 20%
	Ensure balanced employee age structure (benchmark: employed wage and salary earners by age group in Austria)
	Fulfil statutory quotas for the employment of disabled persons (currently 4% in Austria and 5% in Germany)
Compliance	100% participation rate in mandatory compliance training

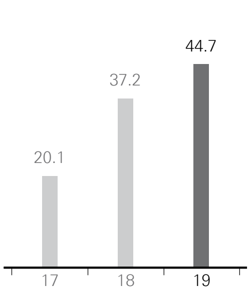
[1] based on existing asset and value-chain structure

Investor relations

Upcoming dates:

Record date for Annual General Meeting: 18 April 2020
Annual General Meeting: 28 April 2020
Ex-dividend date: 5 May 2020
Record date for dividends: 6 May 2020
Dividend payment date: 18 May 2020
Results for quarter 1/2020: 13 May 2020

Closing prices VERBUND shares €/share



International capital market environment in 2019

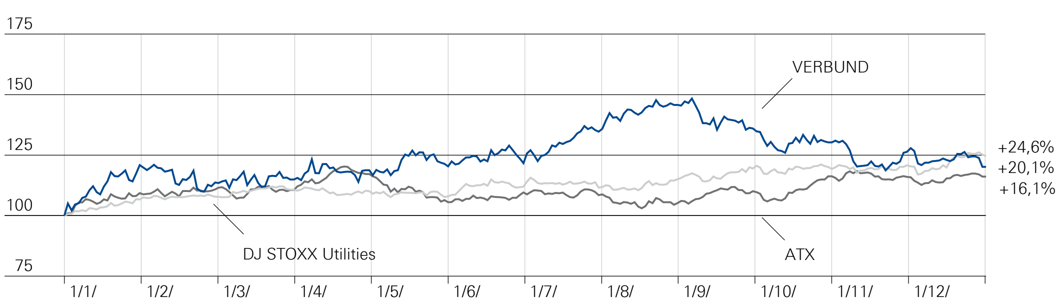
Overall, 2019 was a record-breaking year on the stock markets. Despite recession fears, Brexit and the trade dispute between the United States and China, investors will remember financial year 2019 as a fantastic year. Positive stimuli were provided in particular by the central banks, which reinforced their monetary policy measures in response to the downturn in the global economy. The new ECB president Christine Largarde is expected to continue the expansionary monetary policy in Europe for the time being. The signing of a partial agreement, which led to an easing of trade tensions between the US and China, pushed the stock markets up to new record levels, particularly towards the end of 2019. The US Dow Jones Industrial stock index thus ended 2019 up 22.3%. The Eurostoxx 50 performed marginally better, posting gains of 24.8% compared with the 2018 year-end figure. The performance of Japan's Nikkei 225 index was not quite as good, though it, too, ended the year up 18.2%. Only the emerging markets saw more subdued trends. The MSCI Emerging Markets Index closed the year up 15.4% on the 2018 year-end figure. The Austrian ATX performed in line with the global price trend and recorded gains of 16.1% in 2019. It finished trading in 2019 at 3,186.9 points.

VERBUND shares

VERBUND shares continued to perform very encouragingly in 2019 thanks to the favourable market environment for renewable energy producers and continued the growth trend seen in 2018. The price of VERBUND shares climbed almost continuously until reaching its high for the year at the beginning of September. This was followed by a period of correction up to mid-November 2019, which turned into a sideways movement lasting until year-end. VERBUND shares closed financial year 2019 trading at €44.7, an increase of 20.1% on the figure for 31 December 2018. This put the performance of VERBUND shares above the Austrian ATX in a year in which the ATX gained 16.1% as a whole, but below the European DJ STOXX Utilities sector index, which was up 24.6%.

With a market capitalisation of €15.5bn, VERBUND was one of Austria's largest listed companies in 2019. Based on its strong market performance, VERBUND moved up into the ATX five.

VERBUND share price: relative performance 2019



KPIs – shares

	Unit	2018	**2019**	Change
Share price high	€	44.8	55.3	23.4%
Share price low	€	20.0	38.0	90.2%
Closing price	€	37.2	44.7	20.1%
Performance	%	84.9	20.1	–
Market capitalisation	€m	12,937.8	15,543.4	20.1%
ATX weighting	%	6.2	6.2	–
Value of shares traded	€m	3,803.0	4,399.9	15.7%
Shares traded per day	Shares	459,485	379,239	–17.5%

Investor relations team activities in 2019

Active, open communication with investors, analysts and individual shareholders during road shows, conference calls and in one-on-one conversations is important to VERBUND. VERBUND's investor relations team conducted road shows in Europe and the US in 2019 and participated in several major investor conferences. Together with the Executive Board, the team briefed investors from all over the world on VERBUND's key performance indicators and its operational and strategic performance.

Comprehensive information is available on the "Investor Relations" pages of our website at www.verbund.com – including our annual and interim reports, financial calendar and events, current press releases, presentations and Excel spreadsheets as well as documents relating to VERBUND's Annual General Meetings in past years.

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Investor Relations
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E-mail: investor-relations@verbund.com

VERBUND shares are covered by 15 renowned Austrian and international investment banks, thus ensuring their visibility in the capital market. The following investment banks covered our Group as at 31 December 2019:

Alpha Value *(Auguste Deryckx Lienart)*
Barclays *(Peter Crampton)*
Berenberg Bank *(Lawson Steele)*
Commerzbank *(Tanja Markloff)*
Credit Suisse *(Wanda Serwinowska)*
Erste Group *(Petr Bártek)*
Exane BNP Paribas *(Sofia Savvantidou)*
HSBC *(Adam Dickens)*
Kepler Cheuvreux *(Ingo Becker)*
Macquarie *(Martin Brough)*
Mainfirst *(Martin Tessier)*
Morgan Stanley *(Robert Pulleyn)*
Oddo BHF *(Louis Boujard)*
Raiffeisen Centrobank *(Teresa Schinwald)*
Société Générale *(Lueder Schumacher)*

Current ratings

As at 31 December 2019, VERBUND's ratings were as follows:

- Standard & Poor's: A/stable outlook
- Moody's: Baa1/positive outlook

For more information on our rating, please refer to the section on Finance > Financing

VERBUND in sustainability indices and sustainability rankings

Sustainable investments in the capital markets remained popular in 2019. Both customers and European Commission initiatives on sustainable finance prompted investors to focus more on ecological, ethical and social criteria. VERBUND's systematic pursuit of a sustainable business model had a positive effect on its sustainability ratings.

The rating VERBUND was given by Sustainalytics improved to 20.2/100 points (2018: 23.8; note: the lower, the better), underpinning the Group's solid management of sustainability risks. Sustainalytics attested VERBUND particular strength in its management of emissions, effluent and waste in particular.

ISS-oekom and the supplier evaluation platform EcoVadis also updated their ratings of VERBUND in 2019 and again attested to the high standard of sustainability management. In EcoVadis, VERBUND once again attained GOLD status and thus remains in the top 10 percent of the over 50,000 companies evaluated. ISS-oekom gave VERBUND a further rating of "B", making special mention of the Group's robust environmental management and VERBUND's efforts to mitigate climate change.

In its ESG rating, US financial services provider MSCI gave VERBUND an excellent overall rating of "AA", underlining the Group's solid targets for reducing CO_2 emissions and increasing efficiency.

VERBUND uses renewable energy sources for a sustainable energy future.

Each year, the Chamber of Public Accountants and Tax Advisors presents the Austrian Sustainability Reporting Award (ASRA) to the Austrian companies publishing the best sustainability reports. In the category of "Integrated Annual Reports", VERBUND achieved an outstanding second place in 2019. The jury praised VERBUND's 2018 Integrated Annual Report for the long tradition of reporting and clear illustrations with tables and diagrams. It made particular mention of the description of the opportunities and risks of climate change for VERBUND.

Please refer to: www.voenix.at

VERBUND was included in the following sustainability indices as at 31 December 2019:

- VÖNIX (VBV Austrian sustainability index)
- Ethibel Sustainability Index (ESI) Excellence Europe
- FTSE4Good Index Series

Consolidated
Corporate Governance Report

Consolidated Corporate Governance Report

in accordance with Section 267b of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)

Corporate governance – framework

VERBUND AG is a listed stock corporation domiciled in Austria. Its corporate governance framework is derived from Austrian and European law, including, in particular, stock corporation and capital market law, the Austrian Commercial Code (UGB) and the regulations governing employee co-determination, the Company's Articles of Association, the rules of procedure for the Company's Boards and, finally, the Austrian Code of Corporate Governance (Österreichischer Corporate Governance Kodex, ÖCGK).

Declaration of commitment to the Austrian Code of Corporate Governance

Declaration of conformity

The Austrian Code of Corporate Governance as amended is available from the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at

VERBUND declares its unconditional commitment to the Austrian Code of Corporate Governance. The Executive Board and Supervisory Board see it as their primary duty to comply with all of the rules of the Code as fully as possible and to maintain and continue to develop the Group's high internal standards. The Code was applied during financial year 2019 as amended in January 2018 and was adhered to in accordance with the explanatory notes in this report. Active implementation of the requirements of the Code is intended to ensure responsible management and control of the Group directed at sustainable, long-term value creation and to create a high level of transparency for all stakeholders. VERBUND will continue to actively adhere to the Code as amended during financial year 2020. Applying it as fully as possible is an essential building block for strengthening the trust placed in the Group by shareholders, business partners, employees and the general public.

Additional reporting

A consolidated corporate governance report is presented as required under statutory provisions. As a combined report, it also includes the report in accordance with Section 243c of the Austrian Commercial Code (UGB), and key items of this report are expanded beyond the listed parent company to include the entire Group. Opinion 22 of the Austrian Financial Reporting and Auditing Committee (AFRAC) has been followed with respect to the requirements on content.

This Consolidated Corporate Governance Report includes not only the disclosures required by law but also the additional content as intended by the Code of Corporate Governance. In addition, further information is provided on the relevant indicators under the Global Reporting Initiative (GRI), the global standard on sustainability reporting.

Detailed information on the composition and work procedures of the Executive Board, the Supervisory Board and the Supervisory Board's committees is provided in the sections entitled Executive Board and Supervisory Board.

Further information on the bodies Executive Board, Supervisory Board and Annual General Meeting and on their interactions is available in the document entitled Disclosures on Management Approach (DMA) at www.verbund.com > Investor Relations > Financial reports.

Deviations

VERBUND complies with almost all the rules in the Austrian Code of Corporate Governance, including the R Rules. The deviations applied in financial year 2019 are the same as those applied in the previous year. From a total of 83 rules in the Code, there are slight deviations in the application of only two C Rules which are to some extent the result of legislative circumstances. In accordance with the "comply or explain" principle, these deviations are explained below:

C Rule 2:

The principle of "one share – one vote" is generally adhered to with respect to VERBUND shares. The sole exception is based on a restriction on voting rights embodied in the "federal constitutional act regulating the ownership structure of enterprises in the Austrian electricity industry" and in the provision of the Articles of Association based on this. The exception is worded as follows: "With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder in the Annual General Meeting are restricted to 5% of the share capital."

C Rule 45:

The rule according to which Supervisory Board members may not assume any functions on the boards of other companies that are competitors of the Group was adhered to by all the members of the Supervisory Board, with two exceptions.

The two Supervisory Board members in question each carry out leading functions on boards in companies which are shareholders of VERBUND AG. If there is a conflict of interest with them in a specific case, then the chairperson will institute appropriate measures (e.g. withholding of certain documents, abstention from voting or departure from the meeting). This was required once in the reporting period.

Executive Board

Composition of the Executive Board

In financial year 2019, the Executive Board was composed of four members. GRI 102-18 GRI 405-1

At its meeting on 13 June 2018, the Supervisory Board appointed the following persons as members of the Executive Board as at 1 January 2019: Dipl.-Ing. Wolfgang Anzengruber as Chairman, Mag. Dr. Michael Strugl as Vice-Chairman, Dr. Peter F. Kollmann and Mag. Dr. Achim Kaspar.

The Executive Board

Name	Year of birth	Date of initial appointment	End of current term of office
CEO Dipl.-Ing. Wolfgang Anzengruber Chairman	1956	1/1/2009	31/12/2020
Vice-Chairman Mag. Dr. Michael Strugl Member of the Executive Board	1963	1/1/2019	31/12/2021
Dr. Peter F. Kollmann Member of the Executive Board	1962	1/1/2014	31/12/2021
Mag. Dr. Achim Kaspar Member of the Executive Board	1965	1/1/2019	31/12/2021

GRI 102-25

Board functions of Executive Board members within the Group

Name	Group company		Function
Dipl.-Ing. Wolfgang Anzengruber	VERBUND Hydro Power GmbH	Supervisory Board, Annual General Meeting	Chairman Chairman
	VERBUND Thermal Power GmbH	Supervisory Board	Chairman
	Ennskraftwerke AG	Supervisory Board	1st Vice-Chairman
Mag. Dr. Michael Strugl	VERBUND Trading GmbH	Supervisory Board, Annual General Meeting	Chairman Chairman
	Austrian Power Grid AG	Supervisory Board	Member
	VERBUND Hydro Power GmbH	Supervisory Board	Member
	VERBUND Sales Deutschland GmbH	Annual General Meeting	Chairman
	VERBUND Sales GmbH	Annual General Meeting	Chairman
	VERBUND Solutions GmbH	Annual General Meeting	Chairman
	E-Mobility Provider Austria GmbH	Annual General Meeting	Vice-Chairman
	SMATRICS GmbH & Co KG	Shareholders' Meeting	Vice-Chairman
Dr. Peter F. Kollmann	Austrian Power Grid AG	Supervisory Board	Chairman
	VERBUND Hydro Power GmbH	Supervisory Board	Member
	VERBUND Services GmbH	Annual General Meeting	Chairman
	VERBUND Trading GmbH	Supervisory Board	1st Vice-Chairman
Mag. Dr. Achim Kaspar	Ennskraftwerke AG	Supervisory Board	Member
	VERBUND Hydro Power GmbH	Supervisory Board	1st Vice-Chairman
	VERBUND Innkraftwerke GmbH	Supervisory Board, Shareholders' Meeting	Chairman Chairman
	Grenzkraftwerke GmbH	Supervisory Board, Annual General Meeting	Chairman Chairman
	Innwerk AG	Supervisory Board	Chairman
	Donaukraftwerk Jochenstein AG	Supervisory Board	Chairman
	Österreichisch-Bayerische Kraftwerke AG	Supervisory Board	Chairman
	VERBUND Thermal Power GmbH	Supervisory Board	1st Vice-Chairman

Supervisory Board appointments of Executive Board members outside the Group

Name	Company	Function
Dipl.-Ing. Wolfgang Anzengruber	University of Salzburg (University Council)	Member
Dr. Peter F. Kollmann	Telekom Austria AG	Member
Mag. Dr. Achim Kaspar	KELAG-Kärntner Elektrizitäts-Aktiengesellschaft[1]	Member

[1] as at 31 December 2019, VERBUND held a 35.17% interest in KELAG

Work procedures and allocation of responsibilities

The Executive Board conducts the Group's business activities and represents it externally.

The rules of procedure govern the allocation of responsibilities and how the members of the Executive Board must work together. In addition, they lay down the Executive Board's duties to notify and report, and contain a list of measures that require approval by the Supervisory Board. The measures requiring approval also include material transactions proposed by the Group's main subsidiaries. A revised version of the rules of procedure was issued as at 1 January 2019. The changes mainly concerned the organisation of Executive Board meetings, reporting to the Supervisory Board and transactions requiring approval.

The allocation of responsibilities within the Executive Board is part of the rules of procedure and defines the range of duties of the Executive Board members without prejudice to the overall responsibility of the Executive Board.

Allocation of responsibilities

Dipl.-Ing. Wolfgang Anzengruber	Chairman; corporate development (incl. strategy, corporate responsibility), corporate office (incl. legal affairs, corporate affairs, compliance & audit)
Mag. Dr. Michael Strugl	Vice-Chairman; energy market and business management, strategic human resources management, corporate innovation & new business, communication Trading, sales, new business solutions
Dr. Peter F. Kollmann	Financial management, mergers & acquisitions and investor relations, management accounting, corporate accounting and risk management Services, grid
Mag. Dr. Achim Kaspar	Information security and digitalisation Renewable generation, thermal generation, tourism

Remuneration of members of the Executive Board

Remuneration of the Executive Board members amounted to a total of €3,549,980 in the 2019 reporting period (previous year: €5,599,347), including €50,708 (previous year: €79,237) in remuneration in kind. The total amount for the previous year had also included other remuneration of €828,016 relating to compensation in lieu of holiday for former members of the Executive Board.

Current remuneration of the Executive Board (incl. variable remuneration) in €

	2018			2019	
	Fixed remuneration	Variable remuneration	Other	Fixed remuneration	Variable remuneration
Dipl.-Ing. Wolfgang Anzengruber	849,770	563,457	0	750,000	577,594
Dr. Michael Strugl	0	0	0	685,000	0
Dr. Peter F. Kollmann	806,096	382,089	0	620,000	391,678
Dr. Achim Kaspar	0	0	0	475,000	0
Dr. Johann Sereinig	813,641	385,665	598,682	0	0
Dipl.-Ing. Dr. Günther Rabensteiner	604,733	286,643	229,334	0	0

Because it is only possible to ascertain at the end of the year whether targets have been achieved, variable remuneration components are paid out in the following year. Therefore, the total amount includes the variable remuneration components granted to the members of the Executive Board in the 2019 reporting period for the 2018 reporting period.

Variable remuneration depends upon performance and is limited to a specific percentage of the respective fixed remuneration. This percentage rate was between 50% and 70% for the 2018 reporting period.

The level of performance-based remuneration components depends on the extent to which the targets agreed for the financial year are achieved. In the 2018 reporting period, 35% of the agreement on targets was based on the achievement of the Group result, 30% on the achievement of free cash flow (three-year target 2016 to 2018) and 35% on qualitative goals: job security (10%), strategy (15%) and succession planning (10%). The total achievement of targets for 2018 was determined to be 82.5%.

The system of variable remuneration was revised beginning with the current 2019 reporting period and a generally three-year Long Term Incentive Programme (LTIP) was agreed in addition to the short-term targets (one-year goals). For the one-year goals, the percentage rate for total achievement of the targets is a standard 70% of the relevant fixed remuneration. In the 2019 reporting period, 70% of the agreement on targets was based on the achievement of the Group result and 30% on non-financial goals (one-year): safety (10%), succession planning (5%), innovation (5%), innovation projects (5%) and digitalisation (5%).

With respect to the LTIP, a maximum of 55% of the respective fixed remuneration can be paid out as long-term remuneration on the basis of medium-term performance criteria; the actual amount depends not only on the achievement of individual targets, but also on the performance of VERBUND shares. The duration of the LTIP is three years. The total shareholder return, free cash flow, productivity and EBITDA from growth projects were defined as multi-year targets with equal weighting. In the beginning, the maximum value is depicted as the current price in phantom shares; the undiscounted amount is paid out in arrears, depending on the achievement of the individual targets and the share price at the end of the three-year assessment period. Therefore, no long-term variable remuneration was paid out in 2019.

A company pension plan has been set up for members of the Executive Board in the form of a defined contribution pension fund agreement. In the 2019 reporting period, contributions to the pension fund were paid for the Executive Board in the amount of €253,000 (previous year: €225,992).

Statutory regulations apply, taking account of the requirements of Rule 27a of the Austrian Code of Corporate Governance, with respect to the claims of members of the Executive Board upon termination of their position. In the 2019 reporting period, €380,637 (previous year: €376,224) was paid out for pensions and €0 (previous year: €2,189,150) for termination benefits in favour of beneficiaries.

Profit or loss for the period included expenses for termination benefits and pensions and similar obligations – i.e. post-employment benefits – in the amount of €8,388 (previous year: €45,486). Expenses for pensions and similar obligations for former members of the Executive Board and their surviving dependents included in the profit or loss for the period amounted to a total of €58,608 (previous year: €47,481).

As in the previous year, no loans or advances were paid out to members of the Group's or subsidiaries' governing bodies. As in the previous year, VERBUND does not have a stock option programme for either the members of the Executive Board or senior management staff.

Remuneration policy in the subsidiaries

In essence, the same principles as those described above for the Executive Board apply to the remuneration for the management (managing directors) of the Group's subsidiaries. In addition to the fixed remuneration, variable remuneration is used up to a limited amount; the amount of this variable component depends on attainment of defined targets (Group targets and individual targets). A company pension plan has also been set up in the subsidiaries in the form of a pension fund agreement.

D&O insurance

VERBUND has taken out pecuniary loss liability insurance in favour of its Boards. This insurance covers the members of the Executive Board and Supervisory Board and the senior management staff of VERBUND AG, as well as all the members of the managing boards, supervisory boards, advisory boards and management, plus the authorised signatories and other senior management staff of subsidiaries. The costs are borne by the Group.

Supervisory Board

The Supervisory Board has also explicitly affirmed its commitment to the Austrian Code of Corporate Governance. Consequently, the Code, together with the Austrian Stock Corporation Act (Aktiengesetz, AktG) and the Austrian Commercial Code (UGB), the Austrian Labour Constitutional Act (Arbeitsverfassungsgesetz, ArbVG), the Company's Articles of Association and the rules of procedure for the Executive Board and Supervisory Board, has become the basis for the Supervisory Board's actions.

GRI 102-18
GRI 102-22
GRI 102-23

The statutory provisions specify that the Supervisory Board is comprised of members elected by the Annual General Meeting in accordance with the requirements of the Austrian Stock Corporation Act (shareholder representatives) and members appointed by the employee representatives.

GRI 102-24

Personal details, chairpersons and other Board functions

The Supervisory Board is led by a chairperson. The chairperson along with two vice-chairpersons are elected each year by the Supervisory Board from among its members.

As at 31 December 2019, the Supervisory Board had a total of 15 members. Ten were shareholder representatives elected by the Annual General Meeting and five were employee representatives appointed by the Works Council.

During the reporting period, the following changes occurred in the composition of the Supervisory Board: at the AGM held on 30 April 2019, MMag. Thomas Schmid and Mag. Martin Ohneberg were elected to the Supervisory Board as shareholder representatives in place of Dr. Gerhard Roiss and Prof. Dr. Michael Süß. Among the employee representatives, Veronika Neugeboren took the place of Dipl.-Ing. Hans Pfau on the Supervisory Board effective 30 April 2019.

Name	Year of birth	Date of initial appointment	End of current term of office
Dr. Gerhard Roiss	1952	5/4/2017	30/4/2019
Prof. Dr. Michael Süß	1963	22/4/2015	30/4/2019
MMag. Thomas Schmid Chairman Member of the board of directors of Österreichische Beteiligungs AG; Member of the supervisory boards of OMV AG (vice-chairman), Telekom Austria AG (member), Bundesimmobiliengesellschaft m.b.H. (chairman), ARE Austrian Real Estate GmbH (chairman) and Österreichische Lotterien GmbH (member)	1975	30/4/2019	AGM 2024
Mag. Martin Ohneberg 1st Vice-Chairman Managing partner of HENN Industrial Group GmbH & Co KG, HENN GmbH and HENN GmbH & Co KG; member of the supervisory boards of Aluflexpack AG, Switzerland (president of the board of directors) and ASTA Energy Transmission Components GmbH (member)	1971	30/4/2019	AGM 2024
Mag. Elisabeth Engelbrechtsmüller-Strauß 2nd Vice-Chairwoman CEO of Fronius International GmbH; Member of the supervisory board of Wels Betriebsansiedelungs-GmbH (chairwoman); member of the board of trustees of the Institute of Science and Technology	1970	22/4/2015	AGM 2020
Mag. Harald Kaszanits Austrian Economic Chambers	1963	7/4/2010	AGM 2020
Mag. Werner Muhm Member of the supervisory boards of Wiener Städtische Versicherung AG, AWH Beteiligungsges.m.b.H. and KA Finanz AG; managing board of Leopold Museum Privatstiftung (member); board of trustees of the Austrian National Library (vice-chairman)	1950	22/4/2015	AGM 2020

Name	Year of birth	Date of initial appointment	End of current term of office
Dr. Susanne Riess CEO of Bausparkasse Wüstenrot AG; member of the supervisory boards of Wüstenrot Versicherungs-AG (chairwoman), Wüstenrot stambena štedionica d.d., Croatia (chairwoman), Wüstenrot životno osiguranje d.d., Croatia (chairwoman), Wüstenrot Fundamenta-Lakáskassza Zrt., Hungary (vice-chairwoman), Wüstenrot stavebná sporiteľňa a.s., Slovakia (vice-chairwoman); Wüstenrot poisťovňa a.s., Slovakia (member), SIGNA Development Selection and Prime Selection (member), Einlagensicherungsgesellschaft Austria GmbH (member) and IHAG Privatbank Zürich (member of the board of directors)	1961	22/4/2015	AGM 2020
Mag. Jürgen Roth Managing partner at Tank Roth GmbH; member of the supervisory boards of ICS Internationalisierungscenter Steiermark GmbH (chairman) and ELG (Erdöl-Lagergesellschaft m.b.H.)	1973	22/4/2015	AGM 2020
Mag. Stefan Szyszkowitz Spokesman of the managing board of EVN AG; member of the supervisory boards of Burgenland Holding Aktiengesellschaft (chairman), EVN Macedonia AD (chairman), RAG-Beteiligungs-Aktiengesellschaft (chairman), RAG Austria AG (chairman), Energie Burgenland AG (vice-chairman), Netz Niederösterreich GmbH (vice-chairman); member of the supervisory boards of Österreichische Post AG and Wiener Börse AG/CEESEG AG (member)	1964	23/4/2018	AGM 2020
Christa Wagner Managing partner at Wagner-Josko Immobilien GmbH; shareholder in Josko Fenster und Türen GmbH; supervisory board of exceet Card Group AG (member)	1960	7/4/2010	AGM 2020
Dipl.-Ing. Peter Weinelt Managing director of Wiener Stadtwerke GmbH and Wiener Stadtwerke Planvermögen GmbH; Member of the supervisory boards of Wien Energie GmbH (chairman), Wiener Netze GmbH (chairman), B&F Wien – Bestattung und Friedhöfe GmbH (chairman) and Burgenland Holding Aktiengesellschaft (member)	1966	5/4/2017	AGM 2020

Supervisory Board appointments or comparable roles in publicly traded companies and other significant companies have been listed in relation to (ancillary) functions. Full-time functions are listed where appropriate.

Employee representatives

Name	Year of birth	Date of initial appointment	
Kurt Christof Chairman of the Central Works Council Member of the supervisory boards of Stadtwerke Voitsberg GmbH and Sparkasse Voitsberg/Köflach Bankaktiengesellschaft	1964	since 8/3/2004	appointed by the employee representatives
Doris Dangl Chairwoman of the Central Works Council Chairwoman of the Group's employee representatives	1963	since 5/4/2018	appointed by the employee representatives
Dr. Isabella Hönlinger Chairwoman of the Works Council	1971	since 1/9/2016	appointed by the employee representatives
Ing. Wolfgang Liebscher Chairman of the Central Works Council	1966	since 1/11/2013	appointed by the employee representatives
Dipl.-Ing. Hans Pfau Chairman of the Works Council	1953	from 1/9/2016 until 30/4/2019	appointed by the employee representatives
Veronika Neugeboren Chairwoman of the Works Council	1967	since 30/4/2019	appointed by the employee representatives

The appointment of employee representatives by the Group's employee representatives is for an unlimited period and can be revoked at any time.

One-third of the Supervisory Board members are between the ages of 30 and 50; two-thirds are over 50.

Independence

Back in 2010, the Supervisory Board of VERBUND AG defined the following criteria for its independence (pursuant to C Rule 53 of the Austrian Code of Corporate Governance):

- The Supervisory Board member shall not have served as a member of the Executive Board or as a member of the senior management staff of the Company or one of its subsidiaries in the past five years.
- The Supervisory Board member shall not maintain or have maintained in the past year any business relationships with the Company or one of its subsidiaries to an extent that would be significant to the member of the Supervisory Board. This shall also apply to relationships with companies in which the member of the Supervisory Board has a material economic interest, but not to exercising functions on the boards of the Group. The approval of individual transactions by the Supervisory Board pursuant to L Rule 48 shall not automatically mean that the person is deemed not to be independent.
- The Supervisory Board member shall not have acted as auditor of the Company or have owned a share in the audit firm or have worked there as an employee in the past three years.
- The Supervisory Board member shall not be a member of the managing board of another company in which a member of the Executive Board of the Company is a supervisory board member.
- The Supervisory Board member may not remain on the Supervisory Board for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with a direct equity interest in the Company or who represent the interests of such a shareholder.

- The Supervisory Board member shall not be a close relative (direct descendant, spouse, life partner, parent, uncle, aunt, sibling, niece or nephew) of a member of the Executive Board or of persons who hold one of the aforementioned positions.

Based on these guidelines for independence (Annex to the Austrian Code of Corporate Governance), all ten shareholder representatives have issued a written statement on their independence. Eight of them have declared their independence, and two members of the Supervisory Board have classified themselves as not being independent (with respect to only the “relationships with related parties” criterion).

In addition, the following shareholder representatives in the Supervisory Board meet the criteria for independence contained in C Rule 54 (not representing the interests of a shareholder with a stake exceeding 10%): Ohneberg, Engelbrechtsmüller-Strauß, Kaszanits, Muhm, Riess, Roth and Wagner. Both quotas required for independence by Rule 53 and Rule 54 of the Code are thus met.

Meetings of the Supervisory Board

Five plenary meetings of the Supervisory Board were held during financial year 2019. The overall attendance rate for all Supervisory Board members was 95%. No member of the Supervisory Board attended fewer than half of the meetings in person.

In addition to coordinating the ongoing strategic direction of the Company with the Executive Board, the Supervisory Board focused on decisions relating to the following topics in particular during the reporting period:

- consolidated financial statements and annual financial statements of VERBUND AG for 2018;
- proposals for resolutions for the Annual General Meeting;
- proposal for profit appropriation in accordance with Section 96(1) of the Austrian Stock Corporation Act (AktG);
- election of the General Committee of the Supervisory Board and constitution of the committees;
- appointment of the auditor;
- expansion and efficiency improvements at Jettenbach/Töging power plant on the Inn;
- Lower Tuxbach diversion – revision of project costs;
- personnel planning 2019 – expansion;
- granting signatory powers;
- granting loan to Energji Ashta Shpk;
- exercising option to increase shareholding in Mur power plant in Graz; and
- approval of the Group budget for 2020.
- (Please also refer to the activities focused upon by the Supervisory Board’s committees.)

Each year during the audit of the financial statements, the auditor provides the Supervisory Board with a separate report on the reliability of the risk management system. The report from the auditor also details sustainability risks in the same manner as in the written quarterly reports on operating risk management that the Supervisory Board discusses at each of its meetings.

In addition to the meetings of the Supervisory Board and its committees (see below), there were regular discussions and teleconferences between the Chairman of the Supervisory Board and the Chairman of the Executive Board and several discussions were held with individual members of the Executive Board.

Evaluation of Supervisory Board activity

GRI 102-28 The performance of the Supervisory Board is evaluated annually during the Annual General Meeting, at which the shareholders vote to approve the actions of the Supervisory Board. At the 72nd Annual General Meeting on 30 April 2019, the actions of all Supervisory Board members were formally approved.

As required by the Austrian Code of Corporate Governance (Rule 36), the Supervisory Board also evaluates its activities, in particular its organisation and work procedures, itself. This self-evaluation was conducted on the basis of an extensive questionnaire; the results of this evaluation were discussed at the Supervisory Board meeting in March 2019.

Composition and work procedures of the committees

In accordance with the provisions of the rules of procedure for the Supervisory Board (as amended on 23 April 2018), the Supervisory Board shall, following the Annual General Meeting, annually elect the members of an Audit Committee, a Strategy Committee, an Emergencies Committee, a Remuneration Committee and a Nomination Committee. In addition, it can form temporary or permanent committees specifically for certain projects and topics.

Each chairperson of a committee is required to report to the Supervisory Board on the work of the committee he or she chairs and on its decisions. In urgent cases, the chairperson of a committee is required to report in advance to the Chairman of the Supervisory Board.

Audit Committee

The Audit Committee was established pursuant to Section 92(4a) of the Austrian Stock Corporation Act (AktG) and, in accordance with the rules of procedure for the Supervisory Board, consists of four Supervisory Board members elected by the shareholders and two employee representatives in accordance with Section 92(4) AktG. The chairperson and vice-chairperson of the committee are elected from among its members.

The Audit Committee performs the tasks under Section 92(4a) AktG and Rule 40 of the Austrian Code of Corporate Governance. It has the financial expert required by law and by the Code at its disposal, who is also the chairperson of the committee.

Members of the Audit Committee

Name	Function
Mag. Elisabeth Engelbrechtsmüller-Strauß	Chairwoman
MMag. Thomas Schmid	Vice-Chairman
Mag. Werner Muhm	Member
Mag. Jürgen Roth	Member
Doris Dangl	Employee representative
Kurt Christof	Employee representative

The Supervisory Board's Audit Committee met three times during financial year 2019. The activities of the Audit Committee focused on:

- preparing the resolution on the consolidated financial statements for 2018 and the annual financial statements of VERBUND AG for 2018 including appropriation of profit;
- proposal for the election of the auditor;
- investment monitoring report;
- risk management incl. analysis of counterparty risk, price risk and strategic risks;

- risk management excellence project final report;
- acknowledgement of the semi-annual financial statements for 2019;
- audit process and 2019 audit areas of emphasis (auditor);
- accounting process;
- performance management;
- SAP;
- audit and non-audit services;
- acknowledgement of the reports of the Executive Board;
- 2020 budget and financial report; and
- acknowledgement of the audit programme and audit report of the Internal Audit department.

Strategy Committee

A Strategy Committee has been established in accordance with the applicable rules of procedure. It is comprised of four members of the Supervisory Board elected by the shareholders and two employee representatives in accordance with Section 92(4) AktG. The chairperson and vice-chairperson of the committee are elected from among its members.

The Strategy Committee is responsible for developing a corporate strategy in collaboration with the Executive Board and for the annual review of strategy and support of any adaptive measures. Furthermore, it addresses issues that are not to be handled by the entire Supervisory Board in consideration of competition-related aspects and conflicts of interest.

To this end, the Strategy Committee met three times during the reporting period.

Members of the Strategy Committee

Name	Function
MMag. Thomas Schmid	Chairman
Mag. Martin Ohneberg	Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß	Member
Mag. Harald Kaszanits	Member
Doris Dangl	Employee representative
Ing. Wolfgang Liebscher	Employee representative

Emergencies Committee

An emergencies committee (Rule 39 of the Austrian Code of Corporate Governance) is a committee for decision-making in urgent situations.

The chairperson is required to make the necessary preparations for rapid decision-making on matters that fall within the remit of the Emergencies Committee or are referred to that committee for a decision (convening a meeting at short notice, video conferences). The grounds for urgency must be stated. The Emergencies Committee makes decisions on all matters where an immediate Supervisory Board decision is needed to gain economic advantages or fend off the threat of financial damage.

The Emergencies Committee is comprised of four members of the Supervisory Board elected by the shareholders and two employee representatives in accordance with Section 92(4) AktG. The chairperson and vice-chairperson of the committee are elected from among its members.

The committee did not meet during the reporting period.

Members of the Emergencies Committee

Name	Function
MMag. Thomas Schmid	Chairman
Mag. Martin Ohneberg	Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß	Member
Christa Wagner	Member
Doris Dangl	Employee representative
Kurt Christof	Employee representative

Remuneration Committee

Pursuant to its rules of procedure, the Supervisory Board is required to appoint a Remuneration Committee in accordance with the Austrian Code of Corporate Governance consisting of the chairperson of the Supervisory Board and its two vice-chairpersons. The Supervisory Board has permanently assigned responsibility for the following matters to this committee:

- contracts with members of the Executive Board;
- determination of Executive Board member remuneration;
- decisions on management bonuses and premiums for members of the Executive Board; and
- regular review of the remuneration policy for members of the Executive Board.

Members of the Remuneration Committee

Name	Function
MMag. Thomas Schmid	Chairman
Mag. Martin Ohneberg	Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß	Member

In Mag. Engelbrechtsmüller-Strauß, the Remuneration Committee has the expert required by Rule 43 of the Austrian Code of Corporate Governance at its disposal.

The Remuneration Committee met one time during financial year 2019. The meeting dealt with the agreements on targets and level of target achievement for the Executive Board’s variable remuneration components.

Nomination Committee

In accordance with its rules of procedure, the Supervisory Board shall appoint a Nomination Committee comprised of the chairperson of the Supervisory Board and three other members of the Supervisory Board elected by the shareholders plus two employee representatives in accordance with Section 92(4) AktG. The chairperson of the Supervisory Board chairs the committee, and the committee elects the vice-chairperson.

The Nomination Committee submits proposals to the Supervisory Board on appointments to the Executive Board and is responsible for preparing the election of Supervisory Board members. The Nomination Committee is required to take account of the fact that a candidate’s final nomination for the Executive Board must take place before the nominee’s 65th birthday.

Members of the Nomination Committee

Name	Function
MMag. Thomas Schmid	Chairman
Mag. Martin Ohneberg	Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß	Member
Dr. Susanne Riess	Member
Doris Dangl	Employee representative
Ing. Wolfgang Liebscher	Employee representative

The Nomination Committee did not meet during financial year 2019.

Contracts requiring consent – conflicts of interest

In financial year 2019, the following contracts and/or transactions 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) existed between the VERBUND Group and individual Supervisory Board members or companies with which Supervisory Board members have close relationships: GRI 102-25

Supervisory Board member Mag. Elisabeth Engelbrechtsmüller-Strauß

The general authorisation issued by the Supervisory Board in 2015 for the supply of inverters by the Fronius Group (through external intermediaries or SOLAVOLTA, in which VERBUND owns a 50% stake) in the amount of €600k per year and for the supply of small devices to VERBUND companies in the amount of €60k per year was only partially utilised in financial year 2019. Mag. Elisabeth Engelbrechtsmüller-Strauß is CEO of the Fronius Group.

Supervisory Board member Mag. Stefan Szyszkowitz

A number of contractual relationships, some of which have been in place for many years, exist between VERBUND and the EVN Group, of which Mag. Stefan Szyszkowitz is spokesman of the managing board. Most of these relationships had already been entered into before Mag. Szyszkowitz became a member of the Supervisory Board. The business transacted under these contracts and their volume are reported to the Supervisory Board on an annual basis. In financial year 2019, an order volume totalling €527k was processed on the basis of the existing contracts (excluding transactions with grid subsidiary APG). These primarily involved electricity, gas or grid purchases and usage fees for various VERBUND companies. In addition, there are agreements concerning VERBUND Innkraftwerke GmbH and contractual relationships for the supply of electricity with ENERGIEALLIANZ Austria GmbH, in which EVN holds a 45% interest.

Supervisory Board member Dipl.-Ing. Peter Weinelt

A number of contractual relationships, some of many years standing, exist between VERBUND and the Wiener Stadtwerke Group, of which Dipl.-Ing. Peter Weinelt is managing director. Most of these had already been entered into before Dipl.-Ing. Peter Weinelt became a member of the Supervisory Board. The business transacted under these contracts and their volume are reported to the Supervisory Board on an annual basis. In financial year 2019, an order volume totalling €844k was processed on the basis of the existing contracts (excluding transactions with grid subsidiary APG). This primarily involved invoices for electricity and grid fees and operational management for VERBUND companies. In addition, there are agreements concerning VERBUND Innkraftwerke GmbH and contractual relationships for the supply of electricity with ENERGIEALLIANZ Austria GmbH, in which Wiener Stadtwerke holds a 45% interest.

In financial year 2019, the Supervisory Board again looked at possible (other) conflicts of interest involving Supervisory Board members that could arise in particular as a result of activities or equity interests in the energy sector or in companies competing with the VERBUND Group. With the exception of the disclosed 25% interest of Fronius in aWATTar, a supplier of green electricity, the Supervisory Board members reported no conflicts of interest on their parts. According to the assessment of the Supervisory Board, there are no fundamental conflicts of interest that would require further measures. Should such conflicts arise in future, suitable measures, such as abstention from voting or from providing advice and voting on individual agenda items, will have to be implemented promptly.

An expert opinion obtained after the 2018 report from the Austrian Court of Audit confirms that the Group has taken adequate and suitable measures to manage potential conflicts of interest in the Supervisory Board in an appropriate manner.

Remuneration of members of the Supervisory Board

The remuneration of the members of the Supervisory Board (including reimbursement of costs/travel expenses recharged) amounted to a total of €316,262.33 in 2019 (previous year: €348,934).

At the Annual General Meeting held on 17 April 2013, the following remuneration scheme was adopted for members of the Supervisory Board. This establishes the annual remuneration for the members elected by the Annual General Meeting and the attendance fees (for all members).

Remuneration scheme for the Supervisory Board

	in €
Annual remuneration	
Chairperson	25,000
Vice-Chairperson	15,000
Member	10,000
Attendance fee	500

This remuneration also applies to work performed in each case in the Audit Committee and the Strategy Committee. As previously, there is no separate remuneration for work carried out in other committees.

No loans or advances were paid out to members of the Supervisory Board. All members of the Supervisory Board are covered by the D&O insurance taken out by VERBUND.

Specifically, the following remuneration was paid to the members of the Supervisory Board for financial year 2019:

Remuneration of Supervisory Board members in €

Name (without title)	Annual remuneration	Attendance fees
Gerhard Roiss, Chairman (until 30/4/2019)	21,667	1,500
Michael Süß, Vice-Chairman (until 30/4/2019)	8,000	800
Thomas Schmid, Chairman (from 30/4/2019) (remuneration will be paid out to Österreichische Beteiligungs AG (ÖBAG))	43,333	4,000
Martin Ohneberg, 1st Vice-Chairman (from 30/4/2019)	20,000	2,500
Elisabeth Engelbrechtsmüller-Strauß, 2nd Vice-Chairwoman	50,000	5,000
Harald Kaszanits	20,000	4,000
Werner Muhm	20,000	4,000
Susanne Riess	10,000	2,000
Jürgen Roth	16,667	3,500
Stefan Szyszkowitz	10,000	2,500
Christa Wagner	13,333	3,000
Peter Weinelt	10,000	2,500
Employee representatives		
Kurt Christof		4,000
Doris Dangl		5,500
Isabella Hönlinger		2,500
Wolfgang Liebscher		3,500
Veronika Neugeboren (from 30/4/2019)		2,000
Hans Pfau (until 30/4/2019)		500

Annual General Meeting

At the Annual General Meeting, which is held at least once a year, shareholders exercise their rights and their voting power. Under their right to request information and propose motions, all shareholders have the opportunity to engage in dialogue with the Executive Board and the Supervisory Board and to express their opinions and state their concerns.

The main tasks and responsibilities of the Annual General Meeting include deciding on the appropriation of profit, electing the Supervisory Board, electing the auditor, formally approving the actions of the Executive Board and the Supervisory Board and making amendments to the Articles of Association.

The agenda for the 72nd Annual General Meeting held on 30 April 2019, the resolutions adopted and the voting results can be viewed on the website at www.verbund.com > Investor Relations > General Meeting.

Further information on the Annual General Meeting is available in the Disclosures on Management Approach (DMA) at www.verbund.com > Investor Relations > Financial reports

Diversity concept for appointments to the Executive Board and Supervisory Board

(Section 243c(2)(3) of the Austrian Commercial Code, UGB)

GRI 405-1
GRI 103-2

SDG 5

Studies indicate that mixed teams achieve better results and are more effective and innovative than homogeneous groups. This is also true for a company's boards. When members of the Executive Board and the Supervisory Board are being appointed, in order to get maximum benefit from different perspectives for entrepreneurial decisions the following principles shall therefore be applied in addition to the general and company-specific requirements for specialised and personal qualifications:

Supervisory Board

The relevant aspects of a diverse composition of the Supervisory Board include the age of its members and the duration of their membership in the Supervisory Board, balanced representation of men and women, internationality and a balance in the education and career backgrounds of its members.

Age: The aim is to achieve a balanced age structure among members in which the difference between the oldest and the youngest member shall be approximately ten years in order to allow input from the different views of the generations. No Supervisory Board member may remain on the Supervisory Board for more than 15 years. Both criteria were fulfilled in the reporting period.

Gender representation: Since 2018, the Supervisory Board of VERBUND AG (overall) has been in compliance with the statutory quota applicable from January 2018 requiring 30% of the less-represented gender on the supervisory board (women, in the case of VERBUND).

The objective is to comply with the federal government's decision from 2011: by 2018, women will make up at least 35% of the shareholder representatives on supervisory boards of state-owned companies.

Internationality: The Supervisory Board shall have an appropriate number of members (at least three) who spent a significant part of their professional career abroad or have many years of experience in international business. This requirement was met in the reporting period.

Educational and career background: The goal is a Supervisory Board made up of members with the widest possible range of educational backgrounds and experiences from different professional careers. On the Supervisory Board, at least one member of the Supervisory Board shall contribute proven skills and expertise in each of the following areas:

- law, capital markets, industry expertise, specialist technical knowledge, finance expertise, expertise in the area of sales, digitalisation and innovation, experience with regulated companies, financial experience and experience in strategic projects (e.g. M&A), experience in the areas of sustainability, environment and stakeholder management

The Supervisory Board will consider these diversity criteria in its recommendations for the next elections to the Supervisory Board. The term of office of eight out of the ten current Supervisory Board members expires as at the Annual General Meeting in 2020.

Executive Board

The relevant aspects of a diverse composition of the Executive Board include a balance in the educational and career backgrounds, internationality and the duration of its unchanged composition.

Educational and career background: In addition to extensive managerial experience and comprehensive industry knowledge, members of the Executive Board shall have a sound education and relevant professional experience in either the technical or the commercial/administrative area.
Gender representation: The aim for the medium term is to have one female member on the Executive Board.
Internationality: Some members of the Executive Board shall have spent a significant part of their professional career abroad or have many years of experience in international business.
Duration of the composition: The composition and division of responsibilities of the Executive Board shall not remain unchanged for more than ten years.

The Supervisory Board took these aspects into account in appointing the members of the Executive Board in 2018.

Measures for the advancement of women

(Section 243c(2)(2) of the Austrian Commercial Code, UGB)

In accordance with its commitment to sustainable management, VERBUND addresses issues of social relevance such as equal opportunity in the workplace. VERBUND treats all its employees equally, regardless of their gender, age, religious beliefs, disability, culture, skin colour, social origins, sexual orientation or nationality. Decisive action is taken against any form of discrimination or harassment.

Since the selection of Supervisory Board members is solely the responsibility of the Annual General Meeting and depends on delegates being appointed as employee representatives, the Executive Board has no influence on whether there are any women on the Supervisory Board of VERBUND AG. With Elisabeth Engelbrechtsmüller-Strauß, Susanne Riess, Christa Wagner, as well as the employee representatives Doris Dangl, Isabella Hönlinger and Veronika Neugeboren, the Supervisory Board of VERBUND AG has six women members, which equates to a female membership of 40%.

GRI 405-1
Detailed information on measures to advance women can be found in the annual report in the Human resources section

As at 31 December 2019, eight women held management positions within the Group (first and second levels of management). The percentage of women in management positions is therefore 9.0%. The percentage of women among employees throughout the Group is 17.8%. One female executive has worked part time since 2012.

In order to ensure that the Company diversity management system is permanently integrated into and further developed within the Group, all equal opportunity agendas will be fully executed by the Diversity & Inclusion manager.

VERBUND promotes women through a variety of measures, listed here as examples:

- Under the VERBUND diversity strategy, particular emphasis is placed on the dimension of gender, for which targets and measures are defined and implemented.
- Since 2017, executives from the top level of management have also been measured against targets set to promote the equal treatment of women.
- The VERBUND women's network addresses the ongoing development of a sustainable strategy for the advancement of women within VERBUND.
- Each year, VERBUND awards a scholarship to highly qualified women studying technical subjects.
- VERBUND takes part in Take Your Daughter to Work Day to promote technical careers to girls while they are still at school and awaken their interest in the fascinating technical professions.
- In 2018, VERBUND received the Work and Family Audit certificate for the fourth time.
- On a regular basis, VERBUND prepares an income report comparing the salaries of men and women.

External evaluation

Pursuant to C Rule 62 of the Austrian Code of Corporate Governance, the Company's compliance with the Code shall be subject to regular external evaluation. The auditor, Deloitte Audit Wirtschaftsprüfungs GmbH, conducted this evaluation and found no objections to the public statements regarding compliance with the Code. The Audit Committee evaluated the compliance with the provisions of the Code concerning the auditor. In this regard, the Audit Committee reported to the Supervisory Board that the evaluation for 2019 found no deviations from the rules of the Code.

The complete report on the external evaluation can be seen at the website www.verbund.com > Investor Relations > Corporate Governance.

Vienna, 13 February 2020

The Executive Board

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

Mag. Dr. Michael Strugl
Vice-Chairman of the Executive Board

Dr. Peter F. Kollmann
Member of the Executive Board

Mag. Dr. Achim Kaspar
Member of the Executive Board

Group management report

The Group management report relates to the consolidated financial statements of VERBUND. These were prepared in accordance with Section 245a(1) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) in compliance with the International Financial Reporting Standards (IFRSs) as endorsed by the European Union. We assume no liability for any links or references to external sources contained in the Group management report.

In lieu of including a non-financial statement in the management report, VERBUND has opted to prepare a separate non-financial report in accordance with Section 267a UGB. This report on non-financial information (NFI Report) is presented as a separate chapter after the management report.

General conditions

In financial year 2019, commodity prices for oil, gas and coal decreased, while prices for CO_2 emission rights increased further. By contrast, mixed signals could be observed in the markets for wholesale electricity. In the futures market prices rose sharply, whereas in the spot market prices decreased significantly by the same measure.

Overall demand for electricity in Austria edged down in 2019. However, the volumes of electricity generated in 2019 were significantly higher than in 2018, allowing net imports to be reduced significantly compared with 2018.

We are expanding new renewables and energy storage systems and advancing decarbonisation and digitalisation.

General economic environment

A subdued global economy in 2019

The global economy continued to lose momentum in 2019. The trade dispute and the associated tariff increases between China and the United States, geopolitical tensions and uncertainty in connection with Brexit put a damper on investment demand internationally, which in turn had a negative impact on global industrial production and world trade.

The relatively stable economic growth seen until 2018 slowed in 2019. The forecasts for 2020 are below the figures for previous years. In 2019, the global economy grew by 2.9%, the lowest level since 2008/2009. A modest increase to 3.3% is expected for 2020. The IMF has forecast a slightly higher growth rate for the years 2021 to 2024.

The US economy grew by 2.3% in 2019, down from 2.9% in the previous year. The decline in eurozone economic growth is even more marked; here, economic growth slipped from 1.9% in 2018 to 1.2% in 2019.

China's economy fell to new lows since 2009 with growth of 6.1%; this decrease was due in particular to the trade dispute between the United States and China coupled with weaker external demand.

Along with the uncertainty generated by Brexit and the international trade disputes, the weaker growth in the eurozone was caused by softening international demand. Weaker consumer demand could also be observed in a number of eurozone countries. The IMF revised its economic outlook for Germany downwards by 0.6 points to +1.1% for 2020. For 2021 the IMF is forecasting a modest recovery of +1.4%.

Austria's economy also slowed down in spring 2019. At +0.3%, quarter-on-quarter growth in total economic output in quarter 2/2019 was at its lowest level since 2015, with exports in particular losing considerable momentum. All the same, the Austrian economy remained relatively robust in 2019 compared with the German economy. Weaker growth in goods manufacturing was mostly outweighed by trends in the construction and services sectors. Consumer spending also stimulated aggregate demand. Overall, the Austrian Institute of Economic Research expects GDP to rise by 1.7% in 2019 and by 1.2% in 2020.

Energy market environment

Marked improvement in net imports in Austria

Austria's electricity consumption (less pumped storage consumption) in 2019 was 433 GWh (0.7%) lower than that of the previous year (total supply of electricity: domestic electricity consumption less pumped storage consumption).

Electricity generation from hydropower in 2019 was up 8.0% compared with the prior-year figures. Generation volumes exceeded those from 2018, particularly from June 2019 onwards. Only in the winter months of January and February and in May and December 2019 were levels lower than in the previous year.

Electricity generation from thermal power plants increased by as much as 6.2% compared with the 2018 figure. Only in February and March and in November and December 2019 was electricity generation from thermal power plants down on 2018 levels.

Generation from wind power plants showed the biggest increases on prior-year levels with growth of 20.6%. Wind supply exceeded the prior-year figures, particularly in the first six months of 2019. From June to November 2019, the figures were at a similar or slightly lower level, but after November were up on the prior-year figure once more. Other generation rose slightly by 1.1% in 2019 and included electricity produced from other renewable energy sources (excluding biomass, which comes under the category of thermal generation) and from power plants that cannot yet be allocated for statistical purposes. Total electricity production in Austria increased by 8.0% in 2019.

A 7.2% decrease was seen in electricity imports in 2019, while exports rose by 19.8%. Net imports in 2019 came to 3,129 GWh, a marked improvement on 2018.

Oil prices down compared with 2018

The price for one barrel of Brent crude oil (front month) was around $64/bbl in 2019 compared with nearly $72/bbl in 2018. This represents a decrease of 11%.

In 2019, oil markets were rocked by the still smouldering trade dispute between the United States and China and the accompanying concern about its economic impact. This weighed on oil prices in the second half of 2019 in particular. On the other hand, the United States' withdrawal from the Iran deal, which led to the US imposing renewed sanctions on Iran, and the United States' sanctions against Venezuela fuelled price increases in the oil market in the first four months of 2019. Starting from a price of $55/bbl at the beginning of the year, the price of oil rose to its high for the year of $75/bbl in April 2019.

Further movements in the oil price were marked above all by the ongoing trade talks between the United States and China, with prices rising or falling depending on the information released. Overall, however, a falling trend was initially recorded in the second half of the year. In mid-September 2019, oil prices surged again to nearly $70/bbl following the drone attack on Saudi oil facilities. Yet the price fluctuations were only short-lived and the supply disruption was soon rectified. By early October 2019, oil prices had returned to $58/bbl. In the last quarter, however, oil prices recouped their losses to end the year at around $66/bbl.

Decrease in gas prices

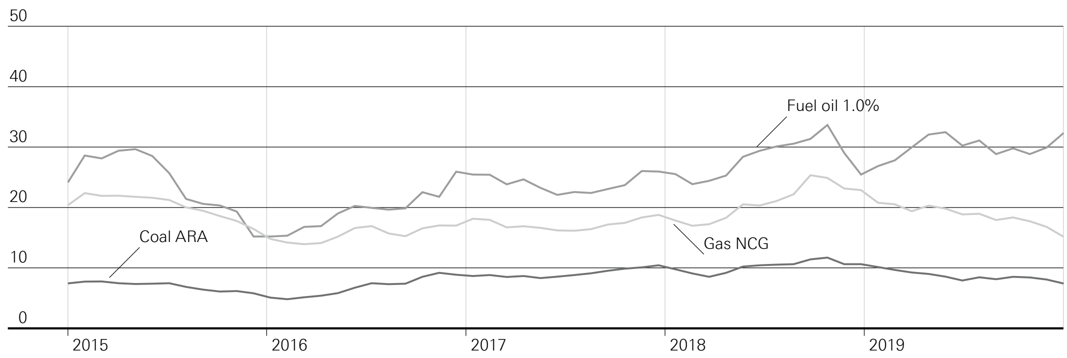
Prices on the well-supplied spot market at the European NCG trading point decreased by over €9/MWh (39%) year-on-year to around €14/MWh on average in 2019. In futures trading, supplier contracts for the coming year (NCG front year) were invoiced at around €19/MWh in 2019, or nearly €2/MWh (10%) less than the amount to be paid for the NCG front year in 2018. Gloomy economic prospects, falling oil prices and substantially lower prices for liquefied natural gas (LNG) acted as a drag on gas prices in Europe in 2019.

Decrease in steam coal prices

Steam coal prices also witnessed a marked decline in 2019 compared with the previous year. Coal prices on the futures market (ARA front year) were down $18 (20%) on the prior year at an average of $69/t.

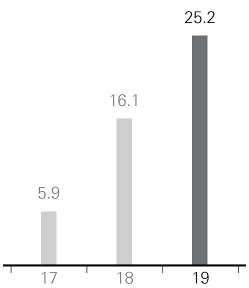
Coal prices on the spot market also plunged to an average of $61/t in 2019, down over 30% compared with the average listing in 2018. Coal-fired electricity generation in Europe declined due to increased generation of electricity from renewable energy sources as well as more expensive CO_2 emission rights. No stimulus for the coal market came from other parts of the world either. Coal stores were full, the economic outlook was rather gloomy and commodities across the board suffered from oversupply in 2019.

Coal, oil and gas price performance €/MWh thermal



Average monthly prices, futures market (front year) *Source: ICE, EEX*

CO_2-emission rights prices €/t CO_2



EUA Front-Year-Future; Average yearly prices *Source: ICE*

CO_2 prices up further

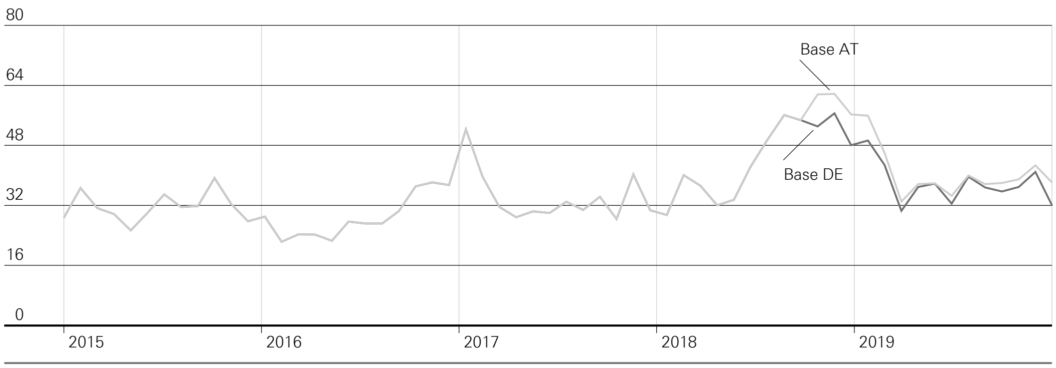
Prices on the emissions trading market in 2019 continued to benefit from the reform of the emissions trading regime initiated in 2018. That year, the reform had caused CO_2 prices to nearly triple compared with 2017. In 2019, CO_2 prices, which averaged €25/t, then rose again by 56% on the 2018 figure (futures market front year). At the end of July, prices soared to over €30/t for a short time, but the continuing uncertainty over Brexit with the related question of whether the UK will remain in the Emission Trading System (ETS) or what concrete form the British emissions trading system will take subsequently had a negative impact on CO_2 prices.

Mixed signals in the market for wholesale electricity

In 2019, the market for wholesale electricity was influenced by a significant increase in prices in the futures market on the one hand and by an equally large drop in prices in the spot market on the other. In the futures market, the decline in coal and gas prices was more than compensated by the increase in the price of CO_2 emission rights. Production costs for both gas and coal-fired power plants rose. The erosion in prices of primary energy sources was much more pronounced in the spot market. As a result, gas power plants at least were able to produce more cost-effectively than in 2018 in spite of higher prices for CO_2. Together with increased generation from renewables in connection with their low marginal costs, this led to electricity prices in the spot market falling in 2019.

The average price for base load electricity deliveries in the Austrian bidding zone on EPEX SPOT, the European electricity exchange spot market, decreased by 14% year-on-year to €40.1/MWh in 2019. The peak-load prices were €46.4/MWh, also 14% lower than the 2018 average. The average price for immediate base load electricity deliveries in the German market area in 2019 was €37.7/MWh, and the price for peak-load energy was €44.5/MWh. This represents a decrease of 15% in each case.

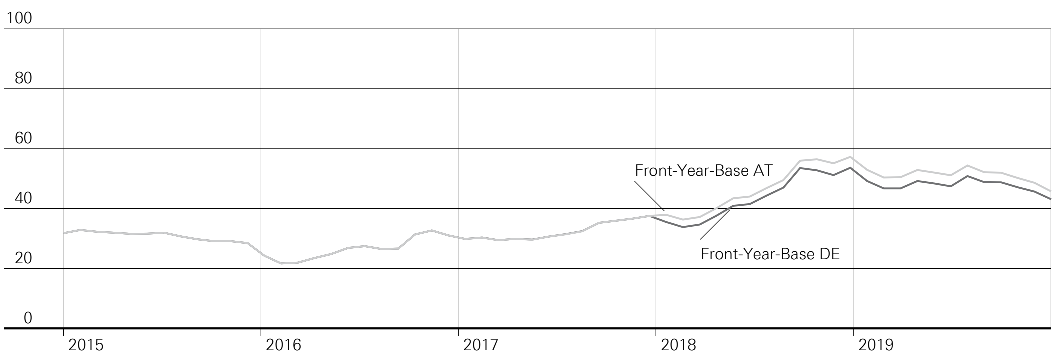
Spot market electricity price performance (Base) in €/MWh



Until 30/9/2018 Market area Germany/Austria, starting 1/10/2018 Market area Germany and Austria shown separately; monthly average prices *Source: EPEX Spot*

In the futures market at the European Energy Exchange (EEX), base load for 2020 (front year base) was traded at an average price of €51.2/MWh in 2019 in the Austrian market area and peak load (front year peak) was traded at €62.1/MWh. This constitutes an increase of 10% year-on-year for front year base and 9% for front year peak. In the German market area, front year base traded at an average of €47.8/MWh and front year peak at €57.7/MWh in 2019. This corresponds to an increase of 9% and 7%, respectively.

Futures market electricity price performance (Base) in €/MWh



2014-2017 Market area Germany/Austria; starting 2018 Market area Germany and Austria shown separately; the axis refers to the period of trading, delivery in the following year; monthly average prices *Source: EEX*

VERBUND sells most of the electricity it generates in advance on the futures markets so as to reduce short-term selling and price risks. The price trend in the futures market in 2019 had only a minor influence on revenue in the reporting period.

Political and regulatory framework

In Austria, the ruling coalition between the Austrian People's Party (ÖVP) and the Freedom Party of Austria (FPÖ) collapsed in May 2019 and a cabinet of experts took over the management of official business. It was the intention of the transitional government not to prejudice the incoming federal government politically or in budgetary terms, which is why no government bills requiring landmark policy decisions were presented. However, work continued at civil servant level, for example on the National Energy and Climate Plan and on the hydrogen strategy.

EU energy policy

European Parliament elections

Elections to the European Parliament for the 2019–2024 legislative period were held in May 2019. The European People's Party (EPP) gained the most votes with a share of approximately 24%, followed by the Socialists and Democrats with around 20%. The Liberals achieved 14% and the Greens around 9% of the votes. In the overall result, the EPP and S&D together for the first time no longer provide the majority of MEPs and need a third party to secure a majority.

Renewal of the European Commission and planned focus of activities

On 27 November 2019, the European Parliament approved the new European Commission headed by Ursula von der Leyen, who took office on 1 December 2019. Responsibility for energy and environmental issues was reassigned. While Frans Timmermans, Executive Vice-President for the Green Deal, has taken on the overall strategic supervision of climate and energy issues, Kadri Simson is responsible for the energy dossier and her colleague Virginijus Sinkevičius for the environment dossier. One of the principal goals of Ursula von der Leyen's Commission is to fight climate change. Against the background of the Paris Agreement on climate change, the new Commission President proposed to raise the CO_2 reduction target for 2030 from the current 40% (based on 1990) to at least 50–55%.

Formal finalisation of the Clean Energy Package

The legal acts of the Clean Energy Package (Internal Electricity Market Regulation, Internal Electricity Market Directive, Risk Preparedness Regulation, ACER Regulation), which were in final negotiations by policymakers during the Austrian Council Presidency, were finally adopted by the EU Parliament and the Council of Ministers in spring 2019. Unless directly applicable, these must now be transposed into national law. The Clean Energy Package also provides for a number of delegated acts, which will be prepared in the coming months.

Publication of the evaluation report for the Water Framework Directive

In February 2019, the European Commission published its fifth Water Framework and Flood Directive Implementation Report. The report acknowledges the efforts being made by the member states in hydro-ecology, but also criticises the lack of measurable results. For Austria the Commission recommends continuity in funding the necessary water conservation measures.

Sustainable finance

In March 2018, the EU Commission presented the Sustainable Finance package in implementation of the Paris Agreement for channelling cash flows into sustainable investments in the future. The aim is to create a common EU-wide system which, on the basis of uniform, transparent criteria, defines the conditions under which economic activities contribute to environmental objectives. The Taxonomy Regulation provides the legislative framework for this. A group of experts formed by the European Commission has drawn up proposals for criteria in different sectors which have been made available for public consultation. The Council and the Parliament reached political consensus on the Taxonomy Regulation in December 2019.

New legal framework for the energy sector in Austria

VERBUND's positioning on energy and climate policy priorities for the next legislative period

In view of the election campaign and government negotiations, VERBUND has drawn up a position paper with energy and climate policy priorities for the incoming federal government. Key VERBUND requirements relate to the following topics: adequate pricing of CO_2 in all sectors, acceleration of the expansion of renewables by exploiting all potential, the switch to a system in the area of energy efficiency based on strategic measures, increased consideration of sector coupling and sector integration using green hydrogen, design of regulations for renewable energy communities, anchoring of the grid reserve in the Austrian Electricity Industry and Organisation Act (ElWOG) and use of green finance to channel investment flows into sustainable projects.

Legislative package on renewable energy expansion postponed

On account of the snap elections, among other things, the legislative package on renewable energy expansion, with which a new system of subsidies for renewable energy was to be adopted and the ElWOG and the GWG amended, could no longer be presented for decision. However, preparations continued at civil servant level in 2019 and the package will be launched by the new federal government in 2020. There are plans to submit the legislative package on renewable energy expansion and the amended Energy Efficiency Act for review in the first half of 2020. The remaining legal acts from the Clean Energy Package, in particular the Internal Electricity Market Directive and Regulation, will then be tackled in the second half of 2020.

2019 amendment of the Green Electricity Act

To prevent an interruption of the expansion of green electricity needed to achieve the energy targets of #mission2030 given the delays in adopting the Renewable Energy Expansion Act, interim funding was negotiated in parliament over the summer of 2019 through a series of motions. A reform of the Green Electricity Act was consequently adopted in October 2019. Funds were made available to shorten the waiting lists for new contracts for wind power plants and small hydropower plants by bringing forward annual funds of subsequent years and changing the calculation method. Investment subsidies of €36m were made available for solar power (€24m for photovoltaic installations, €12m for storage systems). The funding pots for medium-sized hydropower plants were topped up by €30m and the maximum support rate was raised from 10% to 15%. Dedicated funds for biomass follow-up tariffs of €8.7m were also created.

E-Control's Gas Labelling Regulation

E-Control adopted the Gas Labelling Regulation in September 2019. The Regulation defines three categories of gases: natural gas or synthetic gas based on natural gas; renewable gas (including renewable hydrogen, biogas and synthetic gas based on renewable hydrogen); and other gases (decarbonised gas, i.e. conventionally produced hydrogen with CCS/CCU). The Regulation came into force on 1 January 2020 and stipulates that volumes of renewable gas that are fed into or withdrawn from the public gas network must initially be labelled on a voluntary basis, with mandatory labelling only when a certain threshold has been reached. The renewable gases must be labelled with guarantees of origin. The origin of the gas is required to be disclosed in a table on the invoice sent to the consumer. Guarantees of origin are issued, transferred and validated by means of E-Control's registry database.

Preparations for an Austrian hydrogen strategy

In March 2019, the Federal Ministry for Sustainability and Tourism began preparations for the development of an Austrian hydrogen strategy. This strategy will address the technical, regulatory and economic aspects of a hydrogen production infrastructure using electricity from renewable sources and hydrogen storage. Measures for the strategy were developed in four working groups with active involvement of stakeholders. Based on these analyses and recommendations, development of the actual Austrian hydrogen strategy will now begin at ministerial level. The strategy is expected to be adopted by the new federal government in 2020.

National Energy and Climate Plan

The Federal Ministry for Sustainability and Tourism submitted the National Energy and Climate Plan for review in November 2019. The EU Governance Regulation requires EU member states to report the contributions they will make to the European energy and climate targets to the European Commission by the end of 2019 in the form of a national plan. Given Austria's special political situation in relation to the transitional cabinet, no far-reaching new measures or measures with relevance for the state budget were included in the plan. Many aspects were only included as optional measures. The National Energy and Climate Plan will be updated once a government programme is in place.

New legal framework for the energy sector in Germany

The reorganisation of the energy system gained considerable momentum in 2019. Germany's last coal-fired power plants are set to be removed from the market by 2038. Alongside socio-political issues, this target raises above all questions of security of supply in relation to electricity and heat. This is because by 2022, as compared with 2017, coal-fired power plants with a capacity of 12.6 GW will be disconnected from the grid. The future after the coal phase-out will be dominated by renewables, which are secured by gas capacity and whose gas origin will be optimised by power-to-gas.

Furthermore, the German government's climate package established a new framework on climate change in 2019, even though some points in the package were initially referred by the Bundesrat to the Bundestag-Bundesrat mediation committee. This did not affect the introduction of a national emissions trading system through CO_2 pricing, including a national CO_2 certificate system, from 2021. At the same time, mandatory sectoral emission targets were set, compliance with which will be monitored and whose attainment will be ensured by means of mandatory emergency programmes in cases where there is a risk that targets will not be achieved. The overriding goal of the Climate Change Act is to achieve greenhouse gas neutrality in Germany by 2050.

Finance

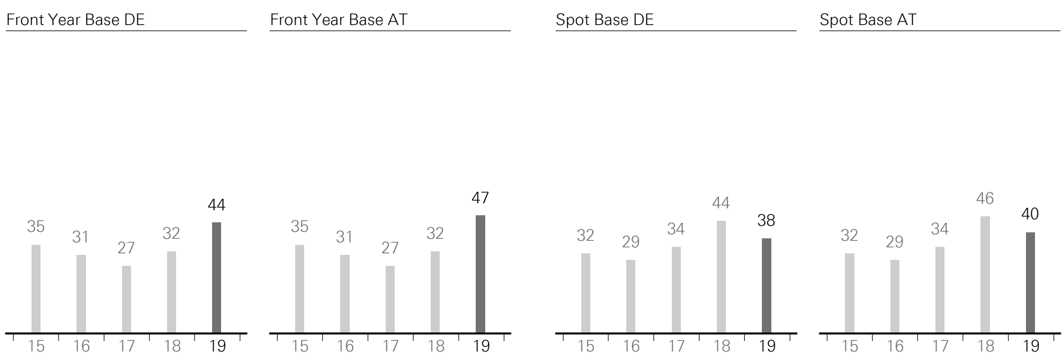
Factors affecting the result

Wholesale electricity prices

VERBUND contracted for most of its own generation for 2019 on the futures market back in 2017 and 2018. Ever since the split of the joint German-Austrian price zone in October 2018, separate, higher prices have prevailed in Austria. Prices for AT 2019 front-year base load contracts (traded in 2018) averaged €46.6/MWh in 2018, and prices for DE 2019 front-year base load contracts averaged €43.8/MWh. This represents an increase of 44.0% (AT) and 35.4% (DE) compared with the previous year, in which a joint price was still calculated in futures trading (€32.4/MWh). Front-year peak load (AT) contracts averaged €56.8/MWh in 2018 and front-year peak load (DE) contracts traded at an average of €54.0/MWh. Prices on the futures market were therefore up 40.3% and 33.2%, respectively, versus the prior year (€40.5/MWh).

On both the Austrian and German spot markets, wholesale trading prices for electricity fell below the prior-year levels in quarters 1–4/2019. Prices for base load electricity decreased by an average of 13.5% to €40.1/MWh in Austria and by 15.3% to €37.7/MWh in Germany. Prices for peak load declined by 14.1% to €46.4/MWh in Austria and by 14.7% to €44.5/MWh in Germany.

Futures prices €/MWh | **Spot market prices** €/MWh

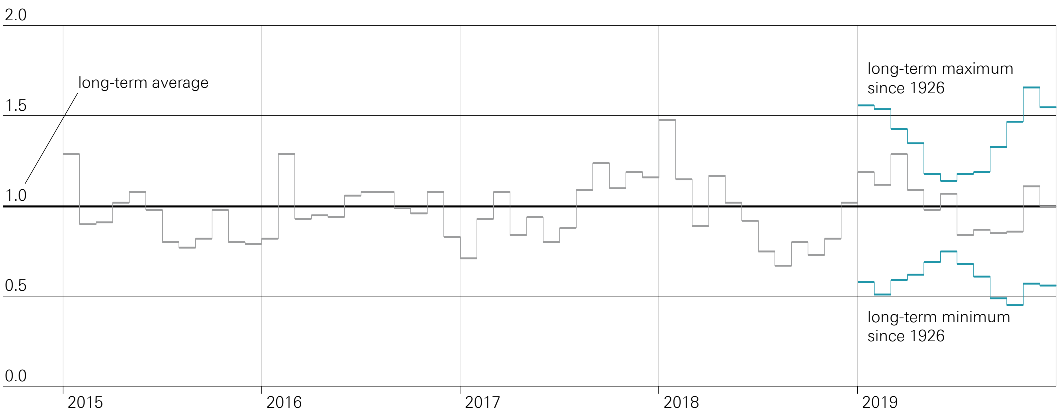


Futures prices traded in the year before supply. The years stated are the respective years of supply. 2015-2018: Market area Germany/Austria. 2019: Market area Germany or Austria respectively.
Spot prices: 1/1/2015 - 30/9/2018 Market area Germany/Austria, starting 1/10/2018 Market area Germany or Austria respectively. Average prices.
Source: EEX, EPEX Spot

Water supply

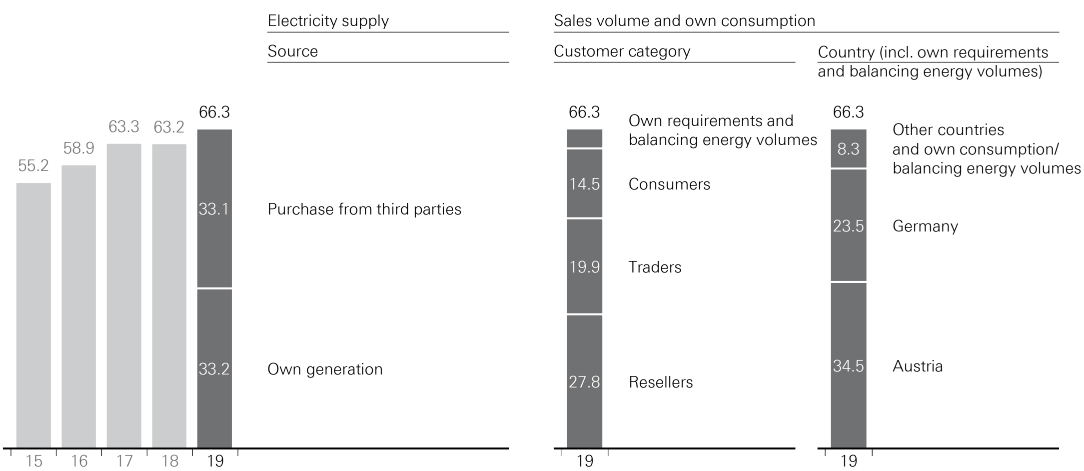
The water supply in rivers is of particular significance for VERBUND since around 90% of its electricity is produced using hydropower. Water supply is measured by means of a hydro coefficient, with the value of 1.00 representing the long-term average. In the 2019 reporting period, the hydro coefficient for run-of-river and pondage power plants was 1.01, which is slightly above the long-term average and 7 percentage points above the prior-year level. The hydro coefficients for the individual quarters differed substantially as follows: quarter 1: 1.21 (previous year: 1.17); quarter 2: 1.05 (1.03); quarter 3: 0.85 (0.74); quarter 4: 0.99 (0.86).

Hydro coefficient (monthly averages)



Electricity supply and sales volumes

Electricity supply and sales volumes TWh



VERBUND's own generation rose by 2,029 GWh to 33,159 GWh in quarters 1–4/2019. This represents a year-on-year increase of 6.5%. Generation from hydropower increased by 1,976 GWh compared with the previous reporting period. The hydro coefficient for the run-of-river power plants came to 1.01, or 7 percentage points above the prior-year figure and 1 percentage point above the long-term average. Generation from annual storage power plants decreased by 2.2% in quarters 1– 4/2019 due to lower generation from turbining and increasing reservoir levels.

VERBUND's wind power installations generated 95 GWh more electricity in quarters 1–4/2019 than in the previous year due to more windy conditions.

Generation from thermal power plants decreased by 42 GWh in quarters 1–4/2019. The Mellach CCGT generated 27 GWh less electricity in 2019. Generation at the Mellach hard coal power plant fell by 15 GWh.

Purchases of electricity from third parties for trading and sales rose by 2,018 GWh. By contrast, electricity purchased from third parties for grid losses and control power decreased by 950 GWh.

Group electricity supply

GWh

	2018	**2019**	Change
Hydropower[1]	28,684	30,660	6.9%
Wind power	834	929	11.4%
Thermal power	1,611	1,570	–2.6%
Own generation	31,130	**33,159**	6.5%
Electricity purchased for trading and sales	27,039	29,056	7.5%
Electricity purchased for grid loss and control power volumes	5,026	4,077	–18.9%
Electricity supply	63,195	**66,292**	4.9%

[1] incl. purchase rights

VERBUND's electricity sales volume increased by 3,270 GWh in quarters 1–4/2019. Electricity volumes delivered to consumers rose by 1,988 GWh. Here, a sharp rise in sales to international customers in Germany and Romania more than compensated for the slight decline in sales to domestic customers. As at 31 December 2019, our residential customer base comprised approximately 500,000 electricity and gas customers. Sales to resellers fell by 649 GWh year-on-year, mainly as a result of the change in the allocation of the Romanian sales business from resellers to consumers. Electricity deliveries to trading firms increased by 1,930 GWh due to significantly higher spot trading volumes. Own use of electricity rose minimally by 33 GWh.

Group electricity sales volume and own use

GWh

	2018	**2019**	Change
Consumers	12,490	14,478	15.9%
Resellers	28,455	27,806	–2.3%
Traders	17,964	19,894	10.7%
Electricity sales volume	58,908	**62,179**	5.6%
Own use	3,145	3,178	1.1%
Control power volume	1,141	935	–18.1%
Total electricity sales volume and own use	63,195	**66,292**	4.9%

Approximately 55% of the electricity sold by VERBUND in quarters 1–4/2019 went to the Austrian market. The increase compared with the previous year's figure of 49% was due to the trend towards selling within the Austrian price zone. International trading and sales activities focused on the German market, which accounted for around 85% of all volumes sold abroad in 2019.

Electricity sales by country GWh

	2018	2019	Change
Austria	28,615	34,475	20.5%
Germany	26,022	23,511	–9.6%
France	3,036	3,301	8.7%
Romania	1,044	865	–17.2%
Other	192	26	–
Electricity sales volume	58,908	**62,179**	5.6%

Financial performance

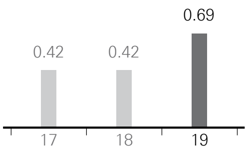
Result €m

	2018	2019	Change
EBITDA	864.2	1,183.5	36.9%
Adjusted EBITDA	863.5	1,183.5	37.1%
Operating result	655.1	865.9	32.2%
Group result	433.2	554.8	28.1%
Adjusted Group result	342.2	549.0	60.4%
Earnings per share in €	1.25	1.60	28.1%
(Proposed) dividend per share in €	0.42	0.69	64.3%

Income trend

The results posted by VERBUND for financial year 2019 were highly encouraging. EBITDA increased by 36.9% to €1,183.5m and the Group result was up 28.1% on the previous year to €554.8m. Earnings – especially the Group result in financial year 2018 – were influenced by non-recurring effects. In financial year 2019, such effects related to reversals of impairment losses recognised on the Group's hydropower operations in Austria and Albania and on its wind power operations in Romania as a result of a lower cost of capital and higher prices for electricity. Measurement of an obligation to return an interest had a counteracting effect. Overall, non-recurring income of €5.8m was recorded in the Group result in financial year 2019. In 2018, the non-recurring income had related above all to reversals of impairment losses recognised on the Group's hydropower operations in Austria and Germany and on its wind power operations in Romania. Overall, non-recurring income of €91.0m had been recorded in the Group result in 2018. Adjusted for this non-recurring effects, EBITDA rose by 37.1% and the Group result by 60.4% to €549.0m. This growth is mainly due to a rise in average sales prices attributable to higher price levels for wholesale electricity. The sales prices obtained for our own generation from hydropower increased by €9.7/MWh to €39.0/MWh. Generation from hydropower also increased year-on-year. The hydro coefficient for the run-of-river power plants came to 1.01, or 7 percentage points above the prior-year figure and 1 percentage point above the long-term average. By contrast, generation from annual storage power plants fell slightly. Overall, generation from hydropower increased by 1,976 GWh. The earnings contribution from the Grid segment likewise improved compared with the prior-year reporting period due to higher additional temporary revenue. However, revenue from flexibility products dipped slightly.

Dividend per share €



Dividend

A dividend of €0.69 per share for financial year 2019 will be proposed to the Annual General Meeting on 28 April 2020. The payout ratio calculated on the basis of the reported Group result amounts to 43.2% for 2019 and the payout ratio calculated on the basis of the Group result after adjusting for non-recurring effects is 43.7%. In 2018, a dividend of €0.42 per share was paid out to shareholders; the payout ratio amounted to 33.7% of the reported Group result or 42.6% of the adjusted Group result.

Revenue €m

	2018	**2019**	Change
Electricity revenue	2,011.3	3,190.8	58.6%
Grid revenue	537.2	566.6	5.5%
Other revenue	122.6	137.6	12.2%
Revenue[1]	2,671.1	3,895.0	45.8%

[1] calculation adjusted retrospectively in accordance with IAS 8 in financial year 2019 with effect from 1 January 2018

Electricity revenue

VERBUND's electricity revenue rose by €1,179.5m to €3,190.8m in 2019. In terms of quantities, electricity sales volumes increased by 3,270 GWh, or 5.6%, year-on-year. The average sales prices obtained for our own generation from hydropower increased by €9.7/MWh to €39.0/MWh. This significant increase is attributable to higher prices on the futures market in the wholesale market for electricity. Another reason is the change in the accounting treatment for energy derivatives (please refer to the notes to the consolidated financial statements for details).

Grid revenue

Grid revenue increased by €29.4m year-on-year to €566.6m in 2019. Higher proceeds from international auctions for cross-border capacity and inter-TSO compensation had significant positive effects. National grid revenue from the recharging of balancing energy and higher tariff revenue also rose. By contrast, lower rates for system services fees caused a decline in revenue from system services.

Other revenue and other operating income

Other revenue increased by €15.0m to €137.6m, due mainly to higher revenue from the sale of green electricity certificates. Other operating income rose by €8.6m to €74.1m due, among other things, to higher income from disposals of property, plant and equipment as well as higher income from the reversal of contributions to building costs.

Expenses €m

	2018	2019	Change
Expenses for electricity, grid, gas and certificates purchases[1]	1,183.9	2,086.3	76.2%
Fuel expenses and other usage-/revenue-dependent expenses	125.8	116.9	–7.0%
Personnel expenses	322.8	332.4	3.0%
Other operating expenses	239.8	250.0	4.2%

[1] calculation adjusted retrospectively in accordance with IAS 8 in financial year 2019 with effect from 1 January 2018

Expenses for electricity, grid, gas and certificates purchases

Expenses for electricity, grid, gas and certificates purchases increased by €902.4m to €2,086.3m. A total of 1,068 GWh more electricity was purchased from third parties for trading and sales as well as for grid loss and control power volumes. Higher procurement prices arising from higher price levels for wholesale electricity on the whole also caused expenses to rise. Expenses for electricity purchases thus increased by €868.8m compared with the previous year. Expenses for grid purchases rose by €32.2m, while expenses for gas purchases were down €0.6m in the 2019 reporting period.

Fuel expenses

Fuel and other usage-/revenue-dependent expenses decreased by €8.9m to €116.9m. The decline in the use of natural gas resulting from the fall in gas prices in 2019 significantly reduced expenses. By contrast, the higher expenses for emission rights resulting from the sharp rise in CO_2 prices had a negative effect, as did higher expenses for coal caused by the increase in coal procurement prices.

Personnel expenses

Personnel expenses increased by €9.6m year-on-year to €332.4m. The rise in expenses for current employees (€–12.6m) resulted primarily from the increase of 3.4% in pay rates under the collective bargaining agreement and expenses for new hires. An update of the assumptions used in the calculation of provisions also caused personnel expenses to rise (€–2.6m). With respect to employee benefits relating to pensions and termination benefits (“Sozialkapital”), the increase in personnel expenses was mitigated by the absence of provisions for the Company’s “Sozialplan” – an agreement concluded between management and the works council for the purpose of mitigating the impact of any employee layoffs – in the thermal segment (€+1.5m). An updated calculation of provisions for termination benefits and pensions gave rise to further improvements (€+3.0m).

Other operating expenses

Other operating expenses rose by €10.1m to €250.0m, largely due to the increase in expenses for third-party maintenance of power plants and line systems and higher expenses for information technology services. In contrast, the initial application of IFRS 16 had a positive effect on other operating expenses (please refer to the notes for details on the initial application of IFRS 16).

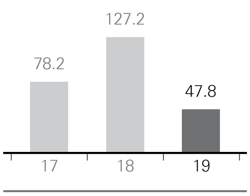
EBITDA

As a result of the above-mentioned factors, EBITDA rose by 36.9% to €1,183.5m.

Depreciation, amortisation and write-downs

Depreciation, amortisation and write-downs rose by €36.9m to €364.2m. The increase was primarily due to depreciation of right-of-use assets as required by the newly applied IFRS 16 (please refer to the notes for details on the initial application of IFRS 16). Depreciation of property, plant and equipment and amortisation of intangible assets were up slightly year-on-year.

Reversal of impairment losses €m



Impairment losses

Only minor impairment losses of €1.2m were recorded in financial year 2019. Impairment losses in financial year 2018 had amounted to €9.0m and related mainly to the Gries and Graz run-of-river power plants. Further details on impairment testing are presented in the notes to the consolidated financial statements.

Reversals of impairment losses

Reversals of impairment losses amounted to €47.8m and resulted from the reversal of impairment losses recognised on the Gössendorf and Kalsdorf run-of-river power plants (€9.6m), the Gries run-of-river power plant (€9.7m) and the wind farms in Romania (€28.6m). Reversals of impairment losses in financial year 2018 had amounted to €127.2m and resulted primarily from the reversal of impairment losses recognised on the power plants of the Grenzkraftwerke (€55.8m), the Mittlere Salzach power plant group (€20.6m), the Gössendorf and Kalsdorf run-of-river power plants (€12.5m) and the wind farms in Romania (€26.5m). Further details on impairment testing are presented in the notes to the consolidated financial statements.

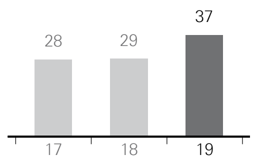
Financial result €m

	2018	**2019**	Change
Result from interests accounted for using the equity method	28.4	**40.8**	43.5%
Other result from equity interests	8.8	**6.1**	–30.9%
Interest income	32.1	**32.8**	2.1%
Interest expenses	–127.4	**–110.4**	–13.4%
Other financial result	7.8	**–39.1**	–
Impairment losses	–2.2	**0.0**	–
Reversals of impairment losses	0.3	**16.4**	–
Financial result	–52.1	**–53.4**	2.5%

Result from interests accounted for using the equity method

The result from interests accounted for using the equity method rose by €12.4m to €40.8m. The increase was mainly due to the earnings contributions from KELAG in the amount of €38.5m (2018: €29.9m).

Equity result - domestic €m



Interest income and expenses

Interest income increased by €0.7m to €32.8m compared with 2018. Interest expenses decreased by €17.0m to €110.4m, due in particular to lower interest on bonds and credit facilities as a result of scheduled repayments of principal.

Other financial result

The other financial result fell by €46.9m to €–39.1m. The decrease was mainly due to measurement losses relating to the measurement of an obligation to return an interest (€–61.0m), measurement of non-derivative financial instruments (€–20.7m) and higher income from securities and loans (€+41.7m).

Reversals of impairment losses in the financial result

Reversals of impairment losses amounted to €16.4m (2018: €0.3m) and resulted from the reversal of the impairment loss recognised on Ashta Beteiligungsverwaltung GmbH. Further details on impairment testing are presented in the notes to the consolidated financial statements.

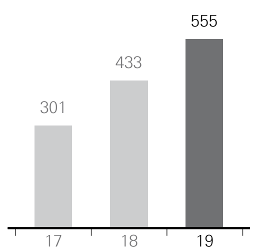
Financial result

The financial result consequently deteriorated by €1.3m, declining from €–52.1m to €–53.4m.

Group result

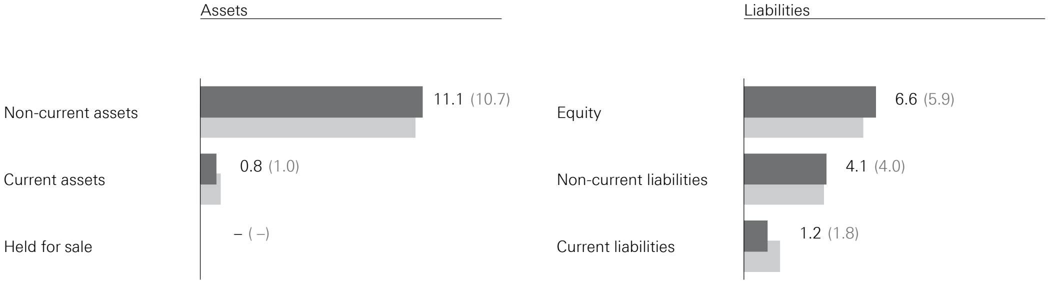
After taking account of an effective tax rate of 21.1% and non-controlling interests in the amount of €85.9m, the Group result amounted to €554.8m. This represents an increase of 28.1% compared with the previous year. Earnings per share amounted to €1.60 (2018: €1.25) for 347,415,686 shares. The Group result after adjustment for non-recurring effects was €549.0m, an increase of 60.4% on the prior-year period.

Group result €m



Financial position

Balance sheet €bn



Figures in brackets are previous year's figures.

Consolidated balance sheet (condensed)

€m

	2018	Percent	**2019**	**Percent**	Change
Non-current assets	10,702.7	91%	11,061.9	93%	3.4%
Current assets	1,002.1	9%	776.7	7%	–22.5%
Total assets	11,704.8	100%	**11,838.6**	**100%**	1.1%
Equity	5,941.0	51%	6,568.0	55%	10.6%
Non-current liabilities	3,968.0	34%	4,107.4	35%	3.5%
Current liabilities	1,795.8	15%	1,163.2	10%	–35.2%
Total liabilities	11,704.8	100%	**11,838.6**	**100%**	1.1%

Assets

SDG 8

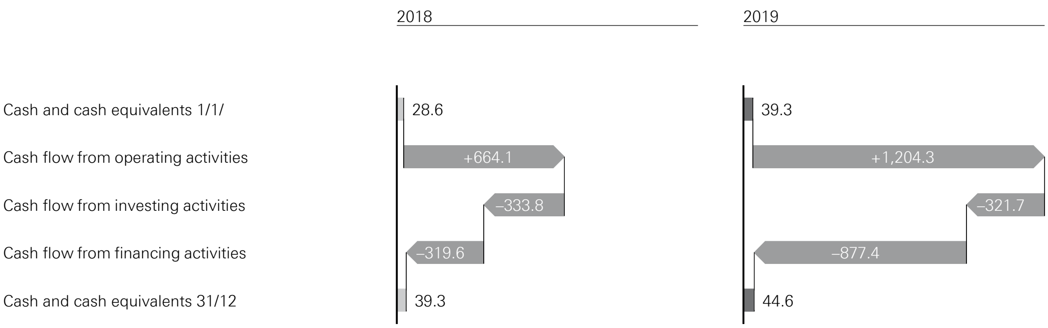
VERBUND's non-current assets increased slightly from the level as at 31 December 2018. With respect to property, plant and equipment, additions of €438.9m were offset by depreciation of €322.1m. Moreover, reversals of impairment losses totalling €19.3m were recognised on several Austrian run-of-river power plants. The items of property, plant and equipment were tested for impairment after deducting any contributions to building costs directly attributable to the relevant installations. Impairment tests performed on Romanian wind farms resulted in reversals of impairment losses in the amount of €28.6m. The main additions to property, plant and equipment related to capital expenditure for the Austrian transmission grid and replacement investments at Austrian and German hydropower plants. Non-current assets rose by €133.4m as at 31 December 2019 due to the initial application of IFRS 16. The decrease in current assets resulted mainly from the use of cash and cash equivalents invested in short- and medium-term vehicles to redeem a bond as well as lower positive fair values for derivative hedging transactions.

Equity and liabilities

The increase in equity compared with 31 December 2018 was mainly attributable to the profit for the period generated in 2019 as well as the positive impact of the measurement of cash flow hedges on other comprehensive income. These factors were counteracted by dividend distributions and the negative impact on other comprehensive income of interest rate adjustments in connection with employee benefits relating to pensions and termination benefits (Sozialkapital), which reduced equity. The net decrease in current and non-current liabilities was primarily the result of lower negative fair values for derivative hedging transactions as well as the redemption of a bond, whereas the initial application of IFRS 16 and higher provisions for employee benefits relating to pensions and termination benefits (Sozialkapital) and the measurement of an obligation to return an interest had a counteracting effect.

Cash flows

Cash flow statement €m



Cash flow statement (condensed) €m

	2018	2019	Change
Cash flow from operating activities	664.1	1,204.3	81.3%
Cash flow from investing activities	–333.8	–321.7	–3.6%
Cash flow from financing activities	–319.6	–877.4	–
Change in cash and cash equivalents	10.8	**5.3**	–50.8%
Cash and cash equivalents at the end of the period	39.3	44.6	13.4%

Cash flow from operating activities

Cash flow from operating activities amounted to €1,204.3m in the 2019 reporting period, up €540.2m on the prior-year figure. The increase was largely fuelled by the significantly higher average prices obtained for electricity sales. Moreover, the hydro coefficient was up 7 percentage points over the prior-year figure to 1.01. Lower income tax payments and the higher cash flow from operating activities at APG also had a positive effect.

Cash flow from investing activities

Cash flow from investing activities amounted to €–321.7m in the 2019 reporting period (2018: €–333.8m). The change compared with the previous year was mainly due to a higher cash outflow from capital expenditure for intangible assets and property, plant and equipment (€–95.6m), a lower cash inflow from the disposal of intangible assets and property, plant and equipment (€–42.0m) and a higher net cash inflow from investments (€+150.2m).

Cash flow from financing activities

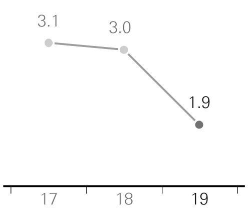
Cash flow from financing activities amounted to €–877.4m in the 2019 reporting period, a change of €–557.8m. The change was due to higher repayments of financial liabilities (€–468.7m) and a higher net cash inflow from money market transactions (€+43.3m) as well as the cash outflow from the repayment of lease liabilities (€–32.3m), which has been presented in cash flow from financing activities since 1 January 2019 based on the initial application of IFRS 16 Leases. At €178.1m, dividend payouts were at the prior-year level.

Key performance indicators and financial governance

The key performance indicators used to measure VERBUND's business activities are net debt/EBITDA and the related KPI of free cash flow. VERBUND uses ROCE to measure value creation. Starting from the 2019 reporting period, ROCE will now only be calculated for VERBUND's unregulated business activities, with retroactive effect from the 2018 comparative period.

Net debt/EBITDA and free cash flow

Net Debt/EBITDA



VERBUND has made debt reduction a priority and is aiming to reach a ratio of net debt/EBITDA of <3.0. To achieve this goal, particular focus has been placed on improving free cash flow.

The ratio of net debt to EBITDA was 1.9 at 31 December 2019 (2018: 3.0). This improvement was attributable to the increase in EBITDA as well as to a decrease in net debt. Information on the change in EBITDA is presented in the Financial performance section. The reduction in net debt resulted primarily from a decrease in liabilities due to the positive free cash flow.

Free cash flow after dividends amounted to €639.3m at the end of the reporting period (2018: €237.2m). The change was largely fuelled by the increase in operating cash flow due to the significantly higher average prices obtained for electricity sales. Higher cash outflow from capital expenditure on intangible assets and property, plant and equipment had an offsetting effect.

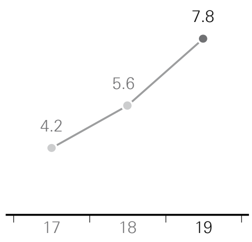
Return on capital employed (ROCE)

ROCE is an indicator of the profitability of the Group's operating assets. ROCE for VERBUND's unregulated business activities at the end of 2019 was 7.8% (2018: 5.6%). The objective is for this figure to exceed 7.0% in the long term. ROCE is calculated by dividing net operating profit after tax (NOPAT) by average capital employed.

NOPAT equates to operating profit before financing costs, including the result from equity interests net of income tax. At the end of financial year 2019, NOPAT for VERBUND's unregulated business activities was €684.6m (2018: €409.5m). The increase is mainly due to the change in profit before tax and is explained in the Financial performance section.

Capital employed corresponds to average total assets, net of those assets that do not contribute to performance or commercialisation, and less non-interest-bearing debt. Average capital employed for VERBUND's unregulated business activities amounted to €8,816.4m at the end of 2019 (2018: €7,291.3m). The Group return exceeded the weighted average cost of capital (WACC) in 2019 (currently 4.00%).

ROCE



The calculation was adjusted retrospectively in accordance with IAS 8 in financial year 2019 with effect from 1 January 2018.

Gearing

Gearing is determined as follows:

Interest-bearing net debt (condensed) €m

	2018	2019	Change
Financial liabilities	1,792.5	1,111.5	–38.0%
Interest-bearing provisions	812.9	908.0	11.7%
Other interest-bearing liabilities	217.0	400.7	84.6%
Cross-border leasing	32.1	16.1	–49.8%
Cash and cash equivalents	–39.2	–44.5	13.5%
Securities	–211.5	–133.1	–37.1%
Other liquid financial assets	–43.1	–2.6	–94.0%
Interest-bearing net debt	2,560.7	**2,256.1**	–11.9%
Equity	5,941.0	**6,568.0**	10.6%
Gearing ratio	43.1%	**34.4%**	–

Financing

Financing strategy

In today's volatile energy market environment, VERBUND bases its financing strategy on three pillars: 1. safeguarding liquidity and ensuring suitable liquidity reserves by increased utilisation of innovative, sustainable financial instruments; 2. securing a solid credit rating over the long term; and 3. optimising the capital structure.

Safeguarding liquidity and ensuring suitable liquidity reserves

TCFD

For VERBUND, ensuring that liquidity is available at all times has the highest priority. As at 31 December 2019, VERBUND had an ESG-linked syndicated loan in the amount of €500.0m at its disposal that had not been drawn down. The loan, which was taken out with twelve domestic and international banks with good credit ratings, matures in 2023 with two additional extension options of one year in each case. VERBUND also had access to uncommitted lines of credit amounting to approximately €500.0m at the end of 2019. At 31 December 2019, €65m of these credit lines had been drawn down.

VERBUND is an innovation leader in green finance and has been instrumental in developing the green finance market.

Securing a solid, long-term credit rating

As at 31/12/2019:
S&P: A/
stable outlook
Moody's: Baa1/
positive outlook

The better a company's credit rating, the easier and more inexpensive it is to benefit from full access to international capital markets. Having a solid credit rating gives VERBUND access to various financing instruments, including those in the capital market. As at 31 December 2019, VERBUND had a long-term rating of A with a stable outlook from Standard & Poor's (S&P) and a rating of Baa1 with a positive outlook from Moody's. S&P raised its rating from A– to A with a stable outlook in December 2019. Moody's left its rating unchanged in 2019 but raised it in January 2020 from Baa1/positive outlook to A3/stable outlook. For the long term, VERBUND is aiming for a solid "A" category rating. VERBUND is therefore focusing its management of the Group primarily on optimising free cash flow and improving the two key rating-related performance indicators of FFO/net debt and RCF/net debt.

Financing measures

In 2019, VERBUND was again able to take advantage of its strong internal financing capability to finance its ongoing investment programme and to continue to reduce Group debt. As at 31 December 2019, cash flow from operating activities amounted to €1,204.3m and free cash flow before dividends amounted to €817.4m. As part of active liquidity management, VERBUND subjects its financial liabilities to ongoing monitoring to ensure that opportunities to optimise interest expenses are taken advantage of (e.g. by making early principal repayments).

VERBUND will continue to pursue green finance activities in the future. Following a number of innovative transactions in recent years such as the issuance of the first green bond in the German-speaking region, the world's first green Schuldschein over a digital platform and the first green syndicated loan whose margin structure is linked exclusively to VERBUND's ESG rating (sustainability rating) over the term of the loan, no new funds were raised in the capital market in 2019 due to VERBUND's outstanding liquidity situation.

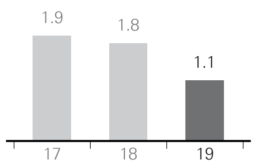
Green finance initiatives: green bond, digital green Schuldschein and ESG-linked loan

TCFD

As at 31 December 2019, VERBUND's borrowing portfolio was composed as follows: 63% bonds and 37% loans.

The following key performance indicators refer to purely external financial liabilities, excluding former cross-border leasing transactions, exclusive financial guarantees and exclusive limited partnership interests. The carrying amount of VERBUND's financial liabilities was €1,112.1m as at 31 December 2019. The entire amount was financed in euros. A total of 91% of these financial liabilities had fixed interest rates and 9% had variable interest rates. As at 31 December 2019, the duration of all liabilities was 4.1 years and the average term to maturity was 4.2 years. The effective interest rate was 2.79%.

Financial liabilities €bn

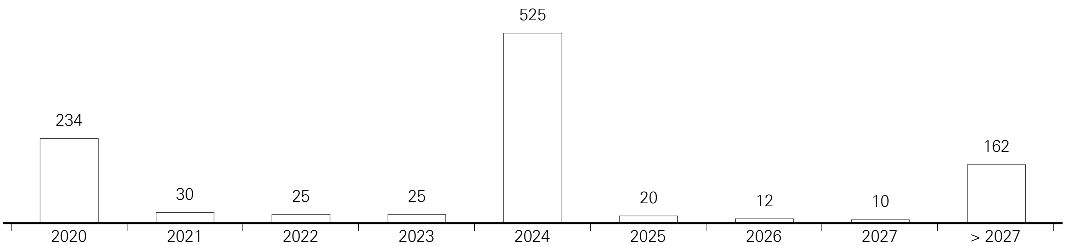


Carrying amounts

Repayments of principal and repayment structure

In financial year 2019, principal payments of €718m were made on long-term borrowings. A total of €234m will fall due in 2020 and €30m is scheduled to be repaid in 2021.

Repayments €m



Segment report

Renewable generation

Hydropower and wind generation technologies are brought together under the Renewable generation segment. Around 95% of the electricity VERBUND generated in financial year 2019 came from these renewable sources.

VERBUND is one of the largest producers of hydroelectricity in Europe. Especially in Austria, hydropower is the basis for generating electricity from renewable energy sources. It has many advantages: it is renewable, clean, reliable and flexible and delivers high-value peak load and base load power. VERBUND's strong hydropower base – with a very extensive portfolio of base load and peak load electricity, flexibility and storage capacity – provides an outstanding competitive basis to meet the needs of a modern energy market in a cost-effective manner.

VERBUND rounds off its renewable production portfolio with wind power, and the Group makes optimum use of the potential of wind power with a flexible power plant portfolio.

VERBUND has the strength to implement measures to mitigate climate change.

Business performance

KPIs – Renewable generation segment

	Unit	2018	**2019**	Change
Total revenue	€m	903.8	1,232.5	36.4%
EBITDA	€m	514.5	859.7	67.1%
Result from interests accounted for using the equity method	€m	0.0	3.7	–
Capital employed	€m	6,602.2	6,566.8	–0.5%

EBITDA for the Renewable generation segment rose by €345.2m to €859.7m. The increase was due mainly to the significant rise in the average prices obtained for electricity sales compared with the previous year. The hydro coefficient for quarters 1–4/2019 was 1.01, up from 0.94 in quarters 1–4/2018. The result from interests accounted for using the equity method for the Renewable generation segment was largely made up of the earnings contribution from Ashta Beteiligungsverwaltung GmbH.

Capital employed for the Renewable generation segment fell by €35.4m to €6,566.8m. The reduction is mainly due to the decrease in property, plant and equipment, which is offset by the recognition of right-of-use assets based on the initial application of IFRS 16 Leases since 1 January 2019 and lower non-interest-bearing debt.

Energy supply

Energy generation overview

GRI EU1
GRI EU2

SDG 7

Electricity generation

	Number[1]	Maximum electrical capacity in MW[1]	Mean energy capability in GWh	2017 Generation in GWh	2018 Generation in GWh	**2019 Generation in GWh**
Hydropower[2]	131	8,222	29,071	29,687	28,684	30,660
Wind power	11[3]	418		952	834	929
Total	142	8,640	29,071	30,639	29,518	**31,589**

[1] as at 31 December 2019 // [2] incl. purchase rights // [3] refers to the number of wind farms

The water supply was very good in the first half of 2019, with extremely high water levels at times. As in 2018, the summer months were very dry. The supply of water returned to average levels in autumn 2019.

VERBUND generated 31,589 GWh from renewable energy sources in financial year 2019, which was more than 2 TWh above the previous year's level of 29,518 GWh. This increase is primarily due to an improved water supply, particularly in quarter 1/2019, and increased wind supply. Generation from hydropower plants rose by 6.9% to 30,660 GWh. The hydro coefficient (the measure for generation from run-of-river and pondage power plants) came to 1.01 in 2019, or 1 percentage point above the long-term average and 7 percentage points over the figure for the previous year, in which generation was weak. The hydro coefficients for the individual quarters differed substantially as follows: quarter 1/2019: 1.21; quarter 2/2019: 1.05; quarter 3/2019: 0.85; quarter 4/2019: 0.99.

VERBUND's wind power plants generated 929 GWh of electricity in 2019, 11.4% more than in the previous year.

VERBUND's hydropower plants had a capacity of 8,222 MW (maximum electrical capacity = maximum capacity for sustained operations) as at 31 December 2019. A total of 418 MW was installed at VERBUND's wind farm installations as at 31 December 2019.

GRI EU10
GRI EU1

SDG 7

Capacity changes 2018–2021[1]

MW

	2018	2019	2020	2021
Hydropower[2]	8,215	8,222	8,248	8,341
Wind power	418	418	418	520
Solar power	–	–	15	50
Total	8,633	8,640	8,681	8,911

[1] as at 31/12 of each year // [2] incl. purchase rights

Capacity changes in VERBUND's power plant portfolio are shown based on the current investment plan and include the construction and efficiency improvement projects that were completed by 31 December 2019. Based on the strategy defined, in future greater priority will be given to the expansion of generation from the new renewable energy sources of wind and sun. VERBUND's honed strategy envisages that by 2030 a total of 20–25% of the electricity generated will come from new renewable sources of energy. In keeping with this goal, VERBUND set up a new subsidiary that is responsible for the development and expansion of photovoltaic installations and onshore wind farms.

The growth in hydropower capacity in 2019 can be attributed to the commissioning of the power plants in Gries, Graz (VERBUND share: 12.5%) and Reißeck-Mühldorferseen. In 2020, the exercise of the option to top up the stake in the Graz power plant to 25.1% will become effective, and capacity will also be increased as a result of completed rehabilitation projects (including the Häusling, Kaprun and Malta rehabilitation projects). Additional increases in mean energy capability and capacity are expected for 2020 based on ongoing projects.

Hydropower

Availability of hydropower plants

GRI EU30

SDG 7

In 2019, VERBUND electricity from hydropower came from 94 run-of-river power plants and 23 storage power plants. We also held purchase rights at 14 run-of-river power plants owned by Ennskraftwerke AG. The mean energy capability – i.e. annual generation potential assuming an average water supply (standard year) – is 29,071 GWh.

The Austrian power plants of VERBUND Hydro Power GmbH (run-of-river and storage power plants) had average availability of just 92.7% in 2019. This availability level was somewhat lower than the average for the years 2014 to 2018 (93.4%) and also fell significantly short of availability in 2018 (95.1%). The main reason for this is the very low availability of the storage power plants of 91.2% (2018: 95.9%, five-year average: 93.2%). The long downtimes of powerful machinery and power plants had a significant impact here. These included downtimes related to efficiency increases at the Häusling power plant (six months) and the emptying of dead storage capacity at the Mooserboden power plant (six weeks, Kaprun-Oberstufe and Limberg II) as well as a shut-down at the Malta-Hauptstufe power plant (three months). At 94.5%, the availability of the run-of-river power plants in financial year 2019 was somewhat better than in the previous year (94.2%) and above the five-year average (93.6%). This was due to optimisation of the repair cycles of run-of-river power plants (extension of inspection intervals from six to nine years) from autumn 2014 onwards.

The Grenzkraftwerke power plants on the Inn and Danube rivers (Bavaria/Austria) achieved a good level of availability of 94.4% in 2019 as a result of completing certain renovations in 2018 (principally renewing control systems). The 2019 figure was thus higher than the average for the last five years (92.9%) as well as the figure for 2018, when an availability level of 93.9% was achieved due to a number of renovation projects.

The Bavarian run-of-river power plants operated by VERBUND Innkraftwerke GmbH achieved an availability level of 91.5% in 2019. Even though this figure was heavily impacted by a project for the accelerated renewal of control systems and the modernisation of the Töging power plant, the scope of the renovations was smaller in 2019 than in preceding years. The figure for 2019 was therefore slightly higher than the average for the years 2014 to 2018 (90.8%). The availability level of 91.1% in 2018 – when extensive control system renovations took place – was also exceeded.

New power plant projects

VERBUND was able to continue and complete the following key projects in 2019:

Gries run-of-river power plant

VERBUND and Salzburg AG collaborated on a project to build the new Gries power plant on the Salzach. Work on the power plant, which had been under construction since summer 2016, was completed on schedule in summer 2019 after commercial operation had already begun in late 2018. The plant celebrated its inauguration on 13 June 2019.

Throughout the construction phase, the public relations activities accompanying the construction project placed special emphasis on constructive cooperation with the local community and the state as well as the aspects of regionality and proximity to the local population. The discussion platforms established for the construction site were utilised in the tried-and-tested manner to inform and elicit suggestions from local residents. The high level of acceptance of the construction site and the power plant among the local population confirms that the approach taken in the public relations work was correct. GRI 413-1

The Gries power plant on the Salzach River commenced electricity generation in autumn 2018 and supplies more than 10,000 households with clean electricity from hydropower based on an annual generation of 42 GWh and a maximum electrical capacity of 8.8 MW.

Graz power plant on the Mur River

At the end of 2019, alongside Energie Steiermark Green Power GmbH (75.0%), VERBUND Hydro Power GmbH and Energie Graz GmbH & Co KG each had a stake of 12.5% in the Graz power plant on the Mur River, with a maximum electrical capacity of 17.7 MW and a mean energy capability of 78.9 GWh. In December 2019, VERBUND Hydro Power GmbH exercised its option to acquire a share of 12.6% and thus top up its stake to 25.1% (effective from 2020). Since January 2017, Energie Steiermark Green Power GmbH has been executing the project on schedule, which allowed the power plant to be officially commissioned once trial operation had been completed in September 2019. VERBUND Hydro Power GmbH will be in charge of operating the plant over its lifetime. Energie Steiermark, our project partner, was responsible for stakeholder engagement throughout the construction phase. The inauguration ceremony took place on 9 October 2019.

Further information is available at www.murkraftwerkgraz.at

New construction projects

In addition to the projects being implemented as described above, VERBUND is planning other power plant projects. The Group is considering implementing an ecological model project at the Tittmoning basin of the Salzach River near the German-Austrian border entailing a combination of river restoration and energy use (run-of-river power plant) through the integration of energy units into planned ramp structures. This will make it possible to generate around 34 GWh of electricity each at three sites. Talks have been initiated with water boards from Upper Austria, Salzburg and Bavaria with the goal of starting an approval procedure under the leadership of VERBUND (Österreichisch-Bayerische Kraftwerke AG).

At the planned Stegenwald power plant on the central Salzach River, a project that is being implemented in collaboration with Salzburg AG für Energie, Verkehr und Telekommunikation, work in 2019 focused on continuing the approval procedure. A positive approval notice in the water rights proceedings was issued in May 2019. The nature conservation-related approval notice was still outstanding at the reporting date. The project has a planned capacity of 14.5 MW and a mean energy capability of 72 GWh. GRI 413-1

For the approved Gratkorn power plant on the Mur River, another collaborative venture with Energie Steiermark AG with a capacity of 11 MW and a mean energy capability of 54 GWh, the new conditions for implementation were being examined at the end of 2019 based on the amendment of the Green Electricity Act.

Expansion and rehabilitation projects

Lower Tuxbach

In September 2016, it was decided to undertake an expansion project at the Lower Tuxbach. Together with the project for the re-issuance of water rights for the Bösdornau power plant, the planned measures, which will increase mean energy capability by 48 GWh, represent an energy upgrade of the Group's existing power plant portfolio in the Zillertal Valley.

After excavation towards the Tuxertal Valley using a tunnel boring machine equipped with disc cutters was completed in July 2018, tunnel boring in the direction of Stillup broke through at the beginning of May 2019. The geological situation identified during tunnel boring in the direction of the Tuxertal Valley and the associated additional injections and inner lining sections were evaluated and will lead to an extension of the construction phase, with commissioning now scheduled for summer 2020.

Work to install the tunnel lining and the injections in the Zemm-Tux tunnels progressed on schedule up until the reporting date. As at the end of December 2019, the steel pipes for the two pipe tunnels had been transported to the site. Assembly began in early 2020. Assembly work in the powerhouse of the Stillup small power plant also progressed on schedule and dry commissioning began.

GRI 413-1

SDG 15

The supporting ecological measures for the Lower Tuxbach project are being carried out as planned. Structuring measures at the Zemm-Ziller development were also commenced. Public relations activities were stepped up on issuance of the approval notices and on the signing of the second Zillertal agreement and the partnership agreements with the communities and the tourist board as well as on the signing of a partnership agreement between VERBUND and Stadtwerke Schwaz (which receives an annual electricity purchase right). As part of the project, informational events are held, press releases issued and project consultations held.

With regard to the Bösdornau power plant, the documents for the re-issuance of water rights have been submitted to the relevant authority. The required restoration measures were initiated in June 2019 and the Stillupp diversion was decommissioned in one of the initial steps. The modernisation work at the Bösdornau power plant itself is expected to commence in quarter 2/2020, and commissioning is scheduled to take place by the end of 2020.

Töging

The overall project to upgrade and rehabilitate the existing Inn power plant in Töging and the Jettenbach weir in Bavaria comprises construction of a new power plant and weir, raising the sealing capacity of the Inn channel and implementing flood protection measures at the Jettenbach reservoir. According to the current schedule, it is expected to increase total generation by 139 GWh to 696 GWh and installed capacity by 32.4 MW to 117.7 MW on completion.

GRI 413-1

The legally valid planning approval notice in the water rights proceedings was issued on 22 July 2019. The ancillary provisions and requirements correspond to the well-known proposals by the competent authorities in terms of content and scope. The kick-off event for the project therefore took place on 13 September 2019, and on 14 September 2019 the general public had the opportunity to visit the existing Töging power plant and see the progress being made at the construction site at the open day.

With regard to the project itself, the preparatory construction work that was begun in autumn 2018 was continued on schedule in 2019. At the Jettenbach weir site, the residual water power plant was recommissioned in August 2019 and the cementing work on the right weir pier was completed at the end of 2019. Construction of weir fields 3 and 4 began in parallel. Work on the Fraham impounding reservoir (Jettenbach reservoir site) started in September 2019 and will continue until quarter 2/2020. Work to raise the canal lining in the upstream canal was completed along with the related compensatory environmental measures. Excavation of the inlet structure at the Töging power plant site was finished in 2019. Concreting work outside the principal inlet structure commenced in January 2020.

The project is accompanied by a variety of protective, preventative and compensatory environmental measures. These include standing water bodies used as spawning habitats and fish habitats, grassland development along the embankments to promote biodiversity, establishment of reptile habitats and structural and hydromorphological improvements. Measures to permanently maintain the environmental function have already been implemented for smooth snakes, sand lizards and the dusky large blue butterfly. SDG 15

Based on the agreement with the Free State of Bavaria, supplementary environmental measures for the diversion channel are being developed and implemented in cooperation with the water management authorities.

As part of the public relations activities, monthly project information events are being held alternately in Jettenbach and Töging throughout the entire construction phase. To promote a continuous exchange of information on the project, VERBUND also offers regular consultations. In addition, meetings with residents are held whenever a new construction phase begins. Residents and citizens can call a public hotline to voice their concerns. GRI 413-1

Rehabilitation projects

Rehabilitation at Ybbs-Persenbeug

Austria's oldest Danube power plant at Ybbs-Persenbeug has been undergoing progressive modernisation since 2012. Work on the North power plant was finished in spring 2017 after overhaul of three of the six main generators. Work on the high voltage lines was completed at the end of 2018 through the upgrade of the last main transformer and the replacement of the last 220-kV-energy transmission system.

Autumn 2019 saw the start of modernisation of the three remaining generator sets of the South power plant with the dismantling of the second main generator.

Once the rehabilitation measures have been completed for all six vertical generator sets, the plant will have an additional mean energy capability of 77 GWh and an additional maximum electrical capacity of 18 MW.

Additional rehabilitation projects in the planning or implementation stages

In addition to the continuation of work on the Ybbs project referred to above, the rehabilitation work on the first generator set in the Häusling power plant was successfully completed in spring 2019. The second generator set will be renovated in 2020.

In the other ongoing rehabilitation projects, including those in Kaprun, Malta, Salza, Arnstein, Ottensheim-Wilhering and Ering-Frauenstein, planning and design work continued and initial orders for the main components were placed. These seven rehabilitation measures alone will increase turbine capacity by around 66 MW and mean energy capability by around 106 GWh at the run-of-river power plants over the next few years. Storage power plants will have around 130 MW of additional turbine capacity, approximately 314 MW of additional pump capacity and about 24 GWh of additional mean energy capability.

Moreover, the necessity of making technical improvements to generators and/or machines that are approaching the end of their useful lives is still taken as an opportunity to carry out various additional rehabilitation measures. Planning and preparation of further rehabilitation projects at both Austrian and Bavarian plants has already begun.

Environmental measures: excellent track record in restoration maintained

GRI EU13
A description of conservation measures at VERBUND can be found at www.verbund.com > About VERBUND > Responsibility > Environment

SDG 15

VERBUND expects to incur total costs of up to €280m by 2027 for implementing the requirements of the EU Water Framework Directive. This is in addition to its ongoing expenses for operation and maintenance. Selected nature conservation activities are presented on the VERBUND website.

The most extensive individual projects carried out in 2019 included the completion of the large-scale restoration project at Grenzkraftwerk plant Ering-Frauenstein with semi-natural bypass channels and an extensive river branch system divided by islands around the power plant. At the Abwinden-Asten power plant on the Danube, work continued on establishing fish passability in connection with the LIFE+ Danube Network initiative. The fish pass at the Edling power plant on the Drau was completed and the main technical construction work to create passability at the Annabrücke power plant commenced. On the Mur, work to create passability at the Lebring power plant was continued, which means that fish passability on the Mur has been almost completely achieved. Work has also focused on planning additional fish ladders on the Danube and Drau rivers, the Inn River to the German border and the Inn River in Bavaria, as well as on monitoring the fish ladders already constructed.

Multiple research projects focused on extensively investigating outstanding issues relating to EU Water Framework Directive specifications. For example, the Vienna University of Natural Resources and Life Sciences is systematically reviewing options for improving river sedimentation along the bodies of water impacted by power plants in Austria as part of the "Sediment" CD Laboratory (Christian Doppler Research Association). The project will continue for several years. An external expert evaluation took place in the 2019 reporting period and, following the extremely positive assessment of the interim scientific results, funding for the coming years has been secured.

In addition, research is still being conducted into the effects on the fish population of fish bypasses designed to divert fish around turbines and the impact on water ecology of measures to limit hydropeaking on pilot stretches such as on the central Salzach.

GRI 413-1

On special occasions, such as the opening of the fish pass in Edling and the ground-breaking ceremony for the organism bypass at the Abwinden-Asten power plant, citizens' events are held at which the interested public can obtain information from experts.

Sustainable planning and stakeholder management

GRI 102-43
GRI 103-2

In all of its projects, VERBUND considers its responsibility to society and the environment right from the start. Great importance is placed during all stages of planning and implementation on executing construction work with the utmost consideration and ensuring that the effects of plant operation on the environment are minimal.

In executing its projects, VERBUND also relies heavily on dialogue with citizens. The community is updated regularly and local council information sessions are held, as are meetings with mayors and tourism associations. We addressed the public directly at three selected sites at which open days or neighbourhood meetings were held in 2019.

Compliance with the most stringent environmental standards is reviewed regularly by internal and external auditors during regular operations.

Examination of the flooding on the Danube (2013) and the Drau (2012)

In a ruling on 27 May 2019, the Austrian Supreme Court dismissed the extraordinary appeal lodged by the Klosterneuburg municipal authority against the ruling of the Vienna Regional Court in connection with the flooding on the Danube that occurred in 2013, declaring it inadmissible. The remaining complaints brought in connection with the flooding on the Danube in 2013 were also dismissed by the Regional Civil Court of Vienna with final and binding effect because the claims were time-barred. This means that all complaints brought in connection with the flooding on the Danube in 2013 have now been finally settled in VERBUND's favour.

A total of 94 civil proceedings for damages are still pending in Austria and Slovenia as a result of the Drau flooding in 2012. The Slovenian proceedings are currently in the first-instance evidentiary stage.

Constructive measures to reduce noise emissions at the Malta-Hauptstufe power plant

Since 1979, VERBUND has operated Austria's most powerful hydropower plant in the Mölltal Valley in Carinthia: the Malta-Hauptstufe pumped storage power plant. In addition to four turbines, this power plant also has two pumps whose operation generates a low-frequency sound (75 Hz) in certain constellations. The local community increasingly finds this extremely disturbing, and it has also been classified as a long-term health hazard.

GRI 102-44
GRI 413-1

Through the implementation of technical measures, the noise emissions from the Malta-Hauptstufe pumped storage power plant have now been reduced substantially, something that has also been confirmed through measurements by residents and in expert reports. There is therefore no longer a risk to health. In April 2019, the results were presented to the communities at a public event. The communities were also informed that after new pumps have been installed as part of the rehabilitation of the Malta power plant group, further noise reduction can be expected from 2021 onwards.

Wind power

GRI EU30
GRI EU1
SDG 7

With wind power plants in Austria, Germany and Romania, VERBUND has 418 MW of installed capacity from wind power at its disposal. The Group's wind power plants had an average availability of 97.7% in 2019.

In Austria, in addition to the 37 wind turbines that have been maintained by VERBUND's own personnel since 2018, the remaining seven wind turbines were also maintained by the Group's own staff in 2019.

VERBUND decided to enter the Romanian consumer market for large customers in cooperation with its partner Axpo Romania S.R.L. This enabled delivery of nearly 1 TWh and transfer of approximately 330,000 green certificates in financial year 2019.

Environmental measures

At the Petronell-Carnuntum, Hollern II and Bruck-Göttlesbrunn wind farms, an expert conducts ornithological monitoring either annually or biennially in order to examine the effects on the habitat and the breeding behaviour of various bird species. Noise emission and noise pollution readings at the wind power plants after commissioning ensured that the surrounding area is not adversely impacted to a significant degree.

Introduction of an environmental management system certified to ISO 14001 and environmental certification of the operation of the Austrian wind farm additionally ensure that the most stringent environmental standards are maintained over the entire life cycle of the wind power plants.

Stakeholder management

GRI 413-1

VERBUND also places strong emphasis on engaging with the local population in its wind power operations. At the Bruck/Leitha wind farm, guided tours of a wind turbine with an observation platform are offered. This gives interested individuals a unique opportunity to gain an alternate perspective on wind power.

Sales

The Sales segment combines all of VERBUND's trading and sales activities. Through its trading in electricity, gas, guarantees of origin, CO_2 emission rights and transport capacity as well as in innovative green electricity and flexibility products, VERBUND has gained a strong presence in the most important Over-the-Counter (OTC) markets and in the exchange markets in Europe. This also gives VERBUND a decisive competitive advantage in optimally marketing its products. The expertise VERBUND has acquired strengthens its position in the electricity market and enables the Group to respond promptly to changes in the market. VERBUND is the leading provider of flexibility and green electricity products as well as comprehensive services for the energy markets in Austria and Germany.

The focus of VERBUND's electricity trading is on the following areas: optimising utilisation of its own power plants; achieving the best possible results from marketing the Group's own generation; optimising electricity purchasing; and securing sales. In addition, VERBUND makes use of the opportunities for growth resulting from the energy transition and furnishes customers with energy market expertise in the form of new products and services. Thus VERBUND assists customers with marketing their renewable energy facilities and offers them – for example – flexibility products to reduce their risk exposure arising from balancing energy.

When selling electricity and natural gas to consumers, VERBUND's main focus is on innovative products, fair business practices and sustainability principles. The core markets of VERBUND's sales activities are Austria and Germany. In Austria, VERBUND supplies the household/agriculture and commercial segments (which include the Group's standard load profile customers) with electricity generated exclusively from hydropower. In Germany, VERBUND delivers to industrial enterprises and resellers.

Business performance

KPIs – Sales segment

	Unit	2018	**2019**	Change
Total revenue	€m	1,914.9	3,149.0	64.4%
EBITDA	€m	83.4	55.3	–33.6%
Result from interests accounted for using the equity method	€m	0.0	0.0	–
Capital employed	€m	290.9	102.8	–64.6%

EBITDA for the Sales segment declined by €28.1m year-on-year to €55.3m. The reduction was primarily attributable to revisions of the charging of electricity deliveries in previous years and to lower margins.

Capital employed in the Sales segment was down €188.1m on the prior-year figure, mainly due to changes in working capital and in provisions for deferred taxes.

Energy trading and sales

Electricity trading

Economic hub for the Group

Trends in the European electricity markets, changes in the market design and shifts in the areas of decarbonisation, decentralisation and digitalisation as well as the expansion of renewable energy present multiple challenges for electricity trading. Marketing is becoming increasingly complex, due not least to the challenges associated with short-term and flexible utilisation of power plant capacity as well as with optimal management and long-term marketing of generation facilities.

Electricity trading functions as an economic hub for the Group. Here VERBUND serves as an asset optimiser, offering a comprehensive range of customised products and services in the energy market which are adapted continuously to meet changing market requirements. The range extends from plant use optimisation and market access to flexible marketing and hedging offers, as well as forecasting and regulatory services. VERBUND places particular importance on customising its innovative products to meet a wide spectrum of customer requirements.

An established partner in the European energy market

VERBUND Trading GmbH is an established player in the European energy markets and is considered a dependable trading partner with considerable expertise in asset marketing and flexibility management as well as in green electricity products.

VERBUND's customers primarily include European wholesale partners, other energy trading companies, resellers and municipal utilities. The Group's customer portfolio also comprises grid and power plant operators and producers of electricity from renewable sources, particularly in the areas of wind, solar power and small-scale hydropower. In line with the current market trend, acquisition activities are focused on customers with new product requirements and on market participants with new functions and business models (including prosumers and distributed generators).

Optimal marketing of VERBUND's own generation

In view of the momentum in the energy markets and volatility in electricity prices, VERBUND is optimising its marketing activities so as to secure and market its own generation as effectively as possible. The Group regularly reviews and continuously refines its diversified sales strategy. Marketing activities primarily focus on the characteristics of the Group's power plants. They also take account of the seasonal fluctuations in the water supply and follow dynamic hedging concepts that respond to market price fluctuations, with the aim of ensuring stable results.

The proximity of VERBUND Trading GmbH to the market allows VERBUND to continuously analyse changes in the underlying data and in the climate on the energy market. This makes it possible for VERBUND to identify market signals at an early stage and respond quickly to market trends. The trend in the energy markets and on the stock exchanges in recent years towards increasingly short-term transactions amid persistently high price volatility confirms the accuracy of this strategy.

In addition, VERBUND Trading GmbH ensures market-driven management and optimisation of all of VERBUND's power plant operations. The precise inflow and weather forecasts required for this are prepared using models, some of which were developed within the Group, for which highly qualified staff contribute their knowledge of the energy market and of meteorology. Optimisation calculations using the appropriate electricity pricing models round off the system landscape to enable the best possible marketing of assets.

All trading activities take place within the framework of a comprehensive, strict, regularly updated set of rules and regulations concerning risk.

VERBUND uses its expertise to market renewables

VERBUND pursues an ambitious growth strategy in the marketing of new forms of renewable energy on behalf of third-party plants. The marketing campaign in the Renewable energy customer business with attractive pricing, targeted marketing activities and active customer management was continued in 2019, focusing in particular on wind power and small-scale hydropower, solar power and biomass. VERBUND is actively expanding these successful products as part of its marketing activities for third-party plants in line with the needs of customers. The operators of the plants have benefited from VERBUND's expertise in the energy market. VERBUND's market share in Austria has grown and its market share in Germany has been maintained in recent years in spite of strong price pressure and intense competition. In Luxembourg, VERBUND is still the market leader in marketing electricity from wind power.

Marketing of green electricity remains an important component of the product portfolio

VERBUND's product portfolio includes trading in emission rights and guarantees of origin (green electricity). In taking account of increased awareness about energy production types and energy sources, VERBUND supports the trend towards renewable energy, sustainable generation technologies and climate neutrality.

In Austria and Germany, VERBUND is one of the leading providers of certified renewable generation (hydropower from Austria and Germany) and supplies more than 160 municipal utilities and resellers in these markets with its premium product – H2Ö electricity. Through the diversification and expansion of the sales channels, for example, sales in 2019 were lifted substantially compared with previous years.

Dynamic markets call for flexibility products

VERBUND is one of the leading providers of production flexibility with its storage and pumped storage power plants. The highly flexible power plants allow the near-term capacity adjustments to be made that the market requires as the share of volatile new renewable energy sources grows. The electricity generated is marketed on the day-ahead and intraday spot markets. In addition, system services such as primary, secondary and tertiary control are provided when needed by APG, the control area manager, to ensure short-term balancing between generation and consumption. VERBUND also supplies power plant output for grid services such as provision of reactive power, fault management and black-start capability.

Together with the Mellach combined cycle gas turbine power plant (Mellach CCGT), VERBUND also uses its pumped storage power plants for congestion management. To this end, APG demands congruent modes of operation for the different power plant operators to prevent or balance out unfavourable load flows in the European high voltage grid.

VERBUND also offers its customers a "virtual power plant" product to enable them to combine the flexibility of their smaller generation facilities and market it at short notice or hedge portfolios against fluctuations in electricity prices. Virtual pumped storage is offered in line with customers' needs, with defined pumping and turbining capacity and different lead times in product nomination.

Innovative services and products

VERBUND provides its partners with first-class, solid energy market expertise in the form of different products and services. These include stock market access to the intraday, spot and futures markets, forecasting services, management of balancing groups, integrated portfolio management and regulatory services (e.g. REMIT) plus entire packages for supplying rail operators with traction current.

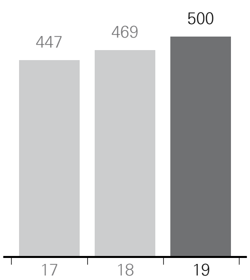
For the energy-related solutions it provides, VERBUND has developed a central customer platform called VISION that uses the existing order management system for Web-based communication with the Group's large customers. VISION not only allows VERBUND customers to market electricity and gas products online and track their order status in real time up to fulfilment. The digital platform also provides demand response and fixed trading modules ("FixTrades"), a customer-specific document centre and information on the market. In addition, it facilitates comprehensive management of energy data. A supply of electricity can be transacted from the enquiry to pricing and purchase on the stock market to reporting and billing online in a highly automated manner.

VERBUND's activities focus on continuing to systematically develop the digitalisation and automation strategy for electricity trading. Here, emphasis is placed on needs-based customer solutions (e.g. the VISION platform) and development of innovative systems and projects in fields such as new storage systems (green hydrogen, batteries), e-mobility and innovative energy technologies. This will ensure rapid market integration and is intended to maximise the potential to increase efficiency for customers, the market and consumers.

Electricity sales

Further expansion of the customer base

End customers k



Household/agriculture and commercial

The market remained highly competitive in the business and industrial customer segments in financial year 2019. VERBUND nonetheless succeeded in strengthening its long-standing, good relationships with customers and building out its leading market position in the Austrian industrial customer segment. By offering new services and innovative products, VERBUND has positioned itself as an experienced and reliable service provider in the business and industrial customer segments.

In its household/agriculture and commercial segments, VERBUND achieved "Gold" status in the 2019 "Service Champions" study. Approximately 108,000 opinions were obtained in a broad-based survey of customer experience, with 18 companies tested in a comparison of energy suppliers. As in 2017 and 2018, VERBUND took first place and was named "industry winner". This award confirms the quality of VERBUND's services. Our goal for the future is to safeguard these excellent results and to improve even more.

VERBUND further increased its customer base in financial year 2019. At the end of the year, around 424,000 customers in the household/agriculture and commercial segments were already receiving VERBUND electricity generated from 100% Austrian hydropower. Market share in the household segment amounted to around 8% in 2019. Climate-neutral natural gas from VERBUND was supplied to approximately 76,000 customers in the household/agriculture and commercial segments in 2019. This represents an increase of 7% in the overall customer base compared with financial year 2018. GRI EU3

The advertising campaigns conducted in spring and autumn 2019 were partly responsible for this success, as was the further expansion of direct sales through the addition of attractive offers for new customers. Increased customer loyalty also played a role in the success achieved.

Guarantees of origin for electricity from VERBUND power plants

VERBUND is a pioneer when it comes to guarantees of origin for electricity. In 1999, VERBUND became the first Austrian utility to have all of the hydroelectricity it generates certified by the TÜV SÜD inspection authority. VERBUND thus played a key role in developing the guarantee of origin scheme for electricity in Austria. As a neutral institution, TÜV SÜD issues a seal of approval certifying that the green electricity from VERBUND hydropower plants is generated and fed into the grid in the appropriate quantities and in the quality required by consumers and resellers. GRI 417-1

VERBUND is a leading seller of electricity to industrial customers in Austria.

TÜV SÜD's guarantee of origin certification refers to specific generation sources. It provides a guarantee to customers that their electricity comes from renewable sources. A total of 128 hydropower plants in Austria and Bavaria meet "EE" and "EE+" criteria. The "Generation EE" standard comprises 'general requirements' concerning the organisation to be certified, 'special requirements' addressing the generation and the recording of the generation of the individual plants and 'optional requirements'. Optional requirements are defined for electrical work and power guarantees ("Generation EE+" module) and for furnishing acceptance as new plants ("Generation EEnew" module).

In 2018, VERBUND's entire electricity generation from hydropower certified by TÜV SÜD was 23,596 GWh. The figures for 2019 are not yet available because TÜV SÜD does not publish its calculations until the second quarter of the year following the reporting period. The net calculations from TÜV SÜD essentially correspond to gross generation from hydropower, less own use, easement agreement and power for pumping.

Clean electricity "Thank You Hydropower!"

The innovative products

- H2Ö-Austrian Hydro Power from Austrian hydropower plants certified by TÜV SÜD and
- H2Ö-German Hydro Power from German hydropower plants certified by TÜV SÜD

have been successfully positioned in the market for years. VERBUND geared up early for the energy transition by introducing these products, from which its customers – municipal utilities, resellers, industrial, commercial and household customers – are already benefiting today. VERBUND intends to continue to expand its leading role as a supplier of green electricity in Austria and Germany in the future.

Electricity labelling in Austria

GRI 417-1

SDG 12

In Austria, the electricity label is displayed on the consumer's electricity bill. The electricity VERBUND supplies in its household/agriculture and commercial segments has always come exclusively from hydropower. In 2018, VERBUND also began supplying electricity generated from solar power installations owned by other VERBUND customers to its customers in these segments. However, this comprises less than 0.01% of all sales (rounded) and is therefore not disclosed in the electricity label.

57.59% of the electricity VERBUND supplied in its business and industrial segments in 2018 came from renewable energy sources. Of the guarantees of origin issued, 29.83% related to electricity from hydropower, 9.93% to electricity from wind power, 15.08% to electricity from solid or liquid biomass, 1.48% to electricity from solar energy and 1.26% to electricity from biogas or other renewable energy sources. The remaining 42.41% related to natural gas.

The 2010 Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG 2010) and the Electricity Labelling Regulation (Stromkennzeichnungs-verordnung, SKV) form the legal basis for electricity labelling in Austria. The Austrian electricity labelling model is an evidence-based system. All electricity volumes delivered to consumers in a calendar year must be assigned guarantees of origin (ban on "grey" electricity).

Electricity labelling in Germany

GRI 417-1

SDG 12

The origin of the electricity volumes supplied by VERBUND to business and industrial customers in Germany in 2018 breaks down as follows: 25.9% renewable energy (subsidised in accordance with the Renewable Energy Sources Act), 8.2% other renewable energy sources, 2.8% other fossil fuels, 17.4% natural gas, 33.9% coal and 11.8% nuclear energy. That particular mix reflects the fact that demand for certified electricity is low among the majority of Germany's industrial customers. Therefore, the electricity supplied to those customers reflects the overall German generation mix, which includes electricity from coal-fired and nuclear power plants in addition to electricity from wind and solar power.

In Germany, the following laws comprise the legal framework governing electricity labelling: Section 42 of the Energy Industry Act (Energiewirtschaftsgesetz, EnWG) for electricity delivered and Section 78 of the Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz, EEG) for the mandatory disclosure of electricity subsidised in accordance with the EEG.

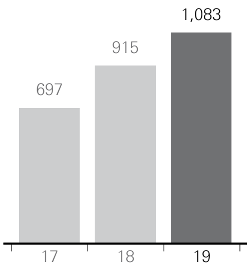
Climate-neutral natural gas

VERBUND added climate-neutral gas to its household customer portfolio back in 2014. In doing so, VERBUND became one of the first energy service providers in Austria to offer its household customers climate-neutral natural gas and electricity generated exclusively from Austrian hydropower from a single source.

In the case of climate-neutral natural gas products, the emissions resulting from the use of natural gas are offset by the subsidisation and expansion of renewable energy at the Ashta hydropower plant in Albania. This has been officially confirmed by TÜV NORD, an independent technical inspection authority in Germany.

A total of 1,083 GWh of natural gas was sold in the reporting period. Carbon offsets for these sales amounted to 198 kt CO_2e.

Gas sold in GWh



The Energy Efficiency Act and its successful implementation

GRI EU DMA (formerly EU7)

As an energy supplier VERBUND has an obligation to reduce its sales by 0.6% of its prior-year energy sales to its consumers each year. This translated into a target of more than 45 GWh for 2019. VERBUND significantly exceeded this target in 2019 thanks to its proactive approach and good collaboration with its customers.

VERBUND's industrial customers transferred responsibility to VERBUND for industrial measures, the vast majority of which were implemented on site at the industrial or commercial companies, at an early stage.

For the required household measures (at least 40% of all measures) VERBUND concluded several collaborative ventures with different partners. VERBUND provided financial support for customers seeking to switch to high-efficiency refrigerators/or and freezers, lighting and heating systems. By procuring measures in all customer segments at low cost, VERBUND again managed to reduce the costs for the energy efficiency measures substantially compared with financial year 2018 and keep them well below the statutory compensation payment of 20 cents/kWh.

Customer satisfaction and customer relationships

Customer satisfaction and loyalty increased further in parallel

GRI 102-44

At VERBUND we attach great importance to customer satisfaction. It serves as an indicator of how well VERBUND actually masters its work as a service-oriented energy service provider for all its customers. Customers' experience with VERBUND's products and services is decisive for their degree of satisfaction with our Company and hence for our relationship with them. In order to be able to depict and measure this complex process, VERBUND, together with the reputable market research institute marketmind, surveys over 1,000 customers from the residential and commercial customer segments every year. At the core of the survey model is the Customer Loyalty Index (CLI), which is the most important indicator. The index is calculated by evaluating customer surveys and is therefore considered a reliable evaluation module for customer satisfaction in the energy services sector.

In this year's Customer Experience Management study, residential customers gave VERBUND an overall customer satisfaction rating of 1.9, and the rating from commercial customers was 1.8 (on a scale ranging from 1 (highly satisfied) to 5 (not at all satisfied)). VERBUND was thus able to maintain both of the record values of the previous year. VERBUND also increased the high value of the Net Promotion Score (NPS), measured for the first time in 2018, to a value of 10 for residential customers in 2019 (2018: 8). On the whole, VERBUND anchored the CLI in both segments at approximately the same level as in previous years. This was 72 for residential customers and 75 for commercial customers (on a scale of 0 to 100).

Another important aspect of the survey is customers' assessment of the characteristics of the VERBUND brand. The respondents saw VERBUND in 2019 primarily as Austria's leading utility and a reliable energy company that takes on responsibility for society and the environment through sustainable action and, as Austria's foremost hydropower supplier, promotes innovative solutions in the energy sector.

Customer relationships

VERBUND placed customers at the front and centre of its communications in several campaigns. These also assured customers that they had chosen the right energy supplier in VERBUND. The spring 2019 campaign positioned VERBUND as a responsible company. In this campaign, €1 was donated to the VERBUND Electricity Relief Fund run by Caritas (a Catholic charity) for each existing customer who completed an online form. This brought in nearly €50,000 for the Electricity Relief Fund. The spotlight in the autumn 2019 campaign was on promoting the Customer Club and the VERBUND online services. In December 2019, customers were able to participate in several prize draws and redeem their Christmas bonuses as part of VERBUND's Christmas campaign. The campaigns aimed to strengthen customers' emotional ties to VERBUND.

Customer support

VERBUND's freephone customer service number (+43(0) 800 210 210) is available to our existing customers in Austria to answer all of their questions and to advise potential customers on switching their electricity and natural gas supplier.

The VERBUND website at www.verbund.at also provides an overview of the Group's product portfolio and details on facilitating the switch to VERBUND. Answers to frequently asked questions are provided in easily understandable explanatory videos.

Energy consulting

In connection with the VERBUND Electricity Relief Fund run by Caritas, certified energy consultants are available free of charge to clients of Caritas in all federal states of Austria. The consultants provide advice on how and where energy can be saved. More on this topic can be found in the sections entitled Human resources and Stakeholder engagement and social responsibility.

Late payment

When customers encounter difficulties in paying their bills, VERBUND assists them by offering payment by instalments, calculated without adding default interest. Customers who are in payment arrears are given notice via a three-step reminder system before the energy supply agreement is terminated due to late payment. The supply continues if the customer meets any of the three payment demands.

GRI EU27

In 2019, the electricity supply to 6,664 households had to be disconnected. This represents an increase of 2,990 disconnections compared with 2018 (3,674 disconnections). The gas supply to 2,036 households was disconnected in 2019, an increase of 920 disconnections over 2018 (1,116 disconnections).

Grid

Austrian Power Grid AG (APG), VERBUND's independent grid subsidiary, operates the national electricity transmission network in Austria. Its main task is continuous system balancing, i.e. ensuring that electricity supply is matched exactly to demand at all times. The expansion of renewables is placing increasing demands on the power grid. Rapid implementation of APG's Network Development Plan, which defines the necessary expansion of the Austrian power grid, is therefore crucial. Key projects being realised such as the Salzburg line are important energy transition projects whose implementation is pivotal to the achievement of Austria's climate targets.

Business performance

KPIs – Grid segment

	Unit	2018	**2019**	Change
Total revenue	€m	902.5	**811.8**	–10.1%
EBITDA	€m	242.4	**257.8**	6.3%
Result from interests accounted for using the equity method	€m	0.1	**0.1**	–
Capital employed	€m	1,311.9	**1,459.6**	11.3%

EBITDA for the Grid segment rose by €15.4m to €257.8m, mainly due to higher earnings generated from congestion management. The lower earnings contribution from control power business had a negative impact on EBITDA.

Capital employed was up €147.7m on the prior-year level to €1,459.6m. The primary causes of the increase were a rise in the net investment in property, plant and equipment and the recognition of right-of-use assets based on the initial application of IFRS 16 Leases from 1 January 2019. In particular, changes in working capital had a counteracting effect on capital employed.

Technical developments

GRI EU4

Power grid data APG

Voltage level	Power lines Route length/km	Power lines System length/km	Substations/ Switching stations
Overhead power lines			
380-kV	1,156	2,583	
220-kV	1,613	3,206	
110-kV	656	1,170	
Cable			
110-kV	3	6	
Total	3,428	6,965	64

Operational developments

As the control area manager in Austria, APG is responsible for identifying bottlenecks in the transmission grid and taking appropriate countermeasures. This is the only way to ensure the national transmission grid can be operated safely, and it necessitated extensive grid measures and redispatch measures at the power plants in the past financial year.

TCFD

The dynamic developments in the energy market in Europe – especially in connection with the expansion of wind and solar power generation – are giving rise to a huge increase in long-range load flows. Since the required grid expansion is not keeping pace with these developments due to long administrative processes, congestion is increasing both within and outside of the APG grid. The above-mentioned intervention in the power plant portfolio (redispatch) is necessary to prevent congestion in the existing grid infrastructure.

In summer 2019, in particular, the grid situation in the APG grid was extremely critical due to high storage generation in Austria and in Switzerland, coupled with supraregional load flows from west to east. In addition to congestion management measures in the grid and at the power plants, it was necessary to temporarily lower cross-border capacity in order to guarantee grid security.

In 2019, power plants in Austria also had to be frequently used for managing grid congestion outside of Austria (mainly in Germany).

Redispatch quantities

	2017	2018	**2019**
Redispatch quantities (in GWh)[1]	4,628.0	3,461.7	**2,417.4**

[1] only volumes from increased production

Interruptions to supply

GRI EU28
GRI EU29

Two interruptions to supply occurred in the APG grid in 2019, affecting consumers for 31 minutes. The effects on consumers of a component failure in APG's transmission grid are quantified using the "MWh not supplied" indicator. Counting starts from the time supply to consumers is interrupted if this can be clearly attributed to a preceding fault in the transmission grid.

In 2019, APG transmitted around 46,731 GWh at grid level 1 (380-kV and 220-kV); 2.41 MWh, i.e. 0.000005% of the volume transmitted, was not supplied. One interruption occurred in 2018 and 2017 each and two in 2016.

Electricity transmission and grid loss

In financial year 2019, the transmission volume at grid level 1 (380-kV and 220-kV grid) decreased by 0.9% over the previous year. Domestic delivery came to 27,680 GWh. Based on the reported transmission schedules of the Austrian and international market participants, the APG control area imported 28,332.6 GWh and exported 22,994.5 GWh in 2019. This results in an import surplus of 5,338.1 GWh.

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

Electricity transmission TWh

Compared with the previous year, grid losses increased by 12.1%. Grid loss as a percentage of electricity transmitted came to 1.6%.

GRI EU12

Transmission losses

	Unit	2017	2018	**2019**
Electricity transmitted[1]	GWh	49,446	47,149	**46,731**
Grid loss[1]	GWh	760	677	**758**
Grid loss as a percentage of electricity transmitted	%	1.54	1.44	**1.62**

[1] grid level 1

Contractual safeguarding of systemically important power plants – maintaining reserve capacity to prevent congestion

System security in APG's power grid increasingly depends on the availability of flexible power plants in eastern Austria. However, due to the difficult market situation this availability is diminishing rapidly and must be contractually safeguarded to ensure that it can be used for necessary redispatch activation. To ensure the necessary redispatch capacity in the medium term, the availability of the required power plants has been contractually safeguarded from October 2018 to September 2021 (including an option to renew for two more years) by APG in close consultation with E-Control. During redispatch measures, recourse was taken to this contracted reserve capacity on a regular basis in 2019, and it was completely depleted at times.

Projects and stakeholder management

GRI 413-1 As the transmission system operator, APG is required by law to maintain and expand the power grid infrastructure in a forward-looking manner in line with the requirements of security of supply and the electricity market.

Since 2011, APG has been legally required to prepare a Network Development Plan each year. This plan provides information on which important transmission infrastructures will have to be built or expanded in the next ten years (in accordance with Section 37 of the Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts-und -organisationsgesetz, ElWOG) of 2010). However, the long implementation periods for line construction projects, the growing challenges arising from the large-scale expansion of renewable energy sources and changes in the European electricity market necessitate comprehensive planning.

APG's target grid concept includes a 380-kV ring in Austria and a highly efficient 380-kV connection from western Austria to the rest of Austria and to the neighbouring countries. These measures will create important prerequisites for future grid and system security, grid integration of renewable energy sources and market integration.

Several APG line projects have been classified by the European Commission as TEN (Trans-European Networks for Energy) projects and within the scope of the European Energy Infrastructure Regulation as projects of common interest (PCIs), which makes them priority projects. In addition, the projects in the Network Development Plan have been coordinated on a pan-European basis as part of the Ten-Year Network Development Plan of the European Network of Transmission System Operators for Electricity (ENTSO-E).

APG's 2019 Network Development Plan provides for investments of around €2.9bn in the next ten years. These investments will serve to develop the grid infrastructure such that it will be able to provide a secure supply of electricity in Austria going forward.

In 2019, a total of €249.1m (gross) was invested in intangible assets and property, plant and equipment (2018: €181.3m). The largest investments were:

Investments in grid expansion	€m
380-kV Salzburg line St. Peter–Tauern grid hubs	54.2
Weinviertel grid area	30.2
Villach South substation: 220-/110-kV grid support for KNG-Kärnten Netz	9.2

SDG 8

Maintenance CAPEX	€m
General overhaul of 220-kV St. Peter–Ernsthofen line	45.2
New construction of substation replacements	34.2
Modernisation of secondary technology (control system/protection/counting)	9.7

APG's top-priority line construction projects include the Salzburg line, the Germany line and the Weinviertel line as well as the general overhaul of the 220-kV St. Peter–Ernsthofen line. These projects are already at the implementation stage.

380-kV Salzburg line

Construction of the 114 kilometre-long 380-kV Salzburg line between the substations Salzburg and Tauern represents a significant step in the highly efficient connection of metropolitan areas and load centres to the major (pumped storage) power plant sites and the integration of renewable energy sources (such as wind power in eastern Austria) into the grid. The lack of an efficient grid infrastructure (especially the Salzburg line) generated considerable congestion management measures and expenses. When the line was being planned, great importance was attached to the incorporation of all of the residents and municipalities impacted by the project. In addition to the establishment of contact with the landowners and municipalities, a total of 13 stakeholder workshops were held in the affected districts, during which extensive information about the project was shared.

EIA approval for the Salzburg line was confirmed in March 2019 with the Federal Administrative Court ruling. Following comprehensive preparations throughout the summer, construction decision was taken for the Salzburg line in September. Construction preparation measures began in October 2019. Commissioning is planned for quarter 2/2025.

Germany line

The 380-kV Germany line between St. Peter and the national border will entail an increase in interconnection capacity to Germany. An efficient connection of the renewable energy sources in Germany and Northern Europe to the Austrian load centres and the pumped storage power plants in the Alps represents an important contribution to the (European) energy transition implementation. After extensive coordination with the German partner transmission system operator (TSO) TenneT GmbH, construction on the St. Peter substation began in December 2018 on the Austrian side. Commissioning of the joint project with TenneT is scheduled for the end of 2023.

Weinviertel line

Grid integration of wind power in the Weinviertel region necessitates replacement of the 220-kV line originally built in the 1950s towards the areas with strong wind conditions in the northern Weinviertel region. This is a key project to integrate wind power in eastern Austria. To address this, APG has planned a highly efficient 380-kV line on an optimised route from the Seyring junction to the new Zaya substation and a new 220-kV connection to the national border. The old 220-kV line, which is in need of renovation, will then be dismantled. This will ease the burden on residential areas and on important nature reserves and bird sanctuaries.

During the planning phase, improvement suggestions for the line route had been collected in numerous discussions with landowners and at informational events in the communities and taken into consideration. As a result, a total of 53 pylons and 11 kilometres of lines could be eliminated. Following the determined positive EIA decision by the state government of Lower Austria and the Federal Administrative Court, realisation of the project began in spring 2019 (building the Zaya substation construction site and road/access construction for the line sections). Regional politicians, representatives of the project communities and the project partners took part in the construction project's official ground-breaking ceremony on 18 November 2019. Commissioning is scheduled for summer 2022.

General overhaul of the 220-kV St. Peter–Ernsthofen line

Since large sections no longer meet the current static specifications for line pylons, there was a general overhaul of the line along with installation of modern conductors on the existing 111 kilometre-long routes. After completion of the approval process in 2017, implementation has been underway in several construction phases since April 2018. The general overhaul is proceeding on schedule and will be completed in quarter 3/2020. In addition to the implementation measures, numerous activities are ongoing to support the project and to serve the communities and landowners involved.

Sustainable route management

GRI 102-43
Additional information on the topic of conservation is available at www.apg.at

Please refer to the DMA for details on sustainable route management

For line projects, APG underscores environmental protection and sustainability in addition to focusing on the technical and economic criteria. This involves taking into consideration the varied expectations and requirements of the authorities, the landowners, the community, different stakeholders (e.g. agriculture and forestry, tourism, environmental protection) and the technical requirements.

Back in 1997, APG had initiated a research project for ecological and economical route maintenance. In this project, four model routes were analysed by different disciplines to determine their environmental and socio-economic value as well as their ecological integration into the landscape. With the "sustainable route management" project, the content of this work was developed further, expanded to APG's entire transmission grid and integrated into operational route management. Consequently, APG already has more than 20 years of experience in sustainable route management and makes a significant contribution to the use of line routes as habitats for (endangered) species of plants and animals.

Green energy clearing and settlement and wind marketing

To reduce imbalances in wind power generation and in the entire APG control area, APG has been marketing volumes arising from deviations in the forecast of green electricity generation on the European intraday market since 2015. Since 2016, this process has been conducted around the clock (24/7). As a result, direct savings of around €4.3m were achieved for the OeMAG balancing group in 2019. In addition, marketing electricity from wind power generated further indirect savings of €6.8m in 2019 due to lower activation of balancing services. This led to total savings of approximately €11m. These marketing activities on the intraday market reduce costs for the green balancing group and also improve the control quality at APG.

Developments in the European electricity market

European directives and regulations stipulate a range of measures for market integration. Significant progress was made in financial year 2019 with regard to implementation of the requirements for capacity allocation for day-ahead and intraday trading as well as international balancing cooperations for joint procurement and/or joint activation of balancing services.

On 2 July 2019, after over two years of preparations, participation in several electricity exchanges in Austria via European day-ahead market coupling was realised, facilitating competition between the electricity exchanges. In Austria, EPEX SPOT, EXAA and Nord Pool are currently active in the coupled day-ahead market. Thus, in accordance with European requirements, APG provides all electricity exchanges active in Austria with non-discriminatory access to cross-border capacity in the Central West Europe region (CWE).

An important step towards further integration of the European intraday markets was taken on 19 November 2019. Since 2018, APG has already been able to couple the Austrian market to the European intraday market over the border to Germany via the central European intraday platform (XBID). The existing cooperation was expanded through the addition of seven mainly East European countries in 2019. Since then, Austria is also integrated into the expanded European intraday market across its borders with Hungary, the Czech Republic and Slovenia, giving Austrian market participants direct access to additional bids (buy and sell) from abroad. The intraday spot market is the only electricity exchange on which 15-minute products can be traded internationally (at the borders between Austria and Germany and between Austria and Slovenia). Particularly in regard to the volatile feed-in of renewable energy, this makes it possible to better reflect generation ramps (sunrise and sunset, passage of a wind front) in the market.

With regard to balancing services markets, developments in financial year 2019 were impacted by European obligations to create central European platforms in order to optimise costs in the activation of balancing services. Meanwhile, work at the European level also focused on preparing joint proposals for the pricing of control power, for agreement on the reasons for its activation and for harmonising the principles of balancing energy management, and submitting these proposals for approval. Furthermore, APG was also able to achieve major milestones in new and existing international balancing services cooperations. Test operations for joint activation of manual Frequency Restoration Reserves with Germany were successfully started in October 2019. Further efforts were made to expand the cooperation on automatic Frequency Restoration Reserves with Germany in order to prepare for joint procurement of reserve capacity. The two initiatives are expected to optimally stabilise the currently low cost structure in the balancing services market. Both cooperations are one of a kind in Europe. Germany and Austria are thus taking a pioneering role in Europe in the field of balancing services cooperations, and the two countries are setting new benchmarks in regard to product requirements, process design, harmonisation and market integration. Through these and a large number of other optimisation measures, since 2014 the costs for balancing services have been reduced from €203m per year to around €53m in 2019.

Market transparency and publication requirements

Compliance with Regulation (EU) No 1227/2011 (REMIT Regulation), Regulation (EU) No 1348/2014 (REMIT Implementing Regulation) and Regulation (EU) No 543/2013 (Transparency Regulation – EMFIP) is ensured by embedding the topic of transparency and REMIT in APG's existing compliance structure (including the accompanying REMIT guideline and staff training). Specifically, the obligations arising from Article 15 of REMIT Regulation for Persons Professionally Arranging Transactions (PPATs) have been implemented by APG with the introduction of operational market monitoring processes within the corresponding compliance structures.

All other segments

"All other segments" is a combined heading under which the Energy services, Thermal generation, Services and Equity interests segments are brought together (because they are below the quantitative thresholds). VERBUND's new services for the electricity market of the future are reported under the Energy services segment. Electricity and heat generation from coal and gas are reported under the Thermal generation segment. The primarily intra-Group business activities of VERBUND Services GmbH are reported under the Services segment. Interests accounted for using the equity method which have not been allocated to any other segment are reported under the Equity interests segment. As at the reporting date of 31 December 2019, this only comprised the equity interest in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

Business performance

KPIs – All other segments

	Unit	2018	2019	Change
Total revenue	€m	251.3	226.7	–9.8%
EBITDA	€m	57.3	45.1	–21.4%
Result from interests accounted for using the equity method	€m	28.4	37.0	30.3%
Capital employed	€m	502.7	529.7	5.4%

EBITDA for the other segments decreased by €12.2m to €45.1m. The decline was mainly due to the lower EBITDA recorded in the Thermal generation segment (€–11.8m) as a consequence of a change in the compensation system for congestion management. The result from interests accounted for using the equity method of all other segments was above the prior-year level and was generated by KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

Compared with the previous year, capital employed rose by €27.1m to €529.7m. This was mainly attributable to the increase in working capital.

Rethinking energy services

Business models for the future of energy

TCFD

The main function of VERBUND Solutions GmbH (VSO), formed in 2014, is the development and marketing of new energy services. These activities centre on developing business models with and for customers with a focus on solar power, storage and green hydrogen. B2B services such as demand response and the industrial IoT round out the portfolio. VSO actively promotes electrification in other areas such as the mobility and industrial sectors through its interests in the electromobility provider SMATRICS and the photovoltaic installation service provider SOLAVOLTA.

Green hydrogen – fuel for the future of energy

Further efforts are needed in order to reach the Austria's climate target of meeting 100% (national balance) of electricity demand from renewable sources by 2030. According to the experts, green hydrogen will play a primary role in an increasingly renewable energy system – as a process gas, a source of energy and a (long-term) storage medium. Electrolysers, which are used to produce hydrogen, can also be used in the control reserve and balancing market. VERBUND is a leading player in the field of green hydrogen in Austria. Working together with its cooperation partners, VERBUND is actively shaping its leadership in this area under several projects such as H2FUTURE (focused on the steel industry), H2Zillertal (focused on rail operations), HotFlex (focused on high-temperature electrolysis) and H2Pioneer (focused on the semiconductor industry).

In mid-2019, VERBUND entered into a cooperation with OMV aimed at jointly evaluating the potential for construction of an electrolysis plant for producing green hydrogen.

Battery storage – bridges for the future of energy

The future lies in smart connection of different electricity-based services. A large proportion of renewable volatile energy and electromobility requires greater flexibility in the power grid and more energy storage. These are core elements for connecting the previously discrete sectors of energy and mobility. VERBUND is addressing this and pushing the development of new services and business models with and for industrial, commercial and mobility customers. The reorganisation of the energy infrastructure requires new cross-sectoral solutions of this nature. In the EU-funded SYNERG-E project, the first three industrial-scale battery storage units were commissioned in autumn 2019 at ultra-E fast charging stations at the roundabout in Vienna's Favoriten district, in Feldkirchen near Graz and in Innsbruck. Additional projects with industrial partners are currently being established.

Access to new markets for industry and municipal utilities

With the VERBUND-Power-Pool, which concentrates the largest portfolio of industrial loads and producers as well as green electricity plants in Austria across all industries, VERBUND's demand response team has exceeded the record result achieved in 2018 by a wide margin. Using SYNERG-E batteries, it managed to prequalify the first three industrial-scale battery storage units in Austria at virtually the same time and is actively marketing them on the control reserve market. In doing so, VERBUND is once again the first mover on the Austrian electricity market. The offering has also been expanded for industrial customers and municipal utilities. VERBUND combines the expertise from existing energy markets with continuous honing of the processes and visions for the markets of the future, such as the intraday and day-ahead markets. All participants in the pool and the power grid benefit from this unique constellation, the VERBUND-Power-Pool. VERBUND's involvement in research and development products such as SYNERG-E and H2FUTURE opens up new applications and business models as well as new energy market processes for the future of energy.

Energising the electrification of mobility

E-mobility provider SMATRICS, a joint venture of OMV, VERBUND and Siemens, has positioned itself as a technology and service partner in EU projects, in large-scale customer projects and as a pace-setter for electromobility and the related digital business models. SMATRICS expanded its portfolio in the field of managed infrastructure in 2019 by adding renowned customers such as ERSTE BANK, UNIQA and Hornbach. Additional sites "powered by SMATRICS" were established in collaboration with the petrol station operators Genol and Turmöl (Turmstrom brand). Throughout Austria, 45 ÖBB park and ride sites were equipped with charging infrastructure. The German market was cultivated in 2019 with a focus on municipal utilities, and VERBUND'S customer base was expanded to include the municipal utilities of Uelzen and Bühl.

In 2019, four high-power charging stations (Vienna, Graz, Salzburg, Innsbruck) with output of up to 350 kW were added to the public charging network as part of the EU-funded ultra-E project.

In addition to the connection of SMATRICS' charging network with those of partner companies from the Austrian Federal Electromobility Association (BEÖ), other major international roaming partners (Ionity, Innogy, Charge I, Enel, EnBW) were connected.

Solar power gains brilliance

Electricity to be used directly for own consumption – on the basis of this concept, approximately 15 MWp are already being implemented. Austria's largest open-air photovoltaic installation is being constructed in an energy collaboration with OMV. In parallel, PV operator model contracts are being entered into with several industrial customers. A massive expansion is planned for subsequent years.

SOLAVOLTA, a VERBUND subsidiary (50%) and the leading full-service provider for own-use photovoltaic installations, boosted its revenue in 2019 by approximately 60% compared with total revenue in 2018. The sales figures for storage systems rose by around 125% in the reporting period compared with the prior year.

Thermal generation

VERBUND has been faced with very challenging conditions in the markets and its industry for a number of years. This is the reason why VERBUND initiated the rapid restructuring of its thermal segment early on, selling and closing thermal power plants. At the end of 2019, VERBUND operated two thermal power plants and one boiler unit at the Mellach/Werndorf site.

Energy supply

GRI EU1
GRI EU2

Energy generation overview

Electricity generation

	Number[1]	Maximum electrical capacity in MW[1]	2017 Generation in GWh	2018 Generation in GWh	2019 Generation in GWh
Mellach CCGT (natural gas)	1	848	1,465	915	888
Mellach district heating power plant (hard coal)	1	246	761	696	681
Total	2	1,094	2,227	1,611	**1,570**

[1] as at 31 December 2019

Generation from thermal power fell by 2.6% to 1,570 GWh in the 2019 reporting period. The decrease is due in particular to a reduction in generation at the Mellach combined cycle gas turbine power plant (–3%). Generation at the Mellach coal-fired power plant decreased by 2.2%. At 789 GWh in 2019, generation of district heating was 2.9% lower than in the prior-year reporting period.

Capacity changes

GRI EU1

The maximum electrical capacity of VERBUND'S thermal power plants – the Mellach combined cycle gas turbine power plant (Mellach CCGT) and the Mellach hard coal power plant (Mellach district heating power plant) – totalled 1,094 MW as at 31 December 2019 . The two generators of the Mellach CCGT are operated exclusively for congestion management purposes, underscoring the necessity of the thermal power plants for grid support. APG has contracted the Mellach CCGT and the Mellach coal-fired power plant for a period of three years (1 October 2018 until 30 September 2021) as part of its efforts to prevent congestion (grid reserve). The Mellach district heating plant will operate with natural gas following the 2019–2020 heating period.

Restructuring of the thermal segment

The restructuring of the thermal segment, which was begun in 2014, continued in 2019. Work is ongoing on the other decommissioning measures to be carried out by VERBUND. Coal-fired generation will be discontinued at the Mellach district heating power plant in 2020. Utilisation of the land still owned at the Pernegg, Zeltweg and St. Andrä sites is continuing.

The Werndorf dismantling project progressed further in 2019. The dismantling work itself will begin in quarter 2/2020 and is scheduled for completion in December 2021.

At the Dürnrohr site, an important step was completed in 2019 with the analysis of pollutants and contaminants. The technical equipment installed in the buildings will be removed in 2020. Partial dismantling is planned.

Socially responsible solutions were found for VERBUND employees working at all plant sites currently in the process of being decommissioned or that have already been shut down.

Availability of existing thermal power plants

The average time availability of the thermal power plants (Mellach district heating power plant, Mellach combined cycle gas turbine power plant) was 87.3% in 2019. This is slightly lower than the prior-year figure of 91.4%. The level of reliability averaged 87.8% (2018: 99.8%). GRI EU30

Other project topics

In the project for the gas boiler plant at the Werndorf site, construction began in early October 2017 once all official permits had been obtained. The gas boiler plant was operated in normal operating mode during the off-season months of 2019. During this time, deficiencies were identified leading to a reduction in output, among other things. The plant is expected to resume full operation by autumn 2020.

For the Mellach district heating power plant and the Mellach combined cycle gas turbine power plant, a new demineralisation plant was built at the Mellach site to replace the existing one at the Werndorf site. The new plant employs different technology (reverse osmosis, electrodeionisation) allowing the use of chemicals to be significantly reduced. Following trial operations, the new demineralisation plant at the Mellach site came on stream in August 2019, replacing the demineralisation plant at the Werndorf site.

An ambitious research project was kicked off at the Mellach power plant site in 2019 (following preliminary project work in 2018). A pilot plant for high-temperature electrolysis and fuel cell operations was constructed on the premises of the gas turbine power plant. This research plant will cover both operating modes, electrolysis and in reverse mode as a fuel cell within a single cell. This research project is a cooperation between the manufacturer, the Thermal Power Institute at the Graz University of Technology, and VERBUND.

The manufacturer conducted minor inspections of both gas turbines. In spring 2019, the steam turbine of generator 10 demonstrated a level of wear that was unusual for the length of time the turbine had already been in operation. This was probably attributable to the operating mode of the grid support. The repair of this damage resulted in a downtime of several weeks.

All by-products accumulated at the site (fly ash, coarse ash, gypsum) as well as the calcareous mud from the cooling tower makeup water treatment system at the Mellach combined cycle gas turbine power plant, generator 20 will continue to be fully recycled. The filter press cake from the effluent treatment plant at the Mellach district heating power plant continues to be classified as non-hazardous waste for the purpose of land-filling. The newly added hazard property HP 14 'Ecotoxic' was ruled out.

For the share of district heating, applications for allocation of free CO_2 emission rights for the fourth emission trading period from 2021 to 2030 were submitted to the Federal Ministry for Sustainability and Tourism on time.

Achievement of the targets defined for VERBUND Thermal Power GmbH & Co KG (VTP) was confirmed in the last external sustainability audit. A positive external monitoring audit was completed for the environmental management system (in line with ISO 14001:2015 and in accordance with the EMAS Directive) in October 2019.

After-care was carried out at the decommissioned St. Andrä and Zeltweg sites.

Allocation and purchase of CO_2 emission rights

GRI EU5
Additional information on emissions can be found in the Environmental performance section

Direct CO_2 emissions from VERBUND's thermal power plants are subject to European emissions trading (EU ETS). In other words, a valid certificate must be held for every tonne of CO_2 emitted. Free emission rights allocations amounted to just 53 kt CO_2 in 2019, as only a small portion of the free allocations went to combined cycle power plants in the third phase of ETS. For VERBUND, this amounted to just 5% of the quantity needed for its emissions totalling 1,068 kt CO_2. Emission rights were acquired through auctions or in the market to cover the remaining share of 95%.

KPIs – direct CO_2 emissions from thermal power plants

	Unit	2017	2018	**2019**
CO_2 emissions from thermal power plants[1]	kt CO_2	1,353	1,065	**1,068**
Free allocations of emission rights	kt CO_2	76	64	**53**

[1] preliminary figures before ETS audit

Services

As part of a strategic project, VERBUND Services GmbH (the Group's shared services company) developed measures to optimise processes and improve quality and has initiated their implementation. The primary objectives identified were to become more competitive, to improve expertise levels, to take customer requirements into account, to ensure safety in operations and to meet compliance requirements.

In line with the shared services strategy in the interest of customer centricity, a new service centre platform was developed for the intranet and successfully implemented in April 2019. Furthermore, since quarter 2/2019, the e-procurement platform has been replaced by leading-edge web-based technology and a state-of-the-art online shop that provides the customary level of user-friendliness for all users. The new e-procurement platform is set to go live in quarter 1/2020.

Beginning in 2017, a Group-wide project was launched to further develop information security under the coordination of VERBUND Services GmbH. As part of this project, VERBUND Services GmbH was certified to ISO/IEC 27001 on 3 July 2019.

Since 2006, VERBUND Services GmbH has been operating an analogue mobile telecommunications system for VERBUND to enable operational communications as well as communication in emergency situations. Work to modernise and convert the existing analogue system to a digital wireless system using a company-specific frequency was initiated in quarter 3/2019. A total of 115 mobile communication base stations and around 500 end-user devices will be upgraded for the Group across Austria by the end of 2020, with no service interruptions.

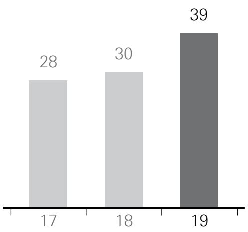
Equity interests

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

Due in particular to the improved energy market environment, the contribution from KELAG to the result from interests accounted for using the equity method in 2019 was up on the prior-year figure (2018: €29.9m) at €38.5m. The dividend attributable to VERBUND for 2019 was €14.1m. As at 31 December 2019, VERBUND held a 35.17% equity interest in KELAG.

KELAG generates electricity from 100% renewable energy and along with VERBUND is among the major Austrian producers of hydroelectricity. It also operates in the area of wind power and implements selected solar power projects. KELAG generates district heating mostly from industrial waste heat and biomass and the remainder from natural gas. Its strategic goal is to further reduce CO_2 emissions by promoting the expansion of renewable energy and increasing the use of bioenergy and waste heat for district heating.

Equity result - KELAG €m



Opportunity and risk management

GRI 102-11

Since efforts to liberalise the Austrian electricity market began in financial year 2000, opportunity and risk management at VERBUND has been a separate component of its comprehensive management system. VERBUND's structures, processes and products are subject to ongoing development as part of what is referred to as Enterprise Risk Management.

Due in particular to the energy transition, which poses challenges for the energy industry as a whole and also for VERBUND, the risk management system is continuously adapted to changes in internal and external requirements. Each year, VERBUND's auditor reviews and confirms the effectiveness of the Enterprise Risk Management based on the recommendations contained in the ISO 31000:2018 reference model.

Further development

In financial year 2019, VERBUND's risk management activities focused mainly on developing a multi-year risk horizon and improving the calculation of the risk-bearing capacity. Here, special emphasis was placed on strategic risks which could have a significant impact on VERBUND's business model in the long term and on developing potential measures to reduce risk. VERBUND's reporting processes have been revised and expanded as part of the development of these approaches. Under this approach, VERBUND's risk management agendas currently extend to activities aimed at supporting strategic decision-making processes as well as to project management and the management of current operations.

Significant opportunities and risks as well as measures

The table below provides an overview of the main risks identified within VERBUND, classifies them as opportunities or risks and presents possible risk mitigation measures.

Category	Description/measures	Impact on earnings	
Financial statements impact		**Opportunity**	**Risk**
Value adjustment	Increase/decrease in assets (impairment losses/reversal of impairment losses on power plants as well as carrying amounts of equity interests) and provisions recognised to account for changes in the energy market and economic environment (long-term electricity price forecasts), the cost of capital and other assumptions for calculations (e.g. remaining lifetime expectation, pension obligations) Measures: - Conclusion of long-term agreements (customers, grid support)	X	X
Price risk		**Opportunity**	**Risk**
Price variation	Difference between expected (projected) and realised sales prices Measures: - Pricing-in strategy - Conclusion of long-term supply agreements - Options transactions	X	X

Category	Description/measures	Impact on earnings	
Volume risk		**Opportunity**	**Risk**
Fluctuations in water/wind volume TCFD	Difference between expected and actual water supply/wind volume – necessary short-term purchase or sale of energy volumes Measures: - Balancing on the short-term futures and spot markets - Weather derivatives or weather insurance products	X	X
Contribution margin risk – Grid	Planning risk in relation to the electricity products congestion management, grid loss and control power in the Grid segment Measures: - Discussion/agreement with regulators - International collaborations	X	X
Flexible products	Variation in the contribution margin from congestion management, control power, intraday trading and pumping/turbining at the storage power plants Measures: - Participation in tenders for the provision of capacity for short-term and multiple-year stability of grid operation - Optimisation of trading activity	X	X
Asset/infrastructure risk		**Opportunity**	**Risk**
Asset/ infrastructure risk	Potential effects of outages, damage and consequential losses on power plants Measures: - Maintenance - Audits - Insurance policies		X
Legal risk		**Opportunity**	**Risk**
Pending legal disputes	Litigation risk from various pending legal actions/ legal disputes Measures: - Legal advice - Financial provisions - Insurance policies - Out-of-court talks	X	X
Regulatory risk	Opportunities and risks arising from changes in the political, legal or regulatory environment Measures: - Increased collaboration with national and international interest groups, associations and authorities	X	X

Category	Description/measures	Impact on earnings	
Financial risk		**Opportunity**	**Risk**
Counterparty risk	Payment default by business partners Measures: - Requesting of recent business reports - Realisation of existing collateral - Scoring of business partners - Regular monitoring		X
Securities risk	Currency gains/losses on investment positions (e.g. funds) Measures: - Monitoring through regular value-at-risk calculations	X	X
Equity interest risk	Holding gains/losses, deviations in the profit/dividend targets for equity interests Measures: - Monitoring and early warning systems	X	X
Rating risk	Changes in the rating lead to lower or higher refinancing costs Measures: - Continuous monitoring of the relevant financial and ESG KPIs	X	X
Interest rate risk	Rising or falling interest expenses due to changing market interest rates Measures: - Hedging instruments - Long-term fixed-interest agreements	X	X
Contingent liabilities	Financial losses caused by crystallisation of contingent liabilities (e.g. liabilities, guarantees) Measures: - Selective issue of contingent liabilities - Continuous monitoring		X
Operational risk		**Opportunity**	**Risk**
Flood risk TCFD	Possible effects of a flood on third parties and the Group's own plants Measures: - Structural protection measures - Regular training sessions and courses (e.g. as part of crisis management) - Insurance policies		X
Cyber risk	Deliberate, targeted IT-based attack on data and IT systems. Possible consequences include loss of control (security of supply), data theft and cyber extortion Measures: - Internal Group projects - Insurance policies		X

Compliance risk	Violations of internal and external regulations (such as financial market compliance and competition law) Measures: - Compliance training, annual risk analysis - Defined processes, regulations and code of conduct in relation to compliance and competition law		X
Project risk		**Opportunity**	**Risk**
Project risk	Exceeding of or failure to meet projections with regard to time, costs and quality Measures: - Pre-project analysis, project management, project management accounting and project monitoring - Optimisation of contractual arrangements	X	X
Other risks		**Opportunity**	**Risk**
Reputational risk	Negative economic effects caused by damage to the Group's reputation Measures: - Brand Monitor - Internal communication and strict compliance guidelines		X
Strategic risk		**Opportunity**	**Risk**
Technology/ innovation risk	Negative/positive effects from technological innovations and changing customer needs Measures: - Intensive collaboration with external research projects - Agile adaptation to new technologies - Investment in in-house research and development	X	X
Strategic risk business model TCFD	Negative/positive effects on the business model caused by changes in conditions in the energy industry or in climatic, legal or macroeconomic conditions Measures: - Regular monitoring - Holding of regular strategy meetings	X	X

Current opportunities and risks

Opportunities and risks arising from the business model

The business activities of VERBUND are focused on the long term and require long-term investments. These tie up significant financial resources because the plants are required to meet the most stringent environmental requirements, among other things, and plant availability represents a key factor.

Only early inclusion of all stakeholders, compliance with regulatory conditions and effective project management can ensure the success of new projects.

Operation and maintenance of these assets require highly qualified employees.

One success factor is secure access to the capital market. From the perspective of the rating agencies, significant, stabilising elements include the Republic of Austria as the majority owner of VERBUND, low-cost, environmentally friendly generation from hydropower and the regulated grid area.

Weather- and climate-related opportunities and risks

GRI 201-2

SDG 13

TCFD

VERBUND's plants are highly exposed to weather events which cannot be influenced. This is particularly true for VERBUND's hydropower plants and wind farms as well as APG's high-voltage lines. Output from run-of-river plants is subject to seasonal fluctuations in the water supply of rivers and can be controlled only to a minor extent (hydropeaking).

Over the long term, climate change can affect water and wind supply; as a result of this, greater seasonal or annual fluctuations in generation may occur in the future at both run-of-river plants and storage power plants. Moreover, it is possible that geological conditions may change significantly, and natural events such as floods, storms, avalanches and mudslides may cause an unscheduled outage of electricity generation or transmission in the future along with consequential damage.

VERBUND relies on the expansion of wind farms and photovoltaic installations to contribute to the goal set by the Republic of Austria of covering 100% of the electricity supply with renewable energy by 2030. Coverage of short-term electricity requirements due to volatile wind and solar power generation is also providing new revenue opportunities for VERBUND. In other words, excess energy amounts can be "parked" in pumped storage power plants and the grids stabilised with flexible power plant output. These flexible earnings contributions depend largely on the frequency and absolute extent of short-term price fluctuations in the electricity markets. Yet the expansion of wind farms and photovoltaic installations still faces great challenges, mainly those concerning grid stability at an international level. For example, an unplanned shutdown of wind power plants in Germany in June 2019 jeopardised the stability of the European electricity market on several occasions, and a blackout was only prevented by the activation of conventional grid reserve plants throughout the EU, including VERBUND's Mellach power plant.

Opportunities and risks arising from technological development

Digitalisation is proving to be a particular challenge but also an opportunity for VERBUND. State-of-the-art information and communication systems increasingly support the Company's business activities. VERBUND addresses the growing risks from cyber space for critical infrastructure by implementing preventive security strategies, internal guidelines and correspondingly secure processes. In doing so, VERBUND pays particular attention to the safety of the control technology in its power plants and in APG's ultra-high voltage grid. VERBUND's administrative buildings and decentralised plants are protected by structural measures and electronic monitoring systems.

Opportunities and risks arising from legal/regulatory developments

TCFD

The strengthening of the European Trading System (ETS) by the European Union is opening up new possibilities, but also creating impediments. In addition, this is giving rise to a transformation of the European energy system and is therefore bringing about a major change in the risk factors arising from politics, the economy, the energy market and the larger society that cannot be directly influenced. The future energy world requires electric utilities to radically change their business models and modify investment decisions. These could give rise to significant value adjustments (i.e. erratic changes in the assets and liabilities on the balance sheet). The high level of regulation and excess generation capacity in Europe have overridden market pricing rules (variable production cost-based use). While the business model of energy-related services is opening up new opportunities for VERBUND, it also presents new risks. In addition, issues relating to data protection legislation such as the implementation of the EU General Data Protection Regulation must be considered in this context.

VERBUND supplies clean energy to people every day.

Opportunities and risks arising from economic development

VERBUND manages counterparty risk in the form of possible defaults in performance or payment by its business partners with effective financial management. Adhering to the principle of dual control, counterparty limits are awarded and managed centrally. In addition to cash flows from the operating business, VERBUND possesses sufficiently high credit lines to be able to access liquid funds at short notice. Long-term agreements have been concluded with customers, suppliers and co-owners of individual power plants. However, the changing conditions have affected the profitability of some of these agreements, leading them to be adapted accordingly in recent years. VERBUND has optimised its internal structures in several projects to increase efficiency. In past years, this has led to shut-downs of sites, terminations of purchase or supply agreements as well as implementation of personnel measures in a socially responsible manner.

In accordance with the International Financial Reporting Standards (IFRSs), VERBUND recognises provisions for contractually agreed expenses from ongoing reorganisation programmes, for pensions and termination benefits and for the post-use phase of generation facilities (e.g. dismantling costs). Any deviations in the current situation from the assumptions used when recognising these provisions may produce fluctuations in the result. Ongoing measures are taken to counter the potential utilisation of collateral provided.

Strategic opportunities and risks

TCFD Climate change, changes in the legal environment, technological developments and changes in the market environment can have a major impact on a company's business model and strategy. Close examination of medium and long-term strategic risks at an early stage is therefore important to ensure successful continuation of the direction in which the Group is moving. The relevant strategic risks at VERBUND are therefore continuously identified and assessed. This proactive management of long-term risks allows their effects on the Group to be limited accordingly and opportunities for additional growth to be consciously exploited.

Risk-bearing capacity

The concept for the risk-bearing capacity focuses on the rating of VERBUND AG and the resulting liquidity of the Group. For the long term, VERBUND is aiming for a stable "A" category rating.

Forecast – performance in financial year 2020 (sensitivity)

All else remaining equal, a change in the factors shown below would be reflected in the projected Group result for 2020 as follows (based on the hedging status as at 31 December 2019 for generation and interest rate):

+/–1% in generation from hydropower: €+/–6.8m
+/–1% in generation from wind power: €+/–0.6m
+/–1€/MWh in wholesale electricity prices (renewable generation): €+/–5.9m
+/–1 percentage point in interest rates: €+/–0.8m

Internal control and risk management system

In accordance with Section 243a(2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB), the internal control and risk management systems for the accounting process must be described. VERBUND's internal control system includes all measures for ensuring the reliability, effectiveness and profitability of this process, as well as compliance with external regulations. The structure of the risk management system is explained in detail in the Disclosures on Management Approach (DMA) and the risk position in the section of this integrated annual report entitled Opportunity and risk management.

GRI 102-11
GRI 103-2

Organisational framework

VERBUND's Group management acts in accordance with the principles defined in the corporate philosophy. The Executive Board bears responsibility for developing and implementing the entire internal control and risk management system. The Supervisory Board's Audit Committee monitors its effectiveness.

Corporate philosophy on www.verbund.com > About VERBUND > Company > Corporate philosophy

Basic principles of the internal control and risk management system

VERBUND's extensive financial reporting process is governed by Group-wide guidelines and requirements. The performance, monitoring and supervision of business transactions are segregated from each other. This ensures that no single employee can act alone in performing all the process steps of a transaction from beginning to end. A review of authorisations is integrated into the process for technical processing of transactions. Compliance with and the effectiveness of these checks is reviewed on a periodic basis. Based on VERBUND's process map, business processes and the risks they entail are systematically analysed and documented, as are checks of the financial reporting process. The operational structure, the process map and the checks are documented regularly in the updated process manual. VERBUND's organisational structure is continually adapted to address changing internal and external conditions.

GRI 103-3

Reporting in compliance with unbundling provisions

VERBUND's interim reports and the VERBUND integrated annual report consolidate information from the management accounting, corporate accounting, financial management and risk management functions as well as from the area of corporate responsibility. All reports are based on uniform Group-wide rules for preparation and measurement. The liberalised European energy market requires an unbundling of the grid from the generation, trading and sales of formerly integrated electric utilities. VERBUND subsidiary APG has therefore been operating in the market since 2012 as an independent transmission system operator. An external equal opportunities officer monitors compliance with the unbundling provisions specified in the contract.

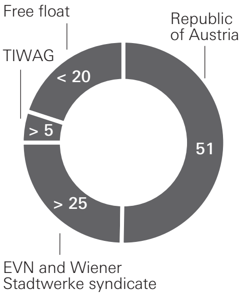
Periodic monitoring

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

Shareholder structure and capital information

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

Shareholder structure %



1. At the reporting date of 31 December 2019, the called and paid-in share capital of VERBUND AG comprised:
   170,233,686 no-par value shares (bearer shares category A), equivalent to 49% of share capital; 177,182,000 no-par value shares (registered shares category B), equivalent to 51% of share capital, authenticated by an interim certificate deposited with the Federal Ministry of Finance and made out in the name of the Republic of Austria. A total of 347,415,686 shares were in circulation at the reporting date. With the exception of the voting restriction described under point 2, all shares bear the same rights and obligations.

2. In accordance with constitutional law, which regulates the ownership structure of companies in the Austrian electricity sector (Federal Law Gazette I (BGBl) 1998/143(2)) and also forms the basis for the Company's Articles of Association, the following voting restriction applies: "With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder in the Annual General Meeting are restricted to 5% of the share capital." VERBUND AG is unaware of any other restrictions that affect voting rights or the transfer of shares.

GRI 102-25

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

4. There are no shares with special control rights.

5. VERBUND does not offer any employee participation programmes.

6. In accordance with the rules of procedure for the Supervisory Board, the last nomination to the Executive Board must be prior to the nominee's 65th birthday. Pursuant to the Austrian Code of Corporate Governance, a Nomination Committee has been established within the Supervisory Board and prepares the content for the appointment of Executive Board members on behalf of the entire Supervisory Board. VERBUND AG complies with the rules of the Code with respect to the appointment and dismissal of the members of the Executive Board and the Supervisory Board. Apart from the above, there are no other regulations not derived directly from law that relate to the members of the Executive Board and the Supervisory Board, or to the amendment of the Articles of Association.

7. There are no authorisations of the Executive Board within the meaning of Section 243a(1)(7) of the Austrian Commercial Code (UGB).

8. The Company is also not involved in any significant agreements that contain provisions referring to the stipulations under Section 243a(1)(8) of the Austrian Commercial Code (UGB). Furthermore, a public takeover bid is improbable under constitutional law.

9. There are no compensation agreements within the meaning of Section 243a(1)(9) of the Austrian Commercial Code (UGB).

The Consolidated Corporate Governance Report, which is included in this 2019 Integrated Annual Report, is available on the VERBUND website.

Consolidated Corporate Governance Report available at www.verbund.com > Investor Relations > Financial reports

Innovation, research and development

KPIs – IR&D

	Unit	2017	2018	**2019**
Number of IR&D projects	Number	85	74	**80**
Total project volume[1]	€m	179.8	177.9	**192.6**
of which EU projects[1]	€m	111.7	104.5	**118.2**
Total VERBUND share[1]	€m	53.5	61.6	**58.7**
Annual VERBUND expenses	€m	9.0	10.5	**17.5**

[1] over the entire duration of the projects

GRI EU DMA, formerly EU8

SDG 7
SDG 9
SDG 12
SDG 17

International climate protection agreements, national strategies and programmes and the commitment of civil society are indications that the energy transition away from fossil fuels to renewable energy sources is underway. Research, development and innovation contribute significantly to reducing climate-damaging emissions and limiting the impact of climate change. With its commitment in the areas of innovative technologies and business models, VERBUND assumes responsibility for the decarbonisation of various sectors.

Electrification of the transportation sector

SDG 11

Together with its subsidiary SMATRICS and strategic partners from Europe, VERBUND is focusing on electrifying the transportation sector. The goal is a reduction of the still increasing emissions in this area.

A high-performance charging network with output of up to 350 kW for electric cars is being built throughout Austria as part of innovation projects such as EVA+ and ultra-E (projects co-financed by the European Commission). Mobility services like the connection to international charging networks (roaming) are also being developed and implemented. This will make it possible to charge electric cars easily, conveniently and independently of national borders, making even long-distance mobility a reality. Research projects such as NeMo (also co-financed by the European Commission), involving partners from research institutes and universities, are developing platform solutions aimed at creating even more effective networks of charging services.

Adding value through sector coupling

Increasing charging capacity for electric cars means greater convenience for users because the vehicle range is extended significantly. However, this necessitates much higher charging output power per charging station for the latest technology at charging hubs of up to 1 MW, which in turn represents a challenge for the electrical grid infrastructure.

VERBUND is addressing precisely this problem with the European innovation project SYNERG-E. Local battery storage units at high-power charging stations and the smart local management system make it possible to balance out load peaks and provide a uniform level of service to the electromobility operators of the charging station. In addition, local storage batteries are bundled virtually in order to provide grid services. Three local storage batteries with capacity from 0.3 to 0.5 MW were set up in 2019, and seven others are in the planning stage for Austria and Germany.

Use of battery storage units in hydropower

The Blue Battery project is a research project with the purpose of integrating an industrial-scale battery storage unit at an existing hydropower plant. The goal of this combination is to be able to create a Frequency Containment Reserve (FCR) which is available within a matter of seconds. The efficiency and availability of the power plant will be significantly improved by the corresponding longer useful life of the turbines.

Construction at the Wallsee-Mitterkirchen site began in 2019. Austria's largest battery storage unit with 8 MW of FCR capacity and a storage capacity of 14.2 MWh will be built and operated at this power plant site.

Green hydrogen – an all-rounder

The aim of the H2FUTURE project that was launched in 2017 is to construct a proton exchange membrane electrolyser with a capacity of 6 MW at the voestalpine site in Linz in cooperation with industrial and research partners in Europe. Following preliminary construction and technical work, the plant began operating in 2019 and started to produce green hydrogen. The main focus of the work in 2020 will be on testing various applications to assess the performance of the plant. Green hydrogen is produced primarily for use in steel production. In the future, the plant will also be used for services to support the grid. H2FUTURE, a research project co-financed by the European Commission, is also looking into other options for using green hydrogen in sectors such as the chemical industry.

At a national level, VERBUND is a partner of WIVA Power & Gas, the hydrogen initiative of the Austrian model region, subsidised by the Austrian Climate and Energy Fund. Working together with Austrian partners from industry and research, this initiative aims to implement hydrogen projects and thus reinforce Austria's reputation as a centre of research and innovation. As of 31 December 2019, VERBUND was involved in two WIVA projects concerning green hydrogen for industrial use.

VERBUND set a milestone in new hydrogen technologies with the HOTFLEX project. A new hydrogen technology was tested at VERBUND's Mellach site together with partners from research and industry and with the support of the Austrian research funding agency Österreichische Forschungsförderungsgesellschaft (FFG) and the Fuel Cells and Hydrogen Joint Undertaking (FCH JU). The high-temperature electrolysis/fuel cell system with rated power of 150 kW is the core of the research plant. These research findings will serve to determine the potential of this technology for power to gas (to power) applications, such as its use as emergency power supply units in power plants and in other industrial plants.

The cooperation with the Zillertal Railway is focused on the use of hydrogen in the transport sector. Starting in late 2022, the narrow-gauge railway will be the first train in trial operation to be powered by hydrogen. The green hydrogen will be produced with renewable electricity from VERBUND's power plants in the Zillertal.

VERBUND relies on research, development and innovation for a sustainable energy system.

Fish protection and flow at low-pressure hydropower plants

As part of the FFG research project FINI, VERBUND worked in financial year 2019 to further develop effective fish protection designs for hydropower plants with low heads using numerical and experimental methods and researched an optimised flow into the turbines. The central aspects are fish protection and fish bypasses.

Condition-based maintenance of rotor blades

In the area of wind power, the focus in 2019 was on condition-based maintenance of rotor blades. The most important changes were related to the implementation of a new method to determine damage to rotor blades. Replacing a costly, time-consuming process in which the blades are examined using abseiling techniques, VERBUND introduced an innovative imaging procedure to capture a complete digital depiction of the rotor blade surface. In a benchmark comparison, different systems were evaluated in detail and their suitability for everyday use assessed. A ground-based system has now been in use since 2019, and service technicians can use this system to carry out checks on site quickly and efficiently. The images are evaluated using an automated image recognition algorithm. Next, an expert can review the pre-categorised damage and approve it for the report. In the future, it will be possible to project the damage progression and schedule and carry out predictive maintenance to reduce costs.

Digitalisation and information security

An Information Security and Digitalisation division was established at the holding company to account for the growing importance of digitalisation and information security at VERBUND. All of the responsibilities within the Group have been bundled under this new division and new positions created in the field of cybersecurity.

The Digitalisation department is driver of the digital transformation, the stimulus for innovative solutions and provides support in specific Group activities within VERBUND. Digital innovations, skills and abilities are continually evaluated and developed further. The aim is to unlock potential in all areas, from generation through trading to sales. Digital solutions are the catalyst for a successful energy future in Austria.

A technology master plan for the areas of digitalisation, information security and information technology (IT) with a medium-term planning horizon was created in 2019 on the basis of the current VERBUND strategy.

With a basis in stable and efficient IT operations and a management system for information security, new technological services are being established and methods for the digital transformation are being provided. This makes it possible to implement projects and plans focused on efficient generation and digital sales and trading.

The projects Digital Workforce Management and Digital Power Plant are pioneering in the field of hydropower. In this connection, processes are being optimised and automated. The projects involve searching for new technical solutions and testing them for feasibility in practice and, if applicable, rolling them out within the Group.

In the area of trading, existing and innovative customer platforms are being expanded and supplemented with new services in order to generate further advantages in the market.

In the area of sales, the existing CRM solution was updated to include a campaign management solution in financial year 2019. This will make it possible to use new functions and options in the areas of marketing, sales and service.

A survey of the current situation and challenges was carried out in the area of information security. New legislation and regulatory requirements such as the EU Directive on Security of Network and Information Systems (NIS Directive) applicable to operators of essential services ("critical infrastructure") and the General Data Protection Regulation (GDPR) are among the main drivers of increasingly stringent requirements in information security. In accordance with the Austrian Network and Information System Security Act (Netz- und Informationssystemsicherheitsgesetz, NISG), passed by the Austrian parliament in quarter 4/2018 in order to comply with the NIS Directive, Group companies with installations rated over the 340 MW threshold will be receiving official notices in this regard. The key prerequisites for this were already established in a VERBUND Group project in 2018. A follow-up project in 2019 aimed at meeting the specifications in the approval notice coordinated the prescribed certification of 13 VERBUND installations to international ISO/IEC standards in Austria (German certification was obtained in 2018). Further driving these information security measures is the fact that opportunities to attack are increasing along with the widening penetration of information technology and the digitalisation of business processes. Intensifying this effect, cybercrime activities are becoming more and more professional and intense.

In light of the upcoming or planned requirements and the evolving threats, a number of projects have been initiated to heighten information security and improve the maturity level in information security risk management.

Digital Hydro Power Plant – Hydropower 4.0

As part of the Digital Hydro Power Plant innovation programme, VERBUND analysed various digitalisation options in 2019 to identify the potential for further improvement of the processes in hydropower plants. The range of potential digitalisation technologies is broad, extending from platform solutions, anomaly detection models in connection with novel sensor designs, mobile assistance systems, digital twins and drones to innovative inspection technologies. A test system for the Rabenstein pilot power plant was designed and implemented for promising technologies. This project is focused on technical and economic evaluation. If added value from cost savings, efficiency increases or security improvements can be demonstrated after completion of the project, the technology will be transferred to other hydropower plants.

Electricity trading: SNOWPOWER improves inflow forecasting

The snow conditions and annual melt water inflows to the Alpine reservoirs and rivers are of great significance in planning and managing energy production in VERBUND's hydropower plants. Drones and digital cameras are an efficient method of evaluating snow cover in high Alpine regions and for determining the potential for run-off. The snow cover in spring varies each year due to the meteorological conditions in the preceding winter. Using new methods such as drone technology, the snow cover in Alpine regions can be recorded in order to forecast the potential for run-off and the melt water inflow as precisely as possible and further optimise the use of reservoirs.

Power grid: automated emergency messages by QR code

When high-voltage emergencies occur, rapid access to the responsible contact persons within and outside the Company is critical. APG, VERBUND's independent grid subsidiary, has developed a new smartphone app that can be used to safely and quickly notify APG and the emergency services.

All 12,000 pylons in the APG grid have been labelled with a QR code for this purpose. When this code is scanned with a mobile phone, an automated report including the relevant location information is sent directly to APG, the police, emergency rescue services and the fire department. For the emergency responders using this function, APG's digital safety platform opens immediately, and assistants are available to provide fast and specific help. In addition to options for reporting an emergency or sending a message or an image to the central security office, the app also includes information bulletins detailing the safety clearances to be maintained in the areas around electrical installations.

The existing pylon panels displaying the pylon number, line number and emergency telephone number will remain in place. This will ensure that emergencies can still be reported in future without a smartphone or internet connection.

Outlook

The International Monetary Fund (IMF) expects the global economy to grow more rapidly in 2020 than in 2019. The partial agreement in the trade war between China and the US, monetary easing, fiscal policy measures and expectations of fewer impacts from a disorderly Brexit will serve to stabilise the global economy. Yet, the IMF continues to warn against the risks of a re-escalation of trade and geopolitical tensions (e.g. between the US and Iran) and anti-government protests (e.g. in Chile). The global effects of the coronavirus epidemic remain to be seen.

Austria continues to demonstrate comparatively robust economic growth, even if this has weakened in the aftermath of an economic boom phase. Forecasts for 2020, at +1.2%, are below those of the previous years and yet above the forecasts for Germany and the eurozone.

Compared to the low point at the end of 2019, a slight increase in coal prices was seen in early 2020, although there is no fundamental indication of a sustained recovery in coal prices. The well-supplied European gas market is not expected to experience any significant price increase in gas prices.

How the price for CO_2 emission rights will develop remains uncertain. Under the Brexit deal, the continued participation of the UK in ETS is fixed until the end of 2020. British companies must cover their emissions with European Emission Allowances (EUA) for 2019 and 2020; at the same time, the CO_2 auctions from 2019 that were suspended by the British government are now set to resume, throwing large additional quantities onto the market.

The oil market trend is also uncertain. While economic performance is unlikely to generate a large increase in demand for oil and hence oil prices, tensions with Iran could escalate at any time, causing oil prices to skyrocket.

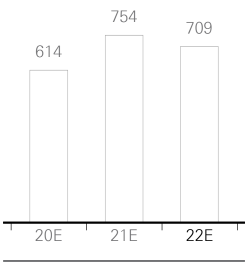
The expansion of volatile, new renewable generation is making VERBUND's generation portfolio more significant. In addition to the base load power plants (run-of-river hydropower), flexibly accessible storage and pumped storage power plants along with a highly efficient combined cycle gas turbine power plant (Mellach CCGT) supplement the generation portfolio. APG, VERBUND's wholly owned subsidiary, owns and operates the transmission grid in Austria and therefore plays a major role in connection with the security of supply in Austria and in the European electricity network. VERBUND's innovative products and services for consumers provide solutions for the future of energy today.

Investment plan 2020–2022

SDG 8

VERBUND's updated investment plan for the period 2020–2022 provides for capital expenditure in the amount of €2,077m. Of that total, around €1,287m will be spent on growth CAPEX and around €790m on maintenance CAPEX. Most of the growth CAPEX (approximately €719m) will go towards expanding the regulated Austrian high-voltage grid. In addition, VERBUND will be investing mainly in selected hydropower plant projects as well as in increasing the efficiency of existing power plants. The Töging run-of-river power plant in Germany deserves particular mention here. The investments will involve VERBUND's domestic markets of Austria and Germany. In financial year 2020, VERBUND plans to invest a total of approximately €614m, around €343m of which will be invested in growth and around €271m in maintenance.

Investment plan €m



Dividend

VERBUND plans to distribute a dividend of €0.69 per share for financial year 2019. The payout ratio for 2019 will thus amount to 43.7% based on the adjusted Group result.

Earnings projection for 2020

VERBUND's earnings performance is significantly influenced by the following factors: wholesale prices for electricity, the Group's own generation from hydropower and wind power, the contribution to earnings from flexibility products and ongoing developments in the energy market. Around 65% of the planned own generation for 2020 was already contracted as at 31 December 2019. The price obtained for this was approximately €10.5/MWh above the sales price achieved in 2019. For those volumes not yet hedged, VERBUND has based its calculations on current market prices.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 31 December 2019 and authorisation for issue on 13 February 2020.

Vienna, 13 February 2020

The Executive Board

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

Mag. Dr. Michael Strugl
Vice-Chairman of the Executive Board

Dr. Peter F. Kollmann
Member of the Executive Board

Mag. Dr. Achim Kaspar
Member of the Executive Board

Report on non-financial information
(NFI Report)

Report on non-financial information

in accordance with Section 267a of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)

VERBUND takes its social responsibility as Austria's leading utility and an important player in the European electricity market very seriously. Back in 1994, VERBUND was one of the first companies in Austria to prepare an environmental report. In doing so, it was well in advance of the trend towards reporting on environmental factors. That annual publication was followed in 2002 by VERBUND's first sustainability report. From then until 2014, this report was published annually as a supplement to the annual report. Since 2015, VERBUND has responded to rising demand from different groups of stakeholders for comprehensive company information by publishing an integrated annual report. The annual sustainability report is now included in VERBUND's integrated annual report. GRI 102-52

The Austrian Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG) entered into force on 6 December 2016; this stipulates that starting in financial year 2017 large public interest entities are required to publish non-financial information. VERBUND uses the Global Reporting Initiative (GRI) for this purpose. Consequently, the present report was also prepared in accordance with the GRI Standards as well as the G4 Sector Disclosures for "Electric Utilities", Core option. GRI 102-54

This report covers the activities of all of the companies included in the Group's consolidated financial statements. Significant events occurring at unconsolidated companies are also reported to provide a complete picture of the Group. The reporting period comprises the 2019 calendar year. GRI 102-45 GRI 102-50

Sustainability information has been subjected to an external review in the scope specified by the Independent Assurance. The GRI Content Index and the TCFD Index (at www.verbund.com > About VERBUND > Responsibility > Non-financial Information) indicate where information on sustainability at VERBUND can be found. As provided for in the GRI guidelines, we have refrained from including information on topics of minor relevance in this integrated annual report. Supplementary information on sustainability topics is available in our Disclosures on Management Approach (DMA) document and on our website at www.verbund.com > About VERBUND > Responsibility > Non-financial Information. GRI 102-56

VERBUND's business model

VERBUND is one of the largest producers of hydroelectricity in Europe. Its value chain comprises the generation, transportation, trading and sales of electrical energy and other energy sources as well as the provision of energy services. VERBUND's sustainable business model revolves around the generation of carbon-free electricity from hydropower and wind power and increasingly also solar power in future. Details are provided in the Renewable generation section of the segment report. The Grid section of the segment report also supplies key information on sustainability. All ongoing projects and current events from financial year 2019 are presented here in a condensed format and supplemented by information on selected activities relating to the environment and society. For further details and background information, please refer to the additional sources referenced in the margins. GRI 102-2

Since VERBUND operates in Europe, we regard Europe as a single region/regulatory regime. VERBUND's main business sites are located in Austria and Germany. Maps of the power plant sites and grid facilities are provided at the end of this report. GRI 102-4 GRI 102-6

Materiality

Materiality analysis

GRI 102-46
GRI 102-49

VERBUND conducted a comprehensive update to the materiality analysis in 2019. The goal was to identify the opinions and expectations of the different stakeholder groups in Austria and Germany and to use this information to derive material topics for VERBUND's operations.

The starting point for the stakeholder survey was the survey previously conducted in 2013 and the annual review and in-depth analysis by members of the sustainability team, who maintain close contact with different stakeholder groups. For this repetition of the survey, special attention was given to the key developments and trends (decarbonisation, digitalisation, decentralisation) in the energy market in recent years. Similarly, international and national frameworks were taken into consideration, in particular the Paris Agreement on climate change ("2 degree goal") and the political objectives arising from it, such as the EU's 2030 targets and #mission2030 in Austria.

The analysis method remained the same as that used in 2013. First, the material topics were adapted to account for new international requirements from investors and in relation to ratings, trends and technologies, and expanded from twelve to 20 topics. The expansion of the topics, as in 2013, was carried out in line with the GRI Standards and also the core topics of the CR management system in accordance with ONR 192500. The 20 topics identified can be assigned to four areas: environment and energy, economy, social and governance.

GRI 102-47

ENVIRONMENT AND ENERGY	ECONOMY	SOCIAL	GOVERNANCE
Waste and waste water	Information security and data protection	Occupational health and safety	Compliance and transparency
Biodiversity	Innovation	Attractive employer	Corporate governance
Renewable energy	Customer relations	Diversity and inclusion	Stakeholder engagement
Climate change	Security of supply	Commitment to society	International commitment
Resource and energy consumption	Increasing enterprise value	Sustainable supply chain	Human rights

The analysis took place from September to December 2019 and was conducted in two stages (a quantitative survey and qualitative interviews).

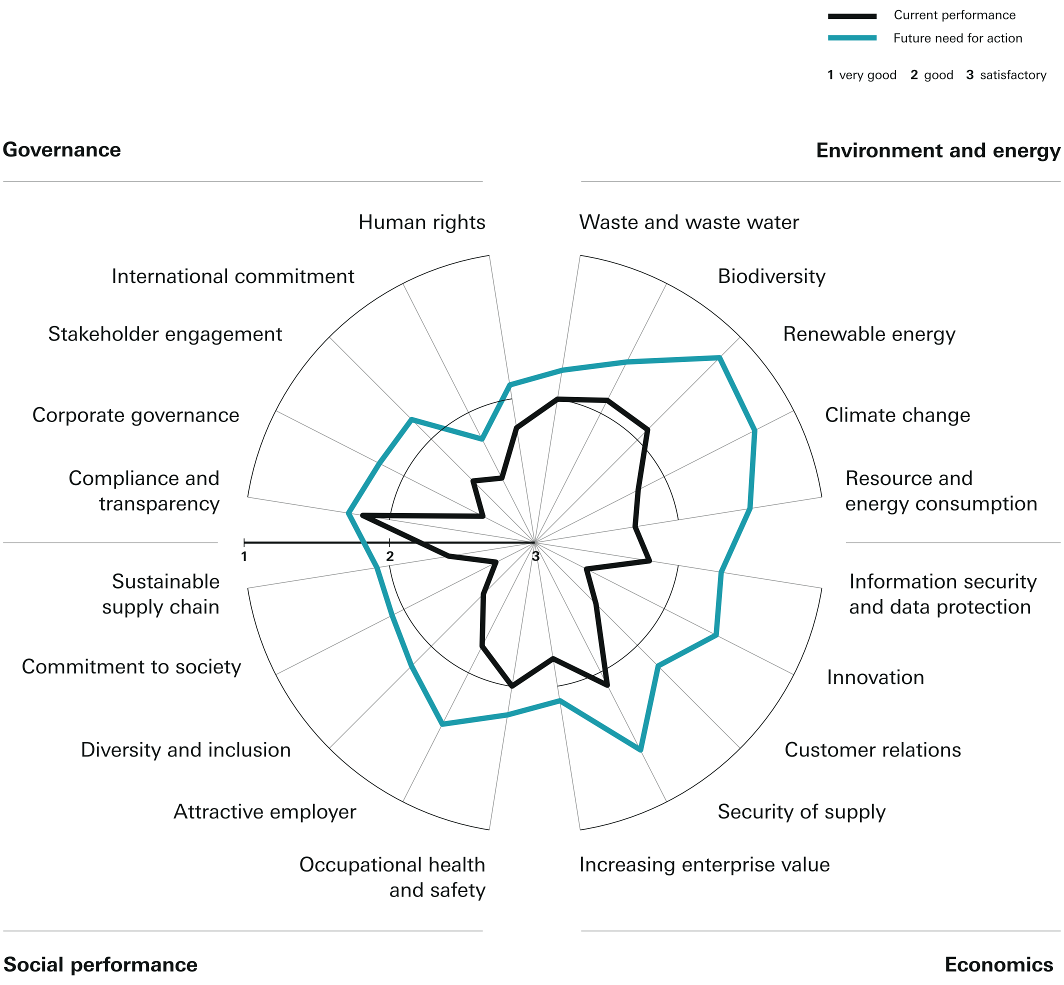
The quantitative survey was conducted by means of a questionnaire sent out by post in compliance with data protection provisions. The goal was to gather information on the expectations of the stakeholder groups on the 20 material topics. Both internal stakeholders (employees, Works Council, Supervisory Board) and external ones (corporate customers, representatives of industry and professional associations, neighbouring communities, suppliers, science and research, politics and public authorities, capital market, media) had the opportunity to complete the questionnaire by hand or online using a QR code. The survey collected responses from 255 people to questions about VERBUND's current performance level in the material topics and on the need for VERBUND to take action in the future concerning these topics.

The qualitative survey was conducted in the form of personal in-depth interviews with 46 representatives of all internal and external stakeholder groups. This format made it possible to collect responses on a more granular level and especially to gauge the individual understanding of each topic. The interview contents covered, among other things, general knowledge about VERBUND's activities in the field of sustainability with a focus on social and environmental aspects as well as VERBUND's role in achieving Austria's climate goals.

GRI 102-44

The chart below summarises the survey results. The chart shows VERBUND's current performance level compared to the need for action in the future from the stakeholders' point of view. The further out a topic is mapped, the better it is already being handled or the more important it is for the future. The chart shows that all of the topics offer potential for the future. From the stakeholders' perspective, special focus should be placed on the topics of renewable energy, climate change, innovation, security of supply, attractive employer and compliance and transparency.

SDG 4
SDG 7
SDG 9
SDG 13
SDG 15
SDG 16



SDG 4
SDG 9
SDG 13
SDG 15
SDG 17

Specifically, stakeholders would like to see more investment in the expansion of new renewable energy sources (particularly solar and wind), innovative cooperation projects to develop new storage technologies (e.g. hydrogen) and a decentralised supply of electricity including digital solutions. In addition, they still expect the security of supply to be maintained and hope that VERBUND will increase its community involvement and take steps to create more awareness for the topic of sustainability. In order to be fit for the future, VERBUND should also continue working to become an attractive, dynamic and modern employer. The stakeholders consider VERBUND to be an important player in the fight against climate change, one that is capable of making a key contribution to achieving the climate targets. VERBUND can achieve these things mainly because of its position as a pioneer in the area of sustainability and because of the environmentally friendly and safe implementation of services in the field of renewable energy.

TCFD

In addition to the comprehensive stakeholder survey, experts from different scientific disciplines (geology, hydrology, land use planning, climatology) were invited to a focus group entitled “Austria Climate World 2050”. Here, the experts discussed the physical risks of climate change that could arise for Austria’s energy infrastructure and especially for VERBUND by 2050. Specifically, scientists identified seasonal fluctuations in water supply, material flows in rivers, alpine risks (e.g. from falling rocks and mudslides) and extreme weather events as the most relevant physical risks.

GRI 102-47
GRI 103-1
GRI 103-2

Shown below are the material topics for VERBUND and the SDGs and GRI disclosures assigned to them. All material topics are relevant within the organisation.

MATERIAL TOPIC AT VERBUND/SDG	GRI STANDARDS	SECTOR SUPPLEMENTS	ADDITIONAL INFORMATION
Environment and energy			
Waste and waste water (SDG 6)	GRI 306: Effluents and Waste		
Biodiversity (SDG 15)	GRI 304: Biodiversity		Number of fish passes
Renewable energy (SDG 7, SDG 13)	GRI 201: Economic Performance		Expansion and efficiency improvement of hydropower, wind power and solar power
Climate change (SDG 13)	GRI 305: Emissions	EU5	Emissions avoided through generation from renewable energy sources
Resource and energy consumption (SDG 7, SDG 12)	GRI 301: Materials GRI 302: Energy GRI 303: Water		Percentage of sites certified to ISO 14001/EMAS, environmental costs
Economy			
Information security and data protection	GRI 418: Customer Privacy		
Innovation (SDG 7, SDG 9, SDG 11, SDG 17)	Innovation, Research and Development	EU DMA, formerly EU8	Number of R&D projects, VERBUND's annual expense
Customer relations (SDG 12)	GRI 102: Stakeholder Engagement	EU3, EU27	
Security of supply (SDG 7, SDG 9, SDG 12)		EU1, EU2, EU4, EU10, EU28, EU29, EU30	Risk and crisis management
Increasing enterprise value (SDG 7, SDG 8)	GRI 201: Economic Performance GRI 203: Indirect Economic Impacts	EU10, EU11, EU21	Financial governance
Social			
Occupational health and safety (SDG 3)	GRI 403: Occupational Health and Safety		
Attractive employer (SDG 4, SDG 8)	GRI 102: Organisational Profile GRI 201: Economic Performance GRI 401: Employment GRI 402: Labour/Management Relations		Percentage of university graduates, employee survey
Diversity and inclusion (SDG 5, SDG 10)	GRI 405: Diversity and Equal Opportunity[1]		

Commitment to society (SDG 1, SDG 4, SDG 11)	GRI 203: Infrastructure Investments and Services Supported		VERBUND Empowerment Fund run by Diakonie
			VERBUND Electricity Relief Fund run by Caritas
			VERBUND climate school, VERBUND electricity school
Sustainable supply chain (SDG 12)	GRI 204: Procurement Practices GRI 308: Supplier Environmental Assessment		
	GRI 414: Supplier Social Assessment	EU18	
Governance			
Compliance and transparency (SDG 16)	GRI 205: Anti-corruption GRI 415: Public Policy GRI 206: Anti-competitive Behaviour GRI 406: Non-discrimination GRI 307: Environmental Compliance GRI 419: Socioeconomic Compliance		
Corporate governance (SDG 16)	GRI 102: Statement from Senior Decision-makers GRI 405: Diversity and Equal Opportunity		
Stakeholder engagement (SDG 12, SDG 17)	GRI 413: Local Communities GRI 102: Stakeholder Engagement		
International commitment (SDG 17)			Sustainable Development Goals, UN Global Compact
Human rights (SDG 16)	GRI 414: Supplier Social Assessment		Group policy on human rights, UN Global Compact

[1] report on information about wage equality only in the year in which the two-year income report was released

Sustainable topics and projects in 2019

Corporate Responsibility

The topics of sustainability, environment, occupational health and safety and accessibility have been combined under the department Corporate Responsibility since May 2019. This allows the Group to bundle its corporate responsibility towards the employees, society and the environment. In addition, numerous overlaps and synergies can be leveraged in the areas of reporting, data management and auditing. The new organisation is also reflected in the committees: the Sustainability Board and the Environmental Committee have been combined to form the Corporate Responsibility Committee and expanded to include the topics of strategic occupational health and safety and accessibility.

Task Force on Climate-related Financial Disclosures (TCFD)

Implementation of the TCFD recommendations progressed further in 2019. The focus was mostly on internal processes and pooling climate-relevant topics throughout the Group. For the first time, this report includes a TCFD Index, which is published with the GRI Content Index.

Impact assessment

In 2020, VERBUND plans to assess the Group's environmental and social impacts throughout the stages of its value chain. A preliminary project was launched in 2019 to define the system boundaries for the project and to identify initial potential impacts.

Creating internal awareness

Internally, greater focus was placed on promoting employee awareness for sustainability topics. To this end, a survey was conducted in the first six months of 2019 to gauge the interests in different environmental, social and health-related topics. The results indicate that VERBUND employees are particularly interested in climate change, consumption, plastics, nutrition, health, mobility and sustainable travel. This interest is being met through monthly posts in the intranet providing explanations and tips.

Impact of activity

VERBUND is committed to the precautionary principle aimed at preventing or mitigating possible risks to the environment and the health of people, animals and plants.

GRI 102-11
GRI 102-15
For more information, please refer to the section entitled Opportunity and risk management

TCFD

The tables below provide an overview of the significant impact of the activity of VERBUND as well as of how the related risks are managed within the meaning of the Austrian Sustainability and Diversity Improvement Act (NaDiVeG). The material VERBUND topics have been assigned to the following five categories: environmental matters, social matters, employee-related matters, respect for human rights and anti-corruption and bribery matters. The most significant impact and the risks and opportunities are regularly assessed by the sustainability team (at least every second year). The findings of the assessment are reported to the Corporate Responsibility Committee (formerly the Sustainability Board and Environmental Committee). More detailed information can be found in the sections entitled Environment, Human resources, Stakeholder engagement and social responsibility, Human rights and Supply chain.

Environmental matters:	Waste and waste water, biodiversity, renewable energy, climate change, resource and energy consumption
Impact of activity	Significant environmental impact under normal operations, principally through the effect of hydropower plants on habitats in relation to river morphology and biodiversity and through the effect of thermal power plants in relation to airborne emissions.
Significant risks	Under normal operations, no significant risks to the plants with potentially negative effects for the environment; the likelihood that these risks will arise is minimised by operating the facilities in compliance with the laws.
Management of the risks	Certified environmental management systems; for extreme events (severe flooding, earthquakes, etc.) there are specific emergency plans and a crisis management team.
Social matters:	**Security of supply, increase in enterprise value, customer relations, innovation, stakeholder engagement, commitment to society, international commitment**
Impact of activity	System security in the Austrian transmission grid; direct economic value generated and distributed (wages and salaries, taxes, dividends, interest, capital expenditure); safe, affordable products and services for customers; consideration of concerns of stakeholders; long-term participation in social and education-related activities.
Significant risks	Failure of critical infrastructure; risks involving information security, cyber security and data protection.
Management of the risks	Group-wide organisational structures for opportunity and risk management as well as crisis management; implementation and refinement of Group-wide information security and data protection management systems (ISMS, DPMS).
Employee-related matters:	**Occupational health and safety, attractive employer, diversity and inclusion**
Impact of activity	Performance-based, productive corporate actions for securing the core business over the long term and exploiting new business opportunities with the goal of safeguarding and ideally creating skilled employment.
Significant risks	Risks can be minimised through extensive personnel management and continuous further development of the high safety standards as well as through the development of socially acceptable solutions (in the case of job cuts) in conjunction with the employee representatives.
Management of the risks	Group-wide management systems for occupational safety and occupational health management; incorporation of the employee representatives; personnel development; diversity strategy and concept; demographic and knowledge management; employer branding.
Respect for human rights:	**Human rights, sustainable supply chain, occupational health and safety, diversity and inclusion**
Impact of activity	As a signatory to the UN Global Compact, VERBUND exercises a positive influence on its business partners in and outside Austria.
Significant risks	The aspects of "equal treatment" and "freedom of association" have been identified as human rights issues in the direct sphere of influence; there are no significant risks here. Consulting activities in emerging markets give rise to a risk of human rights being violated by third parties. Risks in the upstream supply chain cannot be ruled out entirely, which is why due diligence must be exercised in procurement.

Management of the risks	Code of Conduct prescribes equal opportunity; sanctions will be imposed for violations of the Code of Conduct; diversity management encourages equal opportunities for all people; workplace training sessions in the corporate values will be provided; hot spot analysis of the supply chain; regular evaluation of corporate policies, Group policy on human rights and instructions for Procurement; review of the integrity of the business partners prior to collaboration on projects.
Anti-corruption and bribery matters:	**Compliance and transparency, corporate governance**
Impact of activity	Use of fair business practices has a positive impact on society.
Significant risks	The annual Group-wide compliance risk survey collects information on significant corruption risks.
Management of the risks	Group-wide management system for compliance and Group-wide opportunity and risk management, reviews of the integrity of business partners, compliance training.

Media analysis

The main topics addressed in media reports on VERBUND serve to supplement the reporting contents. The relevance of a specific topic is measured by the number of articles appearing on the matter, with the following picture emerging for 2019:

- Climate change and environmental protection were the driving topics in reporting throughout 2019. Of these, the dominant themes were the expansion of electricity generated from new renewable energy sources, efficiency improvements at existing power plants, e.g. Ybbs-Persenbeug, the strong future potential of green hydrogen and the focus on carbon pricing.
- VERBUND's integration into the new state-owned holding company ÖBAG was yet another topic emphasised in the reporting. A new Supervisory Board of VERBUND was subsequently appointed at the 2019 Annual General Meeting.
- Reports were positive on the topics of the Group result, share price performance and awards, e.g. for green finance.
- The first green hydrogen was produced in the H2FUTURE pilot plant at the end of 2019.

The following topics were also reported on:

- Debate about the 380-kV Salzburg line
- Environmental measures such as fish passes at VERBUND power plants
- Joint complaint with several companies against division of the electricity pricing zone
- Increase in electricity and gas rates
- Exhibition of the VERBUND COLLECTION on feminist avant-garde
- Extreme weather conditions in Carinthia in autumn 2019 and preventive measures by VERBUND

Definition of report content

Based on the material topics relating to sustainability that have been defined with the help of relevant stakeholder groups and supplemented by the topics discussed in the public arena through the media, once per year VERBUND compiles the non-financial content to be reported in the integrated annual report. VERBUND also reviews the completeness of the topics selected based on the issues and standard disclosures specified in the Sustainability and Diversity Improvement Act (NaDiVeG) and the GRI Standards. GRI 102-46

Stakeholder engagement and social responsibility

VERBUND's success is based on good relationships with customers, employees, neighbours, business partners and owners, as well as with political stakeholders, public authorities, interest groups and NGOs.

GRI 102-43
GRI 102-44
Please refer to the DMA for fundamentals of stakeholder management

VERBUND strives to achieve regular engagement with as many stakeholder groups as possible. In the process, VERBUND supplies information via various channels on developments in energy and climate policy, engages in discourse on current and future challenges in the energy market and proposes constructive solutions. Corporate decisions can more easily generate good results if the needs and expectations of internal and external stakeholders are identified and understood.

Please refer to the DMA: "Endorsement of external initiatives"

VERBUND also provides know-how for processes that are important for society as a whole. In 2019, for example, VERBUND assisted in the debates in preparation for the legislative package on renewable energy expansion and in the working groups to develop an Austrian hydrogen strategy.

Planning and management of relationships with VERBUND's stakeholders occurs centrally at the holding company. Operational implementation of the measures is handled by the respective departments within VERBUND and by the VERBUND subsidiaries, depending on the group of stakeholders in question.

GRI 102-43
GRI 103-2
GRI 103-3

Infrastructure projects that directly affect the space where people live are a particularly sensitive matter. In order to guarantee the quality of communications in these projects, VERBUND's basic principles are laid down in the form of a corporate guideline. This guideline must be adhered to with respect to all investment and construction plans and projects implemented by VERBUND in Austria and abroad that impact the public, as well as in joint projects. Key elements of the policy are the provision of early and detailed information to those affected, along with an invitation to engage in open dialogue.

VERBUND places great value on keeping all parties concerned informed, promptly and throughout all phases of a project (the planning phase, the environmental impact assessment and the construction phase). For each project, a communication plan sets out all activities with respect to the communication measures ranging from identification of the parties concerned to the time schedule and the responsibilities to the budget. Major suppliers and general contractors involved in the project are also included in the project communications.

The contact at the project site for all kinds of information, from tour requests to suggestions and complaints, is either the responsible regional communications manager or the responsible project head, whose contact data is provided in all of our media.

Selected stakeholder activities in 2019

GRI 413-1

Member of the Austrian parliament Muna Duzdar, sector spokesperson of the Social Democratic Party parliamentary group for energy, visited VERBUND at its headquarters “Am Hof” in Vienna as part of the “One Day at VERBUND” stakeholder format. On this occasion, there was an exchange of views on current energy policy and hydropower-related topics.

In addition, the stakeholder formats VERBUND had already established were successfully continued in 2019. These included the VERBUND Energy Breakfast, the Munich Energy Club, the Hydropower Dialogue, the dialogue with environmental organisations, the EU energy forums and VERBUND Day in Brussels. The Energy2050 conference was held once again in Fuschl (Salzburg) in 2019, with 250 representatives from research, the energy sector, industry and media. This conference centred on the topic of sector coupling and its potential for the success of the energy transition.

VERBUND is a strong partner to design the energy system of the future with many innovative projects.

VERBUND also maintains constant contact with affected stakeholder groups at its sites. The entire dialogue process during past years entailed deliberately setting aside the formal, legal perspective in favour of developing solutions to improve the situation. Constructive dialogue was also held at joint press meetings and at several citizen information events.

In the “New Töging” renovation project on the Inn River in Bavaria, construction site visits and consultations were conducted with accompanying public relations. On the occasion of the ground-breaking ceremony for the fish pass at the Abwinden-Asten power plant on the Danube (Upper Austria), 400 people attended the neighbourhood meeting. At open house events in the Fisching power plant on the Mur River and Töging power plant on the Inn River, VERBUND welcomed 4,500 visitors in all in 2019.

Advocacy of interests

VERBUND closely followed the developments and changes in the regulatory framework at EU level as well as in Austria and Germany in 2019. With regard to content, the following topics were at the forefront in 2019: preparation for the legislative package on renewable energy expansion (now expected for 2020), preparatory work for an Austrian hydrogen strategy, activities in the area of green finance, the amendment of the Green Electricity Act (Ökostromgesetz, ÖSG) and the National Energy and Climate Plan from the Federal Ministry for Sustainability and Tourism. In regard to the snap elections held in September 2019, VERBUND developed a position paper on the main energy and climate policy points required for the 2019–2024 legislative period.

For information on VERBUND’s position on important topics, please refer to www.verbund.com > About VERBUND > Company > Advocacy of interests

Please refer to the Disclosures on Management Approach (DMA) for more information on advocacy of interests, memberships and support for external initiatives by VERBUND.

Social responsibility

GRI 203-1
SDG 1
SDG 4
SDG 17

VERBUND assumes responsibility for a society that perceives readily available electricity generated from clean sources as a quality-of-life factor. In fulfilling its shared responsibility to society, VERBUND also supports a number of charitable organisations and reinforces children's awareness of using energy carefully.

Caritas and Diakonie

More information on VERBUND initiatives with Caritas and Diakonie is available at www.verbund.com > About VERBUND > Responsibility > Social issues > Corporate citizenship

GRI 203-1

SDG 11

Energy poverty and its negative consequences occur most frequently when incomes and standards of living are very low. The VERBUND Electricity Relief Fund in collaboration with Caritas provides assistance quickly, in an unbureaucratic manner and, above all, long-lasting by offering immediate financial assistance to pay outstanding electricity bills, professional on-site energy consulting and a free exchange service for old, inefficient electrical appliances.

Since the project began in 2009, the VERBUND Electricity Relief Fund in collaboration with Caritas has offered assistance to a total of 4,500 households with 11,500 people altogether living in these households. On the occasion of the tenth anniversary of the cooperation, Caritas and VERBUND held a joint event at the Freudenau power plant on the Danube.

VERBUND Electricity Relief Fund run by Caritas

	Unit	2017	2018	**2019**
Interim financing	Number	350	306	**345**
	€	50,600	44,200	**55,500**
Energy consultations	Number	305	405	**515**
Appliances exchanged	Number	203	276	**149**

In 2019, 105 disabled people received direct support for communication and assistive technologies with funds from the VERBUND Empowerment Fund run by Diakonie. The emergency aid fund spent €60,041 on this. Communication devices for non-speaking people with a wide array of control options as well as barrier-free educational and training programmes were provided for learning cultural techniques such as reading, writing and arithmetic. Access to computers and to the Internet is provided by means of special keyboards and alternative pointing systems to replace a mouse.

KPIs VERBUND Empowerment Fund run by Diakonie

	Unit	2017	2018	**2019**
Individual assistance	Number	100	102	**105**
Consultations	Number	700	744	**731**

VERBUND climate school in the Hohe Tauern National Park

VERBUND climate school in the DMA and online: https://klima.schule/

GRI 203-1

The training programme offered since 2010 by VERBUND and Hohe Tauern National Park was named a UN decade project by UNESCO under Education for Sustainable Development. Since the partnership began, over 24,000 school children have benefitted from the work involving project lessons given by specially trained park rangers in the classrooms. The stated goal is to teach skills for living consciously and being able to assess the impact of an individual's actions on the climate. The range of project lessons offered by rangers is available mainly in those provinces where the national parks are located: in Carinthia, Salzburg and Tyrol. The training programme has also been available online at www.klima.schule since 2018. Teachers are the primary target group of the initial online range of lessons for teaching skills to mitigate the impact of climate change. Even at the lesson preparation stage, the greatest emphasis was placed on ensuring that the material could be integrated into lessons as easily as possible.

The VERBUND electricity school kindles enthusiasm for technology

To support teachers in making their physics lessons exciting and interactive, VERBUND provides a range of physics teaching materials offered in combination with power plant tours. VERBUND also provides financial support for school tours as part of a class activity. In the case of storage power plants, more than 2,000 pupils took advantage of the offer for a school tour, as was the case in 2018. VERBUND is involved in a collaboration with the daily newspaper “Die Presse” supporting an editorial training department, which hosted a total of 24 school classes in 2019.

VERBUND electricity school on the VERBUND website and in the DMA

GRI 203-1

VERBUND COLLECTION

With its two main themes, “The feminist avant-garde of the 1970s” and “The perception of spaces and places,” the VERBUND COLLECTION was built by collection director Gabriele Schor. Both of these socially relevant themes were brought once again into the public discourse in 2019.

The VERBUND COLLECTION is considered a centre of excellence for scientific research, including for the feminist art of the 1970s. It has been the source of numerous monographic studies, for example on Renate Bertlmann. The collection’s contribution to the genre has been brought to the attention of the public not least because Bertlmann was the first female artist to create an installation for the Austrian pavilion at the 58th Venice Art Biennale.

In the “Vertikale Galerie”, the exhibition space in the stairwell of VERBUND’s headquarters at “Am Hof” in Vienna, the artworks of internationally renowned American artist Louise Lawler were displayed in the exhibit entitled “She is here” until May 2019. The exhibit was viewed by more than 1,500 people from outside the Group. However, VERBUND employees were also able to familiarise themselves with the artworks at art talks given several times a week.

Since 2010, the VERBUND COLLECTION has toured its successful exhibition entitled “The feminist avant-garde of the 1970s”, most recently in June 2019 at the Centre de Cultura Contemporània de Barcelona with 300 pieces from 73 artists. The exhibition serves as a reminder that the feminist themes of the 1970s are of major social relevance even today. The attendance numbers also attest to that. From June 2019 to January 2020 alone, 70,000 visitors were counted. Following its appearance in Barcelona, in June 2020 the exhibition will travel for the first time to America, where it will be displayed at the International Center of Photography in New York.

Compliance

Compliance management system, Code of Conduct

GRI 103-1
GRI 103-2

The VERBUND Code of Conduct can be viewed at www.verbund.com > About VERBUND > Company > Corporate philosophy

As an expression of our business ethics, VERBUND aims to apply fair and transparent as well as sustainable business practices. This is the reason why a Company-wide compliance management system (CMS) a number of years ago was established. The system is based on VERBUND's Code of Conduct and is intended to assist in implementing the Code and complying with its provisions.

Compliance guidelines outline the Code of Conduct in more detail. In addition, they provide for a compliance organisation that incorporates the entire VERBUND Group. This organisation is made up of a Company-wide compliance team under the leadership of a full-time Chief Compliance Officer. The Executive and Supervisory Boards regularly receive written compliance reports. Verbal ad hoc reports are also provided on demand.

For further information on the compliance management system, please refer to the DMA

VERBUND continued to actively refine the compliance management system in financial year 2019. This refinement process was underpinned in particular by intensified communication measures such as standardised compliance meetings as well as by ongoing exchanges of information and external consultations.

Compliance risk survey

GRI 205-1

SDG 16

As in prior years, a systematic Group-wide compliance risk survey was conducted again in 2019. All divisions at the holding company and the principal consolidated subsidiaries were involved in the survey in their capacity as risk owners. They carried out a qualitative compliance risk assessment based on the criteria of materiality, probability of occurrence and maturity of existing measures using an updated, standardised questionnaire.

Following the evaluation of the results of these risk analyses, an overall appraisal was carried out using a risk-based approach. This provided the basis for the definition of the areas of risk for which the specific targeted compliance measures being focused on are developed and implemented and is intended to prevent potential damage to the Group. The findings of the compliance risk survey were incorporated into the Group's risk management. An annual update to the risk surveys is planned for subsequent years.

As part of this process, corruption risks in particular in all areas of the Group were examined and documented in 2019. The findings indicated no significant risk of corruption for VERBUND.

Training, consulting and provision of information

GRI 102-17
GRI 205-2

VERBUND's compliance management system focuses on preventive measures. In this vein, conducting training sessions and presentations, providing one-on-one consulting on numerous occasions and disseminating information on specific matters were important focal points of VERBUND's compliance work again in 2019. The Chief Compliance Officer and the compliance officers of the Group companies provided information on correct conduct in person, by phone or by e-mail in response to all of the over 500 queries received. The most frequently mentioned topics were invitations, participation in events, gifts and other benefits, along with the handling of confidential information and potential conflicts of interest. This was an indication of the cautious manner in which both executives and employees handle compliance topics at VERBUND.

In order to further improve the ability to deal with such matters, the compliance rules were addressed in a tailored training programme throughout the Group. The Chief Compliance Officer conducted 17 classroom training sessions in the reporting period. General compliance training was provided to members of the Executive Board and to new employees and new executives, but also for the procurement area and for individual investees. In addition, a series of specific training sessions were held on the topic of competition law and on regulatory inspections for those employees most likely to be affected. The compliance officers at the subsidiaries also held 24 classroom training sessions.

Another key pillar of the training programme in 2019 was the intranet-based e-learning programme. A new e-learning course on the topic of financial market compliance was developed during the reporting period. The updated e-learning programme now comprises three compliance courses including survey interviews (compliance basics, anti-corruption and financial market compliance). All Group executives and all employees at the holding company as well as those in departments that are particularly affected (e.g. Key Account Management, Trading, Purchasing) are required to complete the relevant online surveys on an annual basis.

VERBUND not only briefs all of its Board members and employees on anti-corruption strategies and measures internally but also provides information to all external stakeholders via its website. In addition, compliance and anti-corruption topics are communicated to suppliers over the ASTRAS electronic supplier platform as well as in the General Terms and Conditions of Purchase Orders. A separate Supplier Code of Conduct was also developed during the reporting period.

Business partner integrity checks

VERBUND actively manages integrity risk by performing standardised checks of the integrity of its business partners on a Group-wide basis. Aside from the fulfilment of legal requirements, VERBUND's primary aim is to safeguard the Group's reputation. When performing such checks, VERBUND systematically and effectively collects relevant information. The results of the analysis underpin the more extensive assessment of business partners. The process for and the contents of the business partner integrity checks were developed further in the 2019 reporting period. GRI 205-3

In the past financial year, no contracts with business partners had to be terminated due to infringements in connection with corruption.

Prevention of corruption, compliance incidents

VERBUND's objective is to avoid any compliance incidents. Corruption prevention therefore plays a key role in the VERBUND CMS. In the past financial year, corruption prevention was the subject of extensive internal communication and a whole series of training measures. Around 1,620 people (i.e. approximately 57% of VERBUND's employees including executives) took part in anti-corruption training in the reporting period. Of the executives, 69 (i.e. 96%) completed the training. Apart from receiving reports on strategies and measures to combat corruption, the members of the Supervisory Board did not take part in any further training in 2019. GRI 205-2

When implementing the anti-corruption guidelines, the Chief Compliance Officer ensures strict compliance with the rules relating to giving and receiving benefits, gifts and invitations in particular. He monitors whether mandatory value limits and authorisations are being observed and whether the documentation requirements are met. He is supported in this by the officers at the individual Group companies. In the reporting period, the Chief Compliance Officer approved more than 100 cases involving the giving or receiving of invitations or participation in events and denied eight of these.

GRI 202-17
GRI 205-3

There were two suspected cases of corruption in the Group in 2019 and each of these was promptly investigated. One case resulted in the termination of the employment relationship with the employee; a report was filed on an external person in the other case. There were no claims against the Group or its employees in the reporting period.

GRI 406-1

In the financial year now ended, two suspected cases of discrimination were also reported to the Diversity and Inclusion Manager. The matter was investigated in both cases and it was determined that no discrimination had occurred. Despite this finding, discussions were conducted with the parties affected/involved to develop solutions.

GRI 415-1
GRI 102-25
SDG 16

VERBUND encourages dialogue with all political parties and their organisations. This does not extend to support for political parties and their delegates or election candidates, however. VERBUND gives no financial donations to political parties, grass-roots political organisations or holders of political office. Particular attention was given to these rules during the Austrian general election held in financial year 2019.

Financial market compliance, market abuse law

VERBUND has developed a comprehensive set of regulations along with an internal organisational structure – both in place for many years now – that are designed to comply with EU market abuse and insider trading laws and the Austrian regulations, particularly stock corporation and stock exchange law, by preventing the abuse of inside information.

In 2019, the new members of the Executive Board and the Supervisory Board were informed of the contents and requirements of financial market compliance and particularly made aware of the regulations governing own-account trading by executives.

Legal compliance

GRI 417-3

Following the complaint alleging misleading advertising brought by a competitor in regard to an advertisement comparing prices and the promotion of “free electricity and gas” in December 2018, proceedings had been initiated before the Commercial Court of Vienna that ended with a settlement on 26 March 2019.

GRI 206-1
GRI 416-2
GRI 417-2
GRI 419-1

There were neither proceedings nor incidents of non-compliance or complaints filed against VERBUND in the 2019 reporting period with regard to the following disclosures based on the standards of the Global Reporting Initiative: GRI 206-1 (Legal actions for anti-competitive behaviour, anti-trust and monopoly practices), GRI 416-2 (Incidents of non-compliance concerning the health and safety impacts of products and services), GRI 417-2 (Incidents of non-compliance concerning product and service information and labelling) and GRI 419-1 (Non-compliance with laws and regulations in the social and economic area).

For information on the investigation of the flooding on the Danube and the Drau rivers in 2012 and 2013 and the associated proceedings, please refer to the Renewable generation section. For information on GRI 307-1 (Non-compliance with environmental laws and regulations), please refer to the Environmental performance section.

GRI 307-1

Data protection

VERBUND takes implementation of the provisions included in the EU General Data Protection Regulation (GDPR) very seriously. Data protection was therefore once again a key topic throughout the Group in 2019.

An integrated information security and data protection management system has been established internally and includes all Group companies. The Group Data Protection Officer plans, manages and coordinates all of the Group's data protection-related matters and is supported in this by the data protection officers in the individual companies.

Furthermore, a Group-wide record of processing activities has been developed; all data protection officers populate the record with a wide range of different processing activities and keep it up to date. The Group Data Protection Officer uses additional IT tools to gain an overview of all events, reports and complaints in the Group.

In financial year 2019, 42 queries by affected parties were processed and responded to. There were two justified instances of minor breaches of data protection, each affecting one person. Both instances were reported to the authorities. Beyond that, there were no instances of data leakage, data theft or data loss in connection with customer data.

GRI 418-1

A Group-wide training programme has made it possible to raise the awareness of all employees. From February 2018 until March 2019, the Group Data Protection Officer provided training on the basics of data protection to around 1,500 employees. By the end of 2019, some 400 people had attended the advanced training seminars. In addition, an e-training course is available to all employees on the intranet.

Environmental performance

In all of its fields of activity, VERBUND is committed to taking a responsible and sustainable approach to the environment. The VERBUND environmental mission and a Group-wide environmental management policy guarantee that the requirements of internal and external stakeholders concerning professional environmental management are taken into consideration.

GRI 103-2
For further information on the management approach, please refer to the DMA and information provided at www.verbund.com > About VERBUND > Responsibility > Environment

SDG 16

The Environment executive order and additional environmental provisions define the framework for the systematic planning, execution and measurement of and reporting on the environmental achievements of VERBUND. Existing structures, processes and responsibilities in environmental management ensure compliance with legal requirements, nationally and internationally accepted regulations and the Group's own standards. To ensure this, VERBUND has established a decision-making body at the highest management level and a working team made up of in-house environmental experts.

International standards such as the GRI Standards and the Greenhouse Gas Protocol form the basis for the Group-wide collection of and reporting on VERBUND's environmental data. Detailed information on the standards applied and applicable factors is available from VERBUND's Investor Relations and Sustainability departments on request.

GRI 103-1
GRI 103-3

Please refer to the DMA section entitled Crisis management

Impacts on the environment

The impacts, both positive and negative, that the VERBUND generation portfolio has on the environment are a key topic in VERBUND's environmental management systems. There are two primary ways that VERBUND's normal operations have a detrimental impact on the environment: through the effect of hydropower plants on habitats in relation to river morphology and biodiversity and through the effect of thermal power plants in relation to airborne emissions. The VERBUND plants themselves present no significant risks with potentially negative effects for the environment. By operating the facilities in compliance with the laws, VERBUND further minimises the likelihood that these risks will arise. For extreme events (severe flooding, earthquakes, etc.) VERBUND has specific emergency plans and a crisis management team.

GRI 103-2

All ISO 14001 certificates and environmental statements available at www.verbund.com > About VERBUND > Responsibility > Environment > Certifications

Certification of environmental management systems

VERBUND engages external auditors to audit and certify its environmental management systems at generation and grid facilities and at major administrative sites in accordance with ISO 14001. The Mellach thermal generation facilities are also validated in accordance with the EMAS Directive. A separate environmental statement is published annually on the VERBUND website for these facilities. New facilities are incorporated into the environmental management system as quickly as possible after commissioning and included in the scope of the certificate for the next audit.

Sites with environmental management systems certified to ISO 14001 or EMAS

	Unit	2017	2018	**2019**
Percentage of certified sites[1]	%	100	100	**100**
Total certified sites	Number	198	198	**198**

[1] sites of consolidated companies, excluding wind power plants if the operating company is certified and sites in which VERBUND has a share of <51% and where another co-owner is responsible for management; as at 31 December of the year

GRI 302-1
GRI 302-3

For further information on generation, please see the sections entitled Renewable generation and All other segments; for further information on the use of power, please refer to the DMA and NFI download

SDG 12

Generation and use of power

In 2019, 95% of electricity generated at VERBUND originated from hydropower and wind power, and 5% from thermal generation. At 24.2 million gigajoules (GJ), VERBUND's total energy consumption in 2019 remained on nearly the same level as 2018, despite higher total generation.

Fuels made up 59% of total use of power at 14.3 million GJ. Mainly the fossil fuels hard coal and natural gas and, to a lesser degree, the renewable fuel sewage sludge were used for thermal generation in order to generate electricity for grid support for congestion management purposes as well as for district heating. The use of hard coal in the Mellach district heating plant decreased by 7% in 2019 to around 7.3 million GJ (2018: 7.9 million GJ) and will be reduced to zero by 2021. In addition, 6.9 million GJ of energy from natural gas was used, 9% more than in 2018 (2018: 6.3 million GJ). At 0.7 million GJ, the volume of fuels used for the vehicle fleet and equipment was equivalent to around 0.5% of the total use of power from fuels.

Electricity purchases by VERBUND comprise grid purchases for administration, power plants, pumps and grid facilities. In 2019, the share of electricity purchased was 41% of total use of power. At around 10 million GJ of electricity mainly for pumping and turbining and for compensating grid losses, approximately the same volume of electricity was drawn from the grid as in financial year 2018. More than 70% of this electricity volume originated from renewable generation.

The relevant energy savings potential at VERBUND was determined in 2019 in Group-wide energy audits. These audits identified opportunities to increase energy efficiency in the conversion of energy in power plants and in electricity transmission. A total potential of approximately 170 gigawatt hours per year was calculated for selected projects.

The KPI energy intensity, which is expressed by the ratio of the Group's power use to the volume of electricity and district heating generated, improved to 0.20 in 2019 (2018: 0.21). VERBUND's target is to reduce the energy intensity in 2021 by 25% compared with 2015. This is mainly achievable by phasing out generation from hard coal and increasing renewable generation as planned.

Use of materials

Materials VERBUND uses include additives and consumables for flue gas and effluent treatment and for energy generation in power plants and grid facilities. Most of these are produced using non-renewable materials. A small portion, such as copying paper in the administrative areas, is from renewable materials.

Total material requirements fell by 7% in 2019. This decrease is primarily attributable to reduced use of additives and consumables in the Mellach district heating plant in 2019. The volumes needed for thermal generation have already decreased by 46% since 2015. VERBUND plans to continue reducing this amount to 80% compared with 2015 by converting the generation from hard coal to natural gas and putting the new effluent treatment plant into operation by 2021.

GRI 301-1

For further information on the use of materials, please refer to the DMA and environmental statements

SDG 12

KPIs – generation, use of power and materials

	Unit	2017	2018	**2019**
Generation				
Electricity generation (net, total)[1]	GWh	32,866	31,130	33,158
Share of generation from renewables	%	93	95	95
Generation of district heating (net)	GWh	943	813	789
Direct power use[2]				
Total fuels from non-renewable sources	GJ	18,598,859	14,282,852	14,277,133
Hard coal	GJ	8,665,864	7,871,731	7,305,244
Natural gas	GJ	9,869,333	6,350,795	6,906,302
Fuels (diesel and petrol)	GJ	63,662	60,326	65,587
Total fuels from renewable sources	GJ	15,279	10,327	5,615
Electricity (grid purchase)[3]	GJ	11,685,876	9,988,934	9,943,139
District heating (grid purchase)	GJ	6,988	6,605	6,315
Total energy consumption within the Group	GJ	30,307,002	24,288,718	24,232,203
Energy intensity – power use per amount of electricity and district heating generated	GWh/GWh	0.25	0.21	0.20
Total use of materials	t	5,874	5,429	5,026
Use of additives and consumables	t	5,851	5,409	5,006
Use of copying paper	t	23	20	20

[1] incl. purchase rights // [2] Own power used in all operating segments. Fuels calculated based on heat units. 2017: fuel and electricity purchase figures adjusted; 2018: diesel figures adjusted // [3] volume used from grid for operating power plants, pumping, administration and grid losses, i.e. electricity purchased by Austrian Power Grid (APG) for the entire transmission grid operated by APG (all grid levels)

Greenhouse gas emissions

GRI 305-1
GRI 305-2
GRI 305-3
GRI 305-4
GRI 305-5

For additional information on greenhouse gas emissions, please refer to the DMA and NFI download and to the CDP climate performance score

SDG 13

TCFD

The Group's focus on electricity generation from renewable energy is a crucial factor for VERBUND in both reducing and avoiding greenhouse gas emissions. Of the electricity generated at VERBUND, 95% already originates from hydropower and wind power. Because it is still necessary to use thermal power plants to provide grid support and district heating, the remaining 5% share of generation originates from thermal power plants. Work to reduce the specific greenhouse gas emissions for these volumes is ongoing. VERBUND is thus contributing to the avoidance and reduction of emissions as well as to SDG 13 "Climate action".

The Paris Agreement on climate change drafted in 2015 aims to reduce worldwide emissions of greenhouse gases to a level intended to limit a rise in global temperatures to below 2 degrees or, better still, to below 1.5 degrees. VERBUND's target of reducing greenhouse gas emissions by 90% measured beginning from the basis year 2011 (5 million tonnes CO_2e) until 2021 includes Scope 1, Scope 2 market-based and parts of Scope 3 emissions for energy and air travel. The Science Based Targets Initiative validated this goal as science-based in October 2016, i.e. it meets global standards. According to current planning, the target can be achieved. However, if the grid operator requires higher generation volumes from VERBUND's thermal power plants for congestion management, it could also be missed. VERBUND cannot influence the precise amount; provision is essential for security of grid operations and thus to ensure security of supply in Austria.

KPIs – emissions

	Unit	2017	2018	**2019**
Greenhouse gas emissions (absolute)[1]				
Total greenhouse gas emissions (Scope 1, 2 market-based, 3)[2]	kt CO_2e	2,048	1,681	**1,742**
Scope 1 direct emissions	kt CO_2e	1,358	1,070	1,073
Scope 2 indirect emissions (market-based)	kt CO_2e	312	284	312
Scope 2 indirect emissions (location-based)	kt CO_2e	452	411	392
Scope 3 other indirect emissions[2]	kt CO_2e	378	327	358
Greenhouse gas emissions (specific)[1,3]				
Scope 1 emissions, relative to total electricity generated	g/kWh	41	34	**32**
Emissions avoided through generation from renewable energy[4]	kt CO_2	23,666	22,411	**24,071**

[1] preliminary data prior to ETS audit // [2] 2018: adjusted due to recalculation of Scope 3 emissions // [3] total electricity generated incl. purchase rights excluding electricity generated for district heating // [4] calculation using the share of thermal generation based on ENTSO-E mix

VERBUND includes all CO_2 and SF_6 emissions in the direct greenhouse gas emissions in Scope 1 of 1.07 million tonnes. In 2019, this volume remained virtually unchanged compared with the previous year. At over 99%, CO_2 emissions from the use of fuels in thermal power plants made up the largest share of Scope 1 emissions. Combined, emissions from the use of fuels by the VERBUND vehicle fleet and SF_6 emissions at grid facilities accounted for less than 1%. Additional small amounts of direct emissions amounting to around one thousand tonnes are generated from the co-incineration of sewage sludge and are therefore considered as biogenic and reported in the NFI download. In contrast, no direct emissions arise from the generation of electricity using renewable energy sources.

The GRI Standards require that two different figures be used to report indirect emissions in Scope 2 from electricity purchases: a location-based figure and a market-based figure.

The location-based figure is calculated using the carbon emission factor of the local electricity grid. Therefore, it only changes if there are modifications in the quantities of electricity purchased and/or changes in the European generation landscape. VERBUND's location-based figure amounted to 0.39 million tonnes CO_2e in 2019 (2018: 0.41 million tonnes CO_2e).

The market-based figure, however, can be reduced through strategic procurement of electricity generated from sources with lower emissions per kWh purchased. For several years now, VERBUND has been exclusively using electricity with guarantees of origin from 100% renewable energy to operate its pumped storage power plants and has thus sharply reduced the Group's market-based emission levels.

The figure is consistently low compared with previous years and was 0.31 million tonnes CO_2e for full-year 2019 (2018: 0.28 million tonnes CO_2e).

Further indirect emissions in Scope 3 of 0.36 million tonnes CO_2e (2018: 0.33 million tonnes CO_2e) related to upstream and downstream activities in the supply chain. VERBUND reported Scope 3 upstream emissions from production and transportation of fuels and from business travel. The downstream emissions from the combustion of natural gas by customers which are compensated by VERBUND are reported under downstream activities.

VERBUND makes a significant contribution to reaching energy and climate change targets with renewable generation.

Total greenhouse gas emissions (Scope 1–3, with Scope 2 market-based) in 2019 remained at around 1.7 million tonnes CO_2e compared with the 2018 reporting period. Of this amount, 62% (1 million tonnes CO_2e) is attributable to greenhouse gas emissions in Scope 1, 18% (0.3 million tonnes CO_2e) to Scope 2 market-based and 21% (0.4 million tonnes CO_2e) to Scope 3.

VERBUND's goal is to reduce the VERBUND-specific direct greenhouse gas emissions (Scope 1) for the Group to below 10 g CO_2e per kWh of total electricity generated by 2021. In 2019, this figure amounted to just 32 g CO_2e/kWh. At the end of 2019, VERBUND was already well below the specific figure for direct greenhouse gas emissions from the Austrian production mix in 2018 at 142 g CO_2/kWh and even further below the German figure at 469 g CO_2/kWh. This comparison demonstrates VERBUND's success in its drive to decarbonise electricity generation. VERBUND's strategic alignment includes phasing out generation from hard coal and increasing generation from renewable energy sources. These will serve to further improve this figure.

Emissions avoided through generation from renewable energy

By generating electricity from renewable energy sources rather than from thermal generation, VERBUND avoided 24 million tonnes of CO_2 in Europe in 2019. This is calculated based on average thermal generation emissions based on ENTSO-E.

Airborne emissions

The table below shows airborne emissions from the thermal power plants of VERBUND as absolute amounts.

Increased load changes at all plants at the Mellach site resulted in a 13% increase in emissions of carbon monoxide (CO). Reduced use of the Mellach hard coal power plant lowered emissions of nitrogen oxides (NO_x) by 8%. Sulphur dioxide (SO_2) and dust emissions from operation of the Mellach hard coal power plant decreased by approximately 20% in the reporting period.

In the period from 2015 to 2019, SO_2 emissions were reduced by 58%, NO_x emissions by 43% and dust emissions by 79%. Compared with 2015, phasing out thermal generation from hard coal will result in a 90% decrease in dust emissions and an 80% decrease in NO_x emissions from 2021 onwards. SO_2 emissions will be eliminated entirely.

GRI 305-7

For further information, please refer to the DMA

SDG 3
SDG 13

Airborne emissions

	Unit	2017	2018	**2019**
CO	t	84	58	**65**
SO_2	t	129	140	**112**
NO_X	t	605	515	**475**
Dust	t	12	14	**11**

Conservation and biodiversity

Some VERBUND power plants and grid facilities are located in nature conservation areas or other protected areas. Information on the geographical location of the power plants is published on the VERBUND website. The locations of the protected areas can be found on the Austrian and Bavarian geodata portals. In 2019, all basic data on sites located in protected areas was updated and the assessments digitalised.

Current examples of capital expenditure for the environment and biodiversity such as the construction of fish passes to re-establish river continuity and rehabilitation measures implemented at water bodies can be found in the Renewable generation section. The wide range of measures that VERBUND has already implemented and those that are still at the planning stage in the areas of conservation and biodiversity are described on the web pages of the respective LIFE projects, on the APG website and on the VERBUND website.

In 2019, another fish pass was completed at the Ering-Frauenstein power plant on the Inn. This brings the total of fish passes in operation to 54.

For more on the topic of biodiversity, please refer to the DMA and information provided at www.verbund.com ww.apg.at www.life-traisen.at www.life-netzwerk-donau.at

GRI 304-1

SDG 15

KPIs – conservation and biodiversity

	Unit	2017	2018	**2019**
Sites in protected areas[1]				
Sites in Natura 2000 areas	ha	2,793	2,808	3,797
Sites in Ramsar areas	ha	646	646	824
Sites in national parks	ha	68	68	88
Sites in conservation areas	ha	1,378	1,378	1,170
Fish passes	Number	50	53	54

[1] 2019: remeasured and calculated; figures not comparable with previous years

For more on the topic of water, please refer to the DMA and information provided at www.verbund.com

GRI 303-3, GRI 303-4, GRI 303-3 EU-ADD, GRI 303-5 (2018)

SDG 6

Water and effluents

In this reporting period, reporting in the area of water was converted to the new GRI Standard 2018 and supplemented. In 2019, water withdrawal at VERBUND sites was down by 7% compared with 2018. Compared with 2015, water intensity of total electricity generated has already been reduced by 47%; the goal for reduction is 50% by 2021.

Around 94% of the total water volume was used as cooling water at the thermal power plants. For this purpose, surface water is withdrawn, used for cooling and returned chemically unchanged. Only 0.3% of this water volume is actually consumed. Details on other treatment methods used and the water quality including compliance with limits are published for the thermal power plants in the annual environmental statement. A report on the new effluent treatment plant constructed in 2019 at the Mellach site is included in the section entitled All other segments.

Compliance with the limits for effluent treatment plants at all other sites is also monitored. It was determined that a limit for chemical oxygen demand (COD) was exceeded in 2019 at one site. The cause was the overloading of the small effluent treatment plant with effluent from office containers at a construction site. This was rectified by treating the additional effluent separately.

In order to determine whether sites are located in areas with a water stress level above 40%, the location of VERBUND operating sites was compared with the location of areas of high or extremely high water stress as defined in the Aqueduct Water Risk Atlas of the World Resource Institute (WRI). This comparison found that all VERBUND operating sites are located in areas which were below the threshold of 40% in 2019.

KPIs – water input and output

	Unit	2017	2018	2019
Total water withdrawal by source	1,000 m^3	211,374	173,934	162,017
from surface water	1,000 m^3	201,973	164,261	152,869
from groundwater and well water	1,000 m^3	9,299	9,556	9,044
from public water supply	1,000 m^3	102	118	104
Total water discharge[1]	1,000 m^3	210,739	173,540	161,575
of which cooling water returned from thermal power plants into surface water	1,000 m^3	200,331	162,697	151,401
other water discharge	1,000 m^3	10,408	10,843	10,173
Water discharge by quality[1]	1,000 m^3			161,575
fresh water discharge (<1,000 mg/l TDS)	1,000 m^3			161,516
other water discharge (>1,000 mg/l TDS)	1,000 m^3			59
Water consumption[1]	1,000 m^3	635	394	443

[1] allocation changed due to GRI Standard 2018; 2017 and 2018: figures adjusted

Waste and by-products

GRI 306-2
GRI 306-2 EU-ADD

SDG 12

At approximately 97,500 tonnes, total waste volume in 2019 was significantly higher than the volume recorded in 2018 of 65,500 tonnes. The increase is mainly attributable to the volume of non-hazardous waste from projects which is 23,000 tonnes higher year-on-year. This category also accounted for the largest share of the total volume at 61% and originated mainly from the disposal of waste during construction activities such as the new construction project at the Töging site in 2019.

Around 11% of the total volume was attributable to non-hazardous waste from ongoing operations. As in 2018, hazardous waste made up only 1% of the total waste volume.

In 2019, screened debris increased to 26,000 tonnes and thus accounted for a share of 26%. This volume of waste depends primarily on water supply and on the occurrence of flooding in the reporting period. It is not caused by power plant operations and therefore cannot be prevented or influenced by VERBUND.

All waste is transferred to authorised disposal companies for treatment or disposal and around 87% of the waste in 2019 was fed into a recycling process.

VERBUND's thermal power plants produce by-products such as ash and gypsum which qualify as by-products as defined by the Austrian Waste Management Act (Abfallwirtschaftsgesetz, AWG) and are used as secondary raw materials. At approximately 41,000 tonnes, the volume of by-products in 2019 was around 2% below that of the previous year.

KPIs – waste and by-products

	Unit	2017	2018	**2019**
Total waste[1]	t	84,073	65,537	**97,474**
Total hazardous waste	t	1,783	1,022	**1,043**
from ongoing operations	t	590	598	**783**
from projects	t	1,193	424	**260**
Total non-hazardous waste	t	58,630	47,898	**70,005**
from ongoing operations	t	9,761	11,239	**10,316**
from projects	t	48,869	36,659	**59,689**
Screened debris – hydropower plants	t	23,660	16,618	**26,426**
By-products				
by-products – thermal power plants	t	50,794	42,065	**41,273**

[1] 2018: waste volumes adjusted due to late reports

Other environmental KPIs

GRI 307-1

SDG 16

No environmental fines were imposed in 2019. One environmental fine of €500 had been imposed against VERBUND in 2018 for missing a deadline. No environmental fines were incurred from 2015 to 2017.

Additional details on environmental KPIs are available in the tables below as well as in the NFI download and in the Environment section of the VERBUND website.

Other environmental KPIs

	Unit	2017	2018	**2019**
Environmental costs (total)	€m	61.9	74.9	**82.3**
of which for environmental management and provisions	€m	5.0	8.7	**5.4**
of which for plants and projects	€m	77.0	89.6	**99.4**
of which environmental revenue	€m	–20.1	–23.3	**–22.5**

Human resources

The employees of VERBUND make a crucial contribution to the Group's profitability. Through their commitment and their entrepreneurial actions, they enable continuous further development and implementation of the VERBUND strategy.

KPIs – employees

	Unit	2017	2018	2019
Average number of employees	Number	2,819	2,742	**2,772**
Number of employees under labour law[1]	Number	2,819	2,784	**2,843**
of which in Austria	Number	2,464	2,429	**2,476**
of which in Germany	Number	344	343	**355**
of which in other European countries	Number	11	12	**12**
Full-time employees	Number	2,657	2,600	**2,663**
Part-time employees	Number	162	184	**180**
New employee hires	Number	117	172	**205**
Employee turnover excluding retirements	Number	79	59	**58**
Employee turnover rate excluding retirements	Percent	2.8	2.1	**2.0**
Employee turnover including retirements	Number	227	207	**146**
Employee turnover rate including retirements	Percent	8.1	7.4	**5.1**
Average duration of employment[2]	Years	18.8	18.1	**17.6**
Percentage of university graduates	Percent	23.2	25.1	**26.5**

[1] as at 31 December, excl. members of the Executive Board and employees in partial retirement // [2] Personnel from acquired and newly consolidated companies are included in the duration of employment with the acquired/consolidated company and no longer in the duration of employment with the VERBUND Group.

Personnel planning and management

VERBUND has been using a modern, user-friendly planning and reporting tool for personnel data which was upgraded in 2019 to include additional features. The application now reflects the state of the art. This integrated personnel and expense planning system makes the personnel planning process simple and transparent. Consistent and strict personnel planning also promotes the optimal use of resources.

GRI 102-8
GRI 401-1

Personnel Management at VERBUND has the authority to issue guidelines concerning all personnel management matters in the Group. Focal points of the activities include personnel planning and development, personnel management, recruitment, personnel marketing and employer branding, labour and social law, employer representation in interactions with employee representatives, compensation and benefits, and strategic guidelines relating to occupational health care, as well as diversity and inclusion management.

GRI 103-2

SDG 5
SDG 8
SDG 16

VERBUND uses a variety of methods such as audits, internal reviews and analyses of KPIs including the observation of internal and external benchmarks to assess the effectiveness of these management approaches. Based on the results of these feedback and performance review processes, compliance with the guidelines is regularly reviewed and adapted as needed.

For example, in light of the new industry collective agreement, jobs were recalibrated on the basis of the Willis Towers Watson Global Grading System.

GRI 103-3,
For information on age and gender, see the Diversity management section

Types of employment and benefits offered

GRI 102-8

SDG 3

VERBUND operates nearly exclusively in Central Europe, a region which has high standards in terms of labour law and social welfare. VERBUND generally offers permanent contracts to all of its employees. Temporary employment contracts are only entered into when there are objective reasons for doing so (e.g. to replace employees on parental leave). VERBUND generally seeks to retain employees for the long term. Various working-time models, including full-time, part-time and part-time during parental leave, accommodate the different phases of an employee's life while meeting the requirements of the labour market. Temporary workers are also hired to cover capacity peaks, during project work and for temporary leave replacements.

GRI 102-41 and EU DMA: Freedom of association and collective bargaining as well as the Human rights section

GRI 401-2

VERBUND provides all of its employees, regardless of the working-time model, with a number of voluntary benefits and benefits under collective bargaining agreements. These include a pension fund, supplementary health insurance, discounted lunches, child benefits and health checks.

For information on labour management relations, including minimum notice periods regarding operational changes, please refer to the DMA

Employment of highly and very highly qualified employees entails corresponding personnel costs. VERBUND therefore offers remuneration in line with the market and according to employees' performance. To meet this commitment, we have had a performance-based remuneration model in place since 2010. This model uses targets based on both individual performance and the Group's profitability and ensures fair pay at all levels. Alongside the programmes to increase efficiency, it is essential for VERBUND to modernise the existing remuneration structures at Group and industry levels and to adapt them to market conditions. In addition to adapting internal guidelines on salary determination, VERBUND has taken a leading role at industry level in redesigning the collective agreement for electricity companies in Austria. The agreement has been applicable since 1 February 2019. In this way, the energy industry together with employer and employee representatives has reached a collective agreement that is fair and, at the same time, suited to modern working life. A comprehensive assessment demonstrated that the new pay levels can in some cases significantly reduce entry level compensation as well as final salaries. The new job descriptions based on general industry standards make it possible to categorise employees more precisely and therefore set compensation more in line with the market, particularly in the lower wage brackets. In guaranteeing the actual wage level and reasonable expectations as agreed with the trade unions in coordination with the employee representatives, VERBUND's employees were transferred to the new remuneration scheme of the collective agreement with effect from June 2019.

Strengthening the Group's position in the labour market – employer branding

In order to continue positioning VERBUND's employer brand attractively on the labour market and to continue to be considered an employer of choice in the future, VERBUND invested in selected existing, but also some new, employer branding activities in 2019. Despite low budgets , VERBUND demonstrated a clear presence in the labour market – for example at education and job fairs and in print and online media, as well as on social media, focusing on IT experts and apprentices as target groups.

Changes implemented in 2019 concerned, in particular, the apprentices as a target group: a new apprentice initiative focused on social media such as Facebook, Instagram, YouTube and LinkedIn directly addressed young people interested in completing an apprenticeship.

Another strategic focal point of the employer branding activities was on attracting women as employees. In the Vienna University of Technology's anniversary year 2019, VERBUND supported the project "100 years of Women Studying Technology" as a premium partner.

In addition, existing measures were continued in 2019. These included the annual award of the VERBUND women's scholarship, the Women in Technology ("Frauen in die Technik," FIT) initiative and Girls! Tech up, along with participation in selected educational and career fairs.

Recruitment

VERBUND continually strives to maintain its high degree of professionalism in recruitment quality. In order to confront a continually changing framework (digitalisation, big data technology, etc.) in recruitment and to proactively work to counteract a persistent lack of skilled workers (particularly in the IT area), VERBUND explored new methods of recruitment again in 2019.

Supplementary measures such as active sourcing and video applications were implemented during improvements to existing recruitment processes.

The focus of the improvement measures was on personnel marketing for IT experts. In 2019, for example, VERBUND participated in specific career fairs centred on IT topics. These included the IT Security Exchange held at the University of Applied Sciences in St. Pölten, the corporate trade fair at the University of Applied Sciences Technikum Wien, and fit, the career information fair held at the Vienna Higher Technical School Spengergasse.

In 2019, VERBUND received the first place award in Career's Best Recruiters Study in the "Energy" category for the eighth time and came sixth in the overall ranking. This is an extraordinary confirmation of the quality of the focused recruitment and personnel marketing activities. This award is also an outstanding starting point for the recruitment and personnel marketing activities in regard to the growth curve and demographic change.

Personnel development

Personnel development is a key element particularly in times of a new strategic alignment. In 2019, each VERBUND employee took part in 40.0 hours of training on average. GRI 404-2 GRI 404-1

Personnel development focused on training in the areas of safety, technology and the energy market. The majority of employees in the fields of technology and safety are men. This was also reflected in the average training hours, which were slightly higher for men (41.6 hours) than for women (35.4 hours). SDG 4

GRI 404-1
GRI 404-3

SDG 4

KPIs – skills development

	Unit	2017	2018	**2019**
Continuing education per employee (total workforce)[1]	Hours	36.0	33.6	**40.0**
Continuing education per employee (without executive function)	Hours	34.4	32.0	**38.8**
Continuing education hours for women	Hours	34.6	30.8	**35.4**
Continuing education hours for men	Hours	36.7	34.5	**41.6**
Continuing education per executive	Hours	79.2	82.4	**82.9**
Performance review ratio	Hours	96.3	96.3	**88.4**
Apprentices, total	Number	150	151	**156**
of which new apprentices taken on	Number	37	41	**45**

[1] incl. executives and long-term agency staff, excl. apprentices, apprentices in post-qualification retention period (Behaltefristen), employees seconded to third parties and those on long-term leave; excluding safety instruction

GRI 404-2

E-training – digitalising learning solutions

The digital transition requires learning to be adapted. In an increasingly fast-moving environment, more complex knowledge must be directly available. New learning formats address employees' changing needs and expectations.

Digital learning methods are expanding on and, in some cases, replacing the more familiar classroom training. This makes it possible to share information more directly and also allows knowledge to be transferred in a cost- and resource-efficient manner. The essential aspect is responding to the needs of the employees. A wide spectrum of newly formatted courses on information security, compliance, employee safety, financial KPIs, the energy market and the GDPR is already available to VERBUND employees. Through LinkedIn Learning, an online knowledge library with a catalogue of over 2,000 courses, staff also have access to a variety of other topics. As part of the introduction of the VERBUND Learning Management System (LMS), further topics are planned for 2020. A mobile film studio – Mastersolution 3D – is available beginning in 2019 so that employees in the departments can make and publish their own short videos on important content professionally, easily and quickly.

Employees can also very easily sign up for classroom events or complete an e-training course and the corresponding knowledge test using the new LMS. This innovative, modern tool has integrated all of the systems previously used and enhanced them through the addition of new features. LMS makes the administration of classroom and online events within personnel development much simpler. Various reports provide executives with an overview of employees' continuing education and training. This is how VERBUND is meeting the challenges of the digital transition and fostering the types of independent and target group-specific learning that accompany it, as well as promoting the exchange of knowledge between people. Following the successful pilot phase carried out in individual companies, LMS was put into productive operation throughout the Group.

Apprentice training

Reliable operations and ongoing maintenance of VERBUND plants is a key prerequisite for the Group's economic success. In order to optimally manage the ongoing generational shift in power plant operations, VERBUND has trained apprentices since 1983. VERBUND is one of the first companies in Austria to offer a four-year dual vocational training programme (electrical engineering and metalworking) with outstanding future prospects for apprentices. In the first year of the apprenticeship, apprentices are trained in apprentice workshops in order to continue their training at one of VERBUND's power plants from the second year onwards. There, they are able to acquire the necessary knowledge about the plant, ensuring the transfer of expertise in the technical/skilled trade area.

In 2019, VERBUND recruited 45 new apprentices in Austria and Germany. The high quality of our apprenticeship training is most evident in the outstanding achievements seen in the final apprenticeship examinations.

Trainee programme

As a result of the growing number of digitalisation projects at VERBUND, digital and mobile skills continue to gain in importance. In order to keep up with the developments in digital technology, a VERBUND trainee programme focused on information technology and SAP was advertised in financial year 2019 for the second time. In April and October 2019, a total of six trainees began the 24-month programme at VERBUND.

Additional trainee positions will be advertised in 2020 under the strategically relevant corporate project Transformation to S/4 HANA. These will be focused on the combination of IT skills with commercial processes and with project management. The trainee programme will begin in quarter 1/2020 and last 18 months.

Further development of the corporate culture

Employee survey

Employee satisfaction and the commitment of VERBUND employees is a key concern for us. They make a significant contribution to our shared success every day. In order to create the best possible work environment, it is important to identify sources of stress and potential areas for improvement. To assist in these efforts, VERBUND conducted the fourth Group-wide employee survey in March 2019 under the title "How are you doing at VERBUND?" Nearly 58% of the workforce took part in the survey.

More information available at www.verbund.com About VERBUND > Responsibility > Social > Added benefits for employees

The results show that the economic situation of Austria and the Group have a very strong impact on how the respondents evaluate their work situation. Compared with the results of the previous survey in 2015, the Group's economic performance is seen more optimistically. In light of this, the subjective labour market opportunities are also assessed much more positively. Of the different types of work-related stressors, bureaucracy and slow decision-making processes are ranked highest along with perceived time pressure. However, these subjective stressors are more than offset by a series of positive aspects at work. For instance, job security, relationships with colleagues, the working-time models and the relationship with direct supervisors are considered particularly satisfactory.

In autumn 2019, numerous workshops were also conducted with interested employees in order to analyse the action areas and define specific recommendations for actions which would contribute to an improvement of the working climate and to raising employee satisfaction. In an added step, these measures and potential improvements will be discussed with the managing directors of the companies and VERBUND's Executive Board. The goal for 2020 is to approve specific measures.

Mindset initiative

In 2019, Strategic Personnel Development in cooperation with the Digitalisation and Innovation department launched the mindset initiative "Leaders in Transformation". The objective of this initiative is to contribute to the further development of the innovation and digitalisation culture and to support the transformation process within the Group.

The initiative is based on innogy's New Way of Working (NWOW) transformation model. By first changing mindsets, a behavioural change is introduced to promote personal responsibility, capacity for innovation, collaboration and the exchange of information and cooperation across departments, as well as to launch a learning culture in which mistakes are used as a learning opportunity. An observable and practical project approach is chosen for this process in order to then improve on, apply and scale the method and skill set independently at VERBUND.

In the first phase of the project in 2019, unfavourable mental models were identified which may counteract agile working methods, innovation and better performance. A two-day boot camp on the basis of these mental models and aimed at reducing systemic blocks was conducted for a pilot group of participants from across all departments and levels of the Group. The two-day management conference initiated in 2019 was also developed using the project's design criteria and followed the New Way of Working approach. Further steps are planned in 2020.

Maintaining a work-life balance

VERBUND is a family-friendly company, as the employee survey conducted in 2019 also confirmed. Satisfaction with the ability to maintain a work-life balance rose once again.

Since 2009, the Work and Family Audit has provided a way to better structure the measures. In this way, more opportunities are created to meet specific needs and encourage a better work-life balance. VERBUND conducted this audit for the fourth time in 2018, earning the seal for the next three years.

The works agreement concerning Mobile Working and Telecommuting was updated in 2019. This works agreement defines the framework for flexible forms of working in order to further improve work-life balance. Shared leadership models are also successfully implemented in the Group. As always, VERBUND demonstrates its commitment to being a family-friendly company through its involvement in the Companies for Families network.

VERBUND has been a guarantee of clean energy for more than 70 years.

Diversity management

The diversity strategy defined in 2016 was endorsed in 2018 with the ZukunftVIELFALT® certification and in 2019 with the implementation of planned measures placing particular emphasis on the dimensions of age, gender and disability. SDG 10

In addition to serving as a label for organisations with comprehensive diversity management systems, ZukunftVIELFALT® is a management concept for expanding such an existing system. VERBUND aims to embrace diversity within the Group and to systematically expand on and update its diversity strategy. In this manner, VERBUND promotes diversity within the Group and guarantees equal opportunities.

To support the leadership culture, VERBUND is relying more heavily on executive information and involvement. Initially, this involved initiatives such as enshrining equal opportunities in the corporate philosophy, appointment of an equal opportunities officer and a diversity and inclusion manager, Diversity Charter ("Charta der Vielfalt") premium membership as well as the appointment of an accessibility manager in 2012.

Another benefit VERBUND also provides to all employees is free counselling on work-related or personal problems under the Employee Assistance Programme.

Focus on age

VERBUND strives to achieve a balanced age structure. The objectives in managing the demographic change are keeping knowledge in the Group and maintaining the loyalty of VERBUND's top performers. GRI 405-1

KPIs – age dimension, total

	Unit	2017	2018	**2019**
Total average age	Years	43.8	43.4	**43.3**
< 30 years	Percent	19.0	19.2	**19.3**
30–50 years	Percent	38.6	40.5	**41.5**
> 50 years	Percent	42.5	40.3	**39.2**

KPIs – age dimension, executives

	Unit	2017	2018	**2019**
< 30 years	Percent	0	0	**0**
30–50 years	Percent	39.5	42.9	**47.2**
> 50 years	Percent	60.5	57.1	**52.8**

GRI EU15
For disclosures on pension obligations, please refer to the notes

SDG 10

The demographic trend which has already been observable for many years continued during the reporting period. Around 10% of VERBUND employees will retire over the next five years and 30% will retire over the next ten years.

One focus is on safeguarding the knowledge of those employees entering retirement. Structured succession planning implemented at all levels (from apprentices up to executives) ensures that knowledge will be retained and passed on.

In order to keep its workforce healthy for a longer period of time, VERBUND bundles the topics of health, safety and environment within one department. For further information on the topic of health management, please refer to the Health and safety section.

Focus on gender

GRI 405-1

Traditionally, the proportion of women in predominantly technical companies such as VERBUND has been low. That is why VERBUND has put measures in place to increase the proportion of women from currently 17.8% to 20% by 2025, just as the proportion of women at the executive level is to rise to 20%. In 2019, the proportion of women among new employee hires was 22.9%.

KPIs – gender dimension

	Unit	2017	2018	**2019**
Men	Number	2,327	2,293	**2,336**
Women	Number	492	491	**507**
Total proportion of women	Percent	17.5	17.6	**17.8**
Proportion of women among new employee hires	Percent	15.4	20.9	**22.9**
Proportion of women among executives	Percent	11.1	9.5	**9.0**
Proportion of women among apprentices	Percent	5.3	3.3	**3.8**

Measures to promote the equal treatment of women continued in 2019. In the past financial year, VERBUND set challenging targets for its executives to increase the proportion of women among new employee hires. To raise the visibility of female employees, greater consideration will be given to women especially when filling vacancies in bodies or committees or project manager positions.

Additional seminars and networking sessions are offered to women who are interested in a management position.

VERBUND firmly believes that converting to a renewable energy system represents the dawning of a new economy.

In 2019, VERBUND also once again prepared an income overview containing information on average salaries for women and men. The ratio of the base salaries of women and men of 1:1.03 improved compared with the last reporting period. Nevertheless, socio-political and cultural aspects such as more part-time work among women, a low number of women in technical professions, and the difficulty women experience in advancing to more highly paid (management) positions are still also reflected within VERBUND.

SDG 5
SDG 8

GRI 405-2

Inspiring women to enter technical professions is a concern of VERBUND. VERBUND therefore participates in several initiatives such as Take Your Daughter to Work Day in Vienna, Women in Technology ("Frauen in die Technik," or FIT) and the amaZone Award.

FIT aims to generate interest among young girls to pursue technical professions, motivates female high school graduates to study technical subjects and presents successful women in technical professions as role models. In this way, we aim to alleviate doubts about pursuing an education in a technical or scientific field.

By awarding the VERBUND women's scholarship, VERBUND has also supported talented female students during their technical training since 2009. This scholarship is a means of enabling the winners to supplement their university education with additional personal and professional training. Another aim for the Group is to generate enthusiasm for the Group among technically qualified women and, ideally, to recruit them.

amaZone Award

VERBUND's apprenticeship training programme was recognised for outstanding performance in training girls and women in technology. In 2019, the Ybbs apprenticeship workshop received the amaZone Award in the category of Public and Semi-Public Companies.

The amaZone Award recognises companies that are particularly committed to apprentice training for girls and young women in professions with a low percentage of women. Every year, the best businesses demonstrate that women apprentices are an enrichment to every workplace and embracing their presence wholeheartedly can serve the common good. This sets an example of modern, innovative worlds of work beyond traditional gender stereotypes.

Focus on disabled persons

GRI 405-1

VERBUND assumes its social responsibility by ensuring equal opportunities, not just within the Group, but also in the energy sector. Since 2019, VERBUND has therefore supported the industry survey conducted by the energy sector on the topic of "Opportunities from Employing Disabled Persons", which was organised on the initiative of the social partners of Oesterrreichs Energie and the Essl Foundation. VERBUND reports on its own experience as an example of best practices.

Within VERBUND, the stated goal is to continue to fulfil the quotas stipulated in the Austrian Disabled Persons Employment Act (Behinderteneinstellungssgesetz, BEinstG) and to recruit and employ people with disabilities even beyond that. In 2019, one deaf employee was transferred from a trainee position to a permanent employment contract. Together with the accessibility management programme, the diversity management programme continually works towards improving the employment of people with disabilities.

VERBUND exceeds the statutory quotas stipulated in Austria and Germany for the employment of disabled people. For VERBUND the mandatory quota in Austria is 108; as at 31 December 2019, VERBUND employed 137 people who qualify under the Disabled Persons Employment Act (BEinstG). In Germany, the corresponding mandatory quota for VERBUND is 14; VERBUND employed 36 disabled people here in 2019.

In summer 2019, four people with disabilities completed their seasonal internships in different divisions at VERBUND. As a member of the DisAbility business forum, VERBUND also exchanges experiences with other companies and continually increases its knowledge on the topic of employing people with disabilities.

For further information on the topic of accessibility, please refer to the Occupational health and safety section.

Occupational health and safety

SDG 3

Healthy and motivated employees are very important to the Group's success. Occupational health and safety are therefore prioritised very highly at VERBUND. Work-related injuries, occupational diseases and work-related illnesses are avoided through targeted measures to protect employees. VERBUND uses occupational health and safety standards to protect employees and staff employed by external contractors. We equally prioritise providing safe and healthy working conditions, eliminating dangers and minimising risks, just as we endeavour to comply with the applicable legal obligations and requirements.

GRI 403-2

KPIs – occupational safety

	Unit	2017	2018	**2019**
Lost time injury frequency (LTIF)[1]	Number	10.1	5.8	**6.1**
Lost time injury frequency (LTIF incl. external contractors)[1]	Number	–	5.4	**6.4**
Injuries	Number	53	32	**36**
Injuries (incl. external contractors)	Number	–	43	**56**
Fatal injuries	Number	0	1	**0**
Fatal injuries (incl. external contractors)	Number	1	0	**0**
Injury severity[2]		21.5	21.0	**22.4**
Injury severity (incl. external contractors)[2]		–	22.2	**22.8**
Total injury-related lost days	Days	1,139	671	**807**
Total injury-related lost days (incl. external contractors)	Days	–	955	**1,275**

[1] ratio of work-related injuries from the first day of leave to million working hours; excluding injuries requiring only first aid measures; beginning in 2017, the basis for calculating the working hours is defined for the industry at 1,740 working hours per year (previously 1,618) // [2] average lost days per injury

Accidents in 2019

The number of employees under labour law including employees in partial retirement, temporary staff and all employees of proportionately consolidated equity interests serves as the basis for calculating the occupational safety KPIs. On this basis for calculation, VERBUND had 3,417 employees at the end of 2019. This figure includes 187 temporary staff, 262 employees in partial retirement and the entire workforce of Ennskraftwerke Aktiengesellschaft, VUM Verfahren Umwelt Management GmbH, VERBUND Tourismus GmbH, Lestin & Co. Tauch-, Bergungs- und Sprengunternehmen Gesellschaft m.b.H and Energji Ashta Shpk.

The number of accidents continued to undergo a positive trend in financial year 2019. Despite a slight increase compared with 2018, the second-best result was achieved since this has been tracked.

When interpreting accident statistics, absolute accident figures must be considered in relation to the number of employees (injury frequency) and lost days per accident (injury severity). The key performance indicator called lost time injury frequency (LTIF) is used as a benchmark for comparison with national and international companies. To allow the use of external contractors to be evaluated as well, VERBUND has also tracked their hours worked at all work sites since 2018 and reports accidents in the "LTIF including external contractors" KPI.

VERBUND engages external contractors for clearly defined construction, overhaul and maintenance contracts in particular. The employees at these firms are subject to the same safety regulations as VERBUND personnel. These persons therefore receive the same safety briefings. Contractors commissioned for the construction of plant subsections are responsible for managing their own work. However, they are also required to comply with the safety standards defined in the VERBUND Group and are briefed in accordance with VERBUND's rules.

In comparison with other national and international companies, the LTIF including external contractors of 6.4 in 2019 indicates that VERBUND is on the right track. Improvement measures are identified and implemented based on an analysis of each individual accident within the Group and by external contractors. As in previous years, neither third-party fault nor organisational shortcomings were identified as the cause of any work-related injuries in 2019. This shows that safety standards within the Group are very high and that safeguards for employees are being effectively implemented. GRI 403-2 ADD

Injury type

	Unit	2017	2018[1]	**2019**
Impairment of sensory functions	Number	1	0	2
Unconsciousness, circulatory failure	Number	0	0	0
Electrification	Number	1	1	1
Foreign body injury	Number	1	1	0
Skin injury, wound	Number	10	12	17
Bone fracture	Number	5	4	5
Multiple types of injury	Number	2	0	3
Contusion, bruising	Number	14	10	11
Other and unknown injury types	Number	0	0	1
Burn, scald, chemical burn, freezing	Number	0	0	2
Poisoning	Number	1	1	0
Loss of body part	Number	2	1	0
Sprain, pull, dislocation, ligament tear, meniscus injury, torn muscle	Number	16	13	14

[1] including external contractors from 2018 forward

Accident prevention

GRI 103-2

Preventive measures are based on the analyses of work-related injury statistics at VERBUND. In 2019, the annual continuing education measures focused on training sessions on the following topics from the “We Live Safety” project: perception, near misses and the follow-up of an accident as well as environmental management. Particular attention was given to practical implementation in day-to-day work.

Every year, as was the case in financial year 2019, legally mandated safety briefings are successfully completed by close to 100% of the workforce, either in person or via an e-learning programme that includes a final test.

In the area of occupational safety, VERBUND has a large number of internal regulations in place that are continually updated and promptly amended as soon as changes in the law come into effect. These regulations apply to the following topics, for instance: management of working materials, accident reporting and behaviour after an accident occurs, briefings and instruction, fire safety, personal protective gear, coordination on construction sites and in projects and dealing with external contractors, occupational health and safety documentation as well as coordination and responsibilities of the occupational health service. These regulations are intended to guarantee that the same standards are available and applied throughout the Group.

Safety culture

Occupational health and safety has reached a very high technical level at VERBUND thanks to the great efforts made and extensive measures implemented in recent years. The accident KPIs for the last five years until 2017 remained stagnant at an LTIF value of an average of ten. This figure was reduced significantly to below seven when the "We Live Safety" project was launched. The goal of the project is to reshape employee thinking and behaviour with the aim of further reducing the accident rate. Specifically, through its focus on protecting employees and on occupational health and safety, the Safety Culture project aims to revitalise corporate culture and create a deeper awareness of safety.

The project was initiated in 2018 by conducting an employee survey. This was followed by workshops held for all executives lasting until the end of 2019. In this process, 270 executives and 74 master craftsmen including their deputies received training in 84 sessions. Furthermore, 36 safety coaches from all VERBUND companies were trained for the roll-out of the project. These coaches will pass on the "We Live Safety" project to all colleagues beginning in 2020. At the end of 2019, an online survey identified a clear shift in safety awareness towards integrated safety.

A database for entering near misses, safety suggestions and hazard reports was created as a supporting tool. One-quarter of the over 2,600 reports received had been processed by the end of the year. The analysis of reports has already contributed significantly to a further improvement in technical safety standards at VERBUND.

In order to reinforce their impact as role models, the members of the Executive Board conducted 41 safety walks. As another important measure, the following communication initiatives were launched in order to reach all employees of VERBUND: a video message from Chairman of the Executive Board Dipl.-Ing. Wolfgang Anzengruber, 14 safety incentives in 2019, an article in the employee magazine "kontakt", posts on the intranet and on posters, and placement of the topic in all annual briefings.

Our collaboration with all of our stakeholders is cooperative, fair and reliable.

Promoting health among employees

VERBUND's "Fit and Healthy" initiative is designed to promote a healthy lifestyle. The initiative motivates employees to do something for their health on a voluntary basis. In financial year 2019, VERBUND continued to focus on healthy working in office workspaces with the seminar entitled "Dynamic health and back fitness at PC workstations" and a vision training session. The focus on the topic of movement was reinforced through support of sports offered by third parties and by means of courses offered at office sites.

For further information on health management, please refer to the DMA

Other important points of focus included healthy eating, handling shift work, and tips for safe lifting and carrying. The aim was to make employees aware of the direct relationship between health and performance in a working environment that is constantly changing.

Accessibility

GRI 405-1

The main aspects of the inclusion of disabled people at VERBUND are the removal of barriers and creation of awareness among the workforce by providing information on an ongoing basis. In 2019, sensitivity training courses gave employees the opportunity to interact with disabled people and experience simulated disabilities of different types through a "sensing journey". This was intended to break down mental barriers.

While the accessibility management concept was being implemented, initial recommendations were developed for realising barrier-free equipment for conference rooms.

The international Purple Light Up Day on 3 December 2019 raised awareness of the economic strength of people with disabilities. VERBUND informed its employees about the event and used purple lighting at its corporate headquarters at "Am Hof" and at the Freudenau power plant to send a signal to the outside world as well.

Human rights

GRI 103-2

SDG 1
SDG 4
SDG 10

Please refer to the DMA for detailed information on the principles

VERBUND is aware of its responsibility to protect human rights in all Group divisions and in any other areas in its sphere of influence. This holistic responsibility is defined in the internal guideline on respect for human rights drawn up in 2019.

As a result, VERBUND respects all types of civil, political, economic, social and cultural rights. VERBUND also considers human rights to include observance of laws and standards in the areas of environment, occupational safety, health and compliance. Discussion of human rights issues is therefore not restricted to this section.

All executives and all employees at VERBUND are responsible for respecting human rights and reporting any violations to the Chief Compliance Officer. No violations were reported in 2019. Beginning in 2020, all significant incidents of environmental pollution and severe deficiencies in the area of occupational health and safety must be reported to the head of the newly established Corporate Responsibility department.

Human rights at VERBUND

VERBUND endeavours to ensure due diligence in the protection of human rights in all Group divisions. To this end, VERBUND provides safe and healthy working conditions and relies on preventive measures to minimise hazards and risks in the work environment. Forced and compulsory labour, and child labour in particular, are forbidden.

Details on this topic can be found in the Human resources and Compliance sections as well as in the DMA

Under freedom of association and collective bargaining, employees can communicate openly about working conditions and have the right to join a union. They earn wages and salaries that allow them and their families to have a dignified life. VERBUND rejects any form of discrimination, bullying and sexual harassment and works with all people regardless of gender, age, disability, religious beliefs, culture, skin colour, education, social origin, sexual orientation or nationality.

The compliance management system is also described in the DMA

For VERBUND, protection of the environment also constitutes an important component of human rights. Human rights that are at risk from damage to the environment include the right to a reasonable standard of living and the right to health, among others.

Human rights in VERBUND's sphere of influence

GRI 414-1

Even in its cooperation with business partners and within its supply chain, VERBUND is concerned with the protection of all human rights. However, due to its activities in some regions, challenges can arise in the area of human rights. Special attention is required in the event of conflicts, political instability, failure of the rule of law and lack of civil rights. In an environment of corrupt structures, extreme poverty, natural disasters or proximity to vulnerable groups, extreme caution must be exercised in entering into or maintaining business relationships with customers or suppliers. To ensure this, VERBUND carries out business partner integrity checks prior to commencing cooperation in projects, supplier discussions and regular hot spot analyses within the supply chain, among other things.

Supply chain

GRI 102-9
GRI 102-10
For details on the supply chain and supplier assessment, please refer to the DMA

The supply chain at VERBUND is characterised by management and maintenance measures for existing properties and technical facilities. Depending on the investment or maintenance programme planned, the main services purchased involve construction and construction-related work as well as electromechanical technology. Services are also outsourced in the following areas, among others: other maintenance-related services, information and communications technology, customer service, communications and marketing.

Procurement of primary energy (coal and gas) for thermal generation is another component in the supply chain. However, due to the strategic orientation of VERBUND towards carbon-free generation, this product category is becoming less significant.

GRI 308-1
GRI 414-1

SDG 12

Most of VERBUND's procurement volume is transacted using formal tenders via an electronic supplier and tendering portal. When registering on this portal, each potential supplier is also required to complete a questionnaire on the topics of sustainability, compliance, environmental protection and occupational safety. In addition, these and other topics such as organisational governance, anti-corruption, fair competition, human rights, labour practices, health, information security and data protection, protection of intellectual property and supply chain are defined in a Supplier Code of Conduct.

There are currently around 4,900 potential suppliers registered on the supplier portal. Around 400 were added in 2019, of which 52% have already responded to the questionnaire as at the reporting date on 31 December 2019. The questionnaire must be completed in full for participation in VERBUND's tendering process.

Procurement statistics

GRI 204-1

The number of suppliers commissioned by VERBUND amounted to around 4,700 in 2019. VERBUND placed 92% of its order revenue in its core markets of Austria and Germany. The remaining 8% of orders were awarded to suppliers in other countries (mainly within Europe).

Sustainability is the core of VERBUND's strategy.

In 2019, total orders in the amount of approximately €480m were placed with suppliers in 33 countries: Albania, Austria, Belgium, Bulgaria, Canada, Croatia, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Latvia, Liechtenstein, Luxembourg, Mexico, the Netherlands, Norway, Poland, Portugal, Romania, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, the United Kingdom and the United States.

Procurement statistics

	Unit	2017	2018	**2019**
Contracted suppliers, approx.	Number	4,500	4,500	**4,700**
Order volume	€m	305	480	**480**
Austria	%	80	50	**58**
Germany	%	10	36	**34**
Rest of the world	%	10	14	**8**

Risks in the supply chain

GRI 103-2

A hot spot analysis was conducted at VERBUND in 2017 to evaluate the risks in the following areas of the supply chain with the involvement of external and internal experts: work and safety conditions, corruption, human rights, legal compliance and the environment. The findings of this analysis increased awareness of the issue of risk in procurement processes again in 2019. Consequently, targeted supplier discussions were held in 2019 in the areas of hydraulic steel structures, construction services and IT (hardware and software). These meetings served to discuss problems in the areas of sustainability and risk and define further measures to mitigate risk.

Vienna, 13 February 2020

The Executive Board

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

Mag. Dr. Michael Strugl
Vice-Chairman of the Executive Board

Dr. Peter F. Kollmann
Member of the Executive Board

Mag. Dr. Achim Kaspar
Member of the Executive Board

Independent Assurance

Courtesy Translation of the Independent Assurance on Non-Financial Reporting *)

Introduction

We performed procedures to obtain limited assurance, if the consolidated non-financial report as at December 31, 2019 was prepared in accordance with the reporting principles. The reporting principles include the Sustainability Reporting Standards (GRI Standards: Core option) issued by the Global Sustainability Standards Board (GSSB) and if the reporting requirements of § 267a UGB are met. GRI 102-56

Responsibility of the management

The preparation of the report in accordance with the reporting principles as well as the selection of the scope of the engagement is the responsibility of the management of VERBUND AG. The reporting principles include the Sustainability Reporting Standards (GRI Standards: Core option) issued by the Global Sustainability Standards Board (GSSB) and the reporting requirements mentioned in § 267a UGB.

This responsibility includes the selection and application of appropriate methods for preparing the report, making assumptions and estimates of individual non-financial disclosures that are plausible under the given circumstances. The responsibility of the management includes further designing, implementing and maintaining internal controls, which have been determined as necessary by management for the preparation of the report free from material – intended or unintended – misrepresentations.

Responsibility of the auditor

Our responsibility is to express a limited assurance opinion on the consolidated non-financial report based on our review, whether all the reporting requirements mentioned in the Sustainability Reporting Standards (GRI Standards: Core option) issued by the Global Sustainability Standards Board (GSSB) and § 267a UGB are met.

We conducted our engagement in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised), “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board (IAASB) in order to obtain limited assurance on the subject matters.

ISAE 3000 (Revised) requires us to plan and perform the engagement in a way that enables us to obtain limited assurance that nothing has come to our attention that causes us to believe that the consolidated non-financial report has not, in any material aspect been prepared in accordance with the reporting criteria of GRI Standards: Core option and § 267a UGB.

In a limited assurance engagement, the evidence-gathering procedures are more limited than in a reasonable assurance engagement and therefore, less assurance can be obtained. The choice of audit procedures lies in the due discretion of the auditor.

As part of our audit, we have performed, inter alia, the following audit procedures and other activities as far as they are relevant to the limited assurance engagement:

- Interview of the employees named by VERBUND AG regarding the sustainability strategy, the sustainability principles and the sustainability management
- Interviewing employees of VERBUND AG to assess the methods of data collection, data processing and internal controls
- Site-Visit at the Austrian Power Grid Control Facility
- Matching the non-financial disclosures shown in the report, with the calculation documents provided
- Furthermore, we conducted procedures with regard to whether the reporting requirements of § 267a UGB are met with the consolidated nonfinancial report.

Summarized Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the consolidated non-financial report has not, in any material aspects, been prepared in accordance with the reporting criteria of the Sustainability Reporting Standards (GRI Standards: Core option) issued by the Global Sustainability Board (GSSB).

Furthermore, nothing has come to our attention that causes us to believe that the reporting requirements of § 267a UGB are not met with the consolidated non-financial report.

Engagement approach

The basis for this engagement are the "General Conditions of Contract for the Public Accounting Professions", as issued by the Chamber of Tax Advisers and Auditors in Austria on April 18, 2018 ("AAB 2018"). In accordance with chapter 7 AAB 2018, our liability shall be limited to intent and gross negligence. In cases of gross negligence, the maximum liability is limited to a maximum of five times the fee. This amount constitutes a total maximum liability cap, which may only be utilized once up to this maximum amount, even if there is more than one claimant or more than one claim has been asserted.

Vienna, February 18, 2020

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Gerhard Marterbauer
Wirtschaftsprüfer
(Austrian Certified Public Accountant)

Mag. Christof Wolf
Wirtschaftsprüfer
(Austrian Certified Public Accountant)

*) The German text of the signed statement, which refers to the German version of the report, is the only binding one. The English translation is not binding and shall not be used for the interpretation of the English version of the report.

Consolidated financial statements

Contents of the consolidated financial statements

OF VERBUND

Income statement

OF VERBUND

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In accordance with IFRSs	Notes	2018[3]	2019
Revenue		2,671,066	**3,895,022**
Electricity revenue	3.2.1	2,011,275	3,190,810
Grid revenue	3.2.1	537,168	566,581
Other revenue	3.2.2	122,623	137,632
Other operating income	3.2.3	65,492	74,082
Expenses for electricity, grid, gas and certificates purchases	3.2.4	–1,183,866	–2,086,283
Fuel expenses and other usage-/revenue-dependent expenses	3.2.5	–125,781	–116,922
Personnel expenses	3.2.6	–322,834	–332,426
Other operating expenses	3.2.7	–239,831	–249,957
EBITDA		864,245	**1,183,517**
Depreciation and amortisation	3.2.8	–327,337	–364,222
Impairment losses[1]	3.2.9	–8,977	–1,221
Reversal of impairment loss[1]	3.2.9	127,183	47,844
Operating result		655,114	**865,917**
Result from interests accounted for using the equity method	3.2.10	28,437	40,793
Other result from equity interests	3.2.11	8,841	6,111
Interest income	3.2.12	32,090	32,760
Interest expenses	3.2.13	–127,442	–110,395
Other financial result	3.2.14	7,800	–39,051
Impairment losses	3.2.15	–2,175	0
Reversals of impairment losses	3.2.15	330	16,381
Financial result		–52,119	**–53,401**
Profit before tax		602,995	**812,516**
Taxes on income	3.2.16	–126,750	–171,803
Profit for the period		476,245	**640,713**
Attributable to shareholders of VERBUND AG (Group result)		433,177	554,817
Attributable to non-controlling interests		43,068	85,896
Earnings per share in €[2]	3.2.17	1.25	**1.60**

[1] The impairment losses and reversals of impairment losses have been reduced by the amount of any change in related deferred contributions to building costs and government grants. // [2] Diluted earnings per share correspond to basic earnings per share. // [3] Comparative figures for the period from 1 January to 31 December 2018 were adjusted retrospectively in accordance with IAS 8.

Statement of comprehensive income

of VERBUND

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In accordance with IFRSs	Notes	2018	2019
Profit for the period		476,245	**640,713**
Remeasurements of the net defined benefit liability	9.2	–25,477	–134,017
Measurements of financial instruments	3.3.1, 5.1	–6,106	5,926
Other comprehensive income from interests accounted for using the equity method	4.5.1	–3,793	–13,564
Total of items that will not be reclassified subsequently to the income statement		–35,375	**–141,654**
Differences from currency translation	3.3.1	–234	–3,993
Measurements of cash flow hedges	3.3.1, 5.1	–27,881	370,796
Other comprehensive income from interests accounted for using the equity method	3.3.1	160	–364
Total of items that will be reclassified subsequently to the income statement		–27,954	**366,439**
Other comprehensive income before tax		–63,330	**224,785**
Taxes on income relating to items that will not be reclassified subsequently to the income statement	3.3.2	7,865	32,957
Taxes on income relating to items that will be reclassified subsequently to the income statement	3.3.2	6,970	–92,699
Other comprehensive income after tax		–48,494	**165,043**
Total comprehensive income for the period		427,751	**805,756**
Attributable to shareholders of VERBUND AG (Group result)		386,589	729,108
Attributable to non-controlling interests		41,161	76,648

Balance sheet

of VERBUND

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In accordance with IFRSs	Notes	31/12/2018	31/12/2019
Non-current assets		10,702,655	**11,061,906**
Intangible assets	4.1	644,250	652,045
Property, plant and equipment	4.2	8,957,118	9,110,760
Right-of-use assets	4.3	0	133,425
Interests accounted for using the equity method	4.5	323,290	332,155
Other equity interests	4.6, 5.1	130,315	138,103
Investments and other receivables	4.7, 5.1	647,682	695,418
Current assets		1,002,143	**776,723**
Inventories	6.1	35,964	34,320
Trade receivables, other receivables and securities	6.2, 5.1	926,831	697,768
Cash and cash equivalents	6.3	39,347	44,635
Total assets		11,704,798	11,838,629

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In accordance with IFRSs	Notes	31/12/2018	31/12/2019
Equity		5,941,023	**6,568,010**
Attributable to shareholders of VERBUND AG	7.1 – 7.4	5,305,296	5,887,804
Attributable to non-controlling interests	7.5	635,726	680,205
Non-current liabilities		3,967,971	**4,107,390**
Financial liabilities	5.1, 8.1	1,472,817	1,256,572
Provisions	9.0	816,805	912,247
Deferred tax liabilities	10.2	634,546	757,299
Contributions to building costs and grants	4.2.2	746,871	754,107
Other liabilities	5.1, 8.2	296,932	427,164
Current liabilities		1,795,804	**1,163,229**
Financial liabilities	5.1, 8.1	753,540	310,804
Provisions	9.0	42,903	38,589
Current tax liabilities	10.1	46,473	106,104
Trade payables and other liabilities	5.1, 6.4	952,888	707,732
Total liabilities		11,704,798	**11,838,629**

Cash flow statement

of VERBUND

In accordance with IFRSs	Notes	2018	2019
			€k
Profit for the period		476,245	**640,713**
Depreciation of property, plant and equipment and amortisation of intangible assets (net of reversals of impairment losses)		208,440	315,212
Impairment losses on investments (net of reversals of impairment losses)		10,627	10,685
Result from interests accounted for using the equity method (net of dividends received)		–16,689	–26,527
Result from the disposal of non-current assets		–626	9,810
Change in non-current provisions and deferred tax liabilities		62,844	18,661
Change in contributions to building costs and grants		–615	7,236
Other non-cash expenses and income		–26,741	–46,851
Subtotal		713,484	**928,940**
Change in inventories		–25,477	1,644
Change in trade receivables and other receivables		–225,838	162,773
Change in trade payables and other liabilities		261,929	55,624
Change in current provisions and current tax liabilities		–59,983	55,317
Cash flow from operating activities[1]		664,115	**1,204,298**

[1] Cash flow from operating activities includes €47.8m in taxes paid on income (previous year: €81.6m), €61.5m in interest paid (previous year: €63.4m), €0.1m in interest received (previous year: €0.2m) and €21.1m in dividends received (previous year: €24.0m).

In accordance with IFRSs	Notes	2018	2019
			€k
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		–295,557	–391,164
Cash inflow from the disposal of intangible assets and property, plant and equipment		46,741	4,736
Cash outflow from capital expenditure for investments		–218	–51,375
Cash inflow from the disposal of investments		5,273	26,635
Cash outflow from capital expenditure for interests accounted for using the equity method and other equity interests		0	–600
Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method and other equity interests		0	133
Cash outflow from capital expenditure for current investments		–200,004	0
Cash inflow from the disposal of current investments		110,000	89,984
Cash flow from investing activities		–333,765	**–321,651**
Cash inflow from money market transactions		10,695	53,948
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		100,000	0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		–252,208	–720,892
Cash outflow from the repayment of lease liabilities		0	–32,332
Dividends paid	3.4.1	–178,084	–178,084
Cash flow from financing activities		–319,596	**–877,360**
Change in cash and cash equivalents		10,754	**5,288**
Cash and cash equivalents as at 1/1		28,593	**39,347**
Change in cash and cash equivalents		10,754	5,288
Cash and cash equivalents as at 31/12		39,347	**44,635**

Statement of changes in equity

of VERBUND

In accordance with IFRSs	Called and paid-in share capital	Capital reserves	Retained earnings	Remeasure-ments of net defined benefit liability
Notes	7.0	7.0	7.0	9.2
As at 1/1/2018	347,416	954,327	4,187,462	–263,680
Initial application of IFRS 9	–	–	49,922	–
Adjusted balance as at 1/1/2018	347,416	954,327	4,237,384	–263,680
Profit for the period	–	–	433,177	–
Other comprehensive income	–	–	–	–21,080
Total comprehensive income for the period	–	–	433,177	–21,080
Dividend	–	–	–145,915	–
Other changes in equity	–	–	765	0
As at 31/12/2018	347,416	954,327	4,525,411	–284,760
As at 1/1/2019	347,416	954,327	4,525,411	–284,760
Profit for the period	–	–	554,817	–
Other comprehensive income	–	–	0	–103,894
Total comprehensive income for the period	–	–	554,817	–103,894
Dividend	–	–	–145,915	–
Other changes in equity	–	–	–564	0
As at 31/12/2019	347,416	954,327	4,933,750	–388,655

€k

Difference from currency translation	Measurement of financial instruments	Measurement of cash flow hedges	Equity attributable to the shareholders of VERBUND AG	Equity attributable to non-controlling interests	Total equity
7.0	3.3, 4.5–4.7, 5.1	3.3, 5.1		7.0	
–7,154	53,253	–207,573	5,064,051	626,776	5,690,827
–	–50,116	–	–194	–42	–236
–7,154	3,137	–207,573	5,063,857	626,734	5,690,591
–	–	–	433,177	43,068	476,245
–293	–4,418	–20,797	–46,587	–1,907	–48,494
–293	–4,418	–20,797	386,589	41,161	427,751
–	–	–	–145,915	–32,169	–178,084
0	0	0	765	0	765
–7,447	–1,280	–228,370	5,305,296	635,726	5,941,023
–7,447	–1,280	–228,370	5,305,296	635,726	5,941,023
–	–	–	554,817	85,896	640,713
–4,107	4,445	277,847	174,291	–9,247	165,043
–4,107	4,445	277,847	729,108	76,648	805,756
–	–	–	–145,915	–32,169	–178,084
–140	0	0	–704	0	–704
–11,694	3,165	49,497	5,887,804	680,205	6,568,010

Notes to the 2019 Consolidated Financial Statements

of VERBUND

1. General information on the preparation of the financial statements

1.1 Reporting company

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

VERBUND generates, trades and sells electricity to market participants from energy exchanges, traders, electric utilities and industrial companies as well as household and commercial customers. In addition, VERBUND trades and sells gas to market participants from energy exchanges, traders and household customers and provides energy-related services. Furthermore, VERBUND operates the Austrian transmission grid through Austrian Power Grid AG and holds equity interests in foreign and domestic electric utilities.

The structure of the notes to these consolidated financial statements was revised in financial year 2019 as part of the "Better Communication in Financial Reporting" initiative of the International Accounting Standards Board (IASB). The new presentation is intended to more effectively communicate relevant financial information to the users of the financial statements.

1.2 Financial reporting principles

Basic principles

VERBUND prepares its consolidated financial statements in accordance with Section 245a(1) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) in compliance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union. The additional requirements of Section 245a(1) UGB were also satisfied. The separate financial statements of the subsidiaries included in the consolidated financial statements are based on uniform accounting policies. The reporting date is 31 December 2019 for all consolidated subsidiaries.

The consolidated financial statements are prepared in thousands of euros (€k) (with the exception of the notes to the annual financial statements, in which amounts are generally indicated in millions of euros (€m). Rounding differences can arise when adding rounded amounts and when calculating percentages.

Consolidation methods

All material companies controlled by VERBUND AG (subsidiaries) are included in the consolidated financial statements of VERBUND by means of consolidation. Inclusion in the consolidated financial statements begins when control is achieved and ends when it ceases. Subsidiaries are initially consolidated using the acquisition method.

Joint ventures and associates that are directly or indirectly substantially influenced by VERBUND AG are accounted for using the equity method. Investees accounted for using the equity method are recognised with their proportional IFRS profit or loss taken from (consolidated) interim or annual financial statements for which the reporting date is not more than three months prior to VERBUND's reporting date.

Intra-Group transactions, receivables, liabilities and intercompany profits are eliminated taking account of deferred taxes. With respect to intra-Group business acquisitions and mergers of joint ventures, the historical carrying amounts of the acquired entity are carried forward to the new entity, i.e. they are not remeasured at fair value.

In the case of investees that are controlled together with another joint operator, if VERBUND has rights to the assets attributable to the investee as well as obligations for its liabilities, VERBUND recognises its share of the assets and liabilities and/or revenue and expenses.

Basis of consolidation

A list of all of VERBUND's subsidiaries, joint ventures and associates is presented in the section entitled Group structure. The group of subsidiaries, joint ventures and associates included in the consolidated financial statements changed as follows in the 2019 reporting period:

Basis of consolidation

	Consolidation	Accounted for using the equity method	Accounted for as a joint operation
As at 31/12/2018	32	8	1
Additions from newly formed entities	3	0	0
Disposals from disinvestments	0	–1	0
As at 31/12/2019	35	7	1
of which domestic companies	14	7	1
of which foreign companies	21	0	0

The companies VERBUND Energy4Customers GmbH, VERBUND Green Power GmbH and VERBUND Energy4Flex GmbH were newly established and consolidated for the first time in the 2019 reporting period. The disposal with respect to companies accounted for using the equity method relates to VERBUND GETEC Energiecontracting GmbH.

Currency translation

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

The Group's reporting currency is the euro. The functional currency of VERBUND AG, the consolidated subsidiaries (with the exception of VERBUND Wind Power Romania SRL and VERBUND Trading Romania SRL) and all investees accounted for using the equity method is the euro. For the consolidated financial statements of VERBUND, the annual financial statements of the Romanian subsidiaries are translated into euros using the functional currency method.

Assets and liabilities of foreign Group companies with a functional currency other than the euro are translated using the foreign exchange reference rate of the European Central Bank (ECB) or exchange rates published by local national central banks prevailing at the reporting date. Expenses and income are translated at average monthly exchange rates. Differences arising from translation at exchange rates prevailing at the reporting date are recognised in other comprehensive income and shown as a separate item in equity.

The exchange rates underlying the currency translation changed as follows:

Foreign exchange rates used for currency translation

Country	Currency	31/12/2018 Closing rate	**31/12/2019 Closing rate**	2018 Average rate	**2019 Average rate**
Romania	€1 = RON	4.6635	**4.7793**	4.6561	**4.7441**

Regulatory assets and liabilities

Regulatory assets and liabilities result from temporarily higher/lower revenue due to the grid tariffs set by the regulator. With its Grid segment, VERBUND is subject to such a rate structure regulated by Energie-Control Austria für die Regulierung der Elektrizitäts- und Erdgaswirtschaft (E-Control). If the general criteria for recognition under IFRSs are not met, neither regulatory assets nor regulatory liabilities are recognised in the consolidated financial statements of VERBUND.

Newly applicable or applied accounting standards

In the 2019 reporting period, the following new or amended standards and interpretations had to be applied for the first time or were applied early by VERBUND:

Newly applicable or applied accounting standards

Standard or interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Material effects on the consolidated financial statements of VERBUND
IAS 19	Amendments: Plan Amendment, Curtailment or Settlement	7/2/2018 (13/3/2019)	1/1/2019	None
IAS 28	Amendments: Long-term Interests in Associates and Joint Ventures	12/10/2017 (8/2/2019)	1/1/2019	None
IFRS 16	Leases	13/1/2016 (31/10/2017)	1/1/2019	See below
IFRIC 23	Uncertainty over Income Tax Treatments	7/6/2017 (23/10/2018)	1/1/2019	None
Various	Annual Improvements to IFRS Standards 2015–2017 Cycle	12/12/2017 (14/3/2019)	1/1/2019	None

The IASB published the final version of IFRS 16 on 13 January 2016. This standard replaces IAS 17, IFRIC 4, SIC 15 and SIC 27. The new standard specifies that all leases are to be recognised in the lessee's balance sheet. The new rules of IFRS 16 lead to an increase in total assets, an increase in EBITDA and, at the same time, higher depreciation charges and interest expenses, as well as to a shift of the expense from leases to the commencement of the respective lease term. VERBUND's leases include mainly arrangements regarding the provision of power plants, buildings, land, lines and vehicles. The initial application of IFRS 16 was carried out retrospectively, whereby the cumulative adjustments as at the initial application date were recognised. With this in mind, right-of-use assets and lease liabilities were recognised in the amount of €155.7m as at 1 January 2019, whereby the right-of-use assets were recognised in the amount of the lease liabilities at the initial application date. The right-of-use assets are included in the balance sheet in the same line items in which the assets associated with the leases would also be presented. Lease liabilities are shown under other liabilities. This initial recognition did not have any effect on equity. The option was exercised to forego a reassessment of whether a contract contains a lease within the meaning of IFRS 16, provided the contract already existed on the initial application date. For these contracts, the previous classification in accordance with IAS 17 and IFRIC 4 applies.

The incremental borrowing rate was applied as the discount rate at the initial application date. The weighted average discount rate was 1.2%. A single discount rate was applied to portfolios of leases with reasonably similar characteristics on initial application. In addition, the opportunity was taken to forego impairment testing for leases. Instead, an assessment was conducted to determine whether a contract is onerous, and the right-of-use asset was subsequently adjusted at most by the amount of any existing provision. Lease payments for leases whose contractual term or whose remaining term at the initial application date is twelve months or less, as well as for leases for which the underlying asset is of low value, will continue to be recognised in part as an expense. The following table shows the reconciliation of the minimum lease payments shown as at 31 December 2018 to the lease liability recognised at 1 January 2019.

Reconciliation of the minimum lease payments to the recognised lease liability	€m
Commitment for less than one year	32.2
Commitment for longer than one year and up to five years	72.2
Commitment for longer than five years	76.5
Total commitments arising from rental agreements and leases	**180.9**
Commitments arising from short-term leases and leases of low-value assets	–0.2
Total commitments for determining the lease liability	**180.6**
Effect of discounting at the marginal borrowing rate	–24.9
Lease liability as at 1/1/2019	**155.7**

New accounting standards not yet applicable or applied

The IASB has also issued new standards that were not applied by VERBUND in the 2019 reporting period because they have either not yet been endorsed by the European Union or their application was not yet mandatory:

New accounting standards not yet applicable or applied

Standard or interpretation		Published by the IASB (endorsed by the EU)[1]	Mandatory application for VERBUND	Expected material effects on the consolidated financial statements of VERBUND
IAS 1 and IAS 8	Amendments: Definition of Material	31/10/2018 (29/11/2019)	1/1/2020	None
IFRS 17	Insurance Contracts	18/5/2017 (open)	1/1/2021	None
IFRS 3	Amendments: Definition of a Business	22/10/2018 (expected in Q1/2020)	1/1/2020	Depending on the structure of any future transactions, it is possible that the acquisition of power plants in the form of a share deal could more likely be classified as the acquisition of a group of assets
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	26/9/2019 (15/1/2020)	1/1/2020	No significant effect on hedge accounting is expected
Various	Amendments to References to the Conceptual Framework in IFRS Standards	29/3/2018 (29/11/2019)	1/1/2020	None

[1] Basis: EU Endorsement Status Report dated 23 January 2020

Change in an accounting policy

The balance sheet presentation of contracts to buy or sell non-financial assets in connection with IFRS 9 was discussed in the meeting of the IFRS Interpretations Committee held in March 2019. Due to the resulting IFRIC non-agenda decision, the presentation in the income statement of the measurement result of energy derivatives was changed. The measurement result of derivatives previously offset in revenue is allocated retroactively to purchase and sales contracts and presented accordingly in the income statement under revenue or in the procurement costs. The change in accounting policy was carried out retrospectively in accordance with IAS 8 by adjusting all comparative figures. The following adjustments apply for the reporting and prior-year periods:

Adjustments to income statement items

€m	2018	**2019**
Revenue	–176.9	318.9
Expenses for electricity, grid, gas and certificates purchases	176.9	–318.9
EBITDA	0.0	**0.0**

2. Discretionary judgements and key assumptions concerning the future

Preparers of financial statements are granted various options in connection with the application of IFRSs. For this reason, the management must make discretionary decisions as well as estimates and assumptions regarding future developments that can have a significant influence on amounts shown in these consolidated financial statements. The amounts actually realised can differ from the amounts recognised based on the decisions and assumptions that were made. Estimates and the underlying assumptions are regularly reviewed and adjusted if necessary.

The following discretionary decisions and assumptions regarding the future have a significant influence on the financial statements:

Discretionary decisions and assumptions regarding the future

Assessment of the term of leases	Section 4.3
Determination of the discount rate for impairment tests	Section 4.4
Impairment testing of goodwill	Section 4.4.1
Impairment testing of power plants	Section 4.4.2
Measurement of pensions and similar obligations as well as statutory termination benefits	Section 9.2
Measurement of other provisions	Section 9.3
Contingent liabilities	Section 13.1
Evaluation of whether other entities are controlled or jointly managed by VERBUND or whether VERBUND can exert a significant influence on another entity and/or whether an entity represents a joint operation of VERBUND	Section 13.4
Measurement of joint operations	Section 13.4

3. Performance in the financial year

3.1 Segment reporting

In accordance with Section 8(3) of the Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und organisationsgesetz, ElWOG), integrated electricity companies must publish separate balance sheets and income statements for electricity generation, electricity trading and supply activities as well as for transmission activities. However, in accordance with IFRS 8, VERBUND's segment reporting is to be oriented towards internal management and reporting (management approach). The identification of operating segments and the contents of the report therefore correspond to the structure of internal reporting to the Executive Board as the chief operating decision maker, which results in the following identification:

Identification of operating segments

Renewable generation	Hydropower, wind and photovoltaic generation technologies
Sales	Trading and sales activities
Grid	Operations of Austrian Power Grid AG (APG)
All other segments	
Energy services	New services for the electricity market of the future (in particular, operations of VERBUND Solutions GmbH)
Thermal generation	Electricity and thermal generation of VERBUND Thermal Power GmbH & Co KG from the fuels coal and natural gas
Services	Intra-Group business activities of VERBUND Services GmbH
Equity interests	Equity interest in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

Segments that do not exceed the quantitative thresholds are summarised in the category "All other segments". The "Reconciliation/consolidation" column includes the activities of VERBUND AG and VERBUND Finanzierungsservice GmbH as well as unconsolidated equity interests that have not been allocated to a segment and consolidations which must be carried out at Group level.

The following key performance indicators are reported for the control and management of the operating segments:

Key performance indicators – segment reporting

EBITDA	Internal measurement of the performance of each operating segment. Transactions between operating segments are carried out at arm's length
Result from interests accounted for using the equity method	Assessment of the Equity interests segment
Capital employed	Total assets less those assets that do not (yet) contribute to the performance and commercialisation processes and less non-interest-bearing debt.

Other material non-cash items include measurement effects from energy derivatives, the reversal of contributions to building costs, non-cash changes in provisions and write-downs of primary energy sources in inventory. In addition, in particular the additions and current amortisation of intangible assets and depreciation of property, plant and equipment as well as additions to equity interests accounted for using the equity method are reported for each segment.

All segment data are measured in accordance with IFRSs.

Operating segment data

€m

	Renewable generation	Sales	Grid	All other segments	Recon-ciliation/ consoli-dation	Total Group
2019						
External revenue	211.0	2,875.7	778.8	26.0	3.5	3,895.0
Internal revenue	1,021.5	273.3	33.0	200.7	–1,528.5	0.0
Total revenue	1,232.5	3,149.0	811.8	226.7	–1,525.0	3,895.0
EBITDA	859.7	55.3	257.8	45.1	–34.3	1,183.5
Depreciation	–231.2	–1.0	–115.8	–14.3	–1.9	–364.2
Effects from impairment tests (operating result)	47.8	0.0	0.0	–1.2	0.0	46.6
Other material non-cash items	61.8	–3.9	12.6	17.2	2.5	90.1
Result from interests accounted for using the equity method	3.7	0.0	0.1	37.0	0.0	40.8
Effects from impairment tests (financial result)	16.4	0.0	0.0	0.0	0.0	16.4
Capital employed	6,566.8	102.8	1,459.6	529.7	80.9	8,739.9
of which carrying amount of interests accounted for using the equity method	4.3	0.0	1.4	326.4	0.0	332.2
Additions to intangible assets and property, plant and equipment	193.7	0.6	242.5	15.6	2.3	454.7
Additions to interests accounted for using the equity method	0.0	0.0	0.0	0.6	0.0	0.6

Operating segment data €m

	Renewable generation	Sales	Grid	All other segments	Recon-ciliation/ consoli-dation	Total Group
2018						
External revenue	179.1	1,612.4	849.9	26.7	3.0	2,671.1
Internal revenue	724.7	302.6	52.6	224.5	–1,304.4	0.0
Total revenue	903.8	1,914.9	902.5	251.3	–1,301.4	2,671.1
EBITDA	**514.5**	**83.4**	**242.4**	**57.3**	**–33.3**	**864.2**
Depreciation	–229.9	–1.1	–84.1	–11.8	–0.4	–327.3
Effects from impairment tests (operating result)	112.1	0.0	0.0	6.1	0.0	118.2
Other material non-cash items	52.4	–2.4	11.7	12.4	3.8	77.9
Result from interests accounted for using the equity method	0.0	0.0	0.1	28.4	0.0	28.4
Effects from impairment tests (financial result)	–2.2	0.0	0.0	0.3	0.0	–1.8
Capital employed	**6,602.2**	**290.9**	**1,311.9**	**502.7**	**185.2**	**8,892.8**
of which carrying amount of interests accounted for using the equity method	2.7	0.0	1.4	319.2	0.0	323.3
Additions to intangible assets and property, plant and equipment	106.5	2.2	181.3	19.7	1.6	311.3
Additions to interests accounted for using the equity method	0.0	0.0	0.0	0.0	0.0	0.0

Reconciliation

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

The reconciliation from the total amount for capital employed to VERBUND's total assets results as follows:

Reconciliation from capital employed to total assets €m

	2018	**2019**
Capital employed	8,892.8	**8,739.9**
Assets not used in the performance and commercialisation process	935.3	**924.4**
Non-interest-bearing debt	1,876.7	**2,174.3**
Total assets of VERBUND	11,704.8	**11,838.6**

Entity-wide disclosures

Under IFRS 8, entity-wide disclosures include geographical segment reporting for revenue (based on the point of delivery) and non-current assets. In addition, information on major customers must be provided. Disclosures regarding revenue are presented in section 3.2.1 Revenue. VERBUND does not have any customers for whom revenue equals or exceeds 10% of total revenue.

Geographical segment reporting: non-current assets

€m	2018	2019
Intangible assets and property, plant and equipment	9,601.4	**9,762.8**
of which in Austria	6,864.6	7,012.3
of which in Germany	2,616.5	2,613.1
of which in other EU countries	120.2	137.4
Interests accounted for using the equity method	323.3	**332.2**
of which in Austria	323.3	332.2
of which in Germany	0.0	0.0
of which in other countries[1]	0.0	0.0

[1] This includes the equity interest in (Austrian) Ashta Beteiligungsverwaltung GmbH, which holds the equity interest in the Albanian entity Energji Ashta Shpk.

3.2 Notes to the income statement

3.2.1 Revenue

VERBUND primarily generates revenue from contracts with customers from the delivery of electricity and gas as well as by operating the Austrian transmission grid; the relevant accounting policies are presented below:

Revenue from contracts with customers

	Period allowed for payment	Significant financing components
Market participants from energy exchanges, traders and electric utilities	20 days	No
Industrial customers	14 – 60 days	No
Commercial customers	14 days	No
Household customers	14 days	No
Revenue from operating the Austrian transmission grid	14 days	No

Measurement of contracts with customers in accordance with IFRS 15

Type of contract	Contracts with customers for the delivery of electricity and gas	Contracts with customers as a result of operating the Austrian transmission grid
Performance/ counter-performance	As a rule, the consideration received for the contracts for the delivery of electricity and gas comprises a capacity price and an energy price. The capacity price is independent of volume, whereas the energy price depends on the volume of electricity and gas purchased.	The services include mainly system, control power and balancing energy as well as congestion management and redispatch services. The consideration received for these services depends largely on the electricity consumed by the customers and/or the costs incurred by VERBUND for each of these services.
Revenue recognition	Revenue is recognised as soon as the control over the goods and/or services is transferred to the customers. Control is transferred over the period in which the service is rendered. Revenue is realised in the amount in which VERBUND has fulfilled its obligations with respect to the delivery of electricity and gas (i.e. the customer could purchase electricity and/or gas at any given time and/or has done so) and a right to invoice the service already rendered has been established.	Revenue is realised in the amount in which VERBUND has a right to invoice the services already rendered. Control is transferred over the period in which the service is rendered.
Special circumstances	With some contracts to deliver electricity and gas, the customers are also billed for grid costs. Since VERBUND does not have any control over the grid services prior to the transfer to the customers, VERBUND should be regarded as an agent with respect to these services. Therefore, no revenue is recognised for the grid services.	none

Revenue by segment

€m

	2018 Domestic	2019 Domestic	2018 Foreign	2019 Foreign	2018 Total	2019 Total
Electricity revenue resellers	60.9	68.5	75.4	32.3	136.3	100.8
Electricity revenue traders	14.3	16.1	9.6	7.0	23.8	23.1
Electricity revenue consumers	0.0	0.0	0.0	58.5	0.0	58.5
Electricity revenue – Renewable generation segment	75.1	**84.6**	85.0	**97.8**	160.1	**182.5**
Electricity revenue resellers	311.6	689.2	357.9	331.7	669.5	1,020.9
Electricity revenue traders	180.4	349.8	211.3	781.4	391.8	1,131.3
Electricity revenue consumers	250.4	364.0	234.0	290.5	484.4	654.5
Electricity revenue – Sales segment	742.4	**1,403.0**	803.2	**1,403.6**	1,545.7	**2,806.6**
Electricity revenue resellers	67.9	103.7	227.3	90.1	295.2	193.9
Electricity revenue traders	6.7	5.5	3.6	2.4	10.2	7.9
Electricity revenue – Grid segment	74.6	**109.3**	230.9	**92.5**	305.5	**201.8**
Electricity revenue resellers	0.0	0.0	0.0	0.0	0.0	0.0
Electricity revenue – All other segments	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**
Electricity revenue – reconciliation	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**
Total electricity sales revenue	892.1	**1,596.9**	1,119.2	**1,594.0**	2,011.3	**3,190.8**
Grid revenue electric utilities	386.2	374.7	15.1	20.5	401.3	395.2
Grid revenue industrial customers	10.4	6.9	0.0	0.0	10.4	6.9
Grid revenue other	25.1	39.6	100.4	124.8	125.5	164.4
Total grid revenue – Grid segment	421.7	**421.3**	115.5	**145.3**	537.2	**566.6**
Other revenue – Renewable generation segment					19.0	**28.5**
Other revenue – Sales segment					66.7	**69.1**
Other revenue – Grid segment					7.2	**10.3**
Other revenue – All other segments					26.7	**26.0**
Other revenue – reconciliation					3.0	**3.6**
Total of other revenue					122.6	**137.6**
Total revenue					2,671.1	**3,895.0**

In the 2019 reporting period, €4.1m (previous year: €3.8m) in measurements of derivative financial instruments in the energy area and realisations of standard futures contracts in the trading area was recognised as revenue. To present business performance more accurately, revenue from energy trading is shown as a net amount, i.e. amounts realised and measured are each presented net of expenses. Without this net presentation, the electricity revenue (and expenses for the purchase of electricity) in the 2019 reporting period would have been €4,450.1m (previous year: €2,202.0m) and other revenue €1,843.7m (previous year: €2,151.3m) higher.

3.2.2 Other revenue

Other revenue €m

	2018	2019
Sale of proof of origin and green electricity certificates	34.8	47.0
Sale of gas	44.8	42.2
District heating deliveries	20.1	20.6
Consulting and planning services as well as other services	13.2	12.7
Other	9.7	15.0
Other revenue	122.6	**137.6**

3.2.3 Other operating income

Other operating income €m

	2018	2019
Changes in inventory and own work capitalised	30.6	35.2
Various goods and services	9.1	10.7
Rent and lease income	2.5	3.7
Disposal of property, plant and equipment and intangible assets	2.2	2.3
Income from (insurance) compensation	1.5	1.6
Other	19.5	20.6
Other operating income	65.5	**74.1**

3.2.4 Expenses for electricity, grid, gas and certificates purchases

Expenses for electricity, grid, gas and certificates purchases €m

	2018	2019
Expenses for electricity purchases	1,109.0	1,977.8
Expenses for grid purchases (system use)	30.8	62.9
Expenses for gas purchases	40.3	39.7
Expenses for proof of origin and green electricity certificate purchases	4.4	4.5
Purchase of emission rights (trade)	–0.5	1.4
Expenses for electricity, grid, gas and certificates purchases	1,183.9	**2,086.3**

3.2.5 Fuel expenses and other usage-/revenue-dependent expenses

Fuel expenses and other usage-/revenue-dependent expenses €m

	2018	2019
Use of natural gas	62.3	41.0
Use of coal	26.1	28.8
Emission rights acquired in exchange for consideration	16.4	24.8
Other revenue-dependent expenses	19.6	21.9
Other usage-dependent expenses	1.4	0.4
Fuel expenses and other usage-/revenue-dependent expenses	125.8	**116.9**

3.2.6 Personnel expenses

Personnel expenses

€m	2018	2019
Wages and salaries	241.2	255.1
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	54.1	55.4
Other social expenses	3.6	3.8
Subtotal	298.9	**314.4**
Expenses for pensions and similar obligations	18.6	16.9
Expenses for termination benefits	5.4	1.1
Personnel expenses	322.8	**332.4**

The pension fund contributions to the defined contribution investment and risk association amounted to €7.3m (previous year: €7.2m) in the 2019 reporting period. Expenses for termination benefits included a total of €1.9m (previous year: €1.7m) in contributions to an employee pension fund.

3.2.7 Other operating expenses

Other operating expenses

€m	2018	2019
Third-party maintenance of power plants and line systems	82.7	87.7
Other third-party services received	20.3	24.5
IT expenses	18.4	23.3
Advertising expenses	15.0	15.4
Costs for personnel provided	11.4	13.0
Legal, consulting and audit expenses	11.3	11.7
Expenses for supervision by E-Control	11.6	11.4
Travel expenses, advanced training	8.9	9.2
Material costs for motor vehicle operation and maintenance	5.4	5.5
Purchased telecommunication services	4.7	4.7
Compensation payments	3.3	4.4
Fees	5.9	4.2
Insurance	3.4	3.9
Operating costs	4.6	3.4
Expenses from the disposal of property, plant and equipment and intangible assets	1.2	3.2
Membership fees	2.9	2.7
Concession fees	2.7	2.7
Usage fees	2.3	2.5
Reversal of provisions	–1.4	0.0
Other	25.2	16.7
Other operating expenses	239.8	**250.0**

3.2.8 Depreciation and amortisation

Depreciation and amortisation €m

	2018	2019
Depreciation of property, plant and equipment	320.4	322.1
Depreciation of right-of-use assets	0.0	34.6
Amortisation of intangible assets	7.0	7.5
Depreciation and amortisation	327.3	364.2

3.2.9 Impairment losses and reversals of impairment losses

Impairment losses and reversals of impairment losses €m

	2018	2019
Romanian wind farms	26.5	28.6
Gries run-of-river power plant[1]	–5.5	11.3
Deferred contributions to building costs for the Gries run-of-river power plant[1]	0.9	–1.7
Gössendorf and Kalsdorf run-of-river power plants[1]	13.5	10.4
Deferred grants for the Gössendorf and Kalsdorf run-of-river power plants[1]	–1.0	–0.8
Mittlere Salzach power plant group	21.1	0.0
Accrued contributions to building costs for the Mittlere Salzach power plant group	–0.5	0.0
Grenzkraftwerke power plant group	55.8	0.0
Power plant facilities that have been shut down and land in Dürnrohr and Korneuburg	6.2	0.0
Pernegg run-of-river power plant	5.7	0.0
Contributions to building costs for the Graz power plant on the Mur River	–4.3	0.0
Other	–0.1	–1.2
Impairment losses and reversals of impairment losses	118.2	46.6

[1] The recoverability of the run-of-river power plants and contributions to building costs for the Gries, Gössendorf and Kalsdorf run-of-river power plants had to be tested in the 2019 reporting period as a result of updated electricity price forecasts as well as updated discount rates.

3.2.10 Result from interests accounted for using the equity method

The result from interests accounted for using the equity method can be attributed mainly to KELAG-Kärntner Elektrizitäts-Aktiengesellschaft, which operates internationally and also provides electricity, gas and heat to customers throughout Austria with a focus on Carinthia.

3.2.11 Other result from equity interests

Other result from equity interests €m

	2018	2019
Income from equity interests and unconsolidated subsidiaries	9.4	6.8
Income from the disposal of equity interests and unconsolidated subsidiaries	0.0	0.0
Expenses from the disposal of equity interests and unconsolidated subsidiaries	0.0	0.0
Expenses arising from equity interests and unconsolidated subsidiaries	–0.6	–0.7
Other result from equity interests	8.8	6.1

3.2.12 Interest income

Interest income

€m	2018	2019
Interest from investments under closed items on the balance sheet	29.8	30.3
Interest from money market transactions	0.1	0.1
Other interest and similar income	2.3	2.4
Interest income	32.1	**32.8**

3.2.13 Interest expenses

Interest expenses

€m	2018	2019
Interest for bonds	49.7	34.7
Interest for financial liabilities under closed items on the balance sheet	29.8	30.3
Interest for other liabilities from electricity supply commitments	15.9	15.3
Net interest expense on personnel-related liabilities	10.8	12.5
Interest for bank loans	11.8	9.2
Interest on a share redemption obligation	4.9	4.8
Interest for other non-current provisions	1.6	2.0
Profit or loss attributable to limited partners	0.1	0.1
Repayment of non-current financial liabilities from capital shares attributable to limited partners[1]	0.0	–1.0
Borrowing costs capitalised in accordance with IAS 23	–3.2	–3.1
Other interest and similar expenses	6.0	5.8
Interest expenses	127.4	110.4

[1] In the 2019 reporting period, VERBUND acquired interests in the ten wind farms in the Hunsrück area of Rhineland-Palatinate previously held by the other limited partners. This reduced the capital shares attributable to limited partners presented under non-current financial liabilities.

3.2.14 Other financial result

Other financial result

€m	2018	2019
Measurement of an obligation to return an interest	7.8	–55.6
Income from securities and loans	2.4	44.1
Measurement of derivatives in the finance area	1.0	0.8
Foreign exchange gains	0.2	0.2
Change in expected credit losses	0.2	0.0
Foreign exchange losses	–0.1	–0.2
Expenses arising from financial instruments	0.0	–1.4
Change in expected credit losses	–6.3	–27.0
Other	2.6	0.0
Other financial result	7.8	–39.1

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

3.2.15 Impairment losses and reversals of impairment losses

The impairment losses in the financial result in the previous year related primarily to the interest in Ashta Beteiligungsverwaltung GmbH accounted for using the equity method. The updated electricity price forecasts and the discount rate adjusted as of 31 December 2019 were reasons to conduct impairment testing in the 2019 reporting period. As a result of this testing, the impairment losses on Ashta Beteiligungsverwaltung GmbH were reversed.

3.2.16 Taxes on income

The corporate income tax rate applying to VERBUND AG is 25.0%. The following income tax rates are applied by consolidated subsidiaries (depending on the country in which they are located):

Income tax rates applicable to subsidiaries — in %

	2018	2019
Austria	25.0	25.0
Germany – partnerships[1]	12.37 – 12.95	12.37 – 12.95
Germany – limited companies[2]	24.23 – 32.98	24.23 – 32.98
Romania	16.0	16.0

[1] The trade tax depends on the local multiplier, which varies from one municipality to another. // [2] The corporate income tax rate shown also includes the solidarity surcharge and municipal trade tax.

Beginning with the 2005 reporting period, VERBUND took advantage of the option to form a group of companies for tax purposes as granted by the legislature; VERBUND AG is the tax group parent. The tax benefit resulting from the amortisation of goodwill (Section 9(7) of the 1988 Corporate Income Tax Act (Körperschaftsteuergesetz, KStG)) is treated as a temporary difference for shares in subsidiaries (outside basis difference).

Taxes on income — €m

	2018	2019
Current tax expenses[1]	22.2	101.0
Future tax expense for subsequent taxation of transfers of losses from foreign members of the tax group	12.8	6.4
Deferred income tax expenses	91.7	64.4
Taxes on income	126.8	171.8

[1] Current tax expenses include adjustments from prior periods of €5.9m (previous year: €9.5m).

The reasons for the difference between VERBUND's computed and recognised tax expense are as follows:

Tax reconciliation

€m	2018	2019
Computed income tax expense (25.0%)	150.7	203.1
Differing tax rates	–2.4	–2.8
Amortisation of goodwill for tax purposes	–2.9	–2.9
Impairment testing of equity-accounted and other interests	0.5	–4.1
Deferred taxes not yet taken into account	–12.7	–4.5
Tax-exempt investment income	–5.9	–5.3
Net income not taxed due to a lack of realisability	–1.4	–6.1
Interests accounted for using the equity method	–3.6	–6.6
Differences from other line items (each <€2m)	1.6	2.1
Income tax expenses for the period	124.0	**173.0**
Income tax expenses or income from prior periods (current and deferred)	2.7	–1.2
Recognised income tax expenses	126.8	**171.8**
Effective tax rate	21.0%	21.1%

3.2.17 Earnings per share

Determination of earnings per share

€m	2018	2019
Profit for the period	476.2	640.7
Profit for the period attributable to non-controlling interests	–43.1	–85.9
Group result	433.2	**554.8**
Weighted average number of shares in circulation	347,415,686	347,415,686
Earnings per share in €[1]	1.25	**1.60**

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

3.3 Notes to the statement of comprehensive income

3.3.1 Reclassification adjustments to the income statement

Reclassification adjustments to the income statement

€m	2018	2019
Measurement gains or losses recognised in equity	–0.2	–4.0
Differences from currency translation	–0.2	**–4.0**
Measurement gains or losses recognised in equity	–207.3	106.4
Reclassification adjustment to the income statement	179.5	264.4
Measurements of cash flow hedges	–27.9	**370.8**
Measurement gains or losses recognised in equity	0.2	–0.4
Other comprehensive income from interests accounted for using the equity method	0.2	**–0.4**
Other comprehensive income	–28.0	**366.4**

3.3.2 Taxes on income on other comprehensive income

Taxes on income on other comprehensive income €m

	2018 Before taxes	2018 Taxes	2018 After taxes	**2019 Before taxes**	**2019 Taxes**	**2019 After taxes**
Remeasurements of the net defined benefit liability	–25.5	6.3	–19.1	–134.0	34.4	–99.6
Measurements of financial instruments	–6.1	1.5	–4.6	5.9	–1.5	4.4
Other comprehensive income from interests accounted for using the equity method	–3.8	–	–3.8	–13.6	–	–13.6
Total of items that will not be reclassified subsequently to the income statement	–35.4	7.9	–27.5	**–141.7**	**33.0**	**–108.7**
Differences from currency translation	–0.2	–	–0.2	–4.0	–	–4.0
Measurements of cash flow hedges	–27.9	7.0	–20.9	370.8	–92.7	278.1
Other comprehensive income from interests accounted for using the equity method	0.2	–	0.2	–0.4	–	–0.4
Total of items that will be reclassified subsequently to the income statement	–28.0	7.0	–21.0	**366.4**	**–92.7**	**273.7**
Other comprehensive income	–63.3	14.8	–48.5	**224.8**	**–59.7**	**165.0**

3.4 Notes to the cash flow statement

The indirect method has been used to prepare VERBUND's cash flow statement. The composition of cash and cash equivalents can be seen in section 6 Working capital.

Outstanding items with respect to current liabilities arose in connection with additions to intangible assets and property, plant and equipment in the amount of €105.2m (previous year: €48.2m).

3.4.1 Additional information on cash flow from financing activities

Additional information on cash flow from financing activities €m

	2018	**2019**
Dividends paid to the shareholders of VERBUND AG	–145.9	–145.9
Dividends paid to non-controlling interests	–32.2	–32.2

4. Non-current assets

4.1 Intangible assets

Goodwill

Goodwill is not to be systematically amortised; instead, it is to be tested for impairment at least once per year in accordance with IAS 36 (see section 4.4.1 Impairment testing of goodwill). In addition, a quality-oriented analysis of whether there is any indication of impairment is conducted on the reporting date for all consolidated interim financial statements.

Other intangible assets

Purchased intangible assets are measured in accordance with IAS 38 at cost, less straight-line amortisation and any impairment losses if their useful life is not classified as indefinite. The useful lives are mainly between 10 and 20 years. Software is amortised over four years.

Research and development costs

VERBUND's research and development costs in the 2019 reporting period amounted to €17.5m (previous year: €10.5m). Research costs are recognised in profit or loss in the reporting period in which they are incurred. Development costs, which do not meet the corresponding recognition criteria set forth in IAS 38, are likewise recognised in profit or loss in the reporting period in which they are incurred.

Emission rights

Emission rights are accounted for in accordance with the accounting policies set forth in IAS 38, IAS 20 and IAS 37 at fair value (certificates allotted without exchange of consideration) or at cost (purchased certificates). For emission rights allotted without exchange of consideration, an item of deferred income is recognised in the amount of their fair value for the grant received that is then reversed to profit or loss under fuel expenses when the emission rights are used, amortised or sold. The obligation to return is taken into account by means of an other liability. If cover is insufficient, VERBUND recognises an additional provision in the amount of the fair value of the missing emission rights.

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

4.1.1 Intangible assets

Intangible assets €m

	Concessions, rights, licences	Goodwill	Total
2019			
Cost as at 1/1	148.8	766.8	915.6
Foreign exchange differences	0.0	0.0	0.0
Additions	15.8	0.0	15.8
Disposals	–1.5	0.0	–1.5
Reclassifications	–0.6	0.0	–0.6
Cost as at 31/12	**162.5**	**766.8**	**929.3**
Accumulated amortisation as at 1/1	92.2	179.1	271.3
Foreign exchange differences	0.0	0.0	0.0
Depreciation	7.5	0.0	7.5
Impairment losses	0.0	0.0	0.0
Reversals of impairment losses	–0.3	0.0	–0.3
Disposals	–1.4	0.0	–1.4
Reclassifications	0.0	0.0	0.0
Accumulated amortisation as at 31/12	**98.1**	**179.1**	**277.2**
Net carrying amount as at 31/12	**64.4**	**587.7**	**652.1**
Net carrying amount as at 1/1	56.6	587.7	644.3

Intangible assets €m

	Concessions, rights, licences	Goodwill	Total
2018			
Cost as at 1/1	170.8	766.8	937.6
Foreign exchange differences	0.0	0.0	0.0
Additions	18.8	0.0	18.8
Disposals	–39.7	0.0	–39.7
Reclassifications	–1.0	0.0	–1.0
Cost as at 31/12	**148.8**	**766.8**	**915.6**
Accumulated amortisation as at 1/1	82.9	179.1	262.0
Foreign exchange differences	0.0	0.0	0.0
Depreciation	7.0	0.0	7.0
Impairment losses	4.3	0.0	4.3
Reversals of impairment losses	–0.3	0.0	–0.3
Disposals	–1.7	0.0	–1.7
Accumulated amortisation as at 31/12	**92.2**	**179.1**	**271.3**
Net carrying amount as at 31/12	**56.6**	**587.7**	**644.3**
Net carrying amount as at 1/1	87.9	587.7	675.6

4.2 Property, plant and equipment

Property, plant and equipment is measured at cost (including decommissioning and dismantling costs required to be capitalised) less straight-line depreciation and any impairment losses. In addition to direct material and production costs, the cost of internally generated plant and equipment also includes appropriate indirect material and production costs. Borrowing costs are capitalised for qualifying assets. VERBUND's average monthly borrowing costs in the 2019 reporting period were around 3.3% (previous year: around 3.7%).

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

Useful life	In years
Residential, office, plant and other plant facilities	10–50
Hydroplant buildings	20–100
Machinery	10–80
Electrical installations	5–50
Power lines	50
Office and plant equipment	4–10

The expected useful life of hydropower plants is determined independently from the terms of water rights permits because it is presumed that these permits will be reissued when they expire. Based on experience, this also applies for those Bavarian run-of-river power plants with existing reversion rights for the benefit of the Free State of Bavaria. The expected useful life of the Jochenstein power plant on the Danube was also determined independent of the existing obligation to return the power plant in 2050 (see section 8.2 Non-current other liabilities), since it is expected that VERBUND will also be the owner and operator of the Jochenstein power plant on the Danube even after the year 2050.

In accordance with IAS 36, the recoverability of property, plant and equipment is tested when indicators of impairment are identified (see section 4.4 Impairment of non-financial assets).

4.2.1 Property, plant and equipment

Property, plant and equipment €m

	Land and buildings	Machinery	Electrical installations	Power lines	Office and plant equipment	Plants under construction and projects	Total
2019							
Cost as at 1/1	7,715.8	4,531.6	3,679.6	1,398.4	184.8	343.5	17,853.4
Foreign exchange differences	−1.5	−6.3	−0.4	0.0	−0.1	0.0	−8.2
Additions	11.3	12.1	45.5	1.7	14.0	354.3	438.9
Disposals	−22.8	−16.0	−143.4	−1.6	−10.4	−1.9	−196.2
Reclassifications	−23.7	45.0	32.8	0.1	3.3	−56.9	0.6
Cost as at 31/12	**7,678.9**	**4,566.4**	**3,614.2**	**1,398.6**	**191.6**	**639.0**	**18,088.5**
Accumulated depreciation as at 1/1	3,140.3	2,569.8	2,276.3	771.7	136.6	1.7	8,896.3
Foreign exchange differences	−0.3	−4.7	−0.1	0.0	−0.1	0.0	−5.2
Depreciation	90.7	83.4	107.7	27.3	13.0	0.0	322.1
Impairment losses	0.2	0.0	0.0	0.0	0.0	1.0	1.3
Reversals of impairment losses	−19.4	−27.0	−3.3	0.0	0.0	−0.1	−50.0
Disposals	−22.3	−12.7	−138.5	−1.5	−10.2	−1.6	−186.8
Reclassifications	0.0	0.0	0.0	0.0	0.0	−0.1	0.0
Accumulated depreciation as at 31/12	**3,189.2**	**2,608.8**	**2,242.0**	**797.5**	**139.3**	**0.9**	**8,977.7**
Net carrying amount as at 31/12	**4,489.7**	**1,957.6**	**1,372.1**	**601.0**	**52.3**	**638.0**	**9,110.8**
Net carrying amount as at 1/1	4,575.4	1,961.8	1,403.3	626.6	48.2	341.8	8,957.1

Property, plant and equipment

€m

	Land and buildings	Machin-ery	Electrical instal-lations	Power lines	Office and plant equip-ment	Plants under construc-tion and projects	Total
2018							
Cost as at 1/1	7,791.4	4,601.4	3,699.8	1,355.9	183.9	290.4	17,922.5
Foreign exchange differences	–0.1	–0.3	0.0	0.0	0.0	0.0	–0.4
Additions	14.6	13.6	55.8	26.4	11.6	170.4	292.5
Disposals	–122.0	–92.4	–135.9	–0.2	–11.8	0.0	–362.3
Reclassifications	31.9	9.2	59.9	16.2	1.0	–117.2	1.0
Cost as at 31/12	**7,715.8**	**4,531.6**	**3,679.6**	**1,398.4**	**184.8**	**343.5**	**17,853.4**
Accumulated depreciation as at 1/1	3,216.7	2,627.8	2,317.7	745.3	135.8	8.0	9,051.2
Foreign exchange differences	0.0	–0.2	0.0	0.0	0.0	0.0	–0.2
Depreciation	89.9	84.6	107.0	26.6	12.3	0.0	320.4
Impairment losses	4.4	0.5	0.6	0.0	0.0	0.0	5.6
Reversals of impairment losses	–60.8	–52.7	–14.9	–0.1	0.0	0.0	–128.5
Disposals	–115.4	–90.6	–134.5	–0.1	–11.6	0.0	–352.1
Reclassifications	5.4	0.5	0.4	0.0	0.0	–6.3	0.0
Accumulated depreciation as at 31/12	**3,140.3**	**2,569.8**	**2,276.3**	**771.7**	**136.6**	**1.7**	**8,896.3**
Net carrying amount as at 31/12	**4,575.4**	**1,961.8**	**1,403.3**	**626.6**	**48.2**	**341.8**	**8,957.1**
Net carrying amount as at 1/1	4,574.6	1,973.6	1,382.0	610.6	48.1	282.4	8,871.3

Additions

€m

	2018	**2019**
New Töging power plant	6.0	**56.9**
380-kV-Salzburg line	7.3	**48.0**
General overhaul of 220-kV St. Peter–Ernsthofen line	41.8	**45.5**
General overhaul of substations	43.4	**34.8**
Weinviertel grid area	3.7	**29.7**
Mayrhofen power plant: Impeller modernisation, Lower Tuxbach diversion	21.4	**20.8**
Automation of hydropower plants	11.8	**18.8**
Malta power plant: increase in efficiency	1.5	**12.9**
Other additions (< €10.0m)	155.6	171.5
Total additions to property, plant and equipment	292.5	438.9

Government grants

Government investment grants do not reduce the cost of assets for which they were granted, but instead lead to the recognition of an item of deferred income in the amount of their fair value. Amounts recognised as deferred income are reversed to profit or loss over the expected useful life of the respective asset.

Contributions to building costs

Contributions to building costs that are provided in particular by provincial energy companies entitled to purchase electricity, for example for power plant projects, lead to the recognition of a liability. With the payment of the contribution to building costs, the entities entitled to purchase electricity receive the opportunity to purchase a volume of electricity equal to their share in exchange for reimbursement of the production costs. The liability is therefore reversed to profit or loss under revenue either over the contractual term or (for lack of such) over the useful life of the plant. The amount reversed to revenue amounted to €25.0m (previous year: €20.7m) in the reporting period.

4.2.2 Contributions to building costs and grants

Contributions to building costs and grants €m

	2018	**2019**
Contributions to building costs	709.3	711.4
Government grants	37.6	42.8
Contributions to building costs and grants	746.9	**754.1**

4.3 Leases

VERBUND's leases include mainly arrangements regarding the provision of power plants, buildings, land, lines and vehicles.

Initial recognition of leases

At the inception of a contract, VERBUND assesses whether the contract is or contains a lease. If it is a lease, a right-of-use asset is capitalised at the commencement date and a lease liability is recognised. The amount of the right-of-use asset when the contract is first recognised corresponds to the amount of the lease liability, adjusted inter alia for any direct costs on the part of the lessee, advance payments, lease incentives or dismantling obligations. The carrying amount of the lease liability is derived by discounting the lease payments expected during the term of the lease, expected payments from residual value guarantees, exercise prices for purchase options (if it is reasonably likely that the option will be exercised) and the payment of any penalties for the early termination of the contract (if it is likely that the lease will be terminated early). The carrying amount is discounted at the interest rate implicit in the lease if that rate can be readily determined. Otherwise, the carrying amount is discounted based on VERBUND's incremental borrowing rate.

Determination of the term of leases

Determining the term of a lease when a clear fixed term has not been agreed in advance can be fraught with measurement uncertainties. All facts and circumstances that represent an economic incentive for the exercise of a renewal option and/or the non-exercise of a termination option are taken into account when determining the term. For land leases in particular, contracts are frequently concluded for as long as the leased power plant or line is expected to continue to function at its present level or in the form of an indefinite lease. In these cases, the presumed duration of the lease is oriented on the expected useful life of the power plant or line.

Subsequent measurement of leases

The right-of-use asset is depreciated systematically based on the shorter period of the useful life of the asset or the remaining term of the lease. The lease liability is marked up for accruing interest and reduced by lease payments.

Right-of-use assets €m

	Land and buildings	Electrical installations	Power lines	Office and plant equipment	Total
As at 1/1	0.0	0.0	0.0	0.0	0.0
Additions from initial application	144.5	8.5	0.0	2.7	155.7
Additions	5.7	0.1	6.3	1.6	13.7
Depreciation	–33.0	–0.5	0.0	–1.1	–34.6
Disposals	–1.3	0.0	0.0	–0.1	–1.4
As at 31/12/2019	115.9	8.1	6.3	3.1	133.4

Amounts from leases recognised in profit or loss €m

	Total
Expense from unwinding of the discount of lease liability	1.0
Variable lease payments that were not recognised in the lease liability	0.5
Expenses from underlying assets of low value	0.1

Variable payments that are not factored into the measurement of the lease liability in accordance with IFRS 16 relate in particular to lease contracts for wind farms in Austria. Such payments are expected in subsequent years in a similar volume as in the reporting period.

Expected cash outflows as at 31/12/2019 €m

Maturity	2020	2021	2022–2024	from 2025
Lease liabilities	47.7	22.8	15.1	73.9
Cash outflows on liabilities in accordance with IFRS 7	47.7	22.8	15.1	73.9

4.4 Recoverability of non-financial assets

Recoverability of intangible assets and property, plant and equipment

Under IAS 36, the carrying amounts, in particular, of intangible assets and property, plant and equipment are tested for impairment if there are indications thereof. An impairment test is to be conducted at least once per year for goodwill, intangible assets with an indefinite useful life and intangible assets that are not yet available for use (see section 4.1 Intangible assets).

Determination of the discount rate

The discount rate is an after-tax interest rate that reflects current market estimates, the time value of money and the specific risks associated with the asset (or cash-generating unit); the corresponding pre-tax interest rate is determined iteratively.

The weighted average capital costs (WACC) are applied to determine recoverable amounts using net present value methods. The weighting of the return on equity and the cost of debt was derived from an adequate peer group. The return on equity is determined from a reference rate, market risk premium and beta factor using the capital asset pricing model (CAPM). The cost of debt before tax corresponds to the return on debt instruments traded on the market with an equivalent risk of default and matching maturities. Corresponding premiums are taken into account in order to adequately depict country risks. In view of the volatile financial market environment, the development of capital costs (and in particular country risk premiums) is under continuous observation.

Determination of fair value

Fair values are to be determined primarily based on market prices and can, for example, be based on existing binding offers, secondary price formation on active markets or comparable recent transactions within the industry according to the measurement hierarchy in IFRS 13. If fair value cannot be determined based on market prices, valuation techniques based on a net present value approach (discounted cash flow method) are used. Future investments to enhance or improve performance and restructuring expenditures are taken into account when determining fair value. Price listings for energy futures are used in pricing as long as there is a liquid market. Accordingly, the most recent price listings are applied to the average price forecasts of two reputable information service providers in the energy market by means of linear interpolation.

The excess financial return expected in the period after the end of the applicability of the price forecasts in the energy market (= terminal value phase) is taken into account by way of terminal value calculation, whereby the calculation is based on an assumption that the excess financial return will grow at a rate of 2%.

Determination of value in use

As a rule, value in use is determined using net present value methods (discounted cash flow method). Prices are determined using price listings for energy futures and the VERBUND Energy Market Model (VEMM). The VEMM is an energy simulation tool for the development of medium- and long-term electricity and natural gas price scenarios for energy markets. Cash flows are generally derived from the recent medium-term plans approved by management.

The excess financial return expected in the period after the end of the applicability of the price forecasts in the VEMM (= terminal value phase) is taken into account by way of terminal value calculation, whereby the calculation is based on an assumption that the excess financial return will grow at a rate of 2%.

Recognition of impairment losses and reversals of impairment losses

If the reasons for impairment no longer apply in a subsequent period, a reversal is to be recognised in profit or loss. Both impairment losses as well as reversals of impairment losses are recognised in profit or loss, presented in the income statement and segment reporting as impairment losses and/or reversals of impairment losses and explained in the notes.

4.4.1 Impairment testing of goodwill

For the purpose of impairment testing, VERBUND's goodwill was allocated to the following cash-generating units or groups of cash-generating units:

Goodwill €m

	2018	**2019**
Renewable generation segment	287.0	287.0
Sales segment	13.0	13.0
Inn River run-of-river power plant group	126.6	126.6
Grenzkraftwerke run-of-river power plant group	161.1	161.1
Goodwill	587.7	**587.7**

Impairment testing of goodwill for the Renewable generation segment

	31/12/2018	31/12/2019
Group of cash generating units	All hydraulic and wind energy power plants of VERBUND plus goodwill and deferred tax accruals	All hydraulic and wind energy power plants of VERBUND plus goodwill and deferred tax accruals
Basis for recoverable amount	Value in use	Fair value (Level 3) less costs of disposal
Valuation technique	Sum-of-the-parts measurement based on a net present value approach (DCF method)	Sum-of-the-parts measurement based on a net present value approach (DCF method)
Derivation of cash flow	Budgets of VERBUND (based primarily on near-market data)	Budgets of VERBUND (based primarily on near-market data)
Volume	Average expected generation of the respective power plants	Average expected generation of the respective power plants
Price	Internal price forecasts and power plant-specific premiums or discounts (for example, the sale of guarantees of origin)	External price forecasts and power plant-specific premiums or discounts (for example, the sale of guarantees of origin)
Planning period	Detailed planning phase: up to a maximum of 6 years depending on the specific power plant; rough planning phase: up to a maximum of 24 years depending on the specific power plant; subsequent terminal value phase following rough planning phase depending on the specific power plant	Detailed planning phase: up to a maximum of 6 years depending on the specific power plant; rough planning phase: up to a maximum of 25 years depending on the specific power plant; subsequent terminal value phase following rough planning phase depending on the specific power plant
Key measurement assumptions	Electricity price, discount rate	Electricity price, discount rate
After tax discount rate	WACC: 4.75% to 11.50% depending on the location[1]	WACC: 3.75% to 11.00% depending on the location
Impairment during the period[2]	–	–

[1] The implicit input tax interest rate determined in the same period of 2018 through a process of iteration amounted to 5.67% – 10.44% // [2] Management believes that potential changes in the key measurement assumptions will not cause the carrying amount of the Renewable generation segment's assets including goodwill to exceed the recoverable amount.

Impairment testing of goodwill for the Sales segment

	31/12/2018	**31/12/2019**
Group of cash generating units	All of VERBUND's sales activities plus goodwill	All of VERBUND's sales activities plus goodwill
Basis for recoverable amount	Value in use	Value in use
Valuation technique	Sum-of-the-parts measurement based on a net present value approach (DCF method)	Sum-of-the-parts measurement based on a net present value approach (DCF method)
Derivation of cash flow	Budgets of VERBUND (based primarily on near-market data)	Budgets of VERBUND (based primarily on near-market data)
Volume	Expected trading and distribution volumes	Expected trading and distribution volumes
Price	Expected trading and distribution margins	Expected trading and distribution margins
Planning period	Detailed planning phase of 6 years followed by a terminal value phase	Detailed planning phase of 6 years followed by a terminal value phase
Key measurement assumptions	Expected trading and distribution volumes as well as trading and sales margins	Expected trading and distribution volumes as well as trading and sales margins
After tax discount rate	WACC after taxes: 5.00%[1]	WACC after taxes: 4.00%[1]
Impairment loss during the period[2]	–	–

[1] The implicit input tax interest rate determined through a process of iteration amounted to 5.22% (previous year: 7.28%) // [2] Management believes that potential changes in the key measurement assumptions will not cause the carrying amount of the Renewable generation segment's assets including goodwill to exceed the recoverable amount.

Impairment testing of goodwill for the Inn River run-of-river power plant group

	31/12/2018	**31/12/2019**
Group of cash generating units	Run-of-river power plants of the Inn River power plant group[1] that also each represent a cash-generating unit, plus goodwill and deferred tax accruals	Run-of-river power plants of the Inn River power plant group[1] that also each represent a cash-generating unit, plus goodwill and deferred tax accruals
Basis for recoverable amount	Value in use	Fair value (Level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	VERBUND Innkraftwerke GmbH budgets (based mainly on near-market data)	VERBUND Innkraftwerke GmbH budgets (based mainly on near-market data)
Volume	Annual output corresponding to the mean energy capability of 1,856 or 1,975 GWh (after conclusion of the Töging modernisation project)	Annual output corresponding to the mean energy capability of 1,856 or 1,975 GWh (after conclusion of the Töging modernisation project)
Price	Internal price forecasts; discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin (derived from quoted price); consideration of the water charges based on official notices; estimate of the maintenance costs by the managers responsible	External price forecasts; discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin (derived from quoted prices); consideration of the water charges based on official notices; estimate of the maintenance costs by the managers responsible
Planning period	Detailed planning phase: 6 years; rough planning phase: 16 years followed by a terminal value phase	Detailed planning phase: 6 years; rough planning phase: 25 years followed by a terminal value phase
Key measurement assumptions	Electricity price, discount rate	Electricity price, discount rate
After tax discount rate	WACC after taxes: 4.75%[2]	WACC after taxes: 3.75%
Impairment losses in the period[3]	–	–

[1] The run-of-river power plant group on the Inn River comprises the following run-of-river power plants: Aubach, Feldkirchen, Gars, Jettenbach I, Jettenbach II, Neuötting, Perach, Rosenheim, Stammham, Teufelsbruck, Töging and Wasserburg. // [2] In the same period of 2018, the implicit input tax interest rate determined through a process of iteration amounted to 5.67% – 10.44% // [3] Management believes that potential changes in the key measurement assumptions will not cause the carrying amount of the Inn River power plant group's assets including goodwill to exceed the recoverable amount.

Impairment testing of goodwill for the Grenzkraftwerke run-of-river power plant group[1]

	31/12/2018	**31/12/2019**
Group of cash generating units	Power plants of the Grenzkraftwerke run-of-river power plant group[2] that each represent a cash-generating unit plus goodwill and deferred tax accruals	Power plants of the Grenzkraftwerke run-of-river power plant group[2] that each represent a cash-generating unit plus goodwill and deferred tax accruals
Basis for recoverable amount	Value in use	Fair value (Level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	Grenzkraftwerke GmbH's budgets (based primarily on near-market data)	Grenzkraftwerke GmbH's budgets (based primarily on near-market data)
Volume	The annual output corresponding to the mean energy capability of 3,957 GWh	The annual output corresponding to the mean energy capability of 3,957 GWh
Price	Internal price forecasts; discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin (derived from quoted price); consideration of the water charges based on official notices (GER); estimate of the maintenance costs by the managers responsible	External price forecasts; discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin (derived from quoted prices); consideration of the water charges based on official notices (GER); estimate of the maintenance costs by the managers responsible
Planning period	Detailed planning phase: 6 years; rough planning phase: 16 years followed by a terminal value phase	Detailed planning phase: 6 years; rough planning phase: 25 years followed by a terminal value phase
Key measurement assumptions	Electricity price, discount rate	Electricity price, discount rate
After tax discount rate	Austria: WACC: 5.00% Germany: WACC: 4.75%[3]	Austria: WACC: 4.00% Germany: WACC: 3.75%
Impairment losses in the period[4]	–	–

[1] The following notes relate to the second step of the two-step impairment test of the Grenzkraftwerke run-of-river power plant group. The recoverability of the individual run-of-river power plants was tested in the first step. // [2] The Grenzkraftwerke run-of-river power plant group comprises the following power plants: Braunau-Simbach, Egglfing-Obernberg, Ering-Frauenstein, Jochenstein, Nußdorf, Oberaudorf-Ebbs, Passau-Ingling and Schärding-Neuhaus. // [3] In the same period of 2018, the implicit input tax interest rate determined through a process of iteration amounted to 5.67% – 5.71% // [4] Management believes that potential changes in the key measurement assumptions will not cause the carrying amount of the Grenzkraftwerke power plant group (less deferred tax liabilities) plus goodwill to exceed the recoverable amount.

4.4.2 Impairment testing of power plants

Impairment test – Romanian wind farm

	31.12.2018	**31.12.2019**
Cash-generating unit	Wind farm on the Romanian Black Sea coast (installed capacity: 226 MW)	Wind farm on the Romanian Black Sea coast (installed capacity: 226 MW)
Indications of impairment	Updated electricity price forecasts and estimate of output as well as revised estimate with respect to the sales potential of Romanian green electricity certificates	Updated electricity price forecasts and estimate of output as well as revised estimate with respect to the sales potential of Romanian green electricity certificates
Basis for recoverable amount	Value in use	Value in use
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	VERBUND Wind Power Romania SRL's budgets (based primarily on near-market data)	VERBUND Wind Power Romania SRL's budgets (based primarily on near-market data)
Volume	Annually expected electricity generation volumes of 477 GWh and/or expected sales opportunities for Romanian green electricity certificates	Annually expected electricity generation volumes of 477 GWh and/or expected sales opportunities for Romanian green electricity certificates
Price	Internal price forecasts; estimates of maintenance costs based on existing maintenance agreements	Internal price forecasts; estimates of maintenance costs based on existing maintenance agreements
Planning period	Detailed planning phase: 6 years Rough planning phase: 14 years	Detailed planning phase: 6 years Rough planning phase: 13 years
Key measurement assumptions	Electricity price, sales opportunities for green electricity certificates, discount rate	Electricity price, sales opportunities for green electricity certificates, discount rate
After tax discount rate	WACC: 9.50%	WACC: 8.75%[1]
Recoverable amount	€129.4m	€145.8m
Reversal of impairment losses in the period	€26.5m	€28.6m

[1]The implicit input tax interest rate determined through a process of iteration amounted to 9.78% (previous year: 10.44%)

Sensitivity analysis for the Romanian wind farm 31/12/2019[1]

	Value assigned to the key measurement assumption	Change in key measurement assumption	Effects on the carrying amounts of assets
Price of electricity[2]	€59.2 per MWh	± 5%	€+8.9m €–8.9m
Revenue from selling Romanian green electricity certificates[3]	€6.7m	± 5%	€+2.0m €–2.0m
After tax discount rate	8.75%	± 0.25 PP	€+2.2m €–2.2m

[1] In the sensitivity analysis, one key measurement assumption was changed at a time while the other inputs were held constant. In reality, however, changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // [2] The electricity price shown relates to the year 2030. The sensitivity analysis varies the price of electricity steadily over time up to the planning horizon. // [3] The stated revenues from the sale of Romanian green electricity certificates relate to the average over the course of the entire planning period.

Sensitivity analysis for the Romanian wind farm 31/12/2018[1]

	Value assigned to the key measurement assumption	Change in key measurement assumption	Effects on the carrying amounts of assets
Price of electricity[2]	€61.9/MWh	± 5%	€+ 8.2m €–8.2m
Revenue from selling Romanian green electricity certificates[3]	€5.7m	± 5%	€+ 1.2m €– 1.2m
After tax discount rate	9.50%	± 0.25 PP	€+ 2.3m €–2.4m

[1] In the sensitivity analysis, one key measurement assumption was changed at a time while the other inputs were held constant. In reality, however, changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // [2] The electricity price shown relates to the year 2030. The sensitivity analysis varies the price of electricity steadily over time up to the planning horizon. // [3] The stated revenues from the sale of Romanian green electricity certificates relate to the average over the course of the entire planning period.

Neither impairment losses nor reversals thereof had to be recognised for the Mellach combined cycle gas turbine power plant in the 2019 reporting period as well as in the previous year. The following sensitivity analysis shows the effects of a change in key assumptions concerning the future on the carrying amount (31 December 2019: €105.6m) of the cash-generating unit of the Mellach combined cycle gas turbine power plant:

Sensitivity analysis for the Mellach combined cycle gas turbine power plant 31/12/2019[1]

	Value assigned to the key measurement assumption	Change in key measurement assumption	Effects on the carrying amounts of assets
Clean spark spread[2]	€41.7/MWh	± 5%	€+ 6.4m €–6.4m
After tax discount rate	4.00%	± 0.25 PP	€– 1.5m €+ 1.5m
Temporarily expected revenue from the grid reserve, congestion management and redispatch	–[3]	± 10%	€+ 22.4m €– 22.4m

[1] In the sensitivity analysis, one key measurement assumption was changed at a time while the other inputs were held constant. In reality, however, changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // [2] The indicated clean spark spread relates to the average for the years 2025–2030. The sensitivity analysis varies the clean spark spread steadily over time up to the planning horizon. // [3] A statement of the value assigned to the temporarily expected revenue from grid reserve, congestion management and redispatch is omitted because such a statement could harm VERBUND's position in the tendering process.

Sensitivity analysis for the Mellach combined cycle gas turbine power plant 31/12/2018[1]

	Value assigned to the key measurement assumption	Change in key measurement assumption	Effects on the carrying amounts of assets
Clean spark spread[2]	€48.4/MWh	± 5%	€+ 6.7m €– 6.7m
After tax discount rate	5.00%	± 0.25 PP	€– 1.8m €+ 1.8m
Temporarily expected revenue from the grid reserve, congestion management and redispatch	–[3]	± 10%	€+ 22.6m €– 23.8m

[1] In the sensitivity analysis, one key measurement assumption was changed at a time while the other inputs were held constant. In reality, however, changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects.// [2] The indicated clean spark spread relates to the average for the years 2025–2030. The sensitivity analysis varies the clean spark spread steadily over time up to the planning horizon.// [3] A statement of the value assigned to the temporarily expected revenue from grid reserve, congestion management and redispatch is omitted because such a statement could harm VERBUND's position in the tendering process.

4.5 Interests accounted for using the equity method

The carrying amounts of interests accounted for using the equity method are adjusted to reflect changes in the investee's net assets in accordance with IAS 28 no later than one quarter following the underlying changes. If VERBUND's share of losses from an interest accounted for using the equity method corresponds to or exceeds the carrying amount of the equity interest, additional losses are only taken into account and recognised as a liability to the extent that legal or constructive obligations were undertaken or payments were made for the equity-accounted interest. The carrying amount of the equity-accounted interest includes the share calculated based on equity method accounting plus all long-term equity interests that are to be allocated to the net investment in the equity-accounted interest based on their economic substance.

Net investments in associated companies and joint ventures are tested for objective indications of impairment at the reporting date. If there are any such indications, an impairment test must be conducted for interests accounted for using the equity method in accordance with IAS 36.

Interests accounted for using the equity method

4.5.1 Interests accounted for using the equity method

€m	2018	**2019**
Amortised cost as at 1/1	322.7	332.9
Additions	0.0	0.6
Dividends	–14.2	–14.3
Result from equity accounting	28.4	40.8
Other comprehensive income from equity accounting	–3.6	–14.6
Disposals	–0.1	–0.2
Other changes	–0.3	0.0
Amortised cost as at 31/12	332.9	**345.2**
Accumulated value adjustments as at 1/1	–29.4	–31.6
Impairment losses	–2.2	0.0
Reversals of impairment losses	0.0	16.4
Accumulated value adjustments as at 31/12	–31.6	**–15.2**
Net carrying amount as at 31/12	301.3	**330.0**
Net carrying amount as at 1/1	293.3	301.3
Net carrying amount as at 31/12	301.3	330.0
of which interests accounted for using the equity method	323.3	332.2
of which impairment losses on non-current loans	–21.9	–2.0

The carrying amount of the equity interest in Ashta Beteiligungsverwaltung GmbH was reduced to zero in 2013 by the recognition of negative results from interests accounted for using the equity method and impairment losses. However, VERBUND still holds non-current loans to Ashta Beteiligungsverwaltung GmbH, which in their economic substance represent an increase of the net investment in Ashta Beteiligungsverwaltung GmbH. The (residual) carrying amount of these loans increased by €3.5m (previous year: negative result of €0.1m) in the 2019 reporting period due to the positive result obtained from using equity method accounting and by €16.4m as a result of the recognised reversal of impairment (previous year: impairment loss of €2.2m). A summary of aggregated financial information for the equity-accounted joint ventures and associates is presented in section 13.4 Subsidiaries, joint ventures and associates of VERBUND.

4.6 Other equity interests

Equity interests in unconsolidated (for lack of materiality) subsidiaries, associates and joint ventures not accounted for using the equity method and other equity interests are accounted for in accordance with IFRS 9. If these equity interests are held for the long term due to strategic considerations, they are classified as "measured at fair value through other comprehensive income" (FVOCI). Otherwise they are classified as "measured at fair value through profit or loss" (FVPL). The fair value of the equity interests is derived, depending on the situation, from market quotations, comparable recent transactions, valuations based on the discounted cash flow or market multiples methods and/or cost.

4.6.1 Other equity interests

Other equity interests €m

	Interests in unconsolidated subsidiaries	Other equity interests	Total
2019			
(Amortised) cost as at 1/1	6.2	132.8	139.0
(Amortised) cost as at 31/12	**6.2**	**132.8**	**139.0**
Accumulated value adjustments as at 1/1	8.0	–16.6	–8.7
Fair value measurement in OCI	–0.3	8.3	7.9
Impairment losses	–0.1	0.0	–0.1
Accumulated value adjustments as at 31/12	**7.5**	**–8.4**	**–0.9**
Net carrying amount as at 31/12	**13.8**	**124.4**	**138.1**
Net carrying amount as at 1/1	14.2	116.1	130.3

Other equity interests €m

	Interests in unconsolidated subsidiaries	Other equity interests	Total
2018			
(Amortised) cost as at 1/1	6.7	132.8	139.5
Disposals	–0.5	0.0	–0.5
(Amortised) cost as at 31/12	**6.2**	**132.8**	**139.0**
Accumulated value adjustments as at 1/1	5.2	–7.1	–2.0
Fair value measurement in OCI	2.5	–9.6	–7.1
Reversals of impairment losses	0.3	0.0	0.3
Accumulated value adjustments as at 31/12	**8.0**	**–16.6**	**–8.7**
Net carrying amount as at 31/12	**14.2**	**116.1**	**130.3**
Net carrying amount as at 1/1	11.9	125.7	137.5

4.7 Investments and non-current other receivables

Investments and loans are classified based on the provisions of IFRS 9. Acquisitions and disposals of investments are recognised at the trade date. The carrying amount of financial assets measured at amortised cost is determined based on the effective interest method in consideration of any impairment losses. The carrying amount of financial assets measured at fair value in the balance sheet is derived based on IFRS 13's fair value hierarchy (see section 5 Financial instruments). The notes regarding the closed items on the balance sheet can be found in section 8.1 Financial liabilities as well as in section 11 Risk management.

4.7.1 Investments and non-current other receivables

Investments and non-current other receivables €m

	2018	**2019**
Investments – closed items on the balance sheet	355.7	365.8
Interest rate swaps – closed items on the balance sheet	78.0	87.1
Other investments and other receivables	214.0	242.7
Total	647.7	**695.6**

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

	Securities (loan stock rights) under closed items on the balance sheet	Other loans under closed items on the balance sheet	Total
2019			
Amortised cost as at 1/1	63.2	292.5	355.7
Foreign exchange differences	0.9	3.0	4.0
Additions	2.5	2.6	5.1
Capitalised interest	0.0	11.2	11.2
Change in expected credit losses	0.0	0.0	0.0
Disposals	–1.4	–6.0	–7.4
Amortised acquisition cost as at 31/12	65.4	303.2	368.6
of which non-current assets	65.4	300.4	365.8
of which current assets	0.0	2.8	2.8

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

	Securities (loan stock rights) under closed items on the balance sheet	Other loans under closed items on the balance sheet	Total
2018			
Amortised cost as at 1/1	59.7	274.9	334.5
Foreign exchange differences	2.5	10.1	12.6
Additions	2.5	2.4	4.9
Capitalised interest	0.0	10.9	10.9
Veränderung erwartete Kreditverluste	−0.1	−0.1	−0.1
Disposals	−1.4	−5.8	−7.2
Amortised acquisition cost as at 31/12	**63.2**	**292.5**	**355.7**

As at 31 December 2019, the securities consisted of medium-term notes with a principal amount of \$70.9m (previous year: \$69.9m) and/or an amortised cost of €65.4m (previous year: €63.2m).

Securities in the amount of €65.4m (previous year: €63.2m) and loans in the amount of €303.3m (previous year: €292.5m) are pledged. The securities and loans all serve banks as collateral for borrowing.

Other investments and non-current other receivables

€m

	Loans to investees	Securities (loan stock rights)	Other loans	Total
2019				
Cost as at 1/1	56.6	145.0	5.2	206.8
Additions	0.0	21.2	0.2	21.3
Disposals	0.0	–2.2	0.0	–2.2
Reclassifications	20.7	0.0	–0.1	20.6
Cost as at 31/12	**77.2**	**163.9**	**5.3**	**246.6**
Accumulated value adjustments as at 1/1	–21.9	–2.8	0.0	–24.6
Impairment losses	0.0	–27.0	0.0	–27.0
Fair value measurement in OCI	0.0	–2.0	0.0	–2.0
Result from interests accounted for using the equity method[1]	3.5	0.0	0.0	3.5
Reversal of Impairments of equity interests accounted for using the equity method[1]	16.4	0.0	0.0	16.4
Disposals	0.0	0.9	0.0	0.9
Accumulated value adjustments as at 31/12	**–2.0**	**–30.8**	**0.0**	**–32.8**
Net carrying amount as at 31/12	**75.2**	**133.1**	**5.3**	**213.7**
Net carrying amount as at 1/1	34.7	142.2	5.2	182.1
Net carrying amount of other non-current receivables as at 31/12[2]				**116.1**
Net carrying amount of other non-current receivables as at 1/1[2]				109.9
Net carrying amount total as at 31/12				**329.8**
Net carrying amount total as at 1/1				292.0

[1] The carrying amount of the equity interest in Ashta Beteiligungsverwaltung GmbH was already reduced to zero in 2013 by the recognition of negative results from interests accounted for using the equity method and impairment losses. VERBUND still holds non-current loans to Ashta Beteiligungsverwaltung GmbH, which in their economic substance represent an increase of the net investment in Ashta Beteiligungsverwaltung GmbH. Negative results and impairment losses reduce the carrying amount of the net investment. In contrast, positive results, reversals of impairment losses and shareholder contributions increase it. // [2] incl. carrying amount of interest rate swaps – closed items on the balance sheet

Other investments and non-current other receivables

€m

	Loans to investees	Securities (loan stock rights)	Other loans	Total
2018				
Cost as at 1/1	77.8	145.0	5.1	228.0
Additions	0.0	0.0	0.1	0.1
Disposals	0.0	0.0	0.0	0.0
Reclassifications	–21.3	0.0	–0.1	–21.3
Cost as at 31/12	**56.6**	**145.0**	**5.2**	**206.8**
Accumulated value adjustments as at 1/1	–19.6	1.9	0.0	–17.6
Change in expected credit losses	0.0	0.0	0.0	0.0
Fair value measurement in OCI	0.0	1.0	0.0	1.0
Result from interests accounted for using the equity method[1]	–0.1	0.0	0.0	–0.1
Impairment losses on interests accounted for using the equity method[1]	–2.2	0.0	0.0	–2.2
Accumulated value adjustments as at 31/12	**–21.9**	**–2.8**	**0.0**	**–24.6**
Net carrying amount as at 31/12	**34.7**	**142.2**	**5.2**	**182.1**
Net carrying amount as at 1/1	58.2	146.9	5.1	210.3
Net carrying amount of other non-current receivables as at 31/12[2]				**109.9**
Net carrying amount of other non-current receivables as at 1/1[2]				119.3
Total net carrying amount as at 31/12				**292.0**
Total net carrying amount as at 1/1				329.6

[1] The carrying amount of the equity interest in Ashta Beteiligungsverwaltung GmbH was already reduced to zero in 2013 by the recognition of negative results from interests accounted for using the equity method and impairment losses. VERBUND still holds non-current loans to Ashta Beteiligungsverwaltung GmbH, which in their economic substance represent an increase of the net investment in Ashta Beteiligungsverwaltung GmbH. Negative results and impairment losses reduce the carrying amount of the net investment. In contrast, positive results, reversals of impairment losses and shareholder contributions increase it. // [2] incl. carrying amount of interest rate swaps – closed items on the balance sheet

Securities in the amount of €133.1m (previous year: €142.2m) primarily include shares of investment funds to cover employee benefit obligations and were classified as “measured at fair value through profit or loss”.

Non-current other receivables contain derivative financial instruments measured at fair value in the amount of €87.1m (previous year: €78.0m) which relate to financial liabilities under closed items on the balance sheet.

5. Financial instruments

5.1 Accounting treatment of financial instruments

Primary financial instruments

For information regarding accounting policies for primary financial instruments see:

- Interests accounted for using the equity method – section 4.5
- Other equity interests – section 4.6
- Investments and non-current other receivables – section 4.7
- Working capital – section 6
- Liabilities – section 8

Derivative financial instruments

Derivative financial instruments are recognised at fair value when the contract is entered into and are subsequently measured at fair value. As a rule, unrealised remeasurement gains or losses are recognised in the income statement if the requirements for recognition of hedging relationships (hedge accounting) in accordance with IFRS 9 are not met (see section 5.2 Accounting treatment of hedging relationships).

Derivative financial instruments with positive fair values are recognised under trade receivables as well as under other receivables and securities, while those with negative fair values are recognised under other financial liabilities or trade payables and other liabilities. If a framework agreement with a netting arrangement has been entered into with a counterparty, the positive and negative fair values of the transactions for this counterparty for the corresponding periods are netted for accounting purposes because the aim is to settle on a net basis.

So-called ‘own-use contracts’ are not accounted for as derivative financial instruments, but instead as executory contracts (own use exemption). If supplier contracts that previously represented own-use contracts lead to a net settlement within the meaning of IFRS 9, they must be qualified as freestanding derivatives and recognised at fair value through profit or loss.

5.1.1 Additional disclosures regarding financial instruments in accordance with IFRS 7

Carrying amounts and fair values by measurement categories 2019

€m

Assets – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
Interests in unconsolidated subsidiaries	FVOCI	2	12.5	12.5
Interests in unconsolidated subsidiaries	FVPL	3	0.5	0.5
Interests in unconsolidated subsidiaries	FVOCI	AC	0.6	0.6
Other equity interests	FVOCI	1	23.9	23.9
Other equity interests	FVOCI	2	93.9	93.9
Other equity interests	FVOCI	AC	6.6	6.6
Other equity interests			**138.1**	
Securities	FVPL	1	125.6	125.6
Securities	FVOCI	3	6.5	6.5
Securities	FVOCI	AC	1.0	1.0
Securities – closed items on the balance sheet	AC	2	65.4	63.5
Other loans – closed items on the balance sheet	AC	2	300.4	329.7
Derivatives in the finance area – closed items on the balance sheet	FVPL	2	87.1	87.1
Loans to investees	AC	2	75.2	76.3
Other loans	AC	2	5.3	5.7
Other	–	–	28.9	–
Other investments and non-current other receivables			**695.4**	
Trade receivables	AC	–	357.8	–
Receivables from investees	AC	–	34.1	–
Loans to investees	AC	2	4.3	4.5
Other loans	AC	2	0.1	0.1
Other loans – closed items on the balance sheet	AC	2	2.8	3.7
Derivatives in the energy area	FVPL	1	0.0	0.0
Derivatives in the energy area	FVPL	2	189.1	189.1
Securities	FVPL	1	0.0	0.0
Money market transactions	AC	2	0.0	0.0
Emission rights	–	–	30.9	–
Other	AC	–	46.3	–
Other	–	–	32.2	–
Trade receivables, other receivables and securities			**697.8**	
Cash and cash equivalents	**AC**	**–**	**44.6**	**–**

Carrying amounts and fair values by measurement categories 2019

€m

Assets – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
Aggregated by measurement categories				
Financial assets measured at amortised cost	AC		936.4	
Financial assets measured at fair value through profit or loss	FVPL		402.4	
Financial assets measured at fair value through other comprehensive income	FVOCI		145.1	

Carrying amounts and fair values by measurement categories 2019

€m

Liabilities – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
Bonds	AC	2	700.7	742.0
Financial liabilities to banks and to others	AC	2	410.9	452.4
Financial liabilities to banks – closed items on the balance sheet	AC	2	118.4	159.6
Financial liabilities to banks – closed items on the balance sheet	FVPL - D	2	337.5	337.5
Capital shares attributable to limited partners	–	–	0.0	–
Non-current and current financial liabilities			**1,567.4**	
Electricity supply commitment	–	–	147.7	–
Obligation to return an interest	AC	3	135.7	263.2
Trade payables	AC	–	1.2	–
Deferred income – cross-border leasing	–	–	16.0	–
Lease liabilities	–	–	87.1	
Other	AC	–	39.4	–
Other non-current liabilities			**427.2**	
Trade payables	AC	–	225.8	–
Derivatives in the energy area	FVPL	2	133.1	133.1
Derivatives in the finance area	FVPL	2	13.8	13.8
Lease liabilities	–	–	46.8	
Other	AC	–	215.3	–
Other	–	–	72.9	–
Trade payables and other liabilities			**707.7**	

Carrying amounts and fair values by measurement categories 2019

€m

Liabilities – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
Aggregated by measurement categories				
Financial liabilities measured at amortised cost	AC		1,847.4	
Financial liabilities measured at fair value through profit or loss	FVPL		146.9	
Financial liabilities measured at fair value through profit or loss – designated	FVPL - D		337.5	

Carrying amounts and fair values by measurement categories 2018

€m

Assets – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
Interests in unconsolidated subsidiaries	FVOCI	2.0	12.9	12.9
Interests in unconsolidated subsidiaries	FVPL	3	0.7	0.7
Interests in unconsolidated subsidiaries	FVOCI	AC	0.6	0.6
Other equity interests	FVOCI	1	22.0	22.0
Other equity interests	FVOCI	2	87.5	87.5
Other equity interests	FVOCI	AC	6.6	6.6
Other equity interests			130.3	
Securities	FVPL	1	132.7	132.7
Securities	FVOCI	3	8.5	8.5
Securities	FVOCI	AC	1.0	1.0
Securities – closed items on the balance sheet	AC	2	63.2	59.7
Other loans – closed items on the balance sheet	AC	2	292.5	313.2
Derivatives in the finance area – closed items on the balance sheet	FVPL	2	78.0	78.0
Loans to investees	AC	2	34.7	36.2
Other loans	AC	2	5.2	5.1
Other	–	–	31.9	–
Other investments and non-current other receivables			647.7	

Carrying amounts and fair values by measurement categories 2018

€m

Assets – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
Trade receivables	AC	–	394.3	–
Receivables from investees	AC	–	29.6	–
Loans to investees	AC	2	21.6	21.8
Other loans	AC	2	0.2	0.2
Other loans – closed items on the balance sheet	AC	2	0.0	0.0
Derivatives in the energy area	FVPL	1	10.1	10.1
Derivatives in the energy area	FVPL	2	283.1	283.1
Derivatives in the finance area	FVPL	2	0.0	0.0
Securities	FVPL	1	69.3	69.3
Money market transactions	AC	2	20.0	20.0
Emission rights	–	–	19.9	–
Other	AC	–	51.9	–
Other	–	–	26.9	–
Trade receivables, other receivables and securities			**926.8**	
Cash and cash equivalents	**AC**	**–**	**39.3**	**–**
Aggregated by measurement categories				
Financial assets measured at amortised cost	AC		952.5	
Financial assets measured at fair value through profit or loss	FVPL		573.8	
Financial assets measured at fair value through other comprehensive income	FVOCI		139.2	

Carrying amounts and fair values by measurement categories 2018

€m

Liabilities – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
Bonds	AC	2	1,397.1	1,458.4
Financial liabilities to banks and to others	AC	2	392.5	422.5
Financial liabilities to banks – closed items on the balance sheet	AC	2	113.6	145.5
Financial liabilities to banks – closed items on the balance sheet	FVPL - D	2	320.2	320.2
Capital shares attributable to limited partners	–	–	2.9	–
Non-current and current financial liabilities			2,226.4	
Electricity supply commitment	–	–	155.8	–
Obligation to return an interest	AC	3	75.4	118.7
Trade payables	AC	–	1.3	–
Deferred income – cross-border leasing	–	–	32.0	–
Deferred income for grants (emission rights)	IAS 20	–	0.0	–
Other	AC	–	32.4	–
Other	–	–	0.0	–
Other non-current liabilities			296.9	
Trade payables	AC	–	188.0	–
Derivatives in the energy area	FVPL	1	0.0	0.0
Derivatives in the energy area	FVPL	2	528.8	528.8
Derivatives in the finance area	FVPL	2	15.8	15.8
Other	AC	–	145.7	–
Other	–	–	74.6	–
Trade payables and other liabilities			952.9	
Aggregated by measurement categories				
Financial liabilities measured at amortised cost	AC		2,346.1	
Financial liabilities measured at fair value through profit or loss	FVPL		544.7	
Financial liabilities held for trading	FVPL - D		320.2	

For financial liabilities (under closed items on the balance sheet) classified as FVPL in the above table, the difference between the carrying amount as at 31 December 2019 and the amount that VERBUND would have to pay upon maturity is €23.4m (previous year: €47.9m). The amount due upon maturity was translated at the rate (€1=$) of 1.1234 on the reporting date (previous year: 1.1450). In the event of insolvency, derivative financial instruments in the finance area (under closed items on the balance sheet) can be netted against the financial liabilities classified as FVPL (under closed items on the balance sheet) (see section 11 Risk management).

Of the derivative financial instruments in the energy area classified as FVPL in the above table, positive fair values in the amount of €108.3m (previous year: €73.7m) and negative fair values in the amount of €35.3m (previous year: €370.5m) relate to hedging relationships designated as cash flow hedges. These fair values represent gross amounts; following the inter-portfolio netting carried out in accordance with VERBUND's accounting policies (see section 11.2 Risk management in the energy area), cash flow hedges can no longer be isolated.

The interests in unconsolidated subsidiaries, other equity interests and other securities classified as FVOCI in the above table are held for the long term due to strategic considerations. Details regarding the fair value and the dividend distributions of the individual financial instruments classified as FVOCI can be taken from the following table:

Details regarding FVOCI equity interests 2019

€m

	Fair value as at 31/12	Dividend
Energie AG Oberösterreich	93.9	2.8
Burgenland Holding Aktiengesellschaft	23.9	0.9
Verfahren Umwelt Management GmbH	8.9	0.7
CEESEG Aktiengesellschaft	6.5	0.4
Gestionnaires de Réseau de Transport d'Électricité (HGRT)	4.8	0.8
VERBUND Tourismus GmbH	3.6	0.2
Other	3.5	1.1

Valuation techniques and input factors for determining fair values

Level	Financial Instruments	Valuation technique	Input factor
1	Energy forwards	Market approach	Settlement price published by the stock exchange
1	Securities, other equity interest in Burgenland Holding AG	Market approach	Stock exchange price
2	Securities and other loans under closed items on the balance sheet, long-term loans, liabilities to banks, bonds and other financial liabilities	Net present value approach	Payments associated with the financial instruments, yield curve, credit risk of the contracting parties (credit default swaps or credit spread curves)
2	Interests in unconsolidated subsidiaries, other equity interest in Energie AG Oberösterreich and HGRT	Market approach	Trading Multiple, transaction price
2	Non-listed energy forwards	Net present value approach	Forward price curve derived from stock exchange, yield curve, credit risk of the contracting parties
2	Other assets and liabilities measured at fair value in the finance area	Net present value approach	Cash flows already fixed or determined via forward rates, yield curve, credit risk of the contracting parties
3	Return obligation (obligation to transfer back the 50% interest acquired in Donaukraftwerk Jochenstein AG)	Net present value approach	Price forecasts for electricity, weighted average cost of capital after taxes
3	Securities (shares of CEESEG Aktiengesellschaft)	Net present value approach	Expected distribution of profits, cost of equity
AC	Other shares of unconsolidated subsidiaries, other equity interests and securities	–	Cost as the best estimate of fair value
–	Cash and cash equivalents, trade receivables and payables, current other receivables, other borrowing within current credit lines as well as current other liabilities	–	Carrying amount as the best estimate of fair value

Expected cash outflows as at 31/12/2019

€m

Maturity	2020	2021	2022–2024	From 2025
Bonds	217.3	7.5	522.5	0.0
Financial liabilities to banks	39.1	34.9	87.9	222.5
Financial liabilities to others	0.0	0.0	0.0	0.0
Financial liabilities to banks – closed items on the balance sheet[1]	23.8	18.5	56.0	442.9
Capital shares attributable to limited partners	0.0	0.0	0.0	0.0
Cash outflows on financial liabilities	**280.2**	**60.9**	**666.5**	**665.3**
Trade payables	225.8	0.3	0.9	0.1
Derivatives in the energy area	652.3	106.3	21.1	0.0
Derivatives in the finance area[2]	4.4	4.0	5.4	0.5
Other	215.3	15.2	3.6	156.3
Cash outflows on trade payables and other payables	**1,097.8**	**125.8**	**31.0**	**156.9**
Cash outflows on liabilities in accordance with IFRS 7	**1,378.1**	**186.7**	**697.5**	**822.2**

[1] Cash outflows under closed items on the balance sheet have to be seen alongside the corresponding cash inflows from associated investments. // [2] Cash outflows from interest rate swaps are accounted for as the net cash flow of both legs.

Expected cash outflows as at 31/12/2018

€m

Maturity	2019	2020	2021–2023	From 2024
Bonds	733.2	217.3	22.5	507.5
Financial liabilities to banks	41.0	39.2	94.0	251.6
Financial liabilities to others	0.0	0.0	0.0	0.0
Financial liabilities to banks – closed items on the balance sheet[1]	20.1	23.4	58.4	449.2
Capital shares attributable to limited partners	0.0	2.9	0.0	0.0
Cash outflows on financial liabilities	**794.2**	**282.7**	**174.9**	**1,208.3**
Trade payables	188.0	0.3	1.2	0.1
Derivatives in the energy area	603.2	236.9	59.2	0.0
Derivatives in the finance area[2]	5.1	4.4	6.3	0.8
Other	145.7	6.3	4.5	97.0
Cash outflows on trade payables and other payables	**941.9**	**247.9**	**71.3**	**97.9**
Cash outflows on liabilities in accordance with IFRS 7	**1,736.1**	**530.6**	**246.2**	**1,306.2**

[1] Cash outflows under closed items on the balance sheet have to be seen alongside the corresponding cash inflows from associated investments. // [2] Cash outflows from interest rate swaps are accounted for as the net cash flow of both legs.

Net results by measurement categories

Net results in accordance with IFRS 7 comprise mainly impairment losses and reversals of impairment losses, foreign exchange gains and losses and realised gains or losses on disposal.

Net results by measurement categories In Mio. €

	2018	2019
Financial assets and liabilities measured at fair value through profit or loss	–18.0	–0.9
Financial assets and liabilities measured at fair value through profit or loss – designated	1.5	–13.3
Financial liabilities measured at amortised cost	5.6	55.9
Financial assets measured at amortised cost	11.5	1.2
Financial assets measured at fair value through other comprehensive income	–6.1	5.9
Total interest expenses from financial liabilities measured at amortised cost	–102.2	–84.7
Total interest income from financial assets measured at amortised cost	34.5	34.6

Components of the net results

Measurement category	Notes
Financial assets and liabilities measured at fair value through profit or loss	The net results arose from the measurement of derivative financial instruments in the energy area (wholesale and trading) in the operating result (electricity revenue), as well as from the measurement of (other) derivative and non-derivative financial instruments in the finance area in the other financial result.
Financial assets and liabilities measured at fair value through profit or loss – designated	The net results arose from the measurement of financial liabilities to banks (closed items on the balance sheet). These net results have to be seen alongside an equal amount of opposing net results from financial assets and liabilities that are measured at fair value through profit or loss and net results from financial assets and liabilities that are measured at cost.
Financial assets and liabilities measured at cost	The net results relate primarily to financial instruments in connection with closed items on the balance sheet in the other financial result as well as to valuation allowances on trade receivables in the operating result.

Total interest expenses were recognised under interest expenses; total interest income was recognised in part in interest income and in part under other financial result.

5.2 Accounting treatment of hedging relationships

VERBUND applies special accounting policies for hedging relationships in the energy area as well as in the finance area.

5.2.1 Hedging transactions in the energy area

VERBUND employs electricity forward contracts and electricity futures contracts as derivatives within the meaning of IFRS 9 as part of cash flow hedges in the energy area. The goal of hedging relationships is to reduce the cash flow volatility resulting from market price fluctuations by hedging the prices for the following transactions:

(1) Sale of own generation
(2) Reinsurance for electricity deliveries to customers

The timing and amount of the hedging of future electricity deliveries depends in each case on the current price trend. As a general rule, the hedges are entered into successively. A portion of the entire volume anticipated is hedged corresponding to the risk management strategy. As a rule, once the relevant contractual terms of the electricity futures and forwards entered into coincide with those of the underlying transactions, a qualitative measurement of effectiveness is carried out. As a general rule, it can be hereby assumed that the changes in the value of the hedging instruments entirely offset the changes in the future cash flows.

The exception to this rule is hedges of electricity deliveries on a market differing from the place of delivery. Such hedges exist beginning 1 October 2018 as a consequence of the restriction on unlimited trading on the German-Austrian electricity market. Due to the higher liquidity, the majority of Austrian electricity deliveries are hedged with German futures market products and/or German/Austrian futures market products. The Austrian price is made up of the German price plus a German/Austrian spread. Thus, German futures market products are used to hedge the German price component of Austrian electricity deliveries, which is why the key terms between the hedging instruments and the planned payment flows are in line with one another even in these cases.

When hedging Austrian or German electricity deliveries with German/Austrian blended price futures contracts, a regression analysis is conducted to assess whether there is a corresponding correlation between the hedged item and the hedging instrument. Since the entire risk of a change in the market price for electricity with respect to the hedged item or the components of the hedged item is hedged, the hedge ratio amounts to 100%. Ineffective portions of the hedges can result from changes in the counterparty's or VERBUND's credit risk, a reduced volume of the expected electricity delivery or from hedges of electricity deliveries with the German/Austrian blended price futures contract.

Accounting treatment of hedging transactions in the energy area

In the case of derivative financial instruments that are designated as cash flow hedges in accordance with IFRS 9, the portion of the unrealised gains or losses that is determined to be an effective hedge is recognised in other comprehensive income. In contrast, ineffective portions of the hedge are recognised in profit or loss.

Unrealised gains or losses are only reclassified ("recycled") to the income statement when the hedged item affects profit or loss.

Electricity, gas and CO_2 derivatives not designated as hedging instruments are allocated to the wholesale portfolio. Fair value changes in (freestanding) electricity and gas derivatives in the wholesale portfolio that were not designated as hedging instruments are recognised in profit or loss net of previously realised futures and following the netting of positive and negative fair values.

5.2.2 Hedging transactions in the finance area

Apart from derivative transactions in connection with closed items on the balance sheet, future payments under financial liabilities bearing interest at a variable rate are hedged by means of interest rate swaps in order to reduce the cash flow risk associated with an increase in market interest rates. After the relevant contractual terms (such as term, volumes, market interest rate, etc.) of the interest rate swaps entered into correspond to those of the underlying transactions, VERBUND conducts a qualitative measurement of effectiveness. As a general rule, it can be assumed that the changes in the value of the hedging instruments entirely offset the changes in the future cash flows. Since the entire risk of an increase in the market interest rate with respect to variable-interest-bearing financial liabilities is hedged, the hedge ratio amounts to 100%. Ineffective portions of the hedges can only result from changes in the counterparty's or VERBUND's credit risk.

Payments are made on interest rate swaps every six months. The underlying variable market interest rate is the 6-month EURIBOR. The future interest payments hedged by the interest rate swaps occur in the following seven years (2020 to 2026) and will be recognised in profit or loss accordingly.

Accounting treatment of hedging transactions in the finance area

Some of the interest rate swaps are designated as cash flow hedges in accordance with IFRS 9. Those interest rate swaps that hedge intra-Group financing at the subsidiary level are accounted for as derivatives measured at fair value through profit or loss in VERBUND's consolidated financial statements. With respect to individual closed items on the balance sheet (see section 8.1 Financial liabilities and section 11 Risk management), the investments result in variable income that is to be seen alongside fixed expenses. In order to avoid risk, interest rate swaps have been entered into for the corresponding financial liabilities. These interest rate swaps exhibit a risk profile that perfectly opposes the corresponding profile of the associated balance sheet items. Therefore, the carrying amount of the associated financial liabilities is adjusted according to the hedged risk to balance out the fair value measurement of the interest rate swaps.

The fair value of forward exchange transactions is based on the respective rates (foreign exchange rates and interest rate curves) prevailing at the reporting date. The fair value of interest rate swaps corresponds to the amount that VERBUND would receive or have to pay if the transaction were terminated on the reporting date. When calculating that amount, current interest rates, yield curves and counterparty credit risk in particular are taken into account (see section 5 Financial instruments).

5.2.3 Information regarding hedging relationships in the energy and finance areas

Cash flow hedges – hedging instruments 31/12/2019 €m

	Carrying amount	Balance sheet item	Notional amount	Change in the fair value for the measurement of ineffectiveness
Electricity futures and forwards – sales	99.6	Other receivables	14,429 GWh	135.6
Electricity futures and forwards – sales	–15.6	Other liabilities	3,235 GWh	3.2
Electricity futures and forwards – procurement	8.7	Other receivables	–1,723 GWh	0.2
Electricity futures and forwards – procurement	–19.7	Other liabilities	–3,180 GWh	–31.0
Interest rate swaps	–7.6	Other liabilities	86.1	–1.3

Cash flow hedges – hedged items 31/12/2019 €m

	Change in the fair value for the measurement of ineffectiveness	Carrying amount of the reserve for measurements of cash flow hedges
Future electricity sales volume	–138.8	84.0
Future electricity purchases	30.9	–11.0
Variable-rate financial liabilities	1.3	–7.7

Cash flow hedges – effects on the statement of comprehensive income and balance sheet 2019 €m

	Gains/losses recognised in other comprehensive income	Ineffective portion of the hedge recognised in profit or loss	Line items of the statement of comprehensive income in which the ineffective portion was recognised	Reclassifications from reserves to profit or loss	Line items of the statement of comprehensive income in which the reclassification was recognised
Electricity futures and forwards – sales	138.8	0.0	Revenue	–314.3	Revenue
Electricity futures and forwards – procurement	–30.9	0.0	Electricity purchase	52.4	Electricity purchase
Interest rate swaps	–1.2	0.0	Other financial result	–2.5	Interest expenses

Notional amount and average price and/or interest rate as at 31/12/2019

€m

	2020	2021	2022	2023	>2023
Electricity futures and forwards – sales					
Notional amount	14,033 GWh	3,377 GWh	254 GWh	–	–
Average hedged price	46.8 €/MWh	45.6 €/MWh	28.0 €/MWh	–	–
Electricity futures and forwards – procurement					
Notional amount	–2,715 GWh	–1,506 GWh	–552 GWh	–131 GWh	–
Average hedged price	44.0 €/MWh	46.7 €/MWh	49.1 €/MWh	53.2 €/MWh	–
Interest rate swaps					
Average notional amount	78.8	64.1	49.5	34.9	11.7
Average fixed interest rate	2.5%	2.6%	2.6%	2.6%	2.7%

Cash flow hedges – hedging instruments 31/12/2018

€m

	Carrying amount	Balance sheet item	Notional amount	Change in the fair value for the measurement of ineffectiveness
Electricity futures and forwards – sales	0.7	Other receivables	1,093 GWh	0.7
Electricity futures and forwards – sales	–369.8	Other liabilities	19,033 GWh	–260.1
Electricity futures and forwards – procurement	73.0	Other receivables	–4,406 GWh	53.9
Electricity futures and forwards – procurement	–0.7	Other liabilities	–661 GWh	–0.7
Interest rate swaps	8.9	Other liabilities	100.7	1.7

Cash flow hedges – hedged items 31/12/2018

€m

	Change in the fair value for the measurement of ineffectiveness	Carrying amount of the reserve for measurements of cash flow hedges
Future electricity sales volume	259.7	–368.7
Future electricity purchases	–53.2	72.3
Variable-rate financial liabilities	–1.7	–9.0

Cash flow hedges – effects on the statement of comprehensive income and balance sheet 2018

€m

	Gains/ losses recognised in other comprehensive income	Ineffective portion of the hedge recognised in profit or loss	Line items of the statement of comprehensive income in which the ineffective portion was recognised	Reclassifications from reserves to profit or loss	Line items of the statement of comprehensive income in which the reclassification was recognised
Electricity futures and forwards – sales	−259.4	−0.4	Revenue	−217.0	Revenue
Electricity futures and forwards – procurement	53.2	0.0	Electricity purchase	21.2	Electricity purchase
Interest rate swaps	−1.1	0.0	Other financial result	−2.9	Interest expenses

Notional amount and average price and/or interest rate as at 31/12/2018

€m

	2019	2020	2021	2022	>2022
Electricity futures and forwards – sales					
Notional amount	14,141 GWh	5,477 GWh	254 GWh	254 GWh	–
Average hedged price	€33.0/MWh	€43.9/MWh	€28.0/MWh	€28.0/MWh	–
Electricity futures and forwards – procurement					
Notional amount	−3,035 GWh	−1,494 GWh	−450 GWh	−88 GWh	–
Average hedged price	€38.4/MWh	€40.8 /MWh	€42.9/MWh	€49.7 /MWh	–
Interest rate swaps					
Average notional amount	93.4	78.8	64.1	49.5	18.5
Average fixed interest rate	2.5%	2.5%	2.6%	2.6%	2.6%

5.3 Recoverability of financial assets

Valuation allowances are recognised at every reporting date for expected credit losses for financial assets that were classified as “measured at amortised cost” (AC) and/or debt instruments that were classified as “measured at fair value through other comprehensive income” (FVOCI), receivables under leases, contract assets and financial guarantee contracts.

The expected credit losses are taken into account in the following stages (see section 11 Risk management for quantitative disclosures):

Impairment of financial assets

	Stage 1	Stage 2	Stage 3
Credit risk:	Low credit risk – (credit risk has not increased significantly since its initial recognition)	Elevated credit risk – (credit risk has increased significantly since its initial recognition)	Significant financial difficulties on the part of the borrower or the issuer (breach of contract)
Recognition of loss allowance:	Impairment in the amount of the 12-month expected losses	Impairment in the amount of expected lifetime losses	Impairment in the amount of expected lifetime losses
Calculation of interest income:	Based on the effective interest rate on the gross carrying amount	Based on the effective interest rate on the gross carrying amount	Based on the effective interest rate on the net carrying amount

- The credit risk is presumed to be low if the internal rating corresponds to an external investment grade rating (Standard & Poor’s: > BBB–; Moody’s: > Baa3).
- The credit risk is presumed to have increased significantly if the financial asset is more than 30 days past due. Reclassifications are carried out in stage 3 as soon as a financial asset has become credit-impaired, financial assets are more than 90 days overdue or a breach of contract has been ascertained.
- Probabilities of default and collection rates depending on the rating category serve to determine the amount of impairment losses to be recognised. The valuation allowance is recognised in the amount of the present value of the expected credit losses.

For trade receivables, contract assets and receivables under leases, a simplified method is applied to measure the valuation allowance. For these receivables and assets, a valuation allowance is always recognised in the amount of the lifetime expected credit loss using a loss allowance table.

6. Working capital

Working capital includes the following balance sheet items:

- Inventories
- Trade receivables as well as current other receivables and securities
- Cash and cash equivalents
- Trade payables and current other liabilities

6.1 Inventories and proof of origin and/or green electricity certificates

Inventories of primary energy sources as well as additives and consumables are measured at the lower of cost or net realisable value at the reporting date. The use of primary energy sources and raw materials, additives and consumables is determined using the moving average price method.

Inventories of natural gas held for trading by VERBUND are measured through profit or loss under other revenue. According to the brokerage exemption for raw materials and commodity dealers, the measurement benchmark is fair value (Level 1) less costs to sell. The fair value corresponds to the quoted price for front-month gas forwards on the Central European Gas Hub (CEGH) or NetConnect Germany (NCG).

Guarantees of origin and green electricity certificates that are held for sale in the normal course of business are recognised in accordance with IAS 2 and IAS 20. Guarantees of origin and green electricity certificates are recognised as inventories when the legally enforceable rights are acquired (as a rule, generation of electricity in certified power plants). Income from the allocation of certificates is presented under other operating income offset with the change in inventories from the disposal of certificates. Subsequent measurements are carried out at the lower net realisable value if necessary. Proceeds from the sale of guarantees of origin or green electricity certificates are recognised under other revenue.

6.1.1 Inventories

Inventories €m

	2018	**2019**
Coal	19.1	20.3
Natural gas	6.6	2.3
Less write downs	–7.4	0.0
Inventories of primary energy sources held for generation	18.3	**22.5**
Emission rights held for trading	3.7	4.4
Measurements of emission rights held for trading	8.2	2.8
Fair value of emission rights held for trading	11.9	**7.2**
Proof of origin and green electricity certificates	1.8	**0.4**
Additives and consumables	3.9	**4.2**
Other	0.0	**0.0**
Inventories	36.0	**34.3**

6.2 Trade receivables, other receivables and securities

Trade receivables, receivables from unconsolidated subsidiaries and receivables from investees are classified as “measured at amortised cost” (AC) and thus accounted for at cost less any impairment losses (see section 5 Financial assets).

6.2.1
Trade receivables, other receivables and securities

Trade receivables, other receivables and securities €m

	2018 Non-current	**2019 Non-current**	2018 Current	**2019 Current**
Trade receivables	0.0	**0.0**	394.3	**357.8**
Receivables from investees	0.0	**0.0**	29.6	**34.1**
Other loans	–	**–**	0.2	**3.0**
Loans to investees	–	**–**	21.6	**4.3**
Other receivables and assets	109.9	**116.1**	481.2	**298.6**
Trade receivables, other receivables and securities	109.9	**116.1**	926.8	**697.8**

Current other receivables include mainly derivatives and hedging instruments from the finance and energy area as well as temporary investments in the form of money market transactions. In addition, current other receivables include the portfolio of emission rights (see section 4.1 Intangible assets).

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

Other receivables and assets €m

	2018 Non-current	**2019 Non-current**	2018 Current	**2019 Current**
Derivatives in the energy area	0.0	0.0	293.2	189.1
Derivatives in the finance area	78.0	87.1	0.0	0.0
Securities	0.0	0.0	69.3	0.0
Guarantees in electricity trading	0.0	0.0	37.8	33.2
Money market transactions	0.0	0.0	20.0	0.0
Emission rights	–	–	19.9	30.9
Receivables from tax clearing	0.0	0.0	9.7	9.6
Receivables from accrued interest	0.0	0.0	0.4	0.4
Other	31.9	28.9	30.9	35.4
Other receivables and assets	109.9	116.1	481.2	298.6

6.3 Cash and cash equivalents

6.3.1
Cash and cash equivalents

Cash and cash equivalents €m

	2018	**2019**
Cash at banks	39.3	44.6
Cash in hand	0.0	0.0
Cash and cash equivalents	39.3	**44.6**

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

6.4 Trade payables and current other liabilities

6.4.1 Trade payables and current other liabilities

Trade payables and current other liabilities €m

	2018	2019
Derivatives in the energy area	528.8	133.1
Trade payables	188.0	225.8
Outstanding receipts for investments	48.2	105.2
Lease liabilities	0.0	46.8
Other liabilities for maintenance expenses	38.5	44.8
Other personnel-related liabilities	33.7	35.3
Other liabilities from electricity and grid deliveries	31.6	22.2
Liabilities to tax authorities	19.1	12.5
Liabilities to ECRA	16.5	25.4
Derivatives in the finance area	15.8	13.8
Liabilities to unconsolidated subsidiaries and investees	4.6	10.9
Electricity supply commitment	7.2	8.0
Liabilities from social security (including social insurance institutions)	4.5	4.8
Other liabilities for legal, audit and consulting expenses	2.3	1.4
Other	14.0	17.7
Trade payables and other liabilities	952.9	707.7

7. Equity

Share capital

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

Capital reserves

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

Retained earnings

Retained earnings comprise the retained profits and the effects on equity attributable to the shareholders of VERBUND AG from the shift between shareholder groups. Of the retained earnings, the amount that can be distributed to the shareholders of VERBUND AG is the item presented as profit for the period in the (separate) annual financial statements of VERBUND AG as at 31 December 2019 that are prepared in accordance with the Austrian Commercial Code (Unternehmensgesetzbuch, UGB). For financial year 2019, this profit for the reporting period that had not yet been approved amounted to €239.7m (previous year: €145.9m). A dividend of €0.69 per share (previous year: €0.42 per share) will be recommended to the Annual General Meeting.

Reserve for differences from currency translation

The reserve for differences from currency translation includes mainly the currency translation of the consolidated Romanian subsidiaries VERBUND Wind Power Romania SRL and VERBUND Trading Romania SRL.

Non-controlling interests

Non-controlling interests in %

	2018	2019
VERBUND Innkraftwerke GmbH	29.73	29.73
VERBUND Hydro Power GmbH	19.46	19.46
VERBUND Wind Power Austria GmbH	19.46	19.46

The capital shares in two infrastructure companies in the Hunsrück area of Rhineland-Palatinate attributable to the limited partners were recognised under non-current financial liabilities in accordance with IAS 32. The interest in the ten wind farm companies previously held by the other limited partners was acquired in the 2019 reporting period.

8. Liabilities

The notes in this section relate to non-current and current financial liabilities as well as non-current other liabilities. Details regarding trade payables and current other liabilities are provided in section 6 Working capital.

8.1 Financial liabilities

Financial liabilities are recognised at fair value when the funds are provided. As a rule, this corresponds to the amount actually received. Any premiums or discounts are allocated over the financing term by applying the effective interest method and presented on an accrual basis in interest expenses.

Individual financial liabilities originally incurred in connection with cross-border leasing transactions were classified “at fair value through profit or loss” upon initial recognition using the fair value option. As a result, measurement inconsistencies that would have otherwise arisen could be eliminated.

The closed items on the balance sheet reported under financial liabilities as well as under investments relate to the cross-border leasing transactions that were terminated early in the years 2009 and 2010. Some of the transactions were terminated in their entirety, i.e. all investments and all liabilities (A-loans and B-loans) were repaid. Some of the transactions were only partially terminated, whereby the existing B-loans and the corresponding investments were continued. Therefore, balance sheet cover remains in place. The accounting balances denominated in foreign currency (US dollar) are measured at the exchange rate prevailing at the reporting date. Expenses and income from the measurement correspond to one another both in terms of value as well as with respect to the value date and are offset. The financial investments and liabilities resulting from the cross-border leasing transactions that were terminated early continue to be presented separately in the notes to the consolidated financial statements in order to improve clarity; with the exception of the valuation allowances recognised for expected credit losses, all items are closed on the balance sheet (see sections 11 and 13).

8.1.1 Non-current and current financial liabilities

Non-current and current financial liabilities

€m	2018 Non-current	**2019 Non-current**	2018 Current	**2019 Current**
Bonds	693.5	495.0	703.6	205.7
Financial liabilities to banks	342.6	308.7	49.9	102.2
Capital shares attributable to limited partners	2.9	0.0	0.0	0.0
Subtotal	1,039.0	**803.6**	753.5	**308.0**
Financial liabilities to banks – closed items on the balance sheet	433.9	453.0	0.0	2.8
Non-current and current financial liabilities	1,472.8	**1,256.6**	753.5	**310.8**

Non-current and current financial liabilities[1]

€m	2018	**2019**
Carrying amount as at 1/1	1,931.2	1,792.5
Borrowings	100.0	0.0
Net change in money market transactions	10.7	53.9
Changes in capital shares attributable to limited partners	0.1	–2.9
Changes in interest accruals	2.7	–13.2
Unscheduled repayments	–66.7	0.0
Scheduled repayments	–185.5	–718.8
Carrying amount as at 31/12	1,792.5	**1,111.5**
of which non-current liabilities	1,039.0	803.6
of which current liabilities	753.5	308.0

[1] excl. financial liabilities from closed items on the balance sheet

Financial liabilities – closed items on the balance sheet

€m	2018	**2019**
Carrying amount as at 1/1	424.3	433.9
Foreign exchange gains or losses	10.8	2.7
Capitalisation	29.8	30.3
Repayments and/or disposals	–19.2	–20.1
Market value changes	–11.8	9.1
Carrying amount as at 31/12	433.9	**455.9**
of which non-current liabilities	433.9	453.0
of which current liabilities	0.0	2.8

VERBUND had no mortgage-backed liabilities as at 31 December 2019 or in the previous year.

The capital shares attributable to the limited partners related to two infrastructure companies in the Hunsrück area of Rhineland-Palatinate in the 2019 reporting period and the previous year.

Non-current and current financial liabilities 2019

	Longest maturity	Issue volume	Carrying amount as at 31/12	1 year or less	
Bonds					
Euro currency	2024	700.0	700.7	205.8	
Total bonds		700.0	700.7	205.8	
of which at a fixed interest rate	2024	700.0	700.7	205.8	
Financial liabilities to banks					
Euro currency	2037	667.9	410.9	102.2	
Total financial liabilities to banks		667.9	410.9	102.2	
of which at a fixed interest rate	2037	500.0	315.9	30.9	
of which at a variable interest rate	2030	167.9	95.0	71.3	
Financial liabilities to others					
Euro currency	2021	0.1	0.0	0.0	
Total financial liabilities to others		0.1	0.0	0.0	
of which at a fixed interest rate	2021	0.1	0.0	0.0	
Financial liabilities to banks – closed items on the balance sheet[1]					
Foreign currencies ($)	2030		455.9	2.8	
Total financial liabilities to banks – closed items on the balance sheet			455.9	2.8	
of which at a fixed interest rate	2030		455.9	2.8	
Capital shares attributable to limited partners		–	0.0	0.0	
Total financial liabilities			1,567.4	310.9	

[1] There is balance sheet cover on the asset side for these financial liabilities.

€m

	› 1 to 2 years	› 2 to 3 years	› 3 to 4 years	› 4 to 5 years	› 5 years	Weighted nominal interest rate	Weighted effective interest rate	Fair value as at 31/12
	0.0	0.0	0.0	494.9	0.0	2.46%	2.79%	742.0
	0.0	**0.0**	**0.0**	**494.9**	**0.0**	**2.46%**	**2.79%**	**742.0**
	0.0	0.0	0.0	494.9	0.0	2.46%	2.79%	742.0
	30.1	25.1	25.1	25.1	203.2	1.86%	2.36%	452.4
	30.1	**25.1**	**25.1**	**25.1**	**203.2**	**1.86%**	**2.36%**	**452.4**
	27.6	22.6	22.6	22.6	189.4	2.41%	2.55%	357.1
	2.5	2.5	2.5	2.5	13.8	0.07%	1.39%	95.3
	0.0	0.0	0.0	0.0	0.0	3.00%	3.02%	0.0
	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**3.00%**	**3.02%**	**0.0**
	0.0	0.0	0.0	0.0	0.0	3.00%	3.02%	0.0
	0.0	0.0	0.0	0.0	453.0	–	–	497.1
	0.0	**0.0**	**0.0**	**0.0**	**453.0**	**–**	**–**	**497.1**
	0.0	0.0	0.0	0.0	453.0	–	–	497.1
	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**–**	**–**	
	30.0	**25.1**	**25.1**	**520.0**	**656.2**			

Non-current and current financial liabilities 2018

	Longest maturity	Issue volume	Carrying amount as at 31/12	1 year or less	
Bonds					
Euro currency	2024	1,540.0	1,397.1	703.7	
Total bonds		1,540.0	1,397.1	703.7	
of which at a fixed interest rate	2024	1,540.0	1,397.1	703.7	
Financial liabilities to banks					
Euro currency	2037	703.8	392.5	49.9	
Total financial liabilities to banks		703.8	392.5	49.9	
of which at a fixed interest rate	2037	500.0	338.6	26.1	
of which at a variable interest rate	2030	203.8	53.9	23.8	
Financial liabilities to others					
Euro currency	2021	0.1	0.0	0.0	
Total financial liabilities to others		0.1	0.0	0.0	
of which at a fixed interest rate	2021	0.1	0.0	0.0	
Financial liabilities to banks – closed items on the balance sheet[1]					
Foreign currencies ($)	2030		433.9	0.0	
Total financial liabilities to banks – closed items on the balance sheet			433.9	0.0	
of which at a fixed interest rate	2030		433.9	0.0	
Capital shares attributable to limited partners		–	2.9	0.0	
Total financial liabilities			2,226.4	753.6	

[1] There is balance sheet cover on the asset side for these financial liabilities.

€m

› 1 to 2 years	› 2 to 3 years	› 3 to 4 years	› 4 to 5 years	› 5 years	Weighted nominal interest rate	Weighted effective interest rate	Fair value as at 31/12
199.6	0.0	0.0	0.0	493.9	3.59%	4.18%	1,458.4
199.6	**0.0**	**0.0**	**0.0**	**493.9**	**3.59%**	**4.18%**	**1,458.4**
199.6	0.0	0.0	0.0	493.9	3.59%	4.18%	1,458.4
33.9	30.1	25.1	25.1	228.3	2.11%	2.36%	422.5
33.9	**30.1**	**25.1**	**25.1**	**228.3**	**2.11%**	**2.36%**	**422.5**
27.6	27.6	22.6	22.6	212.1	2.42%	2.55%	368.9
6.3	2.5	2.5	2.5	16.3	0.20%	1.81%	53.6
0.0	0.0	0.0	0.0	0.0	3.00%	3.02%	0.0
0.0	**0.0**	**0.0**	**0.0**	**0.0**	**3.00%**	**3.02%**	**0.0**
0.0	0.0	0.0	0.0	0.0	3.00%	3.02%	0.0
0.0	0.0	0.0	0.0	433.9	–	–	465.7
0.0	**0.0**	**0.0**	**0.0**	**433.9**	**–**	**–**	**465.7**
0.0	0.0	0.0	0.0	433.9	–	–	465.7
2.9	**0.0**	**0.0**	**0.0**	**0.0**	**–**	**–**	
236.3	**30.1**	**25.1**	**25.1**	**1,156.1**			

8.2 Non-current other liabilities

Non-current other liabilities are accounted for at amortised cost and relate primarily to the following transactions:

- Obligation to supply electricity under a 20-year electricity supply agreement that was incurred in connection with the acquisition of Kraftwerksgruppe Inn GmbH (now VERBUND Innkraftwerke GmbH) in the 2009 reporting period. An unscheduled repayment of 60% of the obligation was made in 2013 as part of the acquisition of (additional) Bavarian hydropower plant capacities.
- Obligation to transfer the 50% interest in Donaukraftwerk Jochenstein AG to the Free State of Bavaria without exchange of consideration assumed as part of the acquisition of (additional) Bavarian hydropower plant capacities.
- Recognition of lease liabilities in the course of the initial application of IFRS 16 (see section 4.3 “Leases”)
- Accrual of the expenses related to the only remaining cross-border leasing transaction (Freudenau power plant): The original net present value benefit associated with this transaction was €75.9m. An item of deferred income was recognised for the present value of this economic benefit and is reversed to profit or loss over the contractual term. Reversals are presented under other operating income.

8.2.1
Other non-current liabilities

Other non-current liabilities €m

	2018	**2019**
Electricity supply commitment	155.8	147.7
Obligation to return an interest	75.4	135.7
Lease liabilities	0.0	87.1
Deferred income – cross-border leasing	32.0	16.0
Trade payables	1.3	1.2
Other	32.4	39.4
Other non-current liabilities	296.9	427.2

9. Provisions

9.1 Provisions in the Group

In accordance with IAS 37, provisions are recognised for legal and constructive obligations to external third parties resulting from past events whose settlement will probably lead to a future outflow of economic resources. It must be possible to reliably estimate the amount of the obligation. Provisions are measured at the expected settlement amount.

Non-current provisions set aside to settle claims more than twelve months into the future are discounted if the present value of the expected settlement amount differs significantly from the nominal amount. The discount rate is a pre-tax interest rate adjusted to the specific risks of the liability. Accrued interest amounts are presented as interest expenses; any effects from changes in the interest rate are recognised in the operating result.

Non-current and current provisions can be broken down as follows:

Non-current and current provisions €m

9.1.1 Non-current and current provisions

	2018 Non-current	2019 Non-current	2018 Current	2019 Current
Provisions for pensions	425.4	484.4	–	–
Provisions for obligations similar to pensions	146.4	171.0	–	–
Provisions for termination benefits	127.5	137.9	–	–
Provisions for partial retirement	7.9	4.7	5.0	2.9
Other personnel-related provisions	16.2	21.3	20.5	20.9
Other provisions	93.3	93.0	17.4	14.8
Non-current and current provisions	816.8	**912.2**	42.9	**38.6**

9.2 Other personnel provisions

Provisions for current pensions, vested pension benefits and similar obligations are determined in accordance with IAS 19 using the projected unit credit method (PUC method), whereby remeasurements of the net liability are recognised in other comprehensive income in the year in which the liability is incurred. With the exception of net interest expense, all expenses (and returns) related to these obligations are recognised under personnel expenses. Net interest expense is reported under interest expenses.

These defined benefit obligations are partially covered by pension plan assets at APK Pensionskasse AG earmarked for this purpose. Contractual trust arrangements (CTA) were set up in order to secure the entitlements from the company pension plan for the employees of VERBUND Innkraftwerke GmbH, Innwerk AG and Grenzkraftwerke GmbH. VERBUND is obligated to provide additional funding to the extent the obligations are to be fulfilled through the pension fund; there is no such obligation to provide additional funding for the CTA. Both pension plan assets as well as the contractual trust arrangements are recognised as plan assets as defined under IAS 19 and offset with the provision for current pensions and vested pension benefits.

Pension plan assets are invested in compliance with the provisions of the Austrian Pension Fund Act (Pensionskassengesetz, PKG) and the corresponding regulations of the Austrian Financial Market Authority (FMA).

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

9.2.1 Measurement of pensions and similar obligations and statutory termination benefits

Existing provisions for pensions and similar obligations as well as obligations from termination benefits (carrying amount as at 31 December 2019: €793.3m; previous year: €699.4m) were measured based on assumptions and estimates as at the reporting date. The key factors of influence included the discount rate, the estimated retirement age and the estimated life expectancy as well as future increases in salaries and pension benefits:

Actuarial assumptions for pension obligations

	2018	2019
Discount rate or expected rate of return from plan assets	1.75%	0.75%
Pension increases	1.00 – 2.00%	1.00 – 2.00%
Salary increases	1.75%	2.75%/3.25%
Employee turnover	none	none
Longevity based on mortality table	AVÖ 2018-P/Heubeck Mortality Tables 2018 G	AVÖ 2018-P/Heubeck Mortality Tables 2018 G

Actuarial assumptions for obligations similar to pensions

	2018	2019
Discount rate	2.00%	1.00%
Employee turnover (depending on duration of employment)	0.00% – 3.30%	0.00% – 4.10%
Trend of contributions based on hospital cost index for new contracts (with participation)/old contracts (without participation)	3.75% – 6.00%	3.25% – 6.00%
Longevity based on mortality table	AVÖ 2018-P/Heubeck Mortality Tables 2018 G	AVÖ 2018-P/Heubeck Mortality Tables 2018 G

Actuarial assumptions for termination benefit obligations

	2018	2019
Discount rate	1.75%	0.75%
Salary increases	1.75%	2.75%/3.25%
Employee turnover (depending on duration of employment)	0.00% – 3.30%	0.00% – 1.30%
Longevity based on mortality table	AVÖ 2018-P/Heubeck Mortality Tables 2018 G	AVÖ 2018-P/Heubeck Mortality Tables 2018 G

VERBUND is exposed to investment risk, interest rate risk, life expectancy risk and salary risk as well as the risk of price increases and employee turnover risk based on the existing pension and similar obligations as well as obligations from statutory termination benefits. The following sensitivity analyses show the effects resulting from changes in significant actuarial assumptions on the obligations. The change in the obligation was determined in a manner comparable with the determination of the actual obligation based on the projected unit credit method (PUC method) in accordance with IAS 19.

Sensitivity analysis for net pension liability 2019

	Change in assumption in percentage points or years	If assumption increases, change in net liability of	If assumption decreases, change in net liability of
Discount rate	± 0.25	–3.32%	3.53%
Pension increases	± 0.50	7.14%	–6.42%
Longevity based on mortality table	± 1 year	5.82%	–5.69%

Sensitivity analysis for obligations similar to pensions 2019

	Change in assumption in percentage points or years	If assumption increases, change in obligation of	If assumption decreases, change in obligation of
Discount rate	± 0.25	–4.30%	4.60%
Trend of contributions based on hospital cost index	± 0.50	9.09%	–8.08%
Longevity based on mortality table	± 1 year	7.38%	–6.99%

Sensitivity analysis for termination benefit obligations 2019

	Change in assumption in percentage points or years	If assumption increases, change in obligation of	If assumption decreases, change in obligation of
Discount rate	± 0.25	–1.97%	2.04%
Salary increases	± 0.50	4.01%	–3.79%
Longevity based on mortality table	± 1 year	0.11%	–0.12%

Sensitivity analysis for net pension liability 2018

	Change in assumption in percentage points or years	If assumption increases, change in net liability of	If assumption decreases, change in net liability of
Discount rate	± 0.25	–2.97%	3.13%
Pension increases	± 0.50	6.40%	–5.81%
Longevity based on mortality table	± 1 year	5.39%	–5.31%

Sensitivity analysis for obligations similar to pensions 2018

	Change in assumption in percentage points or years	If assumption increases, change in obligation of	If assumption decreases, change in obligation of
Discount rate	± 0.25	–4.02%	4.28%
Trend of contributions based on hospital cost index	± 0.50	8.54%	–7.63%
Longevity based on mortality table	± 1 year	6.79%	–6.49%

Sensitivity analysis for termination benefit obligations 2018

	Change in assumption in percentage points or years	If assumption increases, change in obligation of	If assumption decreases, change in obligation of
Discount rate	± 0.25	–1.90%	1.96%
Salary increases	± 0.50	3.93%	–3.72%
Longevity based on mortality table	± 1 year	0.07%	–0.08%

9.2.2 Provisions for pensions and similar obligations

Reconciliation from defined benefit obligation to provisions

€m

	2018 Pension obligations	**2019 Pension obligations**	2018 Obligations similar to pensions	**2019 Obligations similar to pensions**
Defined benefit obligation covered by plan assets	245.9	283.8	–	–
Fair value of plan assets	–134.3	–158.7	–	–
Net value of obligations covered by plan assets	111.6	**125.1**	–	**–**
Defined benefit obligation not covered by plan assets	313.7	359.3	146.4	171.0
Carrying amount of provisions as at 31/12	425.4	**484.4**	146.4	**171.0**

Pension expenses

€m

	2018 Pension obligations	**2019 Pension obligations**	2018 Obligations similar to pensions	**2019 Obligations similar to pensions**
Service costs (vested claims)	3.6	3.3	2.8	2.3
Net interest expense	5.8	7.2	2.7	2.9
Pension expenses (recognised in profit for the period)	9.4	**10.5**	5.5	**5.2**
Remeasurements of the net liability	35.5	87.5	–10.8	23.6
Pension expenses (recognised in total comprehensive income for the period)	44.9	**98.0**	–5.3	**28.8**

Reconciliation of defined benefit obligation €m

	2018 Pension obligations	**2019 Pension obligations**	2018 Obligations similar to pensions	**2019 Obligations similar to pensions**
Defined benefit obligation as at 1/1	556.8	559.7	156.0	146.4
Service costs (vested claims)	3.6	3.3	2.8	2.3
Pension payments or contributions to supplementary health insurance (benefit payments)	–33.5	–33.4	–4.3	–4.3
Interest expenses	8.1	9.5	2.7	2.9
Remeasurements based on experience adjustments	3.6	6.9	–5.2	–3.6
Remeasurements arising from changes in demographic assumptions	38.6	0.0	10.6	–0.9
Remeasurements arising from changes in financial assumptions	–17.5	97.2	–16.2	28.1
Defined benefit obligation as at 31/12	559.7	643.2	146.4	170.9

As at 31 December 2019, the weighted average duration of the pension obligation was 14 years (previous year: 12 years) and that of the obligations similar to pensions was 18 years (previous year: 18 years).

Reconciliation of plan assets €m

	2018 Pension obligations	**2019 Pension obligations**	2018 Obligations similar to pensions	**2019 Obligations similar to pensions**
Fair value of plan assets as at 1/1	154.3	134.2	–	–
Additions from business acquisitions	–0.2	–1.0	–	–
Contributions by VERBUND	0.0	17.9	–	–
Payouts (benefit payments)	–11.2	–11.3	–	–
Interest income	2.3	2.3	–	–
Other gains (+) or losses (–)	–10.9	16.6	–	–
Fair value of plan assets as at 31/12	134.3	**158.7**	–	**–**

The investment and risk association in the pension fund attributable to VERBUND realised a gain of €18.9m in the 2019 reporting period (previous year: loss of €8.6m). The deficit represents the portion of pension obligations not covered by plan assets; these relate primarily to direct commitments to pension recipients. In the 2020 reporting period, current contributions to the pension fund for coverage of defined contribution plans are expected in the amount of €0m (previous year: €12.8m).

Plan assets in %

	2018 Quoted	2018 Unquoted	2018 Total	2019 Quoted	2019 Unquoted	2019 Total
Shares	41.1	0.0	41.1	43.0	0.0	43.0
Bonds	45.6	0.0	45.6	38.4	0.0	38.4
Money market	6.2	0.0	6.2	8.3	0.0	8.3
Other investments	7.1	0.0	7.1	10.3	0.0	10.3
Total	100.0	0.0	100.0	**100.0**	**0.0**	**100.0**

VERBUND regularly coordinates the general investment guidelines with APK Pensionskasse AG. Risk management in APK Pensionskasse AG is guided by the provisions of the Austrian Pension Fund Act (Pensionskassengesetz, PKG) and the corresponding directives of the Financial Market Authority (FMA).

9.2.3 Provisions for termination benefits

Employees whose service began on or before 31 December 2002 are entitled to receive a one-time payment based on statutory provisions in particular when they retire. This obligation is measured in accordance with IAS 19 based on the PUC method with an accumulation period of 25 years, whereby remeasurements of the net liability are recognised immediately in other comprehensive income.

The employer is only obligated to make regular contributions for all employees whose service began after 31 December 2002 in Austria. Such contributions are therefore accounted for as defined-contribution plans in accordance with IAS 19. For these employment contracts, the employer pays 1.53% of the monthly gross salary into an employee pension fund.

The weighted average duration of the obligations from termination benefits is 8 years as at 31 December 2019 (previous year: 8 years).

Analysis of the provisions for termination benefits €m

	2018	**2019**
Provisions for statutory termination benefits	125.7	136.3
Provisions for termination benefits from special agreements in accordance with social plan	1.8	1.5
Carrying amount of provisions as at 31/12	127.5	**137.8**

Expense for termination benefit costs €m

	2018	**2019**
Service costs	1.0	0.7
Net interest expense	1.9	2.1
Expense for termination benefit costs (recognised in profit for the period)	2.9	**2.8**
Remeasurements of termination benefits	0.6	22.8
Expenses for termination benefit costs (recognised in total comprehensive income for the period)	3.5	**25.6**

Reconciliation of defined benefit obligation for statutory termination benefits €m

	2018	2019
Defined benefit obligation as at 1/1	135.7	125.7
Service costs (vested claims)	1.0	0.7
Past service cost	0.0	–1.9
Interest expenses	1.9	2.1
Termination benefits (benefit payments)	–13.5	–13.1
Remeasurements based on experience adjustments	2.5	3.4
Remeasurements arising from changes in demographic assumptions	0.4	0.0
Remeasurements arising from changes in financial assumptions	–2.3	19.4
Defined benefit obligation as at 31/12	125.7	**136.3**

9.2.4 Provisions for partial retirement obligations

The partial retirement obligation is measured in accordance with IAS 19 based on the PUC method, whereby remeasurements of the net liability are recognised immediately through profit or loss. The measurement parameters mainly correspond to those for obligations similar to pension obligations. The resulting expenses to be recognised are presented under pension expenses.

There are also contractual trust arrangements (CTAs) for the purpose of securing credit balances from partial retirement models of employees of VERBUND Innkraftwerke GmbH and Innwerk AG. There is no obligation to provide additional funding. The CTA is recognised as plan assets as defined under IAS 19 and offset against the provision for partial retirement.

Reconciliation from defined benefit obligation to provisions €m

	2018	2019
Defined benefit obligation covered by plan assets	15.2	10.2
Fair value of plan assets	–2.4	–2.6
Carrying amount of provisions as at 31/12	12.8	**7.6**

Expenses for partial retirement €m

	2018	2019
Service costs	0.9	0.8
Net interest expense	0.0	0.0
Remeasurements	1.4	–0.4
Expenses for partial retirement (recognised in profit for the period)	2.3	**0.4**

Reconciliation of defined benefit obligation

€m

	2018	2019
Defined benefit obligation as at 1/1	18.7	**15.2**
Service costs (vested claims)	0.9	0.8
Net interest expense	0.0	0.0
Payments for early retirement	–6.8	–5.6
Remeasurements	2.4	–0.2
Defined benefit obligation as at 31/12	15.1	**10.2**

Reconciliation of plan assets

€m

	2018	2019
Fair value of plan assets as at 1/1	1.4	2.4
Other gains (+) or losses (–)	1.0	0.2
Fair value of plan assets as at 31/12	2.4	**2.6**

Plan assets

in %

	2018	2019
Bonds	100.0	100.0
Total	100.0	**100.0**

9.2.5 Other personnel-related provisions

Analysis of other personnel-related provisions

€m

	2018 Non-current	2019 Non-current	2018 Current	2019 Current
Provision for bonuses from the performance-based remuneration system	–	–	20.4	20.8
Provision for anniversary bonuses	10.6	15.0	–	–
Other	5.5	6.3	0.1	0.1
Other personnel-related provisions	16.1	**21.3**	20.5	**20.9**

Reconciliation of other personnel-related provisions

€m

	2018	2019
Carrying amount as at 1/1	35.1	**36.7**
of which non-current	14.7	16.2
of which current	20.4	20.5
New provisions	19.1	22.3
Interest accrued	0.2	0.3
Appropriation	–17.5	–17.0
Reversal	–0.2	0.0
Carrying amount as at 31/12	36.7	**42.2**
of which non-current	16.2	21.3
of which current	20.5	20.9

9.3 Other provisions

Dismantling and decommissioning obligations

Provisions are recognised at the discounted settlement amounts for obligations resulting from the dismantling or decommissioning of power plants in the reporting period in which they are incurred; at the same time, the carrying amounts for the power plants are increased as a general rule (see section 4.2 Property, plant and equipment). In subsequent periods, the capitalised costs for dismantling or decommissioning are depreciated over the (remaining) useful life of the plants; interest is accrued annually.

The provisions are measured at the reporting date on the basis of assumptions and estimates. The key factors of influence were the expected dismantling dates, any possible expert reports to ascertain the dismantling and decontamination costs or proceeds from the sale of scrap, the valorisation of these costs and the discount rate of 1.00–5.00% (previous year: 2.25%).

9.3.1 Other provisions

Reconciliation of other provisions 2019 €m

	Dismantling and decontamination costs	Other	Total
Carrying amount as at 1/1/2019	31.1	79.7	110.8
of which non-current	31.1	62.3	93.3
of which current	0.0	17.4	17.4
New provisions	5.3	10.5	15.8
Interest accrued	0.5	1.4	1.9
Appropriation	–0.2	–8.8	–9.0
Reversal	–5.6	–5.9	–11.5
Currency translation	–0.2	0.0	–0.2
Carrying amount as at 31/12/2019	**30.9**	**76.9**	**107.8**
of which non-current	27.8	65.2	93.0
of which current	3.1	11.7	14.8

Reconciliation of other provisions 2018 €m

	Dismantling and decontamination costs	Other	Total
Carrying amount as at 1/1/2018	39.3	89.0	128.2
of which non-current	39.3	62.6	101.9
of which current	0.0	26.4	26.4
New provisions	0.2	13.5	13.7
Interest accrued	–0.4	0.7	0.3
Appropriation	–6.7	–17.1	–23.8
Reversal	–1.3	–6.4	–7.7
Carrying amount as at 31/12/2018	**31.1**	**79.7**	**110.8**
of which non-current	31.1	62.3	93.3
of which current	0.0	17.4	17.4

10. Taxes

Current tax liabilities in the 2019 reporting period can be broken down as follows:

Current tax liabilities €m

	2018	2019
Taxes on income	45.4	105.0
Other taxes	1.0	1.1
Current tax liabilities	46.5	**106.1**

The differences between the tax bases and the carrying amounts in the IFRS balance sheet result in the following deferred taxes:

Deferred taxes €m

	2018	2019
Deferred tax refund claims	393.9	**308.8**
of which from provisions for pensions and termination benefits	115.9	142.4
of which from allowances on receivables	20.2	5.4
of which from impairment losses from equity interests	11.5	6.2
of which from loss carryforwards	103.1	111.2
of which from the liquidation of subsidiaries	45.3	22.7
of which from financial instruments	73.4	−19.0
of which from other items	24.6	39.9
Deferred tax liabilities	−1,028.5	**−1,066.1**
of which from property, plant and equipment (different useful lives, fair value adjustments on purchase price allocations)	−807.4	−805.5
of which from special tax deductions	−92.2	−90.5
of which from tax-deductible goodwill	−42.2	−55.4
of which from other items	−86.7	−114.6
Deferred tax refund claims (+) or tax liabilities (-) netted	−634.5	**−757.3**

The net position for deferred taxes changed as follows:

Deferred taxes €m

	2018	2019
As at 1/1	−558.4	**−634.5**
Changes recognised in profit or loss	−92.1	−62.8
Changes recognised in other comprehensive income	14.8	−59.7
Other changes	1.2	−0.2
As at 31/12	−634.5	**−757.3**

The changes recognised in other comprehensive income mainly concerned measurements of cash flow hedges and remeasurements of the net defined benefit liability.

Outside basis differences

At 31 December 2019 (and in the previous year), it could be assumed under present tax rules that the differences between the tax base of equity interests and the proportionate share of equity (outside basis differences) of the consolidated subsidiaries, branch offices, associates and joint arrangements included in VERBUND's consolidated IFRS financial statements, which result in particular from retained earnings and uncovered losses, will remain tax-free for the foreseeable future. Therefore, no tax liability was recognised at 31 December 2019 for temporary differences in the amount of €4,771.1m (previous year: €4,284.9m) in connection with these equity interests.

Unrecognised tax losses

No deferred tax assets are recognised for tax losses of VERBUND Sales Deutschland GmbH or the Romanian subsidiary VERBUND Wind Power Romania SRL, because it is unlikely due to the earnings situation that a taxable net profit will be available in the next few years against which the deferred tax assets can be utilised.

11. Risk management

VERBUND also uses primary and derivative financial instruments in both the finance and energy area for the purpose of risk management.

11.1 Risk management in the finance area

VERBUND is exposed to considerable financial risks in its operating activities and the related financing transactions. These comprise mainly interest rate and liquidity risks, counterparty risks, price risks from securities, foreign exchange risks and the risk of a change in VERBUND's rating.

Therefore, the focus is placed on the identification, analysis and assessment of risks and opportunities as well as on the determination of measures to be implemented in this context in VERBUND's finance area. Own rules were defined in connection with Group policies in order to also monitor and manage the financial risks accordingly.

The measures for monitoring and managing financial risks include in particular:

- The calculation and assessment of KPIs in line with market conditions with respect to locking in interest rates, currency diversification and the duration of financial liabilities.
- The drafting of a continuous liquidity plan on which basis sufficient liquidity is ensured at all times.

Financial instruments

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

The derivative financial instruments used in the finance area comprise the following and are recognised under the balance sheet items listed:

Derivative financial instruments in other receivables €m

	Reference value[1]	Positive fair values 31/12/2018	**Positive fair values 31/12/2019**
Interest rate swaps – closed items on the balance sheet (fixed interest recipient)	$264.4m (previous year: $260.7m)	78.0	**87.1**
Forward exchange transactions	$0.3m (previous year: $0.5m)	0.0	**0.0**

[1] The reference value includes the reference basis of the derivative instruments. The actual cash flows only represent a fraction of these values.

Derivative financial instruments in other liabilities €m

	Reference value[1]	Negative fair values 31/12/2018	**Negative fair values 31/12/2019**
Interest rate swaps – hedges (fixed interest recipient)	€86.1m (previous year: €100.7m)	8.9	**7.6**
Interest rate swap relating to financial liabilites (freestanding)	€122.7m (previous year: €140.6m)	7.0	**6.2**

[1] The reference value includes the reference basis of the derivative instruments. The actual cash flows only represent a fraction of these values.

The derivative financial instruments listed serve exclusively to hedge financially against existing currency and interest rate risks (see “Interest rate risk” for notes on the interest rate swaps entered into for financial liabilities bearing variable interest as well as for intra-Group project financing).

Liquidity risk

In order to secure sufficient liquidity reserves, a five-year syndicated credit line in the amount of €500.0m with two renewal options to extend the term for one year each was entered into in the 2018 reporting period. This was granted over VERBUND AG as part of an international banking syndicate. This credit line was not drawn down. In addition, there are also liquidity reserves in the form of securities and investment funds.

See section 5.1 Accounting treatment of financial instruments regarding contractually agreed (undiscounted) cash outflows from financial liabilities in accordance with IFRS 7.

Credit risk

The amounts reported on the asset side also represent the maximum credit and default risk. The counterparty risk in the electricity and grid business as well as in the finance area is measured and monitored uniformly as part of Group-wide risk management. Measures to reduce counterparty risk:

Measures to reduce counterparty risk

1	Transactions and investments are carried out principally only with customers with sufficient creditworthiness (i.e. with external investment grade ratings from an international rating agency or based on an internal credit review)
2	Assignment of individual limits for each counterparty based on the credit assessment
3	Group-wide monitoring of the individual counterparty limits
4	Observance of counterparty risk as a whole and of the customer structure portfolio based on probabilities published by international rating agencies
5	Securing sufficient collateral (e.g. advance payments, bank guarantees, letters of comfort) for transactions entered into
6	Reduction of risk by entering into offsetting agreements (with the exception of operating activities in the regulated Grid segment, where there are some trade receivables for which the debtor does not meet the requirements due to obligations to contract.)

In the 2019 reporting period, a credit insurance policy was in effect for Austria and Germany in the consumer business area with a 10% deductible. As at 31 December 2019, €31.5m of the trade receivables (previous year: €36.2m) are covered under this insurance policy; however, there is a maximum coverage of €10.0m per year.

The table below provides an overview of the material financial instruments with credit risk by credit rating group:

Financial instruments with credit risk by assigned rating group 2019

€m

Credit rating group	Equivalent Moody's rating	Financial instruments – closed items on the balance sheet	Securities	Non-current and current other receivables[1]	Trade receivables	Derivatives in the energy area	Investments as well as cash and cash equivalents[2]
A	up to Aa3	255.9	0.0	0.0	15.3	5.3	0.2
B	up to A3	199.8	0.0	31.7	121.9	95.6	23.7
C1–C3	up to Baa3	0.0	0.0	0.0	95.1	84.7	20.8
D1–D5	below Baa3	0.0	0.0	0.0	35.4	3.5	0.0
Not rated		0.0	133.1	133.4	90.0	0.0	0.2
Total		**455.7**	**133.1**	**165.1**	**357.8**	**189.2**	**44.9**

[1] incl. receivables from investees and loans to investees // [2] Non-current and current other loans and money market transactions have been summarised as investments in this presentation.

Financial instruments with credit risk by assigned rating group 2018 €m

Credit rating group	Equivalent Moody's-rating	Financial instruments – closed items on the balance sheet	Securities	Non-current and current other receivables[1]	Trade receivables	Derivatives in the energy area	Investments as well as cash and cash equivalents[2]
A	up to Aa3	236.3	0.0	0.0	16.9	11.7	0.2
B	up to A3	19.0	0.0	24.7	153.1	109.0	36.6
C1–C3	up to Baa3	178.4	0.0	0.0	141.8	171.0	27.8
D1–D5	below Baa3	0.0	0.0	0.0	1.1	1.5	0.0
Not rated		0.0	211.5	113.1	81.4	0.0	0.0
Total		433.7	211.5	137.8	394.3	293.1	64.6

[1] incl. receivables from investees and loans to investees // [2] Non-current and current other loans and money market transactions have been summarised as investments in this presentation.

- Securities and loans related to closed items on the balance sheet

These are not exposed to price or foreign exchange risk from VERBUND's perspective. The investments were either carried out on the basis of matching currencies and maturities or they were adjusted to maturity, interest rates and currencies of the corresponding financial liabilities through corresponding derivatives. The remaining credit risk of the partner in which the investments were made was minimised by only investing with partners with original first-class ratings (group A).

- Other securities

The other securities without assigned ratings are, in particular, domestic investment funds (funds for institutional investors) acquired to cover personnel-related provisions. In prior periods, this also included shares of money market funds.

- Trade receivables

The amounts shown as "not rated" result on the one hand from the expansion of the consumer business, which led to a large number of receivables that individually lie below the de minimis threshold (< €0.1m). On the other hand, it also includes receivables for which no credit assessments were carried out due to special circumstances (e.g. legal obligations to accept contracts).

The table below contains information regarding the default risk and recognised expected credit losses for financial instruments that were classified as "measured at amortised cost", with the exception of trade receivables and receivables from investees, which are primarily also related to trade receivables. For all financial instruments, the valuation allowance was recognised in the amount of the 12-month expected credit loss, because there is a low risk of default.

Expected credit losses 2019

€m

	Equivalent Moody's-rating	Probability of default	Loss ratio	Gross carrying amount	Valuation allowance	Net carrying amount
A	up to Aa3	0.02%	0.60%	71.0	0.0	71.0
B	up to A3	0.06%	0.70%	324.2	0.1	324.3
C1–C3	up to Baa3	0.12%–0.29%	0.80%	0.0	0.0	0.0
Loans portion of a net investment[1]	–	–	–	54.1	–2.0	52.1
No recognition of expected credit losses[2]	–	–	–	–	–	97.0
Total						544.5

[1] In their economic substance, non-current loans represent an increase in the net investment in Ashta Beteiligungsverwaltung GmbH (see section 4.5 Interests accounted for using the equity method). // [2] Guarantees in energy trading in the amount of €33.2m are maintained as a special asset pool, which is why there is no default risk. No expected credit losses are recognised for the other remaining financial instruments due to the low amount of exposure to default risk, the short term and/or the borrower's good creditworthiness.

Expected credit losses 2018

€m

	Equivalent Moody's rating	Probability of default	Loss ratio	Gross carrying amount	Valuation allowance	Net carrying amount
A	up to Aa3	0.02%	0.60%	236.4	0.0	236.4
B	up to A3	0.07%	0.70%	43.8	0.0	43.8
C1–C3	up to Baa3	0.12%–0.31%	0.80%	100.5	–0.1	100.4
Loans as part of a net investment[1]	–	–	–	51.6	–21.9	29.8
No recognition of expected credit losses[2]	–	–	–	–	–	118.3
Total						528.6

[1] In their economic substance, non-current loans represent an increase in the net investment in Ashta Beteiligungsverwaltung GmbH (see section 4.5 Interests accounted for using the equity method). // [2] Guarantees in energy trading in the amount of €37.8m are maintained as a special asset pool, which is why there is no default risk. No expected credit losses are recognised for the other remaining financial instruments due to the low amount of exposure to default risk, the short term and/or the borrower's good creditworthiness

For trade receivables and receivables from investees that are primarily related to trade receivables, the credit losses expected over the term are measured using a valuation allowance matrix:

Expected credit losses 2019 €m

	Loss ratio	Gross carrying amount	Valuation allowance	Net carrying amount
Not past due	0%	380.1	0.0	380.1
1–30 days past due	0%	10.1	0.0	10.1
31–120 days past due	10–50%	1.8	–0.8	1.0
> 120 days past due	90%	2.5	–1.8	0.7
Total		394.5	–2.6	391.9

Expected credit losses 2018 €m

	Loss ratio	Gross carrying amount	Valuation allowance	Net carrying amount
Not past due	0%	410.2	0.0	410.2
1–30 days past due	0%	11.9	0.0	11.9
31–120 days past due	10–50%	0.7	–0.1	0.7
> 120 days past due	90%	3.8	–2.7	1.1
Total		426.6	–2.7	423.9

Interest rate risk

VERBUND regards fluctuations in interest rates as a significant cash flow risk. As at 31 December 2019, the portion of financial liabilities (taking interest rate swaps into account) for which VERBUND was exposed to a corresponding interest rate risk was 9.0% (previous year: 2.0%).

A 1.0% increase in the interest rate would result in a decrease of €1.0m p.a. (previous year: €0.6m p.a.) in profit before taxes with the loan portfolio in existence as at the reporting date, including the money market transactions. As a rule, hedging instruments are used in an attempt to further reduce the effects of short-term market price fluctuations on profit or loss. However, prolonged negative market price changes can have a negative impact on performance.

At 31 December 2019, there were interest rate swaps (notional amount: $264.4m; previous year: $260.7m) related to closed items on the balance sheet. The fair value of these derivatives, together with the related securities, loans and receivables, in each case form a micro hedge that exactly equates to the fair value recognised for the related financial liability. The changes in fair value of the interest rate swaps correspond to the fluctuations in the value of the hedged financial liabilities measured at fair value induced by changes in interest rates.

At 31 December 2019, there were additional interest rate swaps of a total notional amount of €86.0m (previous year: €100.7m). These swaps exchange variable interest for a fixed interest rate in order to also secure the existing low interest level for the long term. These interest rate swaps were designated as hedging instruments as part of cash flow hedges in accordance with IFRS 9.

In addition, interest rate swaps (from variable to fixed interest) were entered into as part of intra-Group project financing with a notional value of €122.7m (previous year: €140.6m) for which no hedging relationships could be presented from a Group perspective (see section 5 Financial instruments). The average remaining term for the entire portfolio is 4.2 years (previous year: 3.4 years).

Foreign exchange risk

There are no assets exposed to significant foreign exchange risks because deliveries are settled almost entirely in euros; the same generally applies to other primary financial instruments.
Since securities and loans under closed items on the balance sheet as well as the associated liabilities are denominated exclusively in US dollars, no foreign exchange risk is incurred.

Risk from cross-border leasing transactions

Around 85% of the cross-border leasing transactions originally entered into in the years 1999 to 2001 were terminated early in prior financial years. VERBUND's last remaining transaction (Freudenau power plant: original transaction volume of around $966.0m) has an off-balance sheet financing structure. With respect to this transaction, the lessee purchase option granted in section 19 of the lease agreement (the early buy-out option) was exercised in the first half of 2019, whereby this transaction is to also be terminated effective 2 January 2021. The liabilities that could arise at the outside under VERBUND's only remaining transaction are partially hedged by means of counter-guarantees (see section 13.1 Other obligations and/or entitlements and risks).

Some of the cross-border leasing transactions were terminated early in their entirety, while some were only partially terminated, whereby the transactions with investors and the associated A-loans were repaid while the existing B-loans were continued by VERBUND (see section 8.1 Financial liabilities). Balance sheet cover remains in place for the continued portions. Expenses and income from the measurement of these items correspond to one another in terms of both value and value date, and are offset. The reference value of the interest rate swaps amounts to $264.4m (previous year: $260.7m).

The financial assets and liabilities that relate to the closed items on the balance sheet are not shown as net amounts. In the event of insolvency, the interest rates swaps (€87.1m; previous year: €78.0m) can be netted against the financial liabilities to banks recognised at fair value (€337.5m; previous year: €320.2m). The net liability from both of these items therefore amounted to €250.3m as at 31 December 2019 (previous year: €242.2m).

For two transactions ended early in which the financial liabilities were continued, there remains the risk that it will be necessary to exchange the investing financial institutions or provide additional collateral in the event that the rating of the investing financial institutions or of VERBUND falls below a certain threshold. The ratings of contractual parties as well as VERBUND's rating exceeded the contractually agreed thresholds on 31 December 2019. Thus there is currently no need for VERBUND to switch individual contractual parties or investments. This risk is also reduced not least of all by the existence of guarantors' liabilities from regional authorities for specific contractual parties.

11.2 Risk management in the energy area

Within its core business, VERBUND is active in international energy markets and is thus exposed to market, counterparty and operational risks that have to be seen alongside corresponding opportunities. Dealing with market risks is managed by means of rule books and the limits established in them. Counterparty risk is approached using separate guidelines both at the Group level as well as at the level of the subsidiaries. There is a process manual for the management of operational risks.

The current utilisation of the various limits for market risk (value at risk, stress limit, stop-loss limits and exposure limits) is monitored, managed and reported on a daily basis, as is the risk position of the (derivative) financial instruments in the energy area.

At 31 December 2019, derivative financial instruments in the energy area (electricity futures as well as electricity forwards and gas futures and gas forwards, CO_2 futures and CO_2 forwards) comprised the following:

Sales and procurement (cash flow hedges) as at 31/12/2019 €m

	Positive fair values	Negative fair values	Net
Futures	86.0	18.9	67.1
Forwards	22.3	16.4	5.9
Total before netting	**108.3**	**35.3**	**73.1**
of which current	104.1	23.6	80.5
of which non-current	4.2	11.6	–7.4
of which in other comprehensive income			73.1

Wholesale as at 31/12/2019 €m

	Positive fair values	Negative fair values	Net
Futures	41.4	98.9	–57.5
Forwards	180.3	128.6	51.7
Swaps	0.0	2.2	–2.2
Total before netting	**221.7**	**229.8**	**–8.0**
of which current	179.2	198.9	–19.7
of which non-current	42.5	30.9	11.6
Futures already realised	52.5	43.1	9.4
Total			**1.4**

Trading as at 31/12/2019 €m

	Positive fair values	Negative fair values	Net
Futures	25.8	26.6	–0.8
Forwards	489.2	488.6	0.6
Total before netting	**515.0**	**515.2**	**–0.2**
of which current	489.8	490.2	–0.4
of which non-current	25.2	25.0	0.2

Total as at 31/12/2019 €m

	Positive fair values	Negative fair values	Net
Futures	153.2	144.3	8.8
Forwards	691.8	633.6	58.2
Swaps	0.0	2.2	–2.2
Total before netting	**845.0**	**780.2**	**64.8**
Including netting agreements	–647.0	–647.0	0.0
Total after netting	**198.0**	**133.2**	**64.8**
EEX/ECX clearing variation margins of futures	–8.8	0.0	–8.8
Recognised under other receivables or liabilities	**189.2**	**133.2**	**56.0**

At 31 December 2018, derivative financial instruments in the energy area (electricity futures as well as electricity forwards and options, gas futures and gas forwards, CO_2 futures and CO_2 forwards) comprised the following:

Sales and procurement (cash flow hedges) as at 31/12/2018 €m

	Positive fair values	Negative fair values	Net
Futures	39.9	229.5	–189.6
Forwards	33.7	141.0	–107.2
Total before netting	**73.7**	**370.5**	**–296.8**
of which current	63.0	335.6	–272.6
of which non-current	10.7	34.9	–24.2
of which in other comprehensive income			–296.8

Wholesale as at 31/12/2018

€m

	Positive fair values	Negative fair values	Net
Futures	228.8	19.1	209.7
Forwards	279.2	418.4	–139.2
Options	1.0	0.3	0.6
Swaps	0.1	0.8	–0.7
Total before netting	**509.0**	**438.6**	**70.4**
of which current	352.9	302.7	50.2
of which non-current	156.1	135.9	20.2
Futures already realised	107.6	168.3	–60.7
Total			9.7

Trading as at 31/12/2018

€m

	Positive fair values	Negative fair values	Net
Futures	11.2	16.5	–5.2
Forwards	753.9	753.1	0.8
Total before netting	**765.1**	**769.6**	**–4.5**
of which current	658.6	663.5	–4.9
of which non-current	106.5	106.1	0.4

Total as at 31/12/2018

€m

	Positive fair values	Negative fair values	Net
Futures	279.9	265.0	14.9
Forwards	1066.8	1312.5	–245.7
Options	1.0	0.3	0.6
Swaps	0.1	0.8	–0.7
Total before netting	**1,347.7**	**1,578.6**	**–230.9**
Including netting agreements	–1,049.8	–1,049.8	0.0
Total after netting	**298.0**	**528.8**	**–230.9**
EEX/ECX clearing variation margins of futures	–4.8		–4.8
Recognised under other receivables or liabilities	**293.1**	**528.8**	**–235.7**

Derivative financial instruments in the energy area with positive fair values are recognised under trade receivables and other receivables; those with negative fair values are recognised under trade payables and other liabilities. If a framework agreement with a netting clause has been entered into with a counterparty, the positive and negative fair values of the transactions for this counterparty are netted for accounting purposes because the aim is to settle on a net basis.

The effects of potential price fluctuations on the electricity market (–10.0% to +10.0%) were measured by means of a sensitivity analysis:

Sensitivity: market price fluctuation of +10%

€m	2018	2019
Effect on operating result (wholesale and trading portfolio)	2.1	0.4
Effect on equity (revaluation reserve from cash flow hedges)	–81.4	–52.1

Sensitivity: market price fluctuation of –10%

€m	2018	2019
Effect on operating result (wholesale and trading portfolio)	–2.1	–0.4
Effect on equity (revaluation reserve from cash flow hedges)	81.4	52.1

The future sales and procurement transactions hedged by cash flow hedges will occur over the next four years (2020 to 2023) and be recognised in profit or loss accordingly. See section 5 Financial instruments for further details regarding the electricity futures and forwards designated as cash flow hedges.

12. Capital management

The objectives of VERBUND's capital management include:

- Securing liquidity and ensuring suitable liquidity reserves
- Optimising the capital structure
- Securing a solid, long-term credit rating

As part of its capital management, the Executive Board regularly monitors the following key performance indicators: Net debt/EBITDA, free cash flow (after dividends) and the ROCE of the unregulated business activities. The Group strives for a net debt/EBITDA ratio of < 3.0, a free cash flow (after dividends) of > €0m and a ROCE of the unregulated business activities of > 7.0% in order to support the rating. These targets are based on the existing asset and value chain structure.

Net debt/EBITDA

€m	2018	2019
Net debt	2,560.7	2,256.1
EBITDA	864.2	1,183.5
Net debt/EBITDA	3.0	**1.9**

Free cashflow after dividends

€m	2018	2019
Cash flow from operating activities	664.1	1,204.3
Cash flow from investing activities excluding cash inflows and outflows from investments and/or disposals in investments	–248.8	–386.9
Free cash flow before dividends	415.3	**817.4**
Dividende	–178.1	–178.1
Free cashflow after dividends	237.2	**639.3**

Return on capital employed (ROCE) of non-regulated business segments		€m
	2018	**2019**
NOPAT	409.5	684.6
Average capital employed	7,291.3	8,816.4
Return on capital employed (ROCE) of non-regulated business segments	5.6%	**7.8%**

13. Other

13.1 Other obligations and/or entitlements and risks

Contingent liabilities

Contingent liabilities not recognised in VERBUND's balance sheet are assessed quarterly with respect to their probability of occurrence. The assessment is carried out by the managers responsible, taking account of market-related inputs (to the extent possible) and expert opinions (in individual cases).

Obligations from cross-border leasing

As at 31 December 2019, VERBUND's secondary liability amounted to €519.4m (previous year: €519.3m) for the unpaid portion of the lease liability from the cross-border leasing transaction (see section 11 Risk management). Of the rights of recourse against the primary debtors, €308.8m (previous year: €324.0m) is secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €283.8m (previous year: €264.7m) is covered by off-balance sheet investments in zero coupons of the European Investment Bank which are also secured by a guarantee from the Financial Security Assurance Inc. (FSA).

Court proceedings pending

The pending court proceedings relate mainly to the following matters:

- Flooding of the Drau River in 2012: Claims for damages under civil law amount to €108.5m (previous year: €108.5m). VERBUND is contesting both the amounts and merits of these claims. No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in relation to these claims for damages because it is likely that such note disclosures would seriously prejudice VERBUND's position in the proceedings.
- Amortisation of goodwill for the equity interest in VERBUND Innkraftwerke GmbH claimed for tax purposes for the years 2014–2023: The appeal against the notice of assessment remains pending. The tax benefit for these years (reduction of future tax payments in the amount of €8.2m per year) is recognised in accordance with VERBUND's accounting policies if it is reasonably likely to arise.

Contracts and purchase commitments

Purchase commitments for property, plant and equipment and intangible assets as well as other commitments			€m
	Commitment within one year	Commitment for longer than one year and up to five years	Commitment for longer than five years
Total commitment	624.8	593.6	0.2

In addition, there are further customary purchase contracts for business activities that primarily include the following matters:

- Electricity supply agreements: Provincial energy companies have acquired (proportionate) electricity purchase rights by providing contributions to building costs for power plants. VERBUND is thereby obligated to deliver a portion of the electricity generated in these power plants to the provincial energy companies in exchange for reimbursement of contractually-stipulated recognised expenses (excluding depreciation, amortisation and interest).
- Contingent rights of reversion: There is a commitment to the Free State of Bavaria to implement certain water management measures as well as environmental and infrastructure measures on the Bavarian Inn River by 2021.
- District heating supply and purchase agreement: Commitment on the part of VERBUND Thermal Power GmbH & Co KG vis-à-vis Energie Steiermark Wärme GmbH with respect to the delivery of district heating for the Graz metropolitan area until 30 June 2020.

13.2 Other disclosures

Average number of employees

Average number of employees

	2018	**2019**	Change
Salaried employees	2,597	**2,622**	25
Apprentices	145	149	4
Average number of employees[1]	2,742	**2,772**	30

[1] Part-time employees were taken into account proportionately based on their working hours.

As at the reporting date, 40 (previous year: 61) employees had a letter of loyalty granting them a higher degree of employment protection. The prerequisite was at least 20 years of service at VERBUND and a minimum age of 45.

Provision of personnel

In the 2019 reporting period there was a total average of 14 secondments (previous year: 16) to unconsolidated subsidiaries of VERBUND. In addition, two employees were assigned on average to PÖYRY Energy GmbH (previous year: two).

Expenses for services provided by the Group auditor

The expenses for services provided by the Group auditor refer to VERBUND's consolidated subsidiaries that are audited by the Group auditor/the Group auditor's network; the corresponding expenses for subsidiaries that are not consolidated due to lack of materiality are not included here. VERBUND's Group auditor in both 2019 and 2018 was Deloitte Audit Wirtschaftsprüfungs GmbH.

Expenses for services provided by the Group auditor

€k

	Deloitte[1] 2018	**Deloitte[1] 2019**	Network 2018	**Network 2019**
Audit services relating to consolidated and separate financial statements	308.4	297.1	150.2	151.3
Other assurance services	95.8	94.4	0.9	12.2
Tax consulting services	0.0	0.0	0.0	0.0
Other advisory services	141.3	184.2	0.0	0.0
Total expenses	545.6	**575.8**	151.1	**163.5**

[1] Deloitte Audit Wirtschaftsprüfungs GmbH

The following expenses for Group auditor/Group auditor's network services were incurred by VERBUND's joint ventures: €26.4k (previous year: €31.0k) for audit services relating to the consolidated and separate financial statements (of which to Deloitte Audit Wirtschaftsprüfungs GmbH: €26.4k; previous year: €31.0k).

13.3 Transactions with related parties

Related parties of VERBUND include:

- all subsidiaries, associates and joint ventures;
- the members of VERBUND's Executive Board and Supervisory Board as well as companies controlled or significantly influenced by them or their close family members;
- the Republic of Austria due to its position as the majority shareholder; and
- companies controlled or significantly influenced by the Republic of Austria

Transactions between related parties are carried out at arm's length. Transactions with unconsolidated subsidiaries, joint ventures or associates are not presented due to lack of materiality.

Transactions with joint ventures

Material transactions with joint ventures accounted for using the equity method had the following effect on VERBUND's income statement and balance sheet:

Transactions with joint ventures

€m

	2018	**2019**
Income statement		
Electricity revenue	0.4	0.5
Other revenue	0.6	0.7
Other operating income	0.3	0.2
Expenses for electricity, grid, gas and certificates purchases	–0.1	–0.5
Other operating expenses	–0.3	–0.4
Interest income	1.3	1.3
Other financial result	1.9	1.8

Transactions with joint ventures €m

	31/12/2018	31/12/2019
Balance sheet		
Investments and non-current other receivables	27.1	49.2
Trade receivables, other receivables and securities	7.3	5.0
Contributions to building costs	0.9	0.9
Trade payables and other liabilities	1.1	6.1

Investments at 31 December 2019 included a non-current loan to Energji Ashta Shpk in the amount of €48.6m (previous year: €26.3m) as well as a current other receivable in the amount of €3.5m (previous year: €3.5m). Both mainly served the financing of construction services relating to an Albanian hydropower plant concession.

Transactions with associates

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft has acquired (proportionate) electricity purchase rights by providing contributions to building costs for power plants on the Danube and Drau rivers and for the Malta and Reißeck power plant groups. Based on these electricity supply agreements, VERBUND is obligated to deliver a portion of the electricity generated in these power plants to KELAG-Kärntner Elektrizitäts-Aktiengesellschaft in exchange for reimbursement of the contractually-stipulated recognised expenses (excluding depreciation, amortisation and interest).

Material transactions with associates accounted for using the equity method had the following effect on VERBUND's income statement and balance sheet:

Transactions with associates €m

	2018	2019
Income statement		
Electricity revenue	73.6	77.9
Grid revenue	35.9	36.6
Other revenue	–0.4	0.2
Other operating income	3.8	8.3
Expenses for electricity, grid, gas and certificates purchases	–18.5	–27.4
Other operating expenses	–0.6	–1.3
Interest income	0.2	0.2

Transactions with associates

€m

	31/12/2018	31/12/2019
Balance sheet		
Trade receivables, other receivables and securities	26.1	26.8
Contributions to building costs	276.6	271.2
Trade payables and other liabilities	0.2	0.2

Details regarding key business relationships:

- Electricity revenue was realised with KELAG-Kärntner Elektrizitäts-Aktiengesellschaft (€63.0m; previous year: €61.8m) and OeMAG Abwicklungsstelle für Ökostrom AG (€14.8m; previous year: €11.8m).
- There was €26.7m in electricity purchases (previous year: €18.0m) primarily from KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.
- Grid revenue was only realised with KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.
- A total of €3.1m (previous year: €3.9m) of the contributions to building costs were provided by KELAG-Kärntner Elektrizitäts-Aktiengesellschaft in financial year 2019.

Transactions with the Republic of Austria and companies under its controlling influence

Electricity deliveries from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €61.6m (previous year: €62.3m) in the 2019 reporting period. The primary buyers of this electricity were ÖBB, OMV and Telekom Austria. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €2.8m in the 2019 reporting period (previous year: €2.9m). The electricity was supplied primarily by ÖBB. Gas trading contracts with OMV and gas deliveries on the part of OMV resulted in a total expense of €35.8m in other revenue and purchased gas, respectively (previous year: €50.5m).

VERBUND's expense for monitoring by E-Control amounted to a total of €11.4m (previous year: €11.6m) in the 2019 reporting period.

Disclosures regarding the governing bodies of the Group

Detailed disclosures regarding the boards of VERBUND AG are presented in the Corporate Governance Report. The following disclosures focus on the remuneration of members of the Executive Board and the Supervisory Board.

Current remuneration of the Executive Board (incl. variable remuneration)

€

	2018			2019		
	Fixed remun-eration	Variable remun-eration	Other	Fixed remun-eration	Variable remun-eration	Other
Dipl.-Ing. Wolfgang Anzengruber	849,770	563,457	0	750,000	577,594	0
Dr. Michael Strugl	0	0	0	685,000	0	0
Dr. Peter F. Kollmann	806,096	382,089	0	620,000	391,678	0
Dr. Achim Kaspar	0	0	0	475,000	0	0
Dr. Johann Sereinig	813,641	385,665	598,682	0	0	0
Dipl.-Ing. Dr. Günther Rabensteiner	604,733	286,643	229,334	0	0	0

Remuneration of the Executive Board members amounted to a total of €3,549,980 in the 2019 reporting period (previous year: €5,599,347), including €50,708 (previous year: €79,237) in remuneration in kind. Other remuneration for the year 2018 related to compensation in lieu of holiday for former members of the Executive Board.

Because it is only possible to ascertain at the end of the year whether targets have been achieved, variable remuneration components are paid out in the following year. Therefore, the total amount includes the variable remuneration components granted to the members of the Executive Board in the 2019 reporting period for the 2018 reporting period.

Variable remuneration depends upon performance and is limited to a specific percentage of the respective fixed remuneration. This percentage rate was between 50% and 70% for the 2018 reporting period. The level of performance-based remuneration components depends on the extent to which the targets agreed for the financial year are achieved. In the 2018 reporting period, 35% of the agreement on targets was based on the achievement of the Group result, 30% on the achievement of free cash flow (three-year target 2016 to 2018) and 35% on qualitative goals: job security (10%), strategy (15%) and succession planning (10%). The total achievement of targets for 2018 was determined to be 82.5%.

The system of variable remuneration was revised beginning with the current 2019 reporting period and a generally three-year Long Term Incentive Programme (LTIP) was agreed in addition to the short-term targets (one-year goals). For the one-year goals, the percentage rate for total achievement of the targets is a standard 70% of the relevant fixed remuneration. In the 2019 reporting period, 70% of the agreement on targets is based on the achievement of the Group result and 30% on non-financial goals (one-year): safety (10%), succession planning (5%), innovation (5%), innovation projects (5%) and digitalisation (5%).

With respect to the LTIP, a maximum of 55% of the respective fixed remuneration can be paid out as long-term remuneration on the basis of medium-term performance criteria; the actual amount depends not only on the achievement of individual targets, but also on the price trend of the VERBUND share. The duration of the LTIP is three years. In the beginning, the maximum value is depicted as the current price in phantom shares; the undiscounted amount is paid out in arrears, depending on the achievement of the individual targets and the share price at the end of the three-year assessment period. Therefore, no long-term variable remuneration was paid out in 2019.

A company pension plan has been set up for members of the Executive Board in the form of a defined contribution pension fund agreement. In the 2019 reporting period, contributions to the pension fund were paid for the Executive Board in the amount of €253,000 (previous year: €225,992).

Statutory regulations apply, taking account of the requirements of Rule 27a of the Austrian Code of Corporate Governance, with respect to the claims of members of the Executive Board upon termination of their position. In the 2019 reporting period, €380,637 (previous year: €376,224) was paid out for pensions and €0 (previous year: €2,189,150) for termination benefits in favour of beneficiaries.

Profit or loss for the period included expenses for termination benefits and pensions and similar obligations, i.e. post-employment benefits, in the amount of €8,388 (previous year: €45,486). Expenses for pensions and similar obligations for former members of the Executive Board and their surviving dependants included in the profit or loss for the period amounted to a total of €58,608 (previous year: €47,481). In addition, remeasurement expenses in the amount of €468,972 (previous year: expenses amounting to €657,762) were recognised in other comprehensive income.

Remuneration for members of the Supervisory Board (including the reimbursement of recharged business/travel expenses) amounted to a total of €316,262 (previous year: €348,934). As in the previous year, no loans or advances were paid out to members of the Group's or subsidiaries' governing bodies. As in the previous year, VERBUND does not have a stock option programme for either the members of the Executive Board or senior management staff.

13.4 Subsidiaries, joint ventures and associates of VERBUND

Subsidiaries with significant, non-controlling interests

The following tables contain condensed financial information for each of the Group's subsidiaries with significant, non-controlling interests before intra-Group adjustments:

Subsidiaries with significant, non-controlling interests: Statement of comprehensive income

€m

	2018 VERBUND Hydro Power GmbH	2018 VERBUND Innkraftwerke GmbH	2019 VERBUND Hydro Power GmbH	2019 VERBUND Innkraftwerke GmbH
Revenue	617.1	72.6	841.6	93.0
Profit after tax from continuing operations	212.7	9.6	**379.4**	**26.4**
Profit for the period	212.7	9.6	**379.4**	**26.4**
Ownership interest of non-controlling interests	19.46%	29.73%	19.46%	29.73%
Profit for the period attributable to non-controlling interests	41.4	2.9	**73.8**	**7.9**
Other comprehensive income	–12.5	1.2	–35.4	–7.9
Total comprehensive income for the period	200.2	10.8	**344.0**	**18.5**
Ownership interest of non-controlling interests	19.46%	29.73%	19.46%	29.73%
Total profit or loss for the period attributable to non-controlling interests	39.0	3.2	**67.0**	**5.5**

Subsidiaries with significant, non-controlling interests: Balance sheet

€m

	31/12/2018 VERBUND Hydro Power GmbH	31/12/2018 VERBUND Innkraftwerke GmbH	31/12/2019 VERBUND Hydro Power GmbH	31/12/2019 VERBUND Innkraftwerke GmbH
Non-current assets	4,617.9	754.7	4,655.3	794.1
Current assets	34.6	49.2	170.3	40.7
Non-current liabilities	–2,400.3	–25.9	–2,148.6	–45.6
Current liabilities	–93.4	–12.5	–324.1	–15.2
Net assets	2,158.8	765.5	**2,352.8**	**774.0**
Ownership interest of non-controlling interests	19.46%	29.73%	19.46%	29.73%
Net assets attributable to non-controlling interests	420.2	227.6	**458.0**	**230.1**

Subsidiaries with significant, non-controlling interests: Cash flows

€m

	31/12/2018 VERBUND Hydro Power GmbH	31/12/2018 VERBUND Innkraftwerke GmbH	31/12/2019 VERBUND Hydro Power GmbH	31/12/2019 VERBUND Innkraftwerke GmbH
Cash flow from operating activities	277.3	40.8	508.3	59.5
Cash flow from investing activities	–72.6	–9.4	–100.9	–59.2
Cash flow from financing activities	–204.7	–31.4	–407.4	5.5
Change in cash and cash equivalents	0.0	0.0	**0.0**	**0.0**
Dividends paid to non-controlling interests	29.2	3.0	**29.2**	**3.0**

There is a shareholder agreement at VERBUND Innkraftwerke GmbH that specifies that the entire profit for the year is to be approved as net profit for the period and distributed to the shareholders except in the following cases:

- The shareholders agree unanimously to a different payout ratio.
- The distribution of the entire profit violates statutory provisions.
- The equity as a percentage of assets will fall below 25% at the respective reporting date if the entire profit is distributed.
- There are insufficient cash and cash equivalents available to distribute the entire profit.
- A distribution of the entire profit would not leave enough cash and cash equivalents for approved capital expenditure, maintenance and restructuring measures and/or actions that must be taken due to force majeure, or reserves are to be recognised for the reversal of impairment losses.

Joint ventures

The tables below show a summary of aggregated financial information for the joint ventures of VERBUND accounted for using the equity method broken down according to material joint ventures and joint ventures that are individually immaterial. As a general rule, the reference date for investee financial reporting data is 30 September 2019 (see section 1.2 Financial reporting principles); the data are based on disclosed financial statements and/or on data updated to the best of VERBUND's knowledge.

Individually material joint ventures: Statement of comprehensive income €m

	2018		2019	
	Ashta Beteiligungs-verwaltung GmbH	SMATRICS GmbH & Co KG	Ashta Beteiligungs-verwaltung GmbH	SMATRICS GmbH & Co KG
Revenue	0.1	1.7	0.2	4.3
Depreciation and amortisation	–0.1	–0.6	–0.1	–1.1
Interest income	10.1	0.0	9.5	0.0
Interest expense	–6.5	0.0	–6.1	0.0
Taxes on income	–1.9	0.0	–6.3	0.0
Profit or loss after tax from continuing operations	–0.3	**–3.5**	**7.0**	**–4.2**
Ownership interest of VERBUND	50.01%	40.00%	50.01%	40.00%
Profit or loss for the period attributable to VERBUND	–0.1	**–1.4**	**3.5**	**–1.7**
Differences due to the application of the equity method of accounting	0.0	0.0	0.0	0.0
Result from joint ventures accounted for using the equity method	–0.1	**–1.4**	**3.5**	**–1.7**
Profit or loss after tax from continuing operations	–0.3	**–3.5**	**7.0**	**–4.2**
Other comprehensive income	0.0	0.0	0.0	0.0
Total comprehensive income for the period	–0.3	**–3.5**	**7.0**	**–4.2**
Ownership interest of VERBUND	50.01%	40.00%	50.01%	40.00%
Total comprehensive income for the period attributable to VERBUND	–0.1	**–1.4**	**3.5**	**–1.7**
Differences due to the application of the equity method of accounting	0.0	0.0	0.0	0.0
Total comprehensive income for the period from joint ventures accounted for using the equity method	–0.1	**–1.4**	**3.5**	**–1.7**
Dividends received from joint ventures	0.0	**0.0**	**0.0**	**0.0**

At Ashta Beteiligungsverwaltung GmbH, resolutions on the distribution of dividends are to be unanimously approved with the joint venture partners.

At SMATRICS GmbH & Co KG, assigned profit shares are to be distributed in full after covering any existing losses from prior years insofar as it is legally allowed and the company's equity ratio amounts to 30% (even after the distribution).

Individually immaterial joint ventures: Statement of comprehensive income

€m

	2018	2019
Profit after tax from continuing operations	0.2	1.0
Profit for the period attributable to VERBUND	0.0	**0.4**
Differences due to the application of the equity method of accounting	0.0	0.0
Result from joint ventures accounted for using the equity method	0.0	**0.4**
Profit after tax from continuing operations	0.2	**1.0**
Other comprehensive income	0.0	0.0
Total comprehensive income for the period	0.2	**1.0**
Total comprehensive income for the period attributable to VERBUND	0.0	**0.4**
Differences due to the application of the equity method of accounting	–0.1	0.0
Total comprehensive income for the period from joint ventures accounted for using the equity method	0.0	**0.4**

Individually material joint ventures: Balance sheet

€m

	31/12/2018		**31/12/2019**	
	Ashta Beteiligungs-verwaltung GmbH	SMATRICS GmbH & Co KG	Ashta Beteiligungs-verwaltung GmbH	SMATRICS GmbH & Co KG
Non-current assets	120.7	5.6	119.3	6.0
Current assets	5.3	7.5	3.7	3.3
Non-current liabilities	–94.8	–1.7	–82.5	–2.1
Current liabilities	–11.5	–1.6	–13.7	–1.6
Net assets	19.8	9.8	**26.7**	**5.6**
Ownership interest of VERBUND	50.01%	40.00%	50.01%	40.00%
Net assets attributable to VERBUND	9.9	3.9	**13.4**	**2.2**
Differences due to the application of the equity method of accounting	–9.9	7.0	–13.4	7.6
Carrying amount of joint ventures accounted for using the equity method	0.0	10.9	**0.0**	**9.8**

Individually material joint ventures: Details regarding net assets

€m

	31/12/2018		**31/12/2019**	
	Ashta Beteiligungs-verwaltung GmbH	SMATRICS GmbH & Co KG	Ashta Beteiligungs-verwaltung GmbH	SMATRICS GmbH & Co KG
Cash and cash equivalents	1.2	6.1	0.2	0.7
Non-current financial liabilities	98.0	0	91.0	0.0
Current financial liabilities	7.6	0	7.6	0.0

Until further notice, there is a cash management agreement in place between VERBUND and Energji Ashta Shpk (wholly owned subsidiary of Ashta Beteiligungsverwaltung GmbH) with a limit of €9.0m (previous year: €9.0m). As at 31 December 2019, €0.0m (previous year: €1.9m) of the limit had been drawn down.

Individually immaterial joint ventures: Balance sheet €m

	31/12/2018	**31/12/2019**
Net assets	9.6	**10.0**
Net assets attributable to VERBUND	3.4	**3.6**
Differences due to the application of the equity method of accounting	0.8	0.8
Carrying amount of joint ventures accounted for using the equity method	4.2	**4.3**

Joint operation: Ennskraftwerke Aktiengesellschaft

The equity interest in Ennskraftwerke Aktiengesellschaft (with VERBUND and Energie AG Oberösterreich each holding 50% of the interest) is to be classified as a joint operation in accordance with the provisions of IFRS 11. As a result, Ennskraftwerke Aktiengesellschaft is being included in the consolidated financial statements with the share of assets and liabilities and/or revenue and expenses attributable to VERBUND. The size of the share is determined based on the relationship of electricity deliveries to both parties. From a cost-benefit perspective, the assets and liabilities and/or revenue and expenses of Ennskraftwerke Aktiengesellschaft based on the average ratio of total electricity deliveries (VERBUND 62% and Energie AG Oberösterreich 38%) are included in VERBUND's consolidated financial statements.

Associates

The tables below show a summary of aggregated financial information for the associates of VERBUND accounted for using the equity method broken down according to material associates and individually immaterial associates. As a general rule, the reference date for investee balance sheet data is 30 September 2019 (see section 1.2 Financial reporting principles); the data are based on disclosed financial statements and/or on data updated to the best of VERBUND's knowledge.

Individually material associates: Statement of comprehensive income €m

	2018 KELAG-Kärntner Elektrizitäts-Aktien-gesellschaft	**2019** KELAG-Kärntner Elektrizitäts-Aktien-gesellschaft
Revenue	1,160.1	1,373.5
Profit after tax from continuing operations	85.1	**109.5**
Ownership interest of VERBUND	35.17%	35.17%
Profit for the period attributable to VERBUND	29.9	**38.5**
Differences due to the application of the equity method of accounting	0.0	0.0
Share of profit or loss from associates accounted for using the equity method	29.9	**38.5**
Profit after tax from continuing operations	85.1	**109.5**
Other comprehensive income	–11.3	–41.5
Total comprehensive income for the period	73.7	**68.0**
Ownership interest of VERBUND	35.17%	35.17%
Total comprehensive income for the period attributable to VERBUND	25.9	**23.9**
Differences due to the application of the equity method of accounting	0.0	0.0
Total comprehensive income for the period from associates accounted for using the equity method	25.9	**23.9**
Dividends received from associates	14.1	**14.1**

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft's resolutions on the distribution of dividends must be approved with a simple majority. Kärntner Energieholding Beteiligungs GmbH holds 51% of the shares in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft and therefore determines their distribution policy.

Individually immaterial associates: Statement of comprehensive income €m

	2018	**2019**
Profit after tax from continuing operations	0.3	0.4
Profit for the period attributable to VERBUND	0.1	**0.1**
Differences due to the application of the equity method of accounting	0.0	0.0
Share of profit or loss from associates accounted for using the equity method	0.1	**0.1**
Profit after tax from continuing operations	0.3	**0.4**
Other comprehensive income	0.0	0.0
Total comprehensive income for the period	0.3	**0.4**
Total comprehensive income for the period attributable to VERBUND	0.1	**0.1**
Differences due to the application of the equity method of accounting	0.0	0.0
Total comprehensive income for the period from associates accounted for using the equity method	0.1	**0.1**

Individually material associates: Balance sheet

€m

	31/12/2018 KELAG-Kärntner Elektrizitäts-Aktien-gesellschaft	**31/12/2019 KELAG-Kärntner Elektrizitäts-Aktien-gesellschaft**
Non-current assets	1,623.4	1,728.6
Current assets	359.5	389.0
Non-current liabilities	–851.1	–925.4
Current liabilities	–252.5	–284.8
Equity attributable to non-controlling interests	–7.7	–7.9
Net assets	871.6	**899.5**
Ownership interest of VERBUND	35.17%	35.17%
Net assets attributable to VERBUND	306.5	**316.3**
Differences due to the application of the equity method of accounting	0.3	0.3
Carrying amount of associates accounted for using the equity method	306.8	**316.6**

Individually immaterial associates: Balance sheet

€m

	31/12/2018	**31/12/2019**
Net assets	5.8	5.9
Net assets attributable to VERBUND	1.4	**1.4**
Differences due to the application of the equity method of accounting	0.0	0.0
Carrying amount of associates accounted for using the equity method	1.4	**1.4**

List of Group companies

The following list of Group companies prepared in accordance with Section 245a(1) in conjunction with Section 265(2) of the Austrian Commercial Code (UGB) comprises VERBUND's subsidiaries, joint ventures and associates. In addition, this list also includes unconsolidated subsidiaries and other joint ventures and equity interests of VERBUND not accounted for using the equity method with an interest of ≥ 20%.

Segment: Renewable generation

Company	2018 Head-quarters	2018 Consoli-dation method	2018 Parent company	2018 Parent company's share of equity	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity
VERBUND AG (VH) – Renewable generation activities	Vienna	CS	–	–	Vienna	CS	–	–
Donaukraftwerk Jochenstein Aktiengesellschaft	Passau	CS	VH VHP-IW	50.00% 50.00%	Passau	CS	VH VHP-IW	50.00% 50.00%
Grenzkraftwerke GmbH	Simbach	CS	VH VHP-IW	50.00% 50.00%	Simbach	CS	VH VHP-IW	50.00% 50.00%
Innwerk AG (VHP-IW)	Stamm-ham	CS	VH	100.00%	Stamm-ham	CS	VH	100.00%
Österreichisch-Bayerische Kraftwerke Aktiengesellschaft	Simbach	CS	VH VHP-IW	50.00% 50.00%	Simbach	CS	VH VHP-IW	50.00% 50.00%
VERBUND Wind Power Austria GmbH (VRP-AT)	Vienna	CS	VHP	100.00%	Vienna	CS	VHP	100.00%
VERBUND Wind Power Deutschland GmbH (VRP-DE)	Wörr-stadt	CS	VH	100.00%	Wörr-stadt	CS	VH	100.00%
VERBUND Green Power GmbH (VGP)	–	–	–	–	Vienna	CS	VH	100.00%
VERBUND Wind Power Romania SRL	Bucha-rest	CS	VH VFS	99.98% 0.02%	Bucha-rest	CS	VH	100.00%
Windpark Dichtelbach GmbH & Co. KG	Wörr-stadt	CS	VH	95.00%	Wörr-stadt	CS	VH	100.00%
Windpark Dörrebach GmbH & Co. KG	Wörr-stadt	CS	VH	95.00%	Wörr-stadt	CS	VH	100.00%
Windpark Eichberg GmbH & Co. KG	Wörr-stadt	CS	VH	95.00%	Wörr-stadt	CS	VH	100.00%
Windpark Ellern GmbH & Co. KG	Wörr-stadt	CS	VH	95.00%	Wörr-stadt	CS	VH	100.00%
Windpark Hochfels GmbH & Co. KG	Wörr-stadt	CS	VH	95.00%	Wörr-stadt	CS	VH	100.00%
Windpark Rheinböllen GmbH & Co. KG	Wörr-stadt	CS	VH	95.00%	Wörr-stadt	CS	VH	100.00%
Windpark Schönborn GmbH & Co. KG	Wörr-stadt	CS	VH	95.00%	Wörr-stadt	CS	VH	100.00%
Windpark Seibersbach GmbH & Co. KG	Wörr-stadt	CS	VH	95.00%	Wörr-stadt	CS	VH	100.00%

Segment: Renewable generation

Company	2018 Head-quarters	2018 Consoli-dation method	2018 Parent company	2018 Parent company's share of equity	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity
Windpark Stetten I GmbH & Co. KG	Wörr-stadt	CS	VH	95.00%	Wörr-stadt	CS	VH	100.00%
Windpark Utschenwald GmbH & Co. KG	Wörr-stadt	CS	VH	95.00%	Wörr-stadt	CS	VH	100.00%
Infrastruktur Oberheimbach I GmbH & Co. KG	Wörr-stadt	CS	VH	81.00%	Wörr-stadt	CS	VH	85.00%
VERBUND Hydro Power GmbH (VHP)	Vienna	CS	VH	80.54%	Vienna	CS	VH	80.54%
VERBUND Innkraftwerke GmbH	Töging	CS	VH	70.27%	Töging	CS	VH	70.27%
Infrastrukturgesell-schaft Bischheim GmbH & Co. KG	Wörr-stadt	CS	VH	61.26%	Wörr-stadt	CS	VH	65.29%
Ennskraftwerke Aktiengesellschaft	Steyr	JO	VH	50.00%	Steyr	JO	VH	50.00%
Ashta Beteiligungs-verwaltung GmbH (VHP-AL-HII)	Vienna	EM[1]	VHP	50.01%	Vienna	EM[1]	VHP	50.01%
Energji Ashta Shpk	Bushat	EM[1]	VHP-AL-HII	100.00%	Bushat	EM[1]	VHP-AL-HII	100.00%
Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH & Co KG	Vienna	EM[1]	VHP	33.33%	Vienna	EM[1]	VHP	33.33%
Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH	Vienna	EM[1]	VHP	33.33%	Vienna	EM[1]	VHP	33.33%
Lestin & Co Tauch-, Bergungs- und Sprengunterneh-men Gesellschaft m.b.H. (LESTIN)	Vienna	UC	VHP	100.00%	Vienna	UC	VHP	100.00%
Lestin & Co. Tauch- und Bergungs-unternehmen GmbH	Passau	UC	LESTIN	100.00%	Passau	UC	LESTIN	100.00%
SOLAVOLTA Energie- und Umwelttechnik GmbH	Sankt Marga-rethen im Bgld.	EM[1]	VSO	50.00%	Sankt Marga-rethen im Bgld.	EM[1]	VGP	50.00%
VERBUND Tourismus GmbH	Vienna	UC	VHP LESTIN	99.90% 0.10%	Vienna	UC	VHP LESTIN	99.90% 0.10%

Segment: Sales

Company	2018 Head-quarters	2018 Consoli-dation method	2018 Parent company	2018 Parent company's share of equity	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity
VERBUND AG (VH) – Sales activities	Vienna	CS	–	–	Vienna	CS	–	–
VERBUND Sales GmbH (VSA)	Vienna	CS	VH	100.00%	Vienna	CS	VH	100.00%
VERBUND Sales Deutschland GmbH	Munich	CS	VSA	100.00%	Munich	CS	VSA	100.00%
VERBUND Trading GmbH (VTR)	Vienna	CS	VH	100.00%	Vienna	CS	VH	100.00%
VERBUND Trading Romania S.R.L.	Bucha-rest	CS	VTR VH	99.00% 1.00%	Bucha-rest	CS	VTR VH	99.00% 1.00%
VERBUND Trading & Sales Deutschland GmbH	Munich	UC	VTR	100.00%	Munich	UC	VTR	100.00%
VERBUND Trading Czech Republic s.r.o.	Prague	UC	VTR	100.00%	Prague	UC	VTR	100.00%
VERBUND Trading Serbia d.o.o.	Belgrade	UC	VTR	100.00%	Belgrade	UC	VTR	100.00%
VERBUND Energy4Customers GmbH (VEC)	–	–	–	–	Vienna	CS	VH	100.00%
VERBUND Energy4Flex GmbH	–	–	–	–	Vienna	CS	VTR	100.00%
smart Energy Services GmbH	Vienna	UC[1]	VSA	50.00%	Vienna	UC[1]	VEC	50.00%

Segment: Grid

Company	2018 Head-quarters	2018 Consoli-dation method	2018 Parent company	2018 Parent company's share of equity	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity
Austrian Power Grid AG (APG)	Vienna	CS	VH	100.00%	Vienna	CS	VH	100.00%
OeMAG Abwicklungsstelle für Ökostrom AG	Vienna	EM	APG	24.40%	Vienna	EM	APG	24.40%

All other segments: Energy services

Company	2018 Head-quarters	2018 Consoli-dation method	2018 Parent company	2018 Parent company's share of equity	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity
VERBUND AG (VH) – Energy services activities	Vienna	CS	–	–	Vienna	CS	–	–
VERBUND Solutions GmbH (VSO)	Vienna	CS	VH	100.00%	Vienna	CS	VH	100.00%
SMATRICS GmbH & Co KG	Vienna	EM[1]	VSO	40.00%	Vienna	EM[1]	VSO	40.00%
VERBUND GETEC Energiecontracting GmbH	Vienna	EM[1]	VSO	50.00%	–	–	–	–
AQUANTO GmbH i. L.	Unterföhring	UC	VH	100.00%	Unterföhring	UC	VH	100.00%
E-Mobility Provider Austria GmbH	Vienna	UC	VSO	40.00%	Vienna	UC	VSO	40.00%

All other segments: Thermal generation

Company	2018 Head-quarters	2018 Consoli-dation method	2018 Parent company	2018 Parent company's share of equity	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity
VERBUND Thermal Power GmbH & Co KG	Neudorf ob Wildon	CS	VH VTP GmbH	100.00% 0.00%	Neudorf ob Wildon	CS	VH VTP GmbH	100.00% 0.00%
VERBUND Thermal Power GmbH (VTP GmbH)	Neudorf ob Wildon	CS	VH	100.00%	Neudorf ob Wildon	CS	VH	100.00%

All other segments: Services

Company	2018 Head-quarters	2018 Consoli-dation method	2018 Parent company	2018 Parent company's share of equity	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity
VERBUND Services GmbH	Vienna	CS	VH	100.00%	Vienna	CS	VH	100.00%

All other segments: Equity interests

Company	2018 Head-quarters	2018 Consoli-dation method	2018 Parent company	2018 Parent company's share of equity	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity
KELAG-Kärntner Elektrizitäts-Aktiengesellschaft	Klagen-furt	EM	VH	35.17%	Klagen-furt	EM	VH	35.17%

Other Group companies

Company	2018 Head-quarters	2018 Consoli-dation method	2018 Parent company	2018 Parent company's share of equity	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity
VERBUND AG (VH) – All other activities	Vienna	CS	–	–	Vienna	CS	–	–
VERBUND Finanzierungsservice GmbH	Vienna	CS	VH	100.00%	Vienna	CS	VH	100.00%
VUM Verfahren Umwelt Manage-ment GmbH	Klagen-furt	UC	APG	100.00%	Klagen-furt	UC	APG	100.00%

CS = consolidated subsidiary / EM = investee accounted for using the equity method / JO = joint operation, proportionate inclusion of assets and liabilities as well as income and expenses / UC = unconsolidated entities due to immateriality or lack of significant influence

[1] Joint ventures

13.5 Events after the reporting date

There were no events requiring disclosure between the reporting date of 31 December 2019 and authorisation for issue on 13 February 2020.

Vienna, 13 February 2020

The Executive Board

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

Mag. Dr. Michael Strugl
Vice-Chairman of the Executive Board

Dr. Peter F. Kollmann
Member of the Executive Board

Mag. Dr. Achim Kaspar
Member of the Executive Board

14. Responsibility statement of the legal representatives

We confirm that, to the best of our knowledge, the consolidated financial statements of VERBUND, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, give a true and fair view of the assets and liabilities, financial position and profit or loss of VERBUND.

We also confirm that, to the best of our knowledge, the Group management report of VERBUND presents the development of the business, performance of the business and position of the Group so as to give a true and fair view of the assets and liabilities, financial position and profit or loss of VERBUND, and that the Group management report describes the significant risks and uncertainties to which VERBUND is exposed.

Vienna, 13 February 2020

The Executive Board

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

Mag. Dr. Michael Strugl
Vice-Chairman of the Executive Board

Dr. Peter F. Kollmann
Member of the Executive Board

Mag. Dr. Achim Kaspar
Member of the Executive Board

Independent Auditor's Report
(Translation)

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of VERBUND AG, Vienna, and its subsidiaries (the Group), which comprise the consolidated income statement and the consolidated statement of comprehensive income for the financial year ended on 31 December 2019, the consolidated balance sheet as at 31 December 2019, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the consolidated financial position as at 31 December 2019, and of the consolidated financial performance and the consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and the additional requirements under Section 245a UGB.

Basis for opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter referred to as EU-VO) and Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with laws and regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the financial year under review. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill and the carrying amount of power plant facilities

Description and issue

The Group reports goodwill unchanged from the previous year in the amount of around €587.7m as at 31 December 2019 related to the Renewable generation and Sales segments as well as the Inn River and Grenzkraftwerke power plant groups. The carrying amounts of the property, plant and equipment include, among other things, hydraulic, thermal and wind energy power plants and amount to a total of around €9,110.8m as at 31 December 2019 (previous year: around €8,957.1m).

Due to the current financial and energy market environment, the Group tested the carrying amounts of the power plant facilities.

Numerous inputs flow into the valuation model based on net present value methods applied in the test for impairment in order to assess the market. These include in particular future electricity and primary energy price trends as well as price trends for CO_2 certificates.

Due to the resulting complexity, the dependence of results on the assessment of market developments by management and the sensitivity to the cost of capital and to the key assumptions regarding the medium- and long-term electricity price trends for the energy markets, this is a key audit matter.

Details regarding the impairment tests and the key measurement assumptions are presented in the notes to the consolidated financial statements in section 4 Non-current assets under the subsections Recoverability of non-financial assets, Impairment testing of goodwill and Impairment testing of power plants.

Audit approach

We compared the parameters used in the impairment tests with company-specific information and relevant market data and market expectations from external and internal data sources and assessed the adequacy of the applied valuation models.

We reviewed and comprehend the changes in valuation parameters as a result of the further decrease in capital costs compared with the previous year on the one hand and the price trend with respect to electricity and primary energy on the other hand.

The evaluation of assumptions regarding the medium- and long-term price trend on the energy markets was carried out based on the price quotations on the electricity exchanges up to the year 2022 and the available price forecasts for the years beyond 2022 under special consideration of the current trend in the energy market environment. We consulted internal specialists in order to corroborate the capital costs by means of comparative analysis. We assessed the consistency of the future cash inflows applied in the calculations by comparing the planning data used therein with the technical performance data of the power plants, contractual bases and external electricity price scenarios.

Other provisions and obligations in connection with floods

Description and issue

The Group continues to consider itself confronted with claims for damages in the unchanged amount of around €108.5m related to floods.

In our view, this matter is of particular importance because the recognition and measurement as well as explanatory notes to the consolidated financial statements regarding any resulting provisions are based to a significant degree on estimates by the management with respect to the likelihood of potential claims, the amount of potential payments to compensate losses and the length of the process on which the claims are based, and as a result there is an increased risk of erroneous disclosures and/or presentations in the accounting.

Details regarding the development of other provisions are presented in the notes to the consolidated financial statements in section 9 Provisions in the subsection Other provisions. More detailed comments on the pending proceedings are provided in section 13 under the subsection with the same heading.

Audit approach

We also examined the appropriateness and validity of the underlying assumptions and assessments at the reporting date 31 December 2019, taking into account the statement of facts presented to us and internal legal information provided to us regarding floods from previous years. In addition, we evaluated current high water events from 2019 with a view to any necessity to set aside provisions.

We reviewed the comments in the notes for compliance with the stipulated disclosure obligations.

Initial mandatory application of IFRS 16 – Leases

Description and issue

The new accounting policies under IFRS 16 – Leases are required to be applied beginning with 2019 and specify that all leases are to be recognised in the balance sheet of the lessee. VERBUND applied the new standard in 2019 for the first time.

VERBUND's leases include mainly arrangements regarding the provision of power plants, buildings, land, lines and vehicles. Right-of-use assets were capitalised at 1 January 2019 in the amount of €155.7m. As at 31 December 2019, the carrying amount of the right-of-use assets presented was €133.4m.

As a consequence of complex contractual structures and extensive discretionary decisions that substantially influence the applicability of IFRS 16 and the normal accounting treatment, the initial recognition of leases was identified as particularly important audit matter.

Details regarding leases are presented in the notes to the consolidated financial statements as a subsection of the section entitled Non-current assets.

Audit approach

We examined the accounting manual for IFRS 16 drafted by VERBUND for compliance with the requirements of the accounting standard. In addition, we examined the application criteria set forth under IFRS 16 and the proper recognition of contract data by means of sampling and examined the plausibility of the interest rate applied in the context of IFRS 16.

Other information

Management is responsible for the other information. The other information includes all information in the integrated annual report as well as supplementary information regarding the integrated annual report (Disclosures on Management Approach – hereinafter referred to in short as "DMA"), with the exception of the consolidated financial statements, the Group management report, the report on the independent audit of the report on non-financial information and the report on the independent audit of the consolidated corporate governance report. We received the integrated annual report (not including the report of the Supervisory Board) and the associated supplement prior to the date of our independent auditor's report; the report of the Supervisory Board will be provided to us after this date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance thereon. Please refer to the "Report on the audit of the Group management report" regarding the information in the Group management report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we arrive at the conclusion that this other information is materially misstated based on the work that we carried out for the other information received prior to the date of this auditor's report, we must report it. We have nothing to report in this regard.

Responsibilities of management and the audit committee for the consolidated financial statements

The Company's management is responsible for the preparation of the consolidated financial statements that give a fair and true view of the assets, liabilities, financial position and profit or loss of the Group in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a UGB. Furthermore, the management is responsible for the internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU-VO and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU-VO and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

In addition:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our

auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that give a true and fair view.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Group Management Report

Pursuant to statutory provisions, the Group management report is to be audited as to whether it is consistent with the consolidated financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the Group management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the Group management report.

Opinion

In our opinion, the Group management report is prepared in accordance with the applicable legal requirements, includes appropriate disclosures according to Section 243a UGB and is consistent with the consolidated financial statements.

Statement

In light of the knowledge and understanding of the Group and its environment obtained in the course of our audit of the consolidated financial statements, we have not identified material misstatements in the Group management report.

Additional Information Required under Article 10 of the EU Audit Regulation

We were elected by the Annual General Meeting held on 30 April 2019 as the auditor for the financial year ended 31 December 2019 and engaged by the Supervisory Board on 30 April 2019 to audit the annual financial statements. We have been the Group's auditor continuously since the financial year ending on 31 December 2007.

We declare that the audit opinion included in the "Report on the Audit of the Consolidated Financial Statements" is in line with the additional report to the Audit Committee and complies with Article 11 of the EU Audit Regulation.

We declare that we have not provided any non-audit-related services in accordance with Art. 5(1) of the EU-VO and that we maintained our independence from the Group while conducting our audit.

Engagement Partner

The engagement partner responsible for the audit is Mag. Gerhard Marterbauer.

Vienna, 18 February 2020

Deloitte Audit Wirtschaftsprüfungs GmbH

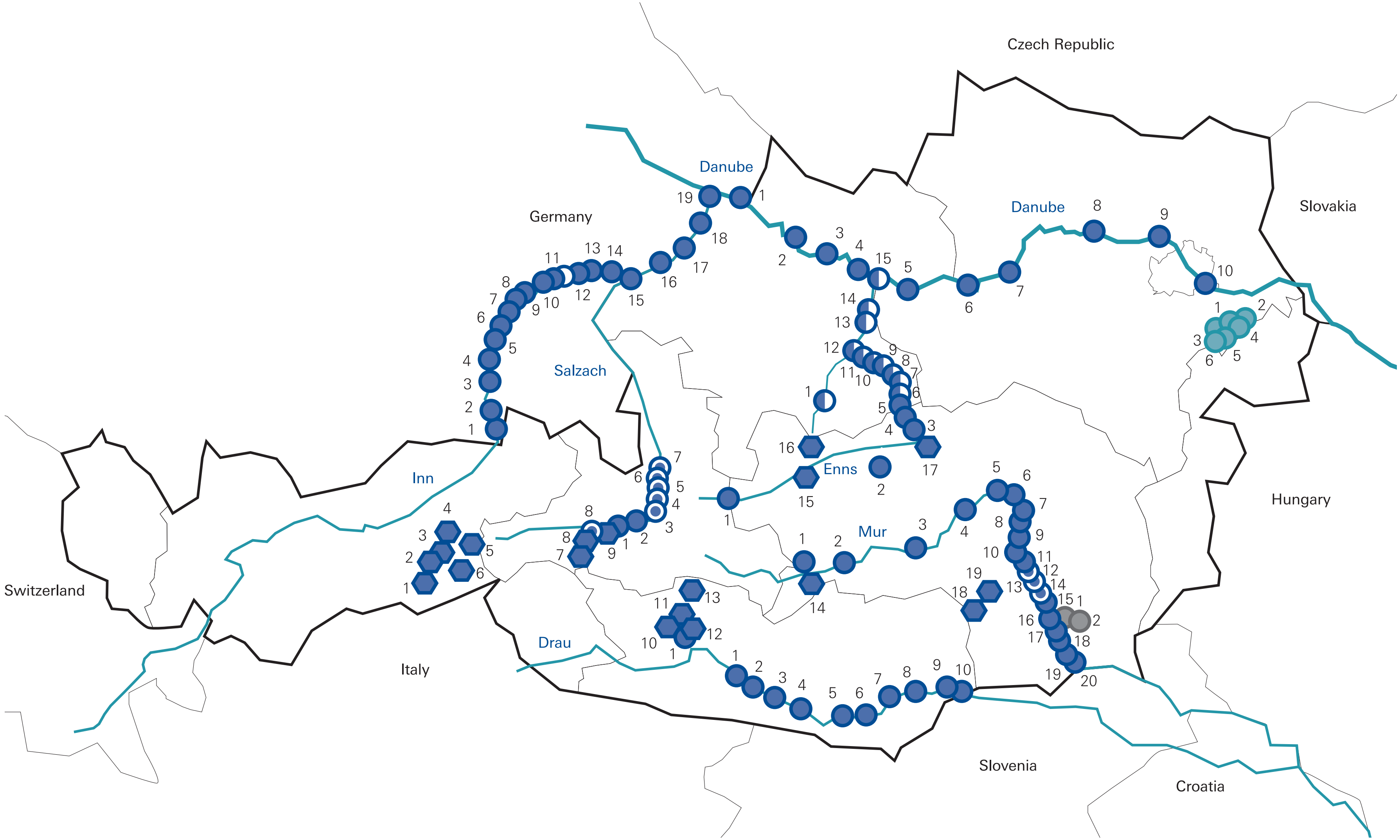
Mag. Gerhard Marterbauer
Wirtschaftsprüfer (Austrian Certified Public Accountant)

Mag. Christof Wolf
Wirtschaftsprüfer (Austrian Certified Public Accountant)

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

VERBUND power plants and
APG grid facilities

VERBUND power plants



Storage power plant > 5 MW

Storage power plant under construction

Run-of-river plant > 5 MW

Run-of-river plant under construction

Joint venture power generating VERBUND Hydro Power GmbH

VERBUND participation

Thermal power plant

Wind farm

* Plant certified to ISO 14001

** Plant certified to EMAS and ISO 14001

Storage power plants

1 Roßhag *
2 Bösdornau *
3 Mayrhofen *
4 Gerlos *
5 Häusling *
6 Funsingau *
7 Kaprun Oberstufe *
8 Kaprun Hauptstufe *
9 Schwarzach *
10 Reißeck-Kreuzeck *
11 Reißeck II *
12 Malta Hauptstufe *
13 Malta Oberstufe *
14 Bodendorf-Paal *
15 Sölk *
16 Salza *
17 Hieflau *
18 St. Martin *
19 Arnstein *

Run-of-river plants on the Inn

1 Oberaudorf-Ebbs *
2 Nußdorf *
3 Rosenheim *
4 Feldkirchen *
5 Wasserburg *
6 TW Wasserburg *
7 Teufelsbruck *
8 Gars *
9 TW Gars *
10 Jettenbach 2 *
11a Töging *
11b Töging
12 Neuötting *
13 Perach *
14 Stammham *
15 Braunau-Simbach *
16 Ering-Frauenstein *
17 Egglfing-Obernberg *
18 Schärding-Neuhaus *
19 Passau-Ingling *

Run-of-river plants on the Salzach

1 Wallnerau *
2 St. Veit *
3 St. Johann
4 Urreiting
5 Bischofshofen
6 Kreuzbergmaut
7 Werfen/Pfarrwerfen
8 Gries

Run-of-river plants on the Danube

1 Jochenstein *
2 Aschach *
3 Ottensheim-Wilhering *
4 Abwinden-Asten *
5 Wallsee-Mitterkirchen *
6 Ybbs-Persenbeug *
7 Melk *
8 Altenwörth *
9 Greifenstein *
10 Freudenau *

Run-of-river plants on the Enns

1 Mandling *
2 Triebenbach *
3 Landl *
4 Krippau *
5 Altenmarkt *
6 Schönau *
7 Weyer *
8 Großraming *
9 Losenstein *
10 Ternberg *
11 Rosenau *
12 Garsten-St. Ulrich *
13 Staning *
14 Mühlrading *
15 St. Pantaleon *

Run-of-river plant on the Steyr

1 Klaus *

Run-of-river plant on the Möll

1 Malta Unterstufe *

Run-of-river plants on the Mur

1 Bodendorf-Mur *
2 St. Georgen *
3 Fisching *
4 Leoben *
5 Dionysen *
6 Pernegg *
7 Laufnitzdorf *
8 Rabenstein *
9 Peggau *
10 Friesach *
11 Weinzödl *
12 Graz-Puntigam
13 Gössendorf *
14 Kalsdorf *
15 Mellach *
16 Lebring *
17 Gralla *
18 Gabersdorf *
19 Obervogau *
20 Spielfeld *

Run-of-river plant on the Drau

1 Paternion *
2 Kellerberg *
3 Villach *
4 Rosegg-St. Jakob *
5 Feistritz-Ludmannsdorf *
6 Ferlach-Maria Rain *
7 Annabrücke *
8 Edling *
9 Schwabeck *
10 Lavamünd *

Thermal power plants

1 FHKW Mellach **
2 GDK Mellach **

Wind farm

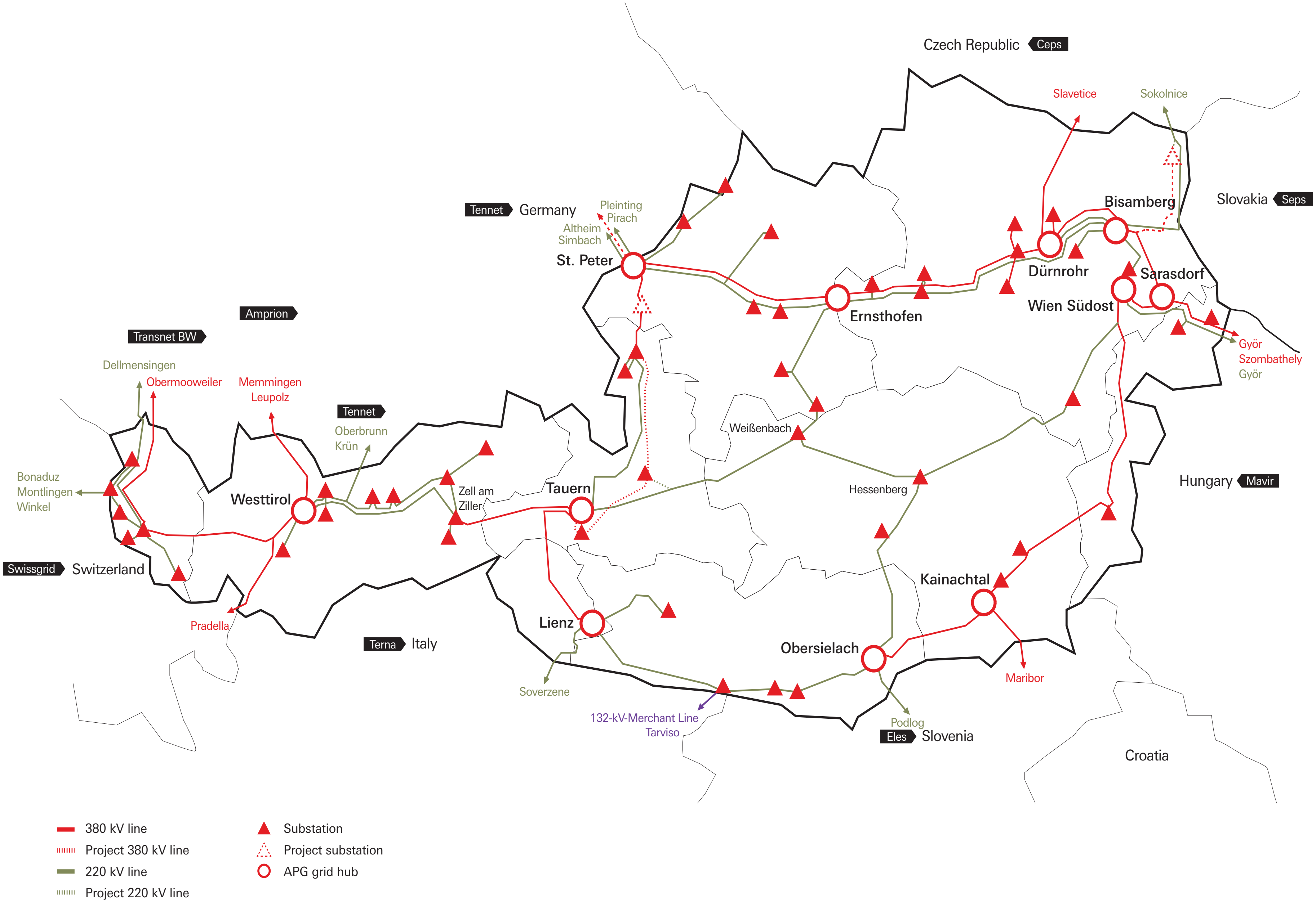
1 Petronell Carnuntum *
2 Petronell Carnuntum II *
3 Hollern *
4 Hollern II *
5 Bruck/Leitha *
6 Bruck/Göttlesbrunn *

Additional VERBUND-Wind farm (not shown):

Germany
Ellern
Stetten

Romania
Alpha Nord 1+3
Casimcea Süd 2
Ventus Nord 2

Grid facilities 220/380 kV



Glossary

Glossary

ACER

Agency for the Cooperation of Energy Regulators

Adjusted EBITDA

The adjustments include effects from restructuring expenses arising from Group-wide cost-cutting programmes as well as other expenses and income of a non-recurring or rare nature in EBITDA. EBITDA from any discontinued operations is also reflected in adjusted EBITDA. EBITDA is the most important internal earnings performance indicator at VERBUND and an indicator of the sustainable profitability of its business.

Adjusted Group result

The adjustments include – in addition to the effects adjusted from adjusted EBITDA – effects from impairment tests and effects from business acquisitions, as well as other expenses and income of a non-recurring or rare nature (after taxes and non-controlling interests). Beyond that, special tax effects are not taken into account in the adjusted Group result.

Average number of employees

Calculated according to actual effective dates of hires and resignations and number of hours worked.

Balancing services market

Control power is necessary for balancing out sudden large changes in load – too much or too little electricity in the grid. This means that a certain percentage of power plant capacity is held at the ready as reserves for rapid stabilisation of the grid. The control area manager procures the necessary capacity through market mechanisms and also compensates the providers for the quantities of electricity actually used.

Base (base load)

Base refers to the load profile for electricity deliveries supplied at a constant rate throughout 24 hours of each day of the supply period.

Capital employed

Total assets less those assets that do not (yet) contribute to the performance and commercialisation processes (e.g. advance payments, assets under construction, investments under closed items on the balance sheet), and less non-interest-bearing debt. From 2019 onwards, this ratio is only calculated for VERBUND's unregulated business activities.

Cash flow

Net balance of the inflow and outflow of cash and cash equivalents; made up of cash flow from operating, investing and financing activities.

Clean dark spread

Generation margin for electricity from coal-fired power plants representing the difference between the electricity price and the fuel costs (coal) for generating electricity taking into account the cost of emission rights.

Clean spark spread

Generation margin for electricity from gas power plants representing the difference between the electricity price and the fuel costs (gas) for generating electricity taking into account the cost of emission rights.

Climate-neutral natural gas

CO_2 emissions result from the use of natural gas by our customers. To achieve climate neutrality, these emissions must be saved elsewhere. VERBUND therefore promotes sustainable and clean energy generation, such as with the Ashta hydropower plant in Albania, thus compensating for the CO_2 emissions for VERBUND natural gas. So, precisely that volume of CO_2 released through the use of VERBUND natural gas is balanced out by the sustained promotion of clean energy generation.

Closed items on the balance sheet

Closed items on the balance sheet include (rolled over) financial liabilities and related investments from cross-border leasing transactions that have been terminated early; previously, financial liabilities relating to cross-border leasing transactions and to the Republic of Austria, as well as associated investments, were treated in the same way.

Corporate Responsibility (CR)

This concept targets sustainable performance at the Group level and incorporates economic, environmental and social aspects into the core business. Attention is also given to the impacts arising from business activities and stakeholder requirements within all business processes.

Cross-border leasing

Leasing across national borders; the lessor and lessee are based in different countries.

DMA (Disclosures on Management Approach)

Disclosures on management approach are a Global Reporting Initiative (GRI) requirement. These explain how the Group manages the economic, environmental and social impacts of its activities on the material Aspects it has identified. VERBUND combines those processes and management systems in one document and publishes it on the website (www.verbund.com > Investor Relations > Financial reports).

Earnings before interest and tax (EBIT)

Operating result.

Earnings before interest, taxes, depreciation and amortisation (EBITDA)

Operating result before interest, taxes, depreciation of property, plant and equipment and amortisation of intangible assets and effects from impairment testing.

EBIT margin

Ratio of earnings before interest and tax (EBIT) to revenue.

E-Control (Energie-Control Austria)

Energie-Control GmbH (E-Control) was established in 2001. On 3 March 2011, E-Control was transformed into a public authority (Sections 2 and 43 of the Energy Regulatory Authorities Act, Energie-Control Gesetz). E-Control is tasked with monitoring and supporting the implementation of the deregulation of the Austrian electricity and gas market and intervening for regulatory purposes if necessary.

Electricity standard load profile

Standard load profiles (SLP) are used for electricity customers without recorded power measurement. SLPs use a calculated, sufficiently precise forecast of electricity purchases on a quarter-hourly basis in place of the non-existent load profile curve of end users. SLPs are representative load profiles used for household, agricultural and commercial customer groups with electricity consumption of up to 100,000 kWh per year, featuring similar usage patterns.

ElWOG

Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG). ElWOG implements the EU’s Electricity Directive in Austria.

Employee turnover rate

Employee turnover refers to the percentage of employees who left the Company due to termination, mutual agreement, early retirement or departures during the probationary period. The percentage is calculated based on the actual number of employees as at the reporting date.

Equity method

Method used to account for investees upon which a significant influence can be exercised and for joint ventures. Under the equity method, the carrying amount of the equity interest is basically adjusted for changes in the proportionate share in the investee’s net assets; the result is a “one-line consolidation.” The changes are either recognised in profit or loss or in other comprehensive income (i.e. directly in equity).

Equity ratio (adjusted)

Ratio of equity to total capital adjusted for closed items on the balance sheet.

ESG rating

ESG stands for environmental, social and governance. It refers to the analysis and assessment of companies according to environmental and social aspects as well as by the management style applied as opposed to a score based purely on financial KPIs.

Free cash flow after dividends

Operating cash flow plus cash flow from investing activities excluding cash inflows and outflows from investments in or disposals of financial investments, less dividend payouts; represents cash available for financing activities (e.g. repayment of financial liabilities) and cash inflows and outflows for financial investments.

Funds from operations (FFO)

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

Gearing

Ratio of net debt to equity.

Global Reporting Initiative (GRI)

The GRI has developed guidelines and standards for companies to prepare sustainability reports since 1997 using an international participative process.

Gross debt

Non-current and current financial liabilities plus interest-bearing provisions and other interest-bearing liabilities net of closed items on the balance sheet.

Gross debt coverage

Ratio of funds from operations (FFO) to gross debt.

Gross interest cover

Ratio of FFO to interest expenses (including interest related to personnel expenses).

Hydro coefficient

The hydro coefficient is the quotient of the actual electricity generation of one (or a series of) hydropower plant(s) in a given period and the average (calculated based on historical water supply) generation potential of the (series of) hydropower plant(s) in the same period. This long-term average = 1; consequently, for example, a hydro coefficient of 1.1 signifies a 10% increase in generation.

Inter-TSO compensation (ITC)

ITC is the compensation for transmission charges relating to cross-border flows of electricity in transmission grids.

Investments in machinery and equipment

This capital expenditure is for machinery and equipment, operating and office equipment, and vehicles. Fixed elements of structures such as lifts, heating systems, pipelines and other similar equipment are not included, though permanently installed machinery or components of complex manufacturing facilities are.

Maximum electrical capacity

The maximum capacity at which a power plant can sustain operation under normal conditions.

Mean energy capability

Average generation potential of a hydropower plant calculated based on historical water supply.

NaDiVeG

Austrian Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG) for the transposition into national law of EU Directive 2014/95/EU regarding the disclosure of non-financial information and information related to diversity by certain large companies. See also NFR Directive.

Net debt

Gross debt less cash and cash equivalents, short-term investments and loans as well as securities held in current and non-current assets.

NFR Directive

The Austrian federal government has implemented EU Directive 2014/95/EU for the disclosure of non-financial information – the NFR Directive – in its Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG), which applies to financial years beginning after 31 December 2016. This law requires large public interest entities with over 500 employees (incl. listed companies, insurance companies and banks) to include a non-financial statement in their management report or prepare a separate non-financial report. This statement or non-financial report includes information on environmental matters, social and employee-related matters, respect for human rights and anti-corruption matters. In addition, companies required to prepare a corporate governance report are also required to include information on their diversity policy in this report.

Number of employees under labour law (LLE)

All employment relationships with the company under labour law.
LLE is measured at the end of the month at each reporting date; calculation is based on headcount including employees on unpaid leave and excluding members of the Executive Board, employees in early retirement and seasonal interns.

Operator model

Operator models are public private partnerships (PPPs) for which the planning, financing, construction and independent operation of the plant-specific infrastructure are assigned to an operating company.

Payout ratio

Ratio of (proposed) dividend payment to Group result.

Peak (peak load)

Peak refers to the load profile for electricity deliveries supplied at a constant rate throughout twelve hours from 8 a.m. until 8 p.m. of each working day of the supply period.

Performance

Describes the performance of a security or portfolio, e.g. over a period of one year.

RCF/net debt

Retained cash flow (RCF): funds from operations (FFO) less dividends distributed.

Redispatch

The term redispatch refers to the short-term changes to power plant utilisation to avoid or remedy grid congestion.

Return on Capital Employed (ROCE)

Ratio of net operating profit after tax (NOPAT) (profit or loss for the period less interest expenses net of any tax effects) to average capital employed. From 2019 onwards, this ratio is only calculated for VERBUND's unregulated business activities.

Return on equity (ROE)

Ratio of net profit or loss for the period (adjusted for results from the termination of cross-border leasing transactions) to average equity.

Sustainable Development Goals (SDGs)

The 17 goals and 169 targets for sustainable development set by the UN member nations, applicable since 2016 for all nations worldwide. These aim to end poverty, promote the equal treatment of women, improve healthcare and combat climate change by the end of 2030.

System Usage Rates Directive (SNT-VO)

The System Usage Rates Directive (Systemnutzungstarife-Verordnung, SNT-VO) dictated the principles for determining and allocating costs, the criteria for calculating rates as well as the rates for grid usage fees. The Energy Control Commission issued the directive annually. Since 2012, the E-Control Commission has issued the System Usage Rates Directive.

Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD was established in 2015 by the Financial Stability Board (FSB). The Task Force was commissioned to develop recommendations on climate-related risk disclosures for use by companies in demonstrating to the capital markets their resilience to climate change. Recommendations have been developed in four areas (governance, strategy, risk management, and metrics and targets) with the objective of identifying, measuring, managing and reporting on climate-related risks and opportunities.

Total heating degree days

Total number of heating degree days for a certain period. A heating degree day (HDD), or degree day, is determined based on the temperature difference between a specific constant room temperature and the average daily air temperature to the extent that this temperature is the same as or lower than an assumed heating threshold temperature. A room temperature of 20°C and a heating threshold temperature of 12°C are (normally) used to calculate HDD in Austria.

UN Global Compact

The United Nations Global Compact is the world's largest corporate social responsibility (CSR) and sustainable performance initiative. This global movement of businesses, policymakers and civil society aims to make globalisation more socially just and environmentally sustainable. Key elements of the UN Global Compact are its ten universal Principles and support of the United Nations' 17 Sustainable Development Goals (SDGs).

Value at risk (VaR)

A method applied to calculate the potential trading position loss arising from price changes. The loss potential is calculated based on an assumed probability (e.g. 95%) and on the basis of market-oriented price changes.

Variation margin

The variation margin represents an amount paid or credited daily on the price fluctuations of futures contracts (i.e. paid to or from the futures exchange). In contrast to the initial margin, the variation margin does not represent collateral. Although the amounts are debited or credited to a margin account on a daily basis, the variation margin represents unrealised gains or losses. The position per se remains pending.

Part 2
Parent company

Three-year comparison

€m, %

	2017	2018	**2019**
Revenue	282.0	259.6	**313.9**
Earnings before interest and taxes (EBIT)	–33.5	641.3	**682.7**
Earnings before taxes	–113.8	564.7	**622.4**
Net income/net loss	–167.1	563.0	**619.5**
Net profit	145.9	145.9	**239.7**
Total assets	4,690.7	4,915.3	**5,157.6**
Fixed assets	4,384.3	4,676.3	**4,907.8**
Capital expenditure for property, plant and equipment	1.3	1.6	**1.2**
Depreciation of property, plant and equipment	1.4	1.4	**1.6**
Equity	2,197.4	2,614.5	**3,088.1**
Return on sales (ROS)	–11.9%	247.1%	**217.5%**
Return on equity (ROE)	–4.6%	25.7%	**23.8%**
Return on investment (ROI)	–0.6%	13.7%	**13.9%**
Return on capital employed (ROCE)	–0.5%	10.4%	**10.4%**
Equity ratio	46.8%	53.2%	**59.9%**
Debt repayment period	6.3	8.5	**7.3**
Cash flow from operating activities	281.4	217.8	**293.4**
Gearing	103.9%	84.0%	**61.7%**
Working capital	–140.1	–915.8	**–742.0**
Net debt	2,283.2	2,196.8	**1,905.5**
Current liabilities	598.2	1,091.1	**1,085.7**
Current assets	458.1	175.2	**343.7**
Share price high	21.8	44.8	**55.3**
Share price low	14.7	20.0	**38.0**
Closing price	20.1	37.2	**44.7**
(Proposed) dividend per share	0.42	0.42	**0.69**
Dividend yield	2.08%	1.13%	**1.54%**
Average number of employees	123	115	**132**
Group electricity sales volume (GWh)[1]	63,264	63,195	**66,292**

[1] including system requirements

Board members

Executive Board

Name	Year of birth	Date of initial appointment	End of current term of office
CEO Dipl.-Ing. Wolfgang Anzengruber Chairman	1956	1/1/2009	31/12/2020
Vice-Chairman Mag. Dr. Michael Strugl Member of the Executive Board	1963	1/1/2019	31/12/2021
Dr. Peter F. Kollmann Member of the Executive Board	1962	1/1/2014	31/12/2021
Mag. Dr. Achim Kaspar Member of the Executive Board	1965	1/1/2019	31/12/2021

Supervisory Board

Name	Year of birth	Date of initial appointment	End of current term of office
Dr. Gerhard Roiss	1952	5/4/2017	30/4/2019
Prof. Dipl-Ing. Dr. Michael Süß	1963	22/4/2015	30/4/2019
MMag. Thomas Schmid Chairman Member of the board of directors of Österreichische Beteiligungs AG; Member of the supervisory boards of OMV AG (vice-chairman), Telekom Austria AG (member), Bundesimmobiliengesellschaft m.b.H. (chairman), ARE Austrian Real Estate GmbH (chairman) and Österreichische Lotterien GmbH (member)	1975	30/4/2019	AGM 2024
Mag. Martin Ohneberg 1st Vice-Chairman Managing partner of HENN Industrial Group GmbH & Co KG, HENN GmbH and HENN GmbH & Co KG; member of the supervisory boards of Aluflexpack AG, Switzerland (president of the board of directors) and ASTA Energy Transmission Components GmbH (member)	1971	30/4/2019	AGM 2024
Mag. Elisabeth Engelbrechtsmüller-Strauß 2nd Vice-Chairwoman CEO of Fronius International GmbH; Member of the supervisory boards of Wels Betriebsansiedlungs-GmbH (chairwoman); member of the board of trustees of the Institute of Science and Technology	1970	22/4/2015	AGM 2020
Mag. Harald Kaszanits Austrian Economic Chambers	1963	7/4/2010	AGM 2020
Mag. Werner Muhm Member of the supervisory boards of Wiener Städtische Versicherung AG, AWH Beteiligungsges.m.b.H. and KA Finanz AG; managing board of Leopold Museum Privatstiftung (member); board of trustees of the Austrian National Library (vice-chairman)	1950	22/4/2015	AGM 2020

Name	Year of birth	Date of initial appointment	End of current term of office
Dr. Susanne Riess CEO of Bausparkasse Wüstenrot AG; member of the supervisory boards of Wüstenrot Versicherungs-AG (chairwoman), Wüstenrot stambena štedionica d.d., Croatia (chairwoman), Wüstenrot životno osiguranje d.d., Croatia (chairwoman), Wüstenrot Fundamenta-Lakáskassza Zrt., Hungary (vice-chairwoman), Wüstenrot stavebná sporiteľňa a.s., Slovakia (vice-chairwoman); Wüstenrot poisťovňa a.s., Slovakia (member), SIGNA Development Selection and Prime Selection (member), Einlagensicherungsgesellschaft Austria GmbH (member) and IHAG Privatbank Zürich (member of the board of directors)	1961	22/4/2015	AGM 2020
Mag. Jürgen Roth Managing partner at Tank Roth GmbH; member of the supervisory boards of ICS Internationalisierungscenter Steiermark GmbH (chairman) and ELG (Erdöl-Lagergesellschaft m.b.H.)	1973	22/4/2015	AGM 2020
Mag. Stefan Szyszkowitz Spokesman of the managing board of EVN AG; member of the supervisory boards of Burgenland Holding Aktiengesellschaft (chairman), EVN Macedonia AD (chairman), RAG-Beteiligungs-Aktiengesellschaft (chairman) and RAG Austria AG (chairman), Energie Burgenland AG (vice-chairman), Netz Niederösterreich GmbH (vice-chairman); member of the supervisory boards of Österreichische Post AG and Wiener Börse AG/CEESEG AG (member)	1964	23/4/2018	AGM 2020
Christa Wagner Managing partner at Wagner-Josko Immobilien GmbH; shareholder in Josko Fenster und Türen GmbH; supervisory board of exceet Card Group AG (member)	1960	7/4/2010	AGM 2020
Dipl.-Ing. Peter Weinelt Managing director of Wiener Stadtwerke GmbH and Wiener Stadtwerke Planvermögen GmbH; member of the supervisory boards of Wien Energie GmbH (chairman), Wiener Netze GmbH (chairman), B&F Wien – Bestattung und Friedhöfe GmbH (chairman) and Burgenland Holding Aktiengesellschaft (member)	1966	5/4/2017	AGM 2020

Supervisory Board appointments or comparable roles in publicly traded companies and other significant companies have been listed in relation to (ancillary) functions. Full-time functions are listed where appropriate.

Employee representatives

Name	Year of birth	Date of initial appointment	
Kurt Christof Chairman of the Central Works Council Member of the supervisory boards of Stadtwerke Voitsberg GmbH and of Sparkasse Voitsberg/Köflach Bankaktiengesellschaft	1964	since 8/3/2004	appointed by the employee representatives
Doris Dangl Chairwoman of the Central Works Council Chairwoman of the Group's employee representatives	1963	since 5/4/2018	appointed by the employee representatives
Dr. Isabella Hönlinger Chairwoman of the Works Council	1971	since 1/9/2016	appointed by the employee representatives
Ing. Wolfgang Liebscher Chairman of the Central Works Council	1966	since 1/11/2013	appointed by the employee representatives
Dipl.-Ing. Hans Pfau Chairman of the Works Council	1953	from 1/9/2016 until 30/4/2019	appointed by the employee representatives
Veronika Neugeboren Chairwoman of the Works Council	1967	since 30/4/2019	appointed by the employee representatives

The appointment of employee representatives by the Group's employee representatives is for an unlimited period and can be revoked at any time.

Report of the Supervisory Board

VERBUND, Austria's leading utility, succeeded in making good use of the positive energy market climate and operating environment in financial year 2019 and once again generated very good results, remaining on a profitable and sustainable trajectory. The Supervisory Board actively monitored and supported this strong performance.

Performance of duties. In financial year 2019, the Supervisory Board discharged the responsibilities and exercised the powers incumbent upon it by virtue of the law and the Articles of Association at five plenary meetings. The overall attendance rate for all Supervisory Board members was 95%. The Chairman additionally kept in regular contact with the Board members to discuss matters of importance as they arose. The Executive Board provided the Supervisory Board with regular and comprehensive real-time information, both verbally and in writing, on all relevant matters relating to the performance as well as the position and strategy of the Group and all significant Group companies; information was also provided on the Group's risk position and its risk management activities.

The Supervisory Board advised the Executive Board on key questions concerning the future, particularly as regards the Group's structure and strategy, and monitored the Executive Board's management activities continuously based on its extensive reporting. Following a detailed strategy process, the revised corporate strategy was approved. Supervision took place in the context of open and constructive discussions between the Executive Board and the Supervisory Board and revealed no grounds for objections. The main resolutions adopted by the Supervisory Board are presented in the 2019 Consolidated Corporate Governance Report. Between Board meetings, the Chairman of the Supervisory Board conversed regularly with the members of the Executive Board, particularly the Chairman.

New General Committee of the Supervisory Board. In place of Dr. Gerhard Roiss, who stepped down from the Supervisory Board, MMag. Thomas Schmid was elected to the Supervisory Board at the Annual General Meeting on 30 April 2019 and subsequently unanimously elected as its Chairman. Mag. Martin Ohneberg was elected to the Supervisory Board as a further shareholder representative and as 1st Vice-Chairman to replace Prof. Dr. Michael Süß, who also stepped down from the Board.

Among the employee representatives, Veronika Neugeboren took the place of Dipl.-Ing. Hans Pfau on the Supervisory Board effective 30 April 2019.

Code of Corporate Governance, Supervisory Board committees. As a leading listed group, VERBUND made an early commitment to comply with the Austrian Code of Corporate Governance. VERBUND's Supervisory Board views compliance with the Code as obligatory and endeavours to consistently comply with the provisions relating to the Supervisory Board. In this spirit, we have achieved fundamental compliance with the rules relating to the Supervisory Board's collaboration with the Executive Board and within the Supervisory Board itself.

Pursuant to the requirements of the Code (Rule 36), the Supervisory Board again conducted a self-evaluation of its activities, particularly of its organisation and work procedures. The evaluation was undertaken in the form of a comprehensive written questionnaire that was completed by the Board members. The Supervisory Board discussed the results of its evaluation at a meeting. The Supervisory Board once again also discussed possible conflicts of interest when dealing with the approval of contracts with companies where individual Supervisory Board members are related parties. No conflicts of interest were identified that would require any action to be undertaken beyond that taken at the meetings.

The Supervisory Board's Audit Committee met three times during the financial year now ended. It dealt above all with the semi-annual financial statements and preparation of the resolution to approve the annual financial statements, as well as with the appointment of the auditor and examination of the auditor's work. In addition, the Audit Committee concentrated on opportunity and risk management as well as the Group's internal control and audit procedures and on the audits performed by Internal Audit.

The Strategy Committee of the Supervisory Board is responsible above all for coordinating corporate strategy with the Executive Board, conducting the annual strategy review and supervising any modifications to be made. During the reporting period, the Strategy Committee held three meetings for the purpose of monitoring revision of the Group's strategy.

In accordance with the Code of Corporate Governance and the rules of procedure, three other Supervisory Board committees – an Emergencies Committee, a Nomination Committee and a Remuneration Committee – were again formed in the past financial year. The Remuneration Committee held one meeting to discuss in particular target agreements and the achievement of targets for the variable remuneration of the Executive Board. The Nomination Committee and the Emergencies Committee did not meet in the reporting period.

Further information on the composition, work procedures and meetings of the Supervisory Board and its committees as well as on the remuneration paid to its members is contained in the Group's Consolidated Corporate Governance Report for 2019.

Annual financial statements and consolidated financial statements. The annual financial statements, together with the management report, the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs) and the Group management report for financial year 2019 were audited by Deloitte Audit Wirtschaftsprüfungs GmbH and issued with an unqualified auditor's report. The auditor prepared the additional report required to be made to the Audit Committee under Article 11 of the Regulation on the statutory audit of public-interest entities and reported its findings in writing. The auditor found that the Executive Board had provided the explanations and evidence requested, that the book-keeping, annual financial statements and consolidated financial statements fulfilled the legal requirements and, in conformity with generally accepted accounting principles, gave a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group. The auditor also confirmed that the management report and the Group management report were consistent with the annual financial statements and the consolidated financial statements.

Following in-depth examination and discussion by the Audit Committee and the Supervisory Board, the Supervisory Board approved the annual financial statements for financial year 2019 as presented by the Executive Board. As a result, they are final for the purposes of Section 96(4) of the Austrian Stock Corporation Act (Aktiengesetz, AktG). The management report prepared by the Executive Board was approved, as was the proposal for the appropriation of profit. The Supervisory Board also approved the consolidated financial statements and the Group management report along with the Consolidated Corporate Governance Report submitted by the Executive Board and the separate Non-Financial Report. There were no grounds for any material objections.

In conclusion, the Supervisory Board would like to thank the Executive Board and all employees for their high level of dedication and their successful work during financial year 2019. The Supervisory Board would also like to thank the Group's shareholders, customers and business partners for their trust.

Vienna, March 2020

MMag. Thomas Schmid
Chairman of the Supervisory Board

Management report

Report on business performance and economic position

General conditions

In financial year 2019, commodity prices for oil, gas and coal decreased, while prices for CO_2 emission rights increased further. By contrast, mixed signals could be observed in the markets for wholesale electricity. In the futures market prices rose sharply, whereas in the spot market prices decreased significantly by the same measure.

Overall demand for electricity in Austria edged down in 2019. However, the volumes of electricity generated in 2019 were significantly higher than in 2018, allowing net imports to be reduced significantly compared with 2018.

General economic environment

A subdued global economy in 2019

The global economy continued to lose momentum in 2019. The trade dispute and the associated tariff increases between China and the United States, geopolitical tensions and uncertainty in connection with Brexit put a damper on investment demand internationally, which in turn had a negative impact on global industrial production and world trade.

The relatively stable economic growth seen until 2018 slowed in 2019. The forecasts for 2020 are below the figures for previous years. In 2019, the global economy grew by 2.9%, the lowest level since 2008/2009. A modest increase to 3.3% is expected for 2020. The IMF has forecast a slightly higher growth rate for the years 2021 to 2024.

The US economy grew by 2.3% in 2019, down from 2.9% in the previous year. The decline in eurozone economic growth is even more marked; here, economic growth slipped from 1.9% in 2018 to 1.2% in 2019.

China's economy fell to new lows since 2009 with growth of 6.1%; this decrease was due in particular to the trade dispute between the United States and China coupled with weaker external demand.

Along with the uncertainty generated by Brexit and the international trade disputes, the weaker growth in the eurozone was caused by softening international demand. Weaker consumer demand could also be observed in a number of eurozone countries. The IMF revised its economic outlook downwards by 0.6 points to +1.1% for 2020. For 2021 the IMF is forecasting a modest recovery of +1.4%.

Austria's economy also slowed down in spring 2019. At +0.3%, quarter-on-quarter growth in total economic output in quarter 2/2019 was at its lowest level since 2015, with exports in particular losing considerable momentum. All the same, the Austrian economy remained relatively robust in 2019 compared with the German economy. Weaker growth in goods manufacturing was mostly outweighed by trends in the construction and services sectors. Consumer spending also stimulated aggregate demand. Overall, the Austrian Institute of Economic Research expects GDP to rise by 1.7% in 2019 and by 1.2% in 2020.

Energy market environment

Marked improvement in net imports in Austria

Austria's electricity consumption (less pumped storage consumption) in 2019 was 433 GWh (0.7%) lower than that of the previous year (total supply of electricity: domestic electricity consumption less pumped storage consumption).

Electricity generation from hydropower in 2019 was up 8.0% compared with the prior-year figures. Generation volumes exceeded those from 2018, particularly from June 2019 onwards. Only in the winter months of January and February and in May and December 2019 were levels lower than in the previous year.

Electricity generation from thermal power plants increased by as much as 6.2% in 2019 compared with the 2018 figure. Only in February and March and in November and December 2019 was electricity generation from thermal power plants down on 2018 levels.

Generation from wind power plants showed the biggest increases on prior-year levels with growth of 20.6%. Wind supply exceeded the prior-year figures, particularly in the first six months of 2019. From June to November 2019, the figures were at a similar or slightly lower level, but after November were up on the prior-year figure once more. Other generation rose slightly by 1.1% in 2019 and included electricity produced from other renewable energy sources (excluding biomass, which comes under the category of thermal generation) and from power plants that cannot yet be allocated for statistical purposes. Total electricity production in Austria increased by 8.0% in 2019.

A 7.2% decrease was seen in electricity imports in 2019, while exports rose by 19.8%. Net imports in 2019 came to 3,129 GWh, a marked improvement on 2018.

Oil prices down compared with 2018

The price for one barrel of Brent crude oil (front month) was around $64/bbl in 2019 compared with nearly $72/bbl in 2018. This represents a decrease of 11%.

In 2019, oil markets were rocked by the still smouldering trade dispute between the United States and China and the accompanying concern about its economic impact. This weighed on oil prices in the second half of 2019 in particular. On the other hand, the United States' withdrawal from the Iran deal, which led to the US imposing renewed sanctions on Iran, and the United States' sanctions against Venezuela fuelled price increases in the oil market in the first four months of 2019. Starting from a price of $55/bbl at the beginning of the year, the price of oil rose to its high for the year of $75/bbl in April 2019. Further movements in the oil price were marked above all by the ongoing trade talks between the United States and China, with prices rising or falling depending on the information released. Overall, however, a falling trend was initially recorded in the second half of the year. In mid-September 2019, oil prices surged again to nearly $70/bbl following the drone attack on Saudi oil facilities. Yet the price fluctuations were only short-lived and the supply disruption was soon rectified. By early October 2019, oil prices had returned to $58/bbl. In the last quarter, however, oil prices recouped their losses to end the year at around $66/bbl.

Decrease in gas prices

Prices on the well-supplied spot market at the European NCG trading point decreased by over €9/MWh (39%) year-on-year to around €14/MWh on average in 2019. In futures trading, supplier contracts for the coming year (NCG front year) were invoiced at around €19/MWh in 2019, or nearly €2/MWh (10%) less than the amount to be paid for the NCG front year in 2018. Gloomy economic prospects, falling oil prices and substantially lower prices for liquefied natural gas (LNG) acted as a drag on gas prices in Europe in 2019.

Decrease in steam coal prices

Steam coal prices also witnessed a marked decline in 2019 compared with the previous year. Coal prices on the futures market (ARA front year) were down $18 (20%) on the prior year at an average of $69/t.

Coal prices on the spot market also plunged to an average of $61/t in 2019, down over 30% compared with the average listing in 2018. Coal-fired electricity generation in Europe declined due to increased generation of electricity from renewable energy sources as well as more expensive CO_2 emission rights. No stimulus for the coal market came from other parts of the world either. Coal stores were full, the economic outlook was rather gloomy and commodities across the board suffered from oversupply in 2019.

CO_2 prices up further

Prices on the emissions trading market in 2019 continued to benefit from the reform of the emissions trading regime initiated in 2018. That year, the reform had caused CO_2 prices to nearly triple compared with 2017. In 2019, CO_2 prices, which averaged €25/t, then rose again by 56% on the 2018 figure (futures market front year). At the end of July, prices soared to over €30/t for a short time, but the continuing uncertainty over Brexit with the related question of whether the UK will remain in the Emission Trading System (ETS) or what concrete form the British emissions trading system will take subsequently had a negative impact on CO_2 prices.

Mixed signals in the market for wholesale electricity

In 2019, the market for wholesale electricity was influenced by a significant increase in prices in the futures market on the one hand and by an equally large drop in prices in the spot market on the other. In the futures market, the decline in coal and gas prices was more than compensated by the increase in the price of CO_2 emission rights. Production costs for both gas and coal-fired power plants rose. The erosion in prices of primary energy sources was much more pronounced in the spot market. As a result, gas power plants at least were able to produce more cost-effectively than in 2018 in spite of higher prices for CO_2. Together with increased generation from renewables in connection with their low marginal costs, this led to electricity prices in the spot market falling in 2019.

The average price for base load electricity deliveries in the Austrian bidding zone on EPEX SPOT, the European electricity exchange spot market, decreased by 14% year-on-year to €40.1/MWh in 2019. The peak-load prices were €46.4/MWh, also 14% lower than the 2018 average. The average price for immediate base load electricity deliveries in the German market area in 2019 was €37.7/MWh, and the price for peak-load energy was €44.5/MWh. This represents a decrease of 15% in each case.

In the futures market at the European Energy Exchange (EEX), base load for 2020 (front year base) was traded at an average price of €51.2/MWh in 2019 in the Austrian market area and peak load (front year peak) was traded at €62.1/MWh. This constitutes an increase of 10% year-on-year for front year base and 9% for front year peak. In the German market area, front year base traded at an average of €47.8/MWh and front year peak at €57.7/MWh in 2019. This corresponds to an increase of 9% and 7%, respectively.

VERBUND sells most of the electricity it generates in advance on the futures markets so as to reduce short-term selling and price risks. The price trend in the futures market in 2019 had only a minor influence on revenue in the reporting period.

Political and regulatory framework

In Austria, the ruling coalition between the Austrian People's Party (ÖVP) and the Freedom Party of Austria (FPÖ) collapsed in May 2019 and a cabinet of experts took over the management of official business. It was the intention of the transitional government not to prejudice the incoming federal government politically or in budgetary terms, which is why no government bills requiring landmark policy decisions were presented. However, work continued at civil servant level, for example on the National Energy and Climate Plan and on the hydrogen strategy.

EU energy policy

European Parliament elections

Elections to the European Parliament for the 2019–2024 legislative period were held in May 2019. The European People's Party (EPP) gained the most votes with a share of approximately 24%, followed by the Socialists and Democrats with around 20%. The Liberals achieved 14% and the Greens around 9% of the votes. In the overall result, the EPP and S&D together for the first time no longer provide the majority of MEPs and need a third party to secure a majority.

Renewal of the European Commission and planned focus of activities

On 27 November 2019, the European Parliament approved the new European Commission headed by Ursula von der Leyen, who took office on 1 December 2019. Responsibility for energy and environmental issues was reassigned. While Frans Timmermans, Executive Vice-President for the Green Deal, has taken on the overall strategic supervision of climate and energy issues, Kadri Simson is responsible for the energy dossier and her colleague Virginijus Sinkevičius for the environment dossier. One of the principal goals of Ursula von der Leyen's Commission is to fight climate change. Against the background of the Paris Agreement on climate change, the new Commission President proposed to raise the CO_2 reduction target for 2030 from the current 40% (based on 1990) to at least 50–55%.

Formal finalisation of the Clean Energy Package

The legal acts of the Clean Energy Package (Internal Electricity Market Regulation, Internal Electricity Market Directive, Risk Preparedness Regulation, ACER Regulation), which were in final negotiations by policymakers during the Austrian Council Presidency, were finally adopted by the EU Parliament and the Council of Ministers in spring 2019. Unless directly applicable, these must now be transposed into national law. The Clean Energy Package also provides for a number of delegated acts, which will be prepared in the coming months.

Publication of the evaluation report for the Water Framework Directive

In February 2019, the European Commission published its fifth Water Framework and Flood Directive Implementation Report. The report acknowledges the efforts being made by the member states in hydro-ecology, but also criticises the lack of measurable results. For Austria the Commission recommends continuity in funding the necessary water conservation measures.

Sustainable finance

In March 2018, the EU Commission presented the Sustainable Finance package in implementation of the Paris Agreement for channelling cash flows into sustainable investments in the future. The aim is to create a common EU-wide system which, on the basis of uniform, transparent criteria, defines the conditions under which economic activities contribute to environmental objectives. The Taxonomy Regulation provides the legislative framework for this. A group of experts formed by the European Commission has drawn up proposals for criteria in different sectors which have been made available for public consultation. The Council and the Parliament reached political consensus on the Taxonomy Regulation in December 2019.

New legal framework for the energy sector in Austria

VERBUND's positioning on energy and climate policy priorities for the next legislative period

In view of the election campaign and government negotiations, VERBUND has drawn up a position paper with energy and climate policy priorities for the incoming federal government. Key VERBUND requirements relate to the following topics: adequate pricing of CO_2 in all sectors, acceleration of the expansion of renewables by exploiting all potential, the switch to a system in the area of energy efficiency based on strategic measures, increased consideration of sector coupling and sector integration using green hydrogen, design of regulations for renewable energy communities, anchoring of the grid reserve in the Austrian Electricity Industry and Organisation Act (ElWOG) and use of green finance to channel investment flows into sustainable projects.

Legislative package on renewable energy expansion postponed

On account of the snap elections, among other things, the legislative package on renewable energy expansion, with which a new system of subsidies for renewable energy was to be adopted and the ElWOG and the GWG amended, could no longer be presented for decision. However, preparations continued at civil servant level in 2019 and the package will be launched by the new federal government in 2020. There are plans to submit the legislative package on renewable energy expansion and the amended Energy Efficiency Act for review in the first half of 2020. The remaining legal acts from the Clean Energy Package, in particular the Internal Electricity Market Directive and Regulation, will then be tackled in the second half of 2020.

2019 amendment of the Green Electricity Act

To prevent an interruption of the expansion of green electricity needed to achieve the energy targets of #mission2030 given the delays in adopting the Renewable Energy Expansion Act, interim funding was negotiated in parliament over the summer of 2019 through a series of motions. A reform of the Green Electricity Act was consequently adopted in October 2019. Funds were made available to shorten the waiting lists for new contracts for wind power plants and small hydropower plants by bringing forward annual funds of subsequent years and changing the calculation method. Investment subsidies of €36m were made available for solar power (€24m for photovoltaic installations, €12m for storage systems). The funding pots for medium-sized hydropower plants were topped up by €30m and the maximum support rate was raised from 10% to 15%. Dedicated funds for biomass follow-up tariffs of €8.7m were also created.

E-Control's Gas Labelling Regulation

E-Control adopted the Gas Labelling Regulation in September 2019. The Regulation defines three categories of gases: natural gas or synthetic gas based on natural gas; renewable gas (including renewable hydrogen, biogas and synthetic gas based on renewable hydrogen); and other gases (decarbonised gas, i.e. conventionally produced hydrogen with CCS/CCU). The Regulation came into force on 1 January 2020 and stipulates that volumes of renewable gas that are fed into or withdrawn from the public gas network must initially be labelled on a voluntary basis, with mandatory labelling only when a certain threshold has been reached. The renewable gases must be labelled with guarantees of origin. The origin of the gas is required to be disclosed in a table on the invoice sent to the consumer. Guarantees of origin are issued, transferred and validated by means of E-Control's registry database.

Energie-Control Austria für die Regulierung der Elektrizitäts- und Erdgaswirtschaft

Preparations for an Austrian hydrogen strategy

In March 2019, the Federal Ministry for Sustainability and Tourism began preparations for the development of an Austrian hydrogen strategy. This strategy will address the technical, regulatory and economic aspects of a hydrogen production infrastructure using electricity from renewable sources and hydrogen storage. Measures for the strategy were developed in four working groups with active involvement of stakeholders. Based on these analyses and recommendations, development of the actual Austrian hydrogen strategy will now begin at ministerial level. The strategy is expected to be adopted by the new federal government in 2020.

National Energy and Climate Plan

The Federal Ministry for Sustainability and Tourism submitted the National Energy and Climate Plan for review in November 2019. The EU Governance Regulation requires EU member states to report the contributions they will make to the European energy and climate targets to the European Commission by the end of 2019 in the form of a national plan. Given Austria's special political situation in relation to the transitional cabinet, no far-reaching new measures or measures with relevance for the state budget were included in the plan. Many aspects were only included as optional measures. The National Energy and Climate Plan will be updated once a government programme is in place.

New legal framework for the energy sector in Germany

The reorganisation of the energy system gained considerable momentum in 2019. Germany's last coal-fired power plants are set to be removed from the market by 2038. Alongside socio-political issues, this target raises above all questions of security of supply in relation to electricity and heat. This is because by 2022, as compared with 2017, coal-fired power plants with a capacity of 12.6 GW will be disconnected from the grid. The future after the coal phase-out will be dominated by renewables, which are secured by gas capacity and whose gas origin will be optimised by power-to-gas.

Furthermore, the German government's climate package established a new framework on climate change in 2019, even though some points in the package were initially referred by the Bundesrat to the Bundestag-Bundesrat mediation committee. This did not affect the introduction of a national emissions trading system through CO_2 pricing, including a national CO_2 certificate system, from 2021. At the same time, mandatory sectoral emission targets were set, compliance with which will be monitored and whose attainment will be ensured by means of mandatory emergency programmes in cases where there is a risk that targets will not be achieved. The overriding goal of the Climate Change Act is to achieve greenhouse gas neutrality in Germany by 2050.

Finance

Factors affecting the result

Wholesale electricity prices

VERBUND contracted for most of its own generation for 2019 on the futures market back in 2017 and 2018. Ever since the split of the joint German-Austrian price zone in October 2018, separate, higher prices have prevailed in Austria. Prices for AT 2019 front-year base load contracts (traded in 2018) averaged €46.6/MWh, and prices for DE 2019 front-year base load contracts averaged €43.8/MWh. This represents an increase of 44.0% (AT) and 35.4% (DE) compared with the previous year, in which a joint price was still calculated in futures trading (€32.4/MWh). Front-year peak load (AT) contracts averaged €56.8/MWh in 2018 and front-year peak load (DE) contracts traded at an average of €54.0/MWh. Prices on the futures market were therefore up 40.3% and 33.2%, respectively, versus the prior year (€40.5/MWh).

On both the Austrian and German spot markets, wholesale trading prices for electricity fell below the prior-year levels in quarters 1–4/2019. Prices for base load electricity decreased by an average of 13.5% to €40.1/MWh in Austria and by 15.3% to €37.7/MWh in Germany. Prices for peak load declined by 14.1% to €46.4/MWh in Austria and by 14.7% to €44.5/MWh in Germany.

Water supply

The water supply in rivers is of particular significance for VERBUND since around 90% of its electricity is produced using hydropower. Water supply is measured by means of a hydro coefficient, with the value of 1.00 representing the long-term average. In the 2019 reporting period, the hydro coefficient for run-of-river and pondage power plants was 1.01, which is slightly above the long-term average and 7 percentage points above the prior-year level. The hydro coefficients for the individual quarters differed substantially as follows: quarter 1: 1.21 (previous year: 1.17); quarter 2: 1.05 (1.03); quarter 3: 0.85 (0.74); quarter 4: 0.99 (0.86).

Electricity supply and sales volumes

VERBUND's own generation rose by 2,029 GWh to 33,159 GWh in quarters 1–4/2019. This represents a year-on-year increase of 6.5%. Generation from hydropower increased by 1,976 GWh compared with the previous reporting period. The hydro coefficient for the run-of-river power plants came to 1.01, or 7 percentage points above the prior-year figure and 1 percentage point above the long-term average. Generation from annual storage power plants decreased by 2.2% in quarters 1–4/2019 due to lower generation from turbining and increasing reservoir levels.

VERBUND's wind power installations generated 95 GWh more electricity in quarters 1–4/2019 than in the previous year due to more windy conditions.

Generation from thermal power plants decreased by 42 GWh in quarters 1–4/2019. The Mellach CCGT generated 27 GWh less electricity in 2019. Generation at the Mellach hard coal power plant fell by 15 GWh.

Purchases of electricity from third parties for trading and sales rose by 2,018 GWh. By contrast, electricity purchased from third parties for grid losses and control power decreased by 950 GWh.

Group electricity supply

GWh

	2018	2019	Change
Hydropower[1]	28,684	30,660	6.9%
Wind power	834	929	11.4%
Thermal power	1,611	1,570	–2.6%
Own generation	31,130	**33,159**	6.5%
Electricity purchased from third parties (trading/sales)	27,039	29,056	7.5%
Electricity purchased for grid loss and control power volumes	5,026	4,077	–18.9%
Electricity supply	63,195	**66,292**	4.9%

[1] including purchase rights

VERBUND's electricity sales volume increased by 3,270 GWh in quarters 1–4/2019. Electricity volumes delivered to consumers rose by 1,988 GWh. Here, a sharp rise in sales to international customers in Germany and Romania more than compensated for the slight decline in sales to domestic customers. As at 31 December 2019, our residential customer base comprised approximately 500,000 electricity and gas customers. Sales to resellers fell by 649 GWh year-on-year, mainly as a result of the change in the allocation of the Romanian sales business from resellers to consumers. Electricity deliveries to trading firms increased by 1,930 GWh due to significantly higher spot trading volumes. Own use of electricity rose minimally by 33 GWh.

Group electricity sales volume and own use

GWh

	2018	2019	Change
Consumers	12,490	14,478	15.9%
Resellers	28,455	27,806	–2.3%
Retailers	17,964	19,894	10.7%
Electricity sales volume	58,908	**62,179**	5.6%
Own use	3,145	3,178	1.1%
Control power volume	1,141	935	–18.1%
Total electricity sales volume and own use	63,195	**66,292**	4.9%

Approximately 55% of the electricity sold by VERBUND in quarters 1–4/2019 went to the Austrian market. The increase compared with the previous year's figure of 49% was due to the trend towards selling within the Austrian price zone. International trading and sales activities focused on the German market, which accounted for around 85% of all volumes sold abroad in 2019.

Electricity sales volume by country

GWh

	2018	**2019**	Change
Austria	28,615	**34,475**	20.5%
Germany	26,022	**23,511**	–9.6%
France	3,036	**3,301**	8.7%
Romania	1,044	**865**	–17.2%
Other	192	**26**	–
Electricity sales volume	58,908	**62,179**	5.6%

Financial performance

Revenue and result

	Unit	2018	**2019**
Revenue	€k	259,550.3	**313,905.8**
Earnings before interest and taxes (EBIT)	€k	641,333.9	**682,719.5**
Earnings before taxes	€k	564,663.4	**622,387.6**
Net income for the year	€k	563,049.7	**619,537.0**
Net profit	€k	145,914.6	**239,716.8**
Return on equity (ROE)	%	25.7	**23.8**
Return on investment (ROI)	%	13.7	**13.9**
Return on capital employed (ROCE)	%	10.4	**10.4**
Return on sales (ROS)	%	247.1	**217.5**

Revenue

Revenue from electricity deliveries increased by 21.3% or €43,276.9k, due primarily to higher average futures market prices obtained for the 2019 supply year for volumes hedged for the long term. This effect was somewhat offset by lower spot market prices. In 2019, revenue from electricity sales based on purchase rights of hydropower producers was also above that of the previous year due to the higher water supply. This resulted in higher electricity revenue from purchase rights of €37,664.5k. The increase in the consumer segment amounted to €7,327.1k or 7.8%.

In revenue from gas deliveries, the customer base grew, resulting in higher deliveries. As a consequence, revenue from gas deliveries increased by 20.0%, from €26,686.8k to €32,027.2k.

Total revenue thus increased by €54,355.5k or 20.9%.

Expenses for electricity purchases

Expenses for the purchase of electricity increased by 1.1%, from €147,580.6k to €149,185.2k. Electricity purchases from purchase rights are based on reimbursement of costs and therefore remained at approximately the same level as in the previous year despite fluctuating volumes. Electricity purchased for the consumer business is procured at market prices and therefore increased by 4.0% in financial year 2019 as a result of higher sales volumes and higher purchase prices.

Expenses for gas purchases

Expenses for the purchase of gas rose by 11.8% from €22,342.3k to €24,983.4k as a result of the increase in consumer business volume.

Personnel expenses

Personnel expenses increased by €6,196.3k, or 22.9%, to €33,236.6k. The 3.4% increase in salaries and ancillary expenses under the collective agreement and the biennial pay rises stipulated by the collective agreement contributed to an increase in personnel expenses, and the increase in the average number of employees by 17 to 132 also caused personnel expenses to rise. Employee benefit expenses increased by €4,798.1k, which resulted primarily from the change in underlying calculation parameters.

Other operating expenses

Other operating expenses rose by €2,009.3k, or 5.5%, to €38,498.4k. This increase is primarily attributable to higher consulting expenses (€444.1k) and higher other administrative expenses (€494.1k).

Earnings before taxes

Earnings before taxes increased from €564,663.4k to €622,387.6k as a result of the influencing factors described above and the year-on-year improvement in the financial result of €588,830.5k (previous year: €566,043.5k).

The financial result changed primarily due to higher impairment loss reversals of equity interests in the amount of €384,905.7k (previous year: €349,918.7k). Furthermore, investment income fell by €40,530.4k from €272,121.9k to €231,591.5k, of which €57,895.7k concerned the reversal of a provision relating to an equity interest. Transfers of losses in the amount of €6,347.3k (previous year: €5,164.4k) had a counteracting effect. In addition, there were depreciation and amortisation charges as well as provisions for equity interests of €125.0k (previous year: €11,037.8k). Interest expenses fell by €15,157.1k from €71,833.9k to €56,676.8k, of which €15,108.1k concerned the reduction of loans and credit facilities.

Financial position

Financial position

	Unit	2018	**2019**
Fixed assets	€k	4,676,287.1	4,907,778.8
Current assets	€k	64,251.7	120,785.9
Working capital	€k	–915,848.3	–742,013.4
Net debt	€k	2,196,806.2	1,905,488.3
Equity	€k	2,614,486.4	3,088,108.8
Current liabilities	€k	1,091,066.3	1,085,681.4
Current assets	€k	175,218.0	343,668.0
Average capital employed	€k	4,645,854.7	4,902,414.1
Equity ratio	%	53.2	59.9

Fixed assets

Intangible assets and property, plant and equipment remained nearly unchanged. Additions primarily related to intangible assets (software) of €1,052.7k, to office and plant equipment and electrical installations of €993.8k and to investments in buildings of €239.7k. Amortisation of intangible assets and depreciation of property, plant and equipment amounted to €2,056.3k in the financial year.

Investments relating to equity interests rose by €391,271.3k, due on the one hand to impairment loss reversals of foreign equity interests of €378,546.6k and the impairment loss reversal of a domestic equity interest of €6,359.2k and on the other hand to additions to domestic equity interests amounting to €6,134.9k and additions to foreign equity interests amounting to €2,063.6k, along with the disposal of domestic equity interests amounting to €1,707.9k. Impairment losses of €125.0k were recognised for one foreign equity interest.

Other investments decreased in total by €165,889.2k. Loans were granted in the amount of €57,425.8k, while loans of €215,831.8k were repaid. The carrying amount of securities under fixed assets decreased by €1,594.7k due to reversals of impairment losses amounting to €1,262.1k and disposals totalling €332.6k.

Current assets

The increase of €56,534.2k in current assets resulted from the rise in trade receivables by €6,162.4k and in other receivables from affiliated companies by €50,471.4k, of which an amount of €55,627.3k concerns the increase in corporate income tax allocations which are not yet due.

Equity

Due to the net income for the year in the amount of €619,537.0k, reduced by the distribution for financial year 2018 of €145,914.6k, equity increased to €3,088,108.8k. The equity ratio rose from 53.2% to 59.9%, mainly as a result of this.

Liabilities

Non-current and current liabilities decreased by €298,797.1k to €1,908,689.6k. In financial year 2019, repayments to banks amounted to €718,834.4k. No new loans were taken out in financial year 2019 (previous year: €100,000.0k). Liabilities to affiliated companies rose by €440,835.1k due to intra-Group invoicing. Trade payables fell by €1,199.6k to €37,760.1k.

Financing

Financing strategy

In today's volatile energy market environment, VERBUND bases its financing strategy on three pillars: 1. safeguarding liquidity and ensuring suitable liquidity reserves by increased utilisation of innovative, sustainable financial instruments; 2. securing a solid credit rating over the long term; and 3. optimising the capital structure.

Safeguarding liquidity and ensuring suitable liquidity reserves

For VERBUND, ensuring that liquidity is available at all times has the highest priority. As at 31 December 2019, VERBUND AG had an ESG-linked (Environmental, Social and Governance) syndicated loan in the amount of €500.0m at its disposal that had not been drawn down. The loan, which was taken out with twelve domestic and international banks with good credit ratings, matures in 2023 with two additional extension options of one year in each case. VERBUND also had access to uncommitted lines of credit amounting to approximately €500.0m at the end of 2019. As at 31 December 2019, €65.0m of these credit lines had been drawn down.

Securing a solid, long-term credit rating

The better a company's credit rating, the easier and more inexpensive it is to benefit from full access to international capital markets. Having a solid credit rating gives VERBUND AG access to various financing instruments, including those in the capital market. As at 31 December 2019, VERBUND had a long-term rating of A with a stable outlook from Standard & Poor's (S&P) and a rating of Baa1 with a positive outlook from Moody's. S&P raised its rating from A– to A with a stable outlook in December 2019. Moody's left its rating unchanged in 2019 but raised it in January 2020 from Baa1/positive outlook to A3/stable outlook. For the long term, VERBUND is aiming for a solid "A" category rating. VERBUND is therefore focusing its management of the Group primarily on optimising free cash flow and improving the two key rating-related performance indicators of FFO/net debt and RCF/net debt.

Financing measures

In 2019, VERBUND AG was again able to take advantage of its strong internal financing capability to finance its ongoing investment programme and to continue to reduce Group debt. As part of active liquidity management, VERBUND AG subjects its financial liabilities to ongoing monitoring to ensure that opportunities to optimise interest expenses are taken advantage of (e.g. by making early principal repayments).

VERBUND AG will continue to pursue green finance activities in the future. Following a number of innovative transactions in recent years such as the issuance of the first green bond in the German-speaking region, the world's first green Schuldschein over a digital platform and the first green syndicated loan whose margin structure is linked exclusively to VERBUND AG's ESG rating (sustainability rating) over the term of the loan, no new funds were raised in the capital market in 2019 due to VERBUND AG's outstanding liquidity situation.

KPIs – finance

	Unit	2018	2019
Cash flow from operating activities	€k	217,843.1	293,366.6
Cash flow from investing activities	€k	101,687.5	189,738.0
Cash flow from financing activities	€k	–319,546.9	–483,104.7
Financial result	€k	566,043.5	588,830.5
Gearing	%	84.0	61.7
Debt repayment period	years	8.5	7.3

Compared with the previous year, the financial result improved by €22,787.0k to €588,830.5k. The main reason for this was the recognition of high impairment loss reversals of equity interests amounting to €384,905.7k in the financial year (previous year: €349,918.7k), whereas in financial year 2018 amortisation of equity interests had still been recognised in the amount of €11,073.8k (current year: €125.0k). As all provisions for equity interests had been adjusted in 2018, there were no further positive effects in the financial year from this area (previous year: €57,895.7k). Investment income from distributions increased by €17,365.2k to €231,591.5k. Losses amounting to €6,347.3k were transferred in 2019 (previous year: €5,164.4k). Interest income improved by €14,600.0k, and income from loans also increased by €1,579.5k. Dividend distributions from securities amounting to €1,832.2k were received in 2019 (previous year: €0.0k). Write-downs on securities amounted to €784.9k (previous year: €218.2k).

A sharp decline of €291,317.9k in interest-bearing net debt and the simultaneous increase of €473,622.4k in equity reduced the gearing by 22.3 percentage points to 61.7%. Higher cash inflow from earnings before taxes of €281,841.7k (previous year: €269,208.5k) accompanied by a more significant reduction in debt of 10.0% (reduction in previous year: 7.7%) lowered the debt repayment period from 8.5 years in the previous year to 7.3 years.

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

Cash flow statement

In financial year 2019, the cash flow statement was prepared in accordance with the expert opinion KFS/BW 2 issued by the Austrian Chamber of Public Accountants and Tax Advisors. However, since VERBUND AG also operates as a holding company, income and expenses from equity interests continued to be reported under cash flow from operating activities. Prior-year figures were restated.

(1) Cash flow from operating activities

Cash flow from operating activities is determined using the indirect method and resulted in a cash inflow of €293,366.6k (previous year: cash inflow of €217,843.1k).

Profit or loss for the period includes investment income impacting the cash flow net of losses transferred amounting to €225,244.1k (previous year: €209,061.9k).

The change in trade receivables and other receivables is primarily attributable to the decrease in receivables from affiliated companies in the amount of €4,503.4k and the decrease in other accruals and deferrals in the amount of €3,854.6k, effects which are partially offset by an increase in trade receivables of €6,041.9k.

The change in trade payables and other liabilities is mainly the result of the increase in liabilities from the electricity and gas business of €2,359.1k. Trade payables, excluding the electricity and gas business, fell by €3,558.7k. Under other liabilities, there was an increase of €1,444.6k. Liabilities from value-added tax to the tax authorities fell by €2,974.2k.

The change in current provisions is attributable mainly to provisions for the consumer business in the amount of €3,334.0k and provisions for personnel expenses of €1,164.1k.

Of the net asset position arising from income tax payments in the amount of €41,569.0k (previous year: €2,111.3k), €10,011.3k is attributable to assessments from previous years and €78,720.6k to the credit of tax allocations from group members. These contrast with prepayments to tax authorities in the amount of €46,301.6k. Other income taxes such as capital gains tax resulted in a cash outflow of €861.2k.

(2) Cash flow from investing activities

Net cash flow from investing activities consisted of an inflow of €189,738.0k (previous year: €101,687.5k), resulting primarily from the repayment of loans amounting to €215,831.8k. These contrast with the granting of loans in the amount of €57,425.8k and investments in affiliated companies in the amount of €6,490.6k.

Capital expenditure for intangible assets and property, plant and equipment comprised capital expenditure relating to office and plant equipment in the amount of €1,547.4k, relating to software in the amount of €1,052.7k, investments in buildings in the amount of €239.7k and relating to electrical equipment in the amount of €84.0k.

Cash inflow from interest mainly for loans granted remained at nearly the same level as the previous year.

(3) Cash flow from financing activities

As part of the dividend distribution approved for financial year 2018, €145,914.6k was paid out to shareholders. This was equivalent to a dividend of €0.42 per share. Group clearing resulted in a cash inflow of €441,178.6k (previous year: cash inflow of €55,105.0k).

Through the continued reduction of debt, VERBUND AG reduced cash outflows for interest and similar expenses by €17,000.4k.

Repayments at maturity in the amount of €683,465.0 (previous year: €138,000.0k), scheduled payments by instalment in the amount of €35,369.4k (previous year: €47,536.1k) and early payments of instalments of €0.0k (previous year: €66,666.7k) took place in financial year 2019. Loans taken out amounted to €0.0k (previous year: €100,000.0k).

Cash flow statement

€k

	Notes	2018	**2019**
Earnings before taxes		564,663.4	622,387.6
Amortisation of intangible assets and depreciation of property, plant and equipment		1,737.0	2,056.3
Amortisation and reversal of impairment of investments		–338,627.0	–383,995.8
Result from disposal of non-current assets		–3,748.3	52.0
Income from investments, other interest and similar income and interest and similar expenses		38,982.7	19,711.4
Change in non-current provisions		–743.2	4,820.6
Income from the reversal of contributions to building costs		–35.1	–35.1
Other non-cash expenses and income		–4,064.9	–17,703.1
Change in inventories		10.7	–18.2
Change in trade receivables and other receivables[1]		13,959.6	2,183.0
Change in trade payables and other liabilities[2]		2,284.5	–2,684.0
Change in current provisions		–58,687.7	5,023.0
Payments for income taxes		2,111.3	41,569.0
Cash flow from operating activities	(1)	217,843.1	**293,366.6**
Cash outflow from capital expenditure on intangible assets and property, plant and equipment		–5,557.4	–2,923.8
Cash inflow from the disposal of intangible assets and property, plant and equipment		39,017.9	9.6
Cash outflow from capital expenditure on investments		–351,371.6	–63,916.4
Cash inflow from the disposal of investments		382,176.2	216,080.4
Cash inflow from investment and security income		0.0	1,832.2
Cash inflow from interest		37,422.5	38,656.0
Cash flow from investing activities	(2)	101,687.5	**189,738.0**
New non-current loans		100,000.0	0.0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		–252,202.8	–718,834.4
Cash inflow (outflow) from increases (decreases) in Group clearing balances		55,105.0	441,178.6
Dividends paid		–145,914.6	–145,914.6
Cash outflow from interest and similar expenses		–76,534.6	–59,534.2
Cash flow from financing activities	(3)	–319,546.9	–483,104.7
Change in cash and cash equivalents		–16.3	0.0
Cash and cash equivalents as at 1/1/		16.3	0.0
Cash and cash equivalents as at 31/12/[3]		0.0	0.0

[1] incl. prepayments and accrued income // [2] incl. other deferred income // [3] see also note (5) in the notes to the annual financial statements

Report on the environment, research, development and social aspects

VERBUND takes its social responsibility as Austria's leading utility and an important player in the European electricity market very seriously. Back in 1994, VERBUND was one of the first companies in Austria to prepare an environmental report. In doing so, it was well in advance of the trend towards reporting on environmental factors. That annual publication was followed in 2002 by VERBUND's first sustainability report. From then until 2014, this report was published annually as a supplement to the annual report. Since 2015, VERBUND has responded to rising demand from different groups of stakeholders for comprehensive company information by publishing an integrated annual report. The annual sustainability report is now included in VERBUND's integrated annual report.

The Austrian Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG) entered into force on 6 December 2016; this stipulates that starting in financial year 2017 large public interest entities are required to publish non-financial information. VERBUND uses the Global Reporting Initiative (GRI) for this purpose. This report covers the activities of all of the companies included in the Group's consolidated financial statements. Significant events occurring at unconsolidated companies are also reported to provide a complete picture of the Group. The reporting period comprises the 2019 calendar year.

Environmental performance

In all of its fields of activity, VERBUND is committed to taking a responsible and sustainable approach to the environment. The VERBUND environmental mission and a Group-wide environmental management policy guarantee that the requirements of internal and external stakeholders concerning professional environmental management are taken into consideration.

The Environment executive order and additional environmental provisions define the framework for the systematic planning, execution and measurement of and reporting on the environmental achievements of VERBUND. Existing structures, processes and responsibilities in environmental management ensure compliance with legal requirements, nationally and internationally accepted regulations and the Group's own standards. To ensure this, VERBUND has established a decision-making body at the highest management level and a working team made up of in-house environmental experts.

International standards such as the GRI Standards and the Greenhouse Gas Protocol form the basis for the Group-wide collection of and reporting on VERBUND's environmental data. Detailed information on the standards applied and applicable factors is available from VERBUND's Investor Relations and Sustainability departments on request.

Impacts on the environment

The impacts, both positive and negative, that the VERBUND generation portfolio has on the environment are a key topic in VERBUND's environmental management systems. There are two primary ways that VERBUND's normal operations have a detrimental impact on the environment: through the effect of hydropower plants on habitats in relation to river morphology and biodiversity and through the effect of thermal power plants in relation to airborne emissions. The VERBUND plants themselves present no significant risks with potentially negative effects for the environment. By operating the facilities in compliance with the laws, VERBUND further minimises the likelihood that these risks will arise. For extreme events (severe flooding, earthquakes, etc.) VERBUND has specific emergency plans and a crisis management team.

Certification of environmental management systems

VERBUND engages external auditors to audit and certify its environmental management systems at generation and grid facilities and at major administrative sites in accordance with ISO 14001. The Mellach thermal generation facilities are also validated in accordance with the EMAS Directive. A separate environmental statement is published annually on the VERBUND website for these facilities. New facilities are incorporated into the environmental management system as quickly as possible after commissioning and included in the scope of the certificate for the next audit.

Generation and use of power

In 2019, 95% of electricity generated at VERBUND originated from hydropower and wind power, and 5% from thermal generation. At 24.2 million gigajoules (GJ), VERBUND's total energy consumption in 2019 remained on nearly the same level as 2018, despite higher total generation.

Fuels made up 59% of total use of power at 14.3 million GJ. Mainly the fossil fuels hard coal and natural gas and, to a lesser degree, the renewable fuel sewage sludge were used for thermal generation in order to generate electricity for grid support for congestion management purposes as well as for district heating. The use of hard coal in the Mellach district heating plant decreased by 7% in 2019 to around 7.3 million GJ (2018: 7.9 million GJ) and will be reduced to zero by 2021. In addition, 6.9 million GJ of energy from natural gas was used, 9% more than in 2018 (2018: 6.3 million GJ). At 0.7 million GJ, the volume of fuels used for the vehicle fleet and equipment was equivalent to around 0.5% of the total use of power from fuels.

Electricity purchases by VERBUND comprise grid purchases for administration, power plants, pumps and grid facilities. In 2019, the share of electricity purchased was 41% of total use of power. At around 10 million GJ of electricity mainly for pumping and turbining and for compensating grid losses, approximately the same volume of electricity was drawn from the grid as in financial year 2018. More than 70% of this electricity volume originated from renewable generation.

The relevant energy savings potential at VERBUND was determined in 2019 in Group-wide energy audits. These audits identified opportunities to increase energy efficiency in the conversion of energy in power plants and in electricity transmission. A total potential of approximately 170 gigawatt hours per year was calculated for selected projects.

The KPI energy intensity, which is expressed by the ratio of the Group's power use to the volume of electricity and district heating generated, improved to 0.20 in 2019 (2018: 0.21). VERBUND's target is to reduce the energy intensity in 2021 by 25% compared with 2015. This is mainly achievable by phasing out generation from hard coal and increasing renewable generation as planned.

Use of materials

Materials VERBUND uses include additives and consumables for flue gas and effluent treatment and for energy generation in power plants and grid facilities. Most of these are produced using non-renewable materials. A small portion, such as copying paper in the administrative areas, is from renewable materials.

Total material requirements fell by 7% in 2019. This decrease is primarily attributable to reduced use of additives and consumables in the Mellach district heating plant in 2019. The volumes needed for thermal generation have already decreased by 46% since 2015. VERBUND plans to continue reducing this amount to 80% compared with 2015 by converting the generation from hard coal to natural gas and putting the new effluent treatment plant into operation by 2021.

Greenhouse gas emissions

The Group's focus on electricity generation from renewable energy is a crucial factor for VERBUND in both reducing and avoiding greenhouse gas emissions. Of the electricity generated at VERBUND, 95% already originates from hydropower and wind power. Because it is still necessary to use thermal power plants to provide grid support and district heating, the remaining 5% share of generation originates from thermal power plants. Work to reduce the specific greenhouse gas emissions for these volumes is ongoing. VERBUND is thus contributing to the avoidance and reduction of emissions as well as to SDG 13 "Climate action".

VERBUND's goal is to reduce the VERBUND-specific direct greenhouse gas emissions (Scope 1) for the Group to below 10 g CO_2e per kWh of total electricity generated by 2021. In 2019, this figure amounted to just 32 g CO_2e/kWh. At the end of 2019, VERBUND was already well below the specific figure for direct greenhouse gas emissions from the Austrian production mix in 2018 at 142 g CO_2/kWh and even further below the German figure at 469 g CO_2/kWh. This comparison demonstrates VERBUND's success in its drive to decarbonise electricity generation. VERBUND's strategic alignment includes phasing out generation from hard coal and increasing generation from renewable energy sources. These will serve to further improve this figure.

Emissions avoided through generation from renewable energy

By generating electricity from renewable energy sources rather than from thermal generation, VERBUND avoided 24 million tonnes of CO_2 in Europe in 2019. This is calculated based on average thermal generation emissions based on ENTSO-E.

Airborne emissions

Increased load changes at all plants at the Mellach site resulted in a 13% increase in emissions of carbon monoxide (CO). Reduced use of the Mellach hard coal power plant lowered emissions of nitrogen oxides (NO_x) by 8%. Sulphur dioxide (SO_2) and dust emissions from operation of the Mellach hard coal power plant decreased by approximately 20% in the reporting period.

In the period from 2015 to 2019, SO_2 emissions were reduced by 58%, NO_x emissions by 43% and dust emissions by 79%. Compared with 2015, phasing out thermal generation from hard coal will result in a 90% decrease in dust emissions and an 80% decrease in NO_x emissions from 2021 onwards. SO_2 emissions will be eliminated entirely.

Conservation and biodiversity

Some VERBUND power plants and grid facilities are located in nature conservation areas or other protected areas. Information on the geographical location of the power plants is published on the VERBUND website. The locations of the protected areas can be found on the Austrian and Bavarian geodata portals. In 2019, all basic data on sites located in protected areas was updated and the assessments digitalised.

Current examples of capital expenditure for the environment and biodiversity such as the construction of fish passes to re-establish river continuity and rehabilitation measures implemented at water bodies can be found in the Renewable generation section. The wide range of measures that VERBUND has already implemented and those that are still at the planning stage in the areas of conservation and biodiversity are described on the web pages of the respective LIFE projects, on the APG website and on the VERBUND website.

In 2019, another fish pass was completed at the Ering-Frauenstein power plant on the Inn. This brings the total of fish passes in operation to 54.

Water and effluents

In this reporting period, reporting in the area of water was converted to the new GRI Standard 2018 and supplemented. In 2019, water withdrawal at VERBUND sites was down by 7% compared with 2018. Compared with 2015, water intensity of total electricity generated has already been reduced by 47%; the goal for reduction is 50% by 2021.

Around 94% of the total water volume was used as cooling water at the thermal power plants. For this purpose, surface water is withdrawn, used for cooling and returned chemically unchanged. Only 0.3% of this water volume is actually consumed. Details on other treatment methods used and the water quality including compliance with limits are published for the thermal power plants in the annual environmental statement.

Compliance with the limits for effluent treatment plants at all other sites is also monitored. It was determined that a limit for chemical oxygen demand (COD) was exceeded in 2019 at one site. The cause was the overloading of the small effluent treatment plant with effluent from office containers at a construction site. This was rectified by treating the additional effluent separately.

In order to determine whether sites are located in areas with a water stress level above 40%, the location of VERBUND operating sites was compared with the location of areas of high or extremely high water stress as defined in the Aqueduct Water Risk Atlas of the World Resource Institute (WRI). This comparison found that all VERBUND operating sites are located in areas which were below the threshold of 40% in 2019.

Please refer to the 2019 Group Integrated Annual Report for detailed environmental information as well as further information on generation, use of materials, energy consumption, waste and by-products, and other environmental KPIs.

Innovation, research and development

KPIs – IR&D

	Unit	2017	2018	2019
Number of IR&D projects	Number	85	74	80
Total project volume[1]	€m	179.8	177.9	192.6
of which EU projects[1]	€m	111.7	104.5	118.2
VERBUND's total share[1]	€m	53.5	61.6	58.7
Annual VERBUND expenses	€m	9.0	10.5	17.5

[1] over the entire duration of the projects

International climate protection agreements, national strategies and programmes and the commitment of civil society are indications that the energy transition away from fossil fuels to renewable energy sources is underway. Research, development and innovation contribute significantly to reducing climate-damaging emissions and limiting the impact of climate change. With its commitment in the areas of innovative technologies and business models, VERBUND assumes responsibility for the decarbonisation of various sectors.

Electrification of the transportation sector

Together with its subsidiary SMATRICS and strategic partners from Europe, VERBUND is focusing on electrifying the transportation sector. The goal is a reduction of the still increasing emissions in this area.

A high-performance charging network with output of up to 350 kW for electric cars is being built throughout Austria as part of innovation projects such as EVA+ and ultra-E (projects co-financed by the European Commission). Mobility services like the connection to international charging networks (roaming) are also being developed and implemented. This will make it possible to charge electric cars easily, conveniently and independently of national borders, making even long-distance mobility a reality. Research projects such as NeMo (also co-financed by the European Commission), involving partners from research institutes and universities, are developing platform solutions aimed at creating even more effective networks of charging services.

Adding value through sector coupling

Increasing charging capacity for electric cars means greater convenience for users because the vehicle range is extended significantly. However, this necessitates much higher charging output power per charging station for the latest technology at charging hubs of up to 1 MW, which in turn represents a challenge for the electrical grid infrastructure.

VERBUND is addressing precisely this problem with the European innovation project SYNERG-E. Local battery storage units at high-power charging stations and the smart local management system make it possible to balance out load peaks and provide a uniform level of service to the electromobility operators of the charging station. In addition, local storage batteries are bundled virtually in order to provide grid services. Three local storage batteries with capacity from 0.3 to 0.5 MW were set up in 2019, and seven others are in the planning stage for Austria and Germany.

Use of battery storage units in hydropower

The Blue Battery project is a research project with the purpose of integrating an industrial-scale battery storage unit at an existing hydropower plant. The goal of this combination is to be able to create a Frequency Containment Reserve (FCR) which is available within a matter of seconds. The efficiency and availability of the power plant will be significantly improved by the corresponding longer useful life of the turbines.

Construction at the Wallsee-Mitterkirchen site began in 2019. Austria's largest battery storage unit with 8 MW of FCR capacity and a storage capacity of 14.2 MWh will be built and operated at this power plant site.

Green hydrogen – an all-rounder

The aim of the H2FUTURE project that was launched in 2017 is to construct a proton exchange membrane electrolyser with a capacity of 6 MW at the voestalpine site in Linz in cooperation with industrial and research partners in Europe. Following preliminary construction and technical work, the plant began operating in 2019 and started to produce green hydrogen. The main focus of the work in 2020 will be on testing various applications to assess the performance of the plant. Green hydrogen is produced primarily for use in steel production. In the future, the plant will also be used for services to support the grid. H2FUTURE, a research project co-financed by the European Commission, is also looking into other options for using green hydrogen in sectors such as the chemical industry.

At a national level, VERBUND is a partner of WIVA Power & Gas, the hydrogen initiative of the Austrian model region, subsidised by the Austrian Climate and Energy Fund. Working together with Austrian partners from industry and research, this initiative aims to implement hydrogen projects and thus reinforce Austria's reputation as a centre of research and innovation. As of 31 December 2019, VERBUND was involved in two WIVA projects concerning green hydrogen for industrial use.

VERBUND set a milestone in new hydrogen technologies with the HOTFLEX project. A new hydrogen technology was tested at VERBUND's Mellach site together with partners from research and industry and with the support of the Austrian research funding agency Österreichische Forschungsförderungsgesellschaft (FFG) and the Fuel Cells and Hydrogen Joint Undertaking (FCH JU). The high-temperature electrolysis/fuel cell system with rated power of 150 kW is the core of the research plant. These research findings will serve to determine the potential of this technology for power to gas (to power) applications, such as its use as emergency power supply units in power plants and in other industrial plants.

The cooperation with the Zillertal Railway is focused on the use of hydrogen in the transport sector. Starting in late 2022, the narrow-gauge railway will be the first train in trial operation to be powered by hydrogen. The green hydrogen will be produced with renewable electricity from VERBUND's power plants in the Zillertal.

Fish protection and flow at low-pressure hydropower plants

As part of the FFG research project FINI, VERBUND worked in financial year 2019 to further develop effective fish protection designs for hydropower plants with low heads using numerical and experimental methods and researched an optimised flow into the turbines. The central aspects are fish protection and fish bypasses.

Condition-based maintenance of rotor blades

In the area of wind power, the focus in 2019 was on condition-based maintenance of rotor blades. The most important changes were related to the implementation of a new method to determine damage to rotor blades. Replacing a costly, time-consuming process in which the blades are examined using abseiling techniques, VERBUND introduced an innovative imaging procedure to capture a complete digital depiction of the rotor blade surface. In a benchmark comparison, different systems were evaluated in detail and their suitability for everyday use assessed. A ground-based system has now been in use since 2019, and service technicians can use this system to carry out checks on site quickly and efficiently. The images are evaluated using an automated image recognition algorithm. Next, an expert can review the pre-categorised damage and approve it for the report. In the future, it will be possible to project the damage progression and schedule and carry out predictive maintenance to reduce costs.

Digitalisation and information security

An Information Security and Digitalisation division was established at the holding company to account for the growing importance of digitalisation and information security at VERBUND. All of the responsibilities within the Group have been bundled under this new division and new positions created in the field of cybersecurity.

The Digitalisation department is a driver of the digital transformation and the stimulus for innovative solutions and provides support in specific Group activities within VERBUND. Digital innovations, skills and abilities are continually evaluated and developed further. The aim is to unlock potential in all areas, from generation through trading to sales. Digital solutions are the catalyst for a successful energy future in Austria.

A technology master plan for the areas of digitalisation, information security and information technology (IT) with a medium-term planning horizon was created in 2019 on the basis of the current VERBUND strategy.

With a basis in stable and efficient IT operations and a management system for information security, new technological services are being established and methods for the digital transformation are being provided. This makes it possible to implement projects and plans focused on efficient generation and digital sales and trading.

The projects Digital Workforce Management and Digital Power Plant are pioneering in the field of hydropower. In this connection, processes are being optimised and automated. The projects involve searching for new technical solutions and testing them for feasibility in practice and, if applicable, rolling them out within the Group.

In the area of trading, existing and innovative customer platforms are being expanded and supplemented with new services in order to generate further advantages in the market.

In the area of sales, the existing CRM solution was updated to include a campaign management solution in financial year 2019. This will make it possible to use new functions and options in the areas of marketing, sales and service.

A survey of the current situation and challenges was carried out in the area of information security. New legislation and regulatory requirements such as the EU Directive on Security of Network and Information Systems (NIS Directive) applicable to operators of essential services (“critical infrastructure”) and the General Data Protection Regulation (GDPR) are among the main drivers of increasingly stringent requirements in information security. In accordance with the Austrian Network and Information System Security Act (Netz- und Informationssystemsicherheitsgesetz, NISG), passed by the Austrian parliament in quarter 4/2018 in order to comply with the NIS Directive, Group companies with installations rated over the 340 MW threshold will be receiving official notices in this regard. The key prerequisites for this were already established in a VERBUND Group project in 2018. A follow-up project in 2019 aimed at meeting the specifications in the approval notice coordinated the prescribed certification of 13 VERBUND installations to international ISO/IEC standards in Austria (German certification was obtained in 2018). Further driving these information security measures is the fact that opportunities to attack are increasing along with the widening penetration of information technology and the digitalisation of business processes. Intensifying this effect, cybercrime activities are becoming more and more professional and intense.

In light of the upcoming or planned requirements and the evolving threats, a number of projects have been initiated to heighten information security and improve the maturity level in information security risk management.

Digital Hydro Power Plant – Hydropower 4.0

As part of the Digital Hydro Power Plant innovation programme, VERBUND analysed various digitalisation options in 2019 to identify the potential for further improvement of the processes in hydropower plants. The range of potential digitalisation technologies is broad, extending from platform solutions, anomaly detection models in connection with novel sensor designs, mobile assistance systems, digital twins and drones to innovative inspection technologies. A test system for the Rabenstein pilot power plant was designed and implemented for promising technologies. This project is focused on technical and economic evaluation. If added value from cost savings, efficiency increases or security improvements can be demonstrated after completion of the project, the technology will be transferred to other hydropower plants.

Electricity trading: SNOWPOWER improves inflow forecasting

The snow conditions and annual melt water inflows to the Alpine reservoirs and rivers are of great significance in planning and managing energy production in VERBUND's hydropower plants. Drones and digital cameras are an efficient method of evaluating snow cover in high Alpine regions and for determining the potential for run-off. The snow cover in spring varies each year due to the meteorological conditions in the preceding winter. Using new methods such as drone technology, the snow cover in Alpine regions can be recorded in order to forecast the potential for run-off and the melt water inflow as precisely as possible and further optimise the use of reservoirs.

Power grid: automated emergency messages by QR code

When high-voltage emergencies occur, rapid access to the responsible contact persons within and outside the Company is critical. APG, VERBUND's independent grid subsidiary, has developed a new smartphone app that can be used to safely and quickly notify APG and the emergency services.

All 12,000 pylons in the APG grid have been labelled with a QR code for this purpose. When this code is scanned with a mobile phone, an automated report including the relevant location information is sent directly to APG, the police, emergency rescue services and the fire department. For the emergency responders using this function, APG's digital safety platform opens immediately, and assistants are available to provide fast and specific help. In addition to options for reporting an emergency or sending a message or an image to the central security office, the app also includes information bulletins detailing the safety clearances to be maintained in the areas around electrical installations.

The existing pylon panels displaying the pylon number, line number and emergency telephone number will remain in place. This will ensure that emergencies can still be reported in future without a smartphone or internet connection.

Please refer to the 2019 Group Integrated Annual Report for further information as well as additional details on innovation, research and development.

Human resources

The employees of VERBUND make a crucial contribution to the Group's profitability. Through their commitment and their entrepreneurial actions, they enable continuous further development and implementation of the VERBUND strategy.

Personnel planning and management

VERBUND has been using a modern, user-friendly planning and reporting tool for personnel data which was upgraded in 2019 to include additional features. The application now reflects the state of the art. This integrated personnel and expense planning system makes the personnel planning process simple and transparent. Consistent and strict personnel planning also promotes the optimal use of resources.

Personnel Management at VERBUND has the authority to issue guidelines concerning all personnel management matters in the Group. Focal points of the activities include personnel planning and development, personnel management, recruitment, personnel marketing and employer branding, labour and social law, employer representation in interactions with employee representatives, compensation and benefits, and strategic guidelines relating to occupational health care, as well as diversity and inclusion management.

VERBUND uses a variety of methods such as external audits, internal reviews and analyses of KPIs including the observation of internal and external benchmarks to assess the effectiveness of these management approaches. Based on the results of these feedback and performance review processes, compliance with the guidelines is regularly reviewed and adapted as needed.

For example, in light of the new industry collective agreement, jobs were recalibrated on the basis of the Willis Towers Watson Global Grading System.

Types of employment and benefits offered

VERBUND operates nearly exclusively in Central Europe, a region which has high standards in terms of labour law and social welfare. VERBUND generally offers permanent contracts to all of its employees. Temporary employment contracts are only entered into when there are objective reasons for doing so (e.g. to replace employees on parental leave). VERBUND generally seeks to retain employees for the long term. Various working time models, including full-time, part-time and part-time during parental leave, accommodate the different phases of an employee's life while meeting the requirements of the labour market. Temporary workers are also hired to cover capacity peaks, during project work and for temporary leave replacements.

VERBUND provides all of its employees, regardless of the working time model, with a number of voluntary benefits and benefits under collective bargaining agreements. These include a pension fund, supplementary health insurance, discounted lunches, child benefits and health checks.

Employment of highly and very highly qualified employees entails corresponding personnel costs. VERBUND therefore offers remuneration in line with the market and according to employees' performance. To meet this commitment, we have had a performance-based remuneration model in place since 2010. This model uses targets based on both individual performance and the Group's profitability and ensures fair pay at all levels. Alongside the programmes to increase efficiency, it is essential for VERBUND to modernise the existing remuneration structures at Group and industry levels and to adapt them to market conditions. In addition to adapting internal guidelines on salary determination, VERBUND has taken a leading role at industry level in redesigning the collective agreement for electricity companies in Austria. The agreement has been applicable since 1 February 2019. In this way, the energy industry together with employer and employee representatives has reached a collective agreement that is fair and, at the same time, suited to modern working life. A comprehensive assessment demonstrated that the new pay levels can in some cases significantly reduce entry level compensation as well as final salaries. The new job descriptions based on general industry standards make it possible to categorise employees more precisely and therefore set compensation more in line with the market, particularly in the lower wage brackets. In guaranteeing the actual wage level and reasonable expectations as agreed with the trade unions in coordination with the employee representatives, VERBUND transferred its employees to the new remuneration scheme of the collective agreement with effect from June 2019.

Strengthening the Group's position in the labour market – employer branding

In order to continue positioning VERBUND's employer brand attractively on the labour market and to continue to be considered an employer of choice in the future, VERBUND invested in selected existing, but also some new, employer branding activities in 2019. Despite low budgets, VERBUND demonstrated a clear presence in the labour market – for example at education and job fairs and in print and online media, as well as on social media, focusing on IT experts and apprentices as target groups.

Changes implemented in 2019 concerned, in particular, the apprentices as a target group: a new apprentice initiative focused on social media such as Facebook, Instagram, YouTube and LinkedIn directly addressed young people interested in completing an apprenticeship.

Another strategic focal point of the employer branding activities was on attracting women as employees. In the Vienna University of Technology's anniversary year 2019, VERBUND supported the project "100 years of Women Studying Technology" as a premium partner.

In addition, existing measures were continued in 2019. These included the annual award of the VERBUND women's scholarship, the Women in Technology ("Frauen in die Technik," FIT) initiative and Girls! Tech up, along with participation in selected educational and career fairs.

Recruitment

VERBUND continually strives to maintain its high degree of professionalism in recruitment quality. In order to confront a continually changing framework (digitalisation, big data technology, etc.) in recruitment and to proactively work to counteract a persistent lack of skilled workers (particularly in the IT area), VERBUND explored new methods of recruitment again in 2019.

Supplementary measures such as active sourcing and video applications were implemented during improvements to existing recruitment processes.

The focus of the improvement measures was on personnel marketing for IT experts. In 2019, for example, VERBUND participated in specific career fairs centred on IT topics. These included the

IT Security Exchange held at the University of Applied Sciences in St. Pölten, the corporate trade fair at the University of Applied Sciences Technikum Wien, and fit, the career information fair held at the Vienna Higher Technical School Spengergasse.

In 2019, VERBUND received the first place award in Career's Best Recruiters Study in the "Energy" category for the eighth time and came sixth in the overall ranking. This is an extraordinary confirmation of the quality of the focused recruitment and personnel marketing activities. This award is also an outstanding starting point for the recruitment and personnel marketing activities in regard to the growth curve and demographic change.

Personnel development

Personnel development is a key element particularly in times of a new strategic alignment. In 2019, each VERBUND employee took part in 40.0 hours of training on average.

Personnel development focused on training in the areas of safety, technology and the energy market. The majority of employees in the fields of technology and safety are men. This was also reflected in the average training hours, which were slightly higher for men (41.6 hours) than for women (35.4 hours).

E-training – digitalising learning solutions

The digital transition requires learning to be adapted. In an increasingly fast-moving environment, more complex knowledge must be directly available. New learning formats address employees' changing needs and expectations.

Digital learning methods are expanding on and, in some cases, replacing the more familiar classroom training. This makes it possible to share information more directly and also allows knowledge to be transferred in a cost- and resource-efficient manner. The essential aspect is responding to the needs of the employees. A wide spectrum of newly formatted courses on information security, compliance, employee safety, financial KPIs, the energy market and the GDPR is already available to VERBUND employees. Through LinkedIn Learning, an online knowledge library with a catalogue of over 2,000 courses, staff also have access to a variety of other topics. As part of the introduction of the VERBUND Learning Management System (LMS), further topics are planned for 2020. A mobile film studio – Mastersolution 3D – is available beginning in 2019 so that employees in the departments can make and publish their own short videos on important content professionally, easily and quickly.

Employees can also very easily sign up for classroom events or complete an e-training course and the corresponding knowledge test using the new LMS. This innovative, modern tool has integrated all of the systems previously used and enhanced them through the addition of new features. LMS makes the administration of classroom and online events within personnel development much simpler. Various reports provide executives with an overview of employees' continuing education and training. This is how VERBUND is meeting the challenges of the digital transition and fostering the types of independent and target group-specific learning that accompany it, as well as promoting the exchange of knowledge between people. Following the successful pilot phase carried out in individual companies, LMS was put into productive operation throughout the Group.

Apprentice training

Reliable operations and ongoing maintenance of VERBUND plants is a key prerequisite for the Group's economic success. In order to optimally manage the ongoing generational shift in power plant operations, VERBUND has trained apprentices since 1983. VERBUND is one of the first companies in Austria to offer a four-year dual vocational training programme (electrical engineering and metalworking) with outstanding future prospects for apprentices. In the first year of the apprenticeship, apprentices are trained in apprentice workshops in order to continue their training at one of VERBUND's power plants from the second year onwards. There, they are able to acquire the necessary knowledge about the plant, ensuring the transfer of expertise in the technical/skilled trade area.

In 2019, VERBUND recruited 45 new apprentices in Austria and Germany. The high quality of our apprenticeship training is most evident in the outstanding achievements seen in the final apprenticeship examinations.

Trainee programme

As a result of the growing number of digitalisation projects at VERBUND, digital and mobile skills continue to gain in importance. In order to keep up with the developments in digital technology, a VERBUND trainee programme focused on information technology and SAP was advertised in financial year 2019 for the second time. In April and October 2019, a total of six trainees began the 24-month programme at VERBUND.

Additional trainee positions will be advertised in 2020 under the strategically relevant corporate project Transformation to S/4 HANA. These will be focused on the combination of IT skills with commercial processes and with project management. The trainee programme will begin in quarter 1/2020 and last 18 months.

Further development of the corporate culture

Employee survey

Employee satisfaction and the commitment of VERBUND employees is a key concern for us. They make a significant contribution to our shared success every day. In order to create the best possible work environment, it is important to identify sources of stress and potential areas for improvement. To assist in these efforts, VERBUND conducted the fourth Group-wide employee survey in March 2019 under the title "How are you doing at VERBUND?" Nearly 58% of the workforce took part in the survey.

The results show that the economic situation of Austria and the Group have a very strong impact on how the respondents evaluate their work situation. Compared with the results of the previous survey in 2015, the Group's economic performance is seen more optimistically. In light of this, the subjective labour market opportunities are also assessed much more positively. Of the different types of work-related stressors, bureaucracy and slow decision-making processes are ranked highest along with perceived time pressure. However, these subjective stressors are more than offset by a series of positive aspects at work. For instance, job security, relationships with colleagues, the working time models and the relationship with direct supervisors are considered particularly satisfactory.

In autumn 2019, numerous workshops were also conducted with interested employees in order to analyse the action areas and define specific recommendations for actions which would contribute to an improvement of the working climate and to raising employee satisfaction. In an added step, these measures and potential improvements will be discussed with the managing directors of the companies and VERBUND's Executive Board. The goal for 2020 is to approve specific measures.

Mindset initiative

In 2019, Strategic Personnel Development in cooperation with the Digitalisation and Innovation department launched the mindset initiative “Leaders in Transformation”. The objective of this initiative is to contribute to the further development of the innovation and digitalisation culture and to support the transformation process within the Group.

The initiative is based on innogy’s New Way of Working (NWOW) transformation model. By first changing mindsets, a behavioural change is introduced to promote personal responsibility, capacity for innovation, collaboration and the exchange of information and cooperation across departments, as well as to launch a learning culture in which mistakes are used as a learning opportunity. An observable and practical project approach is chosen for this process in order to then improve on, apply and scale the method and skill set independently at VERBUND.

In the first phase of the project in 2019, unfavourable mental models were identified which may counteract agile working methods, innovation and better performance. A two-day boot camp on the basis of these mental models and aimed at reducing systemic blocks was conducted for a pilot group of participants from across all departments and levels of the Group. The two-day management conference initiated in 2019 was also developed using the project’s design criteria and followed the New Way of Working approach. Further steps are planned in 2020.

Maintaining a work-life balance

VERBUND is a family-friendly company, as the employee survey conducted in 2019 also confirmed. Satisfaction with the ability to maintain a work-life balance rose once again.

Since 2009, the Work and Family Audit has provided a way to better structure the measures. In this way, more opportunities are created to meet specific needs and encourage a better work-life balance. VERBUND conducted this audit for the fourth time in 2018, earning the seal for the next three years.

The works agreement concerning Mobile Working and Telecommuting was updated in 2019. This works agreement defines the framework for flexible forms of working in order to further improve work-life balance. Shared leadership models are also successfully implemented in the Group. As always, VERBUND demonstrates its commitment to being a family-friendly company through its involvement in the Companies for Families network.

Diversity management

The diversity strategy defined in 2016 was endorsed in 2018 with the ZukunftVIELFALT® certification and in 2019 with the implementation of planned measures placing particular emphasis on the dimensions of age, gender and disability.

In addition to serving as a label for organisations with comprehensive diversity management systems, ZukunftVIELFALT® is a management concept for expanding such an existing system. VERBUND aims to embrace diversity within the Group and to systematically expand on and update its diversity strategy. In this manner, VERBUND promotes diversity within the Group and guarantees equal opportunities.

To support the leadership culture, VERBUND is relying more heavily on executive information and involvement. Initially, this involved initiatives such as enshrining equal opportunities in the corporate philosophy, appointment of an equal opportunities officer and a diversity and inclusion manager, Diversity Charter (“Charta der Vielfalt”) premium membership as well as the appointment of an accessibility manager in 2012.

Another benefit VERBUND also provides to all employees is free counselling on work-related or personal problems under the Employee Assistance Programme.

Focus on age

VERBUND strives to achieve a balanced age structure. The objectives in managing the demographic change are keeping knowledge in the Group and maintaining the loyalty of VERBUND's top performers.

The demographic trend which has already been observable for many years continued during the reporting period. Around 10% of VERBUND employees will retire over the next five years and 30% will retire over the next ten years.

One focus is on safeguarding the knowledge of those employees entering retirement. Structured succession planning implemented at all levels (from apprentices up to executives) ensures that knowledge will be retained and passed on.

In order to keep its workforce healthy for a longer period of time, VERBUND bundles the topics of health, safety and environment within one department. For further information on the topic of health management, please refer to the Occupational health and safety section.

Focus on gender

Traditionally, the proportion of women in predominantly technical companies such as VERBUND has been low. That is why VERBUND has put measures in place to increase the proportion of women from currently 17.8% to 20% by 2025, just as the proportion of women at the executive level is to rise to 20%. In 2019, the proportion of women among new employee hires was 22.9%.

Measures to promote the equal treatment of women continued in 2019. In the past financial year, VERBUND set challenging targets for its executives to increase the proportion of women among new employee hires. To raise the visibility of female employees, greater consideration will be given to women especially when filling vacancies in bodies or committees or project manager positions.

Additional seminars and networking sessions are offered to women who are interested in a management position.

In 2019, VERBUND also once again prepared an income overview containing information on average salaries for women and men. The ratio of the base salaries of women and men of 1:1.03 improved compared with the last reporting period. Nevertheless, socio-political and cultural aspects such as more part-time work among women, a low number of women in technical professions, and the difficulty women experience in advancing to more highly paid (management) positions are still also reflected within VERBUND.

Inspiring women to enter technical professions is a concern of VERBUND. VERBUND therefore participates in several initiatives such as Take Your Daughter to Work Day in Vienna, Women in Technology ("Frauen in die Technik," or FIT) and the amaZone Award.

FIT aims to generate interest among young girls to pursue technical professions, motivates female high school graduates to study technical subjects and presents successful women in technical professions as role models. In this way, we aim to alleviate doubts about pursuing an education in a technical or scientific field.

By awarding the VERBUND women's scholarship, VERBUND has also supported talented female students during their technical training since 2009. This scholarship is a means of enabling the winners to supplement their university education with additional personal and professional training. Another aim for the Group is to generate enthusiasm for the Group among technically qualified women and, ideally, to recruit them.

amaZone Award

VERBUND's apprenticeship training programme was recognised for outstanding performance in training girls and women in technology. In 2019, the Ybbs apprenticeship workshop received the amaZone Award in the category of Public and Semi-Public Companies.

The amaZone Award recognises companies that are particularly committed to apprentice training for girls and young women in professions with a low percentage of women. Every year, the best businesses demonstrate that women apprentices are an enrichment to every workplace and embracing their presence wholeheartedly can serve the common good. This sets an example of modern, innovative worlds of work beyond traditional gender stereotypes.

Focus on disabled persons

VERBUND assumes its social responsibility by ensuring equal opportunities, not just within the Group, but also in the energy sector. Since 2019, VERBUND has therefore supported the industry survey conducted by the energy sector on the topic of "Opportunities from Employing Disabled Persons", which was organised on the initiative of the social partners of Oesterrreichs Energie and the Essl Foundation. VERBUND reports on its own experience as an example of best practices.

Within VERBUND, the stated goal is to continue to fulfil the quotas stipulated in the Austrian Disabled Persons Employment Act (Behinderteneinstellungssgesetz, BEinstG) and to recruit and employ people with disabilities even beyond that. In 2019, one deaf employee was transferred from a trainee position to a permanent employment contract. Together with the accessibility management programme, the diversity management programme continually works towards improving the employment of people with disabilities.

VERBUND exceeds the statutory quotas stipulated in Austria and Germany for the employment of disabled people. For VERBUND the mandatory quota in Austria is 108; as at 31 December 2019, VERBUND employed 137 people who qualify under the Disabled Persons Employment Act (BEinstG). In Germany, the corresponding mandatory quota for VERBUND is 14; VERBUND employed 36 disabled people here in 2019.

In summer 2019, four people with disabilities completed their seasonal internships in different divisions at VERBUND. As a member of the DisAbility business forum, VERBUND also exchanges experiences with other companies and continually increases its knowledge on the topic of employing people with disabilities.

Occupational health and safety

Healthy and motivated employees are very important to the Group's success. Occupational health and safety are therefore prioritised very highly at VERBUND. Work-related injuries, occupational diseases and work-related illnesses are avoided through targeted measures to protect employees. VERBUND uses occupational health and safety standards to protect employees and staff employed by external contractors. We equally prioritise providing safe and healthy working conditions, eliminating dangers and minimising risks, just as we endeavour to comply with the applicable legal obligations and requirements.

Accidents in 2019

The number of employees under labour law including employees in partial retirement, temporary staff and all employees of proportionately consolidated equity interests serves as the basis for calculating the occupational safety KPIs. On this basis for calculation, VERBUND had 3,417 employees at the end of 2019. This figure includes 187 temporary staff, 262 employees in partial retirement and the entire workforce of Ennskraftwerke Aktiengesellschaft, VUM Verfahren Umwelt Management GmbH, VERBUND Tourismus GmbH, Lestin & Co. Tauch-, Bergungs- und Sprengunternehmen Gesellschaft m.b.H and Energji Ashta Shpk.

The number of accidents continued to undergo a positive trend in financial year 2019. Despite a slight increase compared with 2018, the second-best result was achieved since this has been tracked.

When interpreting accident statistics, absolute accident figures must be considered in relation to the number of employees (injury frequency) and lost days per accident (injury severity). The key performance indicator called lost time injury frequency (LTIF) is used as a benchmark for comparison with national and international companies. To allow the use of external contractors to be evaluated as well, VERBUND has also tracked their hours worked at all work sites since 2018 and reports accidents in the “LTIF including external contractors” KPI.

VERBUND engages external contractors for clearly defined construction, overhaul and maintenance contracts in particular. The employees at these firms are subject to the same safety regulations as VERBUND personnel. These persons therefore receive the same safety briefings. Contractors commissioned for the construction of plant subsections are responsible for managing their own work. However, they are also required to comply with the safety standards defined in the VERBUND Group and are briefed in accordance with VERBUND’s rules.

In comparison with other national and international companies, the LTIF including external contractors of 6.4 in 2019 indicates that VERBUND is on the right track. Improvement measures are identified and implemented based on an analysis of each individual accident within the Group and by external contractors. As in previous years, neither third-party fault nor organisational shortcomings were identified as the cause of any work-related injuries in 2019. This shows that safety standards within the Group are very high and that safeguards for employees are being effectively implemented.

Accident prevention

Preventive measures are based on the analyses of work-related injury statistics at VERBUND. In 2019, the annual continuing education measures focused on training sessions on the following topics from the “We Live Safety” project: perception, near misses and the follow-up of an accident as well as environmental management. Particular attention was given to practical implementation in day-to-day work.

Every year, as was the case in financial year 2019, legally mandated safety briefings are successfully completed by close to 100% of the workforce, either in person or via an e-learning programme that includes a final test.

In the area of occupational safety, VERBUND has a large number of internal regulations in place that are continually updated and rapidly amended as soon as changes in the law come into effect. These regulations apply to the following topics, for instance: management of working materials, accident reporting and behaviour after an accident occurs, briefings and instruction, fire safety, personal protective gear, coordination on construction sites and in projects and dealing with external contractors, occupational health and safety documentation as well as coordination and responsibilities of the occupational health service. These regulations are intended to guarantee that the same standards are available and applied throughout the Group.

Safety culture

Occupational health and safety has reached a very high technical level at VERBUND thanks to the great efforts made and extensive measures implemented in recent years. The accident KPIs for the last five years until 2017 remained stagnant at an LTIF value of an average of ten. This figure was reduced significantly to below seven when the “We Live Safety” project was launched. The goal of the project is to reshape employee thinking and behaviour with the aim of further reducing the accident rate. Specifically, through its focus on protecting employees and on occupational health and safety, the Safety Culture project aims to revitalise corporate culture and create a deeper awareness of safety.

The project was initiated in 2018 by conducting an employee survey. This was followed by workshops held for all executives lasting until the end of 2019. In this process, 270 executives and 74 master craftsmen including their deputies received training in 84 sessions. Furthermore, 36 safety coaches from all VERBUND companies were trained for the roll-out of the project. These coaches will pass on the “We Live Safety” project to all colleagues beginning in 2020. At the end of 2019, an online survey identified a clear shift in safety awareness towards integrated safety.

A database for entering near misses, safety suggestions and hazard reports was created as a supporting tool. One-quarter of the over 2,600 reports received had been processed by the end of the year. The analysis of reports has already contributed significantly to a further improvement in technical safety standards at VERBUND.

In order to reinforce their impact as role models, the four members of the Executive Board conducted 41 safety walks. As another important measure, the following communication initiatives were launched in order to reach all employees of VERBUND: a video message from Chairman of the Executive Board Dipl.-Ing. Wolfgang Anzengruber, 14 safety incentives in 2019, an article in the employee magazine “kontakt”, posts on the intranet and on posters, and placement of the topic in all annual briefings.

Promoting health among employees

VERBUND’s “Fit and Healthy” initiative is designed to promote a healthy lifestyle. The initiative motivates employees to do something for their health on a voluntary basis. In financial year 2019, VERBUND continued to focus on healthy working in office workspaces with the seminar entitled “Dynamic health and back fitness at PC workstations” and a vision training session. The focus on the topic of movement was reinforced through support of sports offered by third parties and by means of courses offered at office sites.

Accessibility

The main aspects of the inclusion of disabled people at VERBUND are the removal of barriers and creation of awareness among the workforce by providing information on an ongoing basis. In 2019, sensitivity training courses gave employees the opportunity to interact with disabled people and experience simulated disabilities of different types through a “sensing journey”. This was intended to break down mental barriers.

While the accessibility management concept was being implemented, initial recommendations were developed for realising barrier-free equipment for conference rooms.

The international Purple Light Up Day on 3 December 2019 raised awareness of the economic strength of people with disabilities. VERBUND informed its employees about the event and used purple lighting at its corporate headquarters at "Am Hof" and at the Freudenau power plant to send a signal to the outside world as well.

Human rights

VERBUND is aware of its responsibility to protect human rights in all Group divisions and in any other areas in its sphere of influence. This holistic responsibility is defined in the internal guideline on respect for human rights drawn up in 2019.

As a result, VERBUND respects all types of civil, political, economic, social and cultural rights. VERBUND also considers human rights to include observance of laws and standards in the areas of environment, occupational safety, health and compliance. Discussion of human rights issues is therefore not restricted to this section.

All executives and all employees at VERBUND are responsible for respecting human rights and reporting any violations to the Chief Compliance Officer. No violations were reported in 2019. Beginning in 2020, all significant incidents of environmental pollution and severe deficiencies in the area of occupational health and safety must be reported to the head of the newly established Corporate Responsibility department.

Human rights at VERBUND

VERBUND endeavours to ensure due diligence in the protection of human rights in all Group divisions. To this end, VERBUND provides safe and healthy working conditions and relies on preventive measures to minimise hazards and risks in the work environment. Forced and compulsory labour, and child labour in particular, are forbidden.

Under freedom of association and collective bargaining, employees can communicate openly about working conditions and have the right to join a union. They earn wages and salaries that allow them and their families to have a dignified life. VERBUND rejects any form of discrimination, bullying and sexual harassment and works with all people regardless of gender, age, disability, religious beliefs, culture, skin colour, education, social origin, sexual orientation or nationality.

For VERBUND, protection of the environment also constitutes an important component of human rights. Human rights that are at risk from damage to the environment include the right to a reasonable standard of living and the right to health, among others.

Human rights in VERBUND's sphere of influence

Even in its cooperation with business partners and within its supply chain, VERBUND is concerned with the protection of all human rights. However, due to its activities in some regions, challenges can arise in the area of human rights. Special attention is required in the event of conflicts, political instability, failure of the rule of law and lack of civil rights. In an environment of corrupt structures, extreme poverty, natural disasters or proximity to vulnerable groups, extreme caution must be exercised in entering into or maintaining business relationships with customers or suppliers. To ensure this, VERBUND carries out business partner integrity checks prior to commencing cooperation in projects, supplier discussions and regular hot spot analyses within the supply chain, among other things.

Please refer to the 2019 Group Integrated Annual Report for further information as well as additional details on human resources and social responsibility.

Report on significant risks and uncertainties

Opportunity and risk management

Since efforts to liberalise the Austrian electricity market began in financial year 2000, opportunity and risk management at VERBUND has been a separate component of its comprehensive management system. VERBUND's structures, processes and products are subject to ongoing development as part of what is referred to as Enterprise Risk Management.

Due in particular to the energy transition, which poses challenges for the energy industry as a whole and also for VERBUND, the risk management system is continuously adapted to changes in internal and external requirements. Each year, VERBUND's auditor confirms the effectiveness of the Enterprise Risk Management based on the recommendations contained in the ISO 31000:2018 reference model.

Further development

In financial year 2019, VERBUND's risk management activities focused mainly on developing a multi-year risk horizon and improving the calculation of the risk-bearing capacity. Here, special emphasis was placed on strategic risks which could have a significant impact on VERBUND's business model in the long term and on developing potential measures to reduce risk. VERBUND's reporting processes have been revised and expanded as part of the development of these approaches. Under this approach, VERBUND's risk management agendas currently extend to activities aimed at supporting strategic decision-making processes as well as to project management and the management of current operations.

Current opportunities and risks

Opportunities and risks arising from the business model

The business activities of VERBUND are focused on the long term and require long-term investments. These tie up significant financial resources because the plants are required to meet the most stringent environmental requirements, among other things, and plant availability represents a key factor.

Only early inclusion of all stakeholders, compliance with regulatory conditions and effective project management can ensure the success of new projects.

Operation and maintenance of these assets require highly qualified employees.

One success factor is secure access to the capital market. From the perspective of the rating agencies, significant, stabilising elements include the Republic of Austria as the majority owner of VERBUND, low-cost, environmentally friendly generation from hydropower and the regulated grid area.

Weather- and climate-related opportunities and risks

VERBUND's plants are highly exposed to weather events which cannot be influenced. This is particularly true for VERBUND's hydropower plants and wind farms as well as APG's high-voltage lines. Output from run-of-river plants is subject to seasonal fluctuations in the water supply of rivers and can be controlled only to a minor extent (hydropeaking).

Over the long term, climate change can affect water and wind supply; as a result of this, greater seasonal or annual fluctuations in generation may occur in the future at both run-of-river plants and storage power plants. Moreover, it is possible that geological conditions may change significantly, and natural events such as floods, storms, avalanches and mudslides may cause an unscheduled outage of electricity generation or transmission in the future along with consequential damage.

VERBUND relies on the expansion of wind farms and photovoltaic installations to contribute to the goal set by the Republic of Austria of covering 100% of the electricity supply with renewable energy by 2030.

Coverage of short-term electricity requirements due to volatile wind and solar power generation is also providing new revenue opportunities for VERBUND. In other words, excess energy amounts can be "parked" in pumped storage power plants and the grids stabilised with flexible power plant output. These flexible earnings contributions depend largely on the frequency and absolute extent of short-term price fluctuations in the electricity markets. Yet the expansion of wind farms and photovoltaic installations still faces great challenges, mainly those concerning grid stability at an international level. For example, an unplanned shutdown of wind power plants in Germany in June 2019 jeopardised the stability of the European electricity market on several occasions, and a blackout was only prevented by the activation of conventional grid reserve plants throughout the EU, including VERBUND's Mellach power plant.

Opportunities and risks arising from technological development

Digitalisation is proving to be a particular challenge but also an opportunity for VERBUND. State-of-the-art information and communication systems increasingly support the Company's business activities. VERBUND addresses the growing risks from cyber space for critical infrastructure by implementing preventive security strategies, internal guidelines and correspondingly secure processes. In doing so, VERBUND pays particular attention to the safety of the control technology in its power plants and in APG's ultra-high voltage grid. VERBUND's administrative buildings and decentralised plants are protected by structural measures and electronic monitoring systems.

Opportunities and risks arising from legal/regulatory developments

The strengthening of the European Trading System (ETS) by the European Union is opening up new possibilities, but also creating impediments. In addition, this is giving rise to a transformation of the European energy system and is therefore bringing about a major change in the risk factors arising from politics, the economy, the energy market and the larger society that cannot be directly influenced. The future energy world requires electric utilities to radically change their business models and modify investment decisions. These could give rise to significant value adjustments (i.e. erratic changes in the assets and liabilities on the balance sheet). The high level of regulation and excess generation capacity in Europe have overridden market pricing rules (variable production cost-based use). While the business model of energy-related services is opening up new opportunities for VERBUND, it also presents new risks. In addition, issues relating to data protection legislation such as the implementation of the EU General Data Protection Regulation must be considered in this context.

Opportunities and risks arising from economic development
VERBUND manages counterparty risk in the form of possible defaults in performance or payment by its business partners with effective financial management. Adhering to the principle of dual control, counterparty limits are awarded and managed centrally. In addition to cash flows from the operating business, VERBUND possesses sufficiently high credit lines to be able to access liquid funds at short notice. Long-term agreements have been concluded with customers, suppliers and co-owners of individual power plants. However, the changing conditions have affected the profitability of some of these agreements, leading them to be adapted accordingly in recent years. VERBUND has optimised its internal structures in several projects to increase efficiency. In past years, this has led to shut-downs of sites, terminations of purchase or supply agreements as well as implementation of personnel measures in a socially responsible manner.

In accordance with the International Financial Reporting Standards (IFRSs), VERBUND recognises provisions for contractually agreed expenses from ongoing reorganisation programmes, for pensions and termination benefits and for the post-use phase of generation facilities (e.g. dismantling costs). Any deviations in the current situation from the assumptions used when recognising these provisions may produce fluctuations in the result. Ongoing measures are taken to counter the potential utilisation of collateral provided.

Strategic opportunities and risks
Climate change, changes in the legal environment, technological developments and changes in the market environment can have a major impact on a company's business model and strategy. Close examination of medium and long-term strategic risks at an early stage is therefore important to ensure successful continuation of the direction in which the Group is moving. The relevant strategic risks at VERBUND are therefore continuously identified and assessed. This proactive management of long-term risks allows their effects on the Group to be limited accordingly and opportunities for additional growth to be consciously exploited.

Risk-bearing capacity
The concept for the risk-bearing capacity focuses on the rating of VERBUND AG and the resulting liquidity of the Group. For the long term, VERBUND is aiming for a stable "A" category rating.

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

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

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

Please refer to the 2019 Group Integrated Annual Report for further information as well as additional details on significant risks and opportunities.

As at 13 February 2020, no risks were foreseeable for 2020, the effects of which – either individually or in interaction with other risks – could pose a threat to the continued existence of VERBUND AG.

Report on branch offices

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

Internal control and risk management system

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

Internal control and risk management system

In accordance with Section 243a(2) of the Austrian Commercial Code (UGB), the internal control and risk management systems for the accounting process must be described. VERBUND's internal control system includes all measures for ensuring the reliability, effectiveness and profitability of this process, as well as compliance with external regulations. The structure of the risk management system is explained in detail in the Disclosures on Management Approach (DMA) and the risk position in the section of the VERBUND integrated annual report entitled Opportunity and risk management.

Organisational framework

Group management acts in accordance with the principles defined in the corporate philosophy. The Executive Board bears responsibility for developing and implementing the entire internal control and risk management system, whose effectiveness is monitored by the Supervisory Board's Audit Committee.

Basic principles of the internal control and risk management system

VERBUND's extensive financial reporting process is governed by Group-wide guidelines and requirements. The performance, monitoring and supervision of business transactions are segregated from each other. This ensures that no single employee can act alone in performing all the process steps of a transaction from beginning to end. A review of authorisations is integrated into the technical processing of transactions. Compliance with and the effectiveness of these checks is reviewed on a periodic basis. Based upon VERBUND's process map, business processes and the risks they entail are systematically analysed and documented, as are checks of the financial reporting process. The operational structure, the process map and the checks are documented regularly in the updated process manual. VERBUND's organisational structure is continually adapted to address changing internal and external conditions.

Reporting in compliance with unbundling provisions

VERBUND's interim reports and the VERBUND integrated annual report consolidate information from the management accounting, corporate accounting, financial management and risk management functions as well as from the area of corporate responsibility. All reports are based upon uniform Group-wide rules for preparation and measurement. The liberalised European energy market requires an unbundling of the grid from the generation, trading and sales of formerly integrated electric utilities. VERBUND subsidiary APG has been operating in the market since 2012 as an independent transmission system operator. An external equal opportunities officer monitors compliance with the unbundling provisions specified in the contract.

Periodic monitoring

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

Shareholder structure and capital information

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

1. At the reporting date of 31 December 2019, the called and paid-in share capital of VERBUND AG comprised:
   170,233,686 no-par value shares (bearer shares category A), equivalent to 49% of share capital; 177,182,000 no-par value shares (registered shares category B), equivalent to 51% of share capital, authenticated by an interim certificate deposited with the Federal Ministry of Finance and made out in the name of the Republic of Austria. A total of 347,415,686 shares were in circulation at the reporting date. With the exception of the voting restriction described under point 2, all shares bear the same rights and obligations.

2. In accordance with constitutional law, which regulates the ownership structure of companies in the Austrian electricity sector (Federal Law Gazette I (BGBl) 1998/143(2)) and also forms the basis for the Company's Articles of Association, the following voting restriction applies: "With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder at the General Meeting are restricted to 5% of the share capital." VERBUND AG is unaware of any other restrictions that affect voting rights or the transfer of shares.

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

4. There are no shares with special control rights.

5. VERBUND does not offer any employee participation programmes.

6. In accordance with the rules of procedure for the Supervisory Board, the last nomination to the Executive Board must be prior to the nominee's 65th birthday. Pursuant to the Austrian Code of Corporate Governance, a Nomination Committee has been established within the Supervisory Board and prepares the content for the appointment of Executive Board members on behalf of the entire Supervisory Board. VERBUND AG complies with the rules of the Code with respect to the appointment and dismissal of the members of the Executive Board and the Supervisory Board. Apart from the above, there are no other regulations not derived directly from law that relate to the members of the Executive Board and the Supervisory Board, or to the amendment of the Articles of Association.

7. There are no authorisations of the Executive Board within the meaning of Section 243a(1)(7) of the Austrian Commercial Code (UGB).

8. The Company is not involved in any significant agreements that contain provisions referring to the stipulations under Section 243a(1)(8) of the Austrian Commercial Code (UGB). Furthermore, a public takeover bid is improbable under constitutional law.

9. There are no compensation agreements within the meaning of Section 243a(1)(9) of the Austrian Commercial Code (UGB).

The Consolidated Corporate Governance Report is available in the 2019 Group Integrated Annual Report on the VERBUND website.

Report on the expected performance of the Company

Outlook

The International Monetary Fund (IMF) expects the global economy to grow more rapidly in 2020 than in 2019. The partial agreement in the trade war between China and the US, monetary easing, fiscal policy measures and expectations of fewer impacts from a disorderly Brexit will serve to stabilise the global economy. Yet, the IMF continues to warn against the risks of a re-escalation of trade and geopolitical tensions (e.g. between the US and Iran) and anti-government protests (e.g. in Chile). The global effects of the coronavirus epidemic remain to be seen.

Austria continues to demonstrate comparatively robust economic growth, even if this has weakened in the aftermath of an economic boom phase. Forecasts for 2020, at +1.2%, are below those of the previous years and yet above the forecasts for Germany and the eurozone.

Compared to the low point at the end of 2019, a slight increase in coal prices was seen in early 2020, although there is no fundamental indication of a sustained recovery in coal prices. The well-supplied European gas market is not expected to experience any significant price increase in gas prices.

How the price for CO_2 emission rights will develop remains uncertain. Under the Brexit deal, the continued participation of the UK in ETS is fixed until the end of 2020. British companies must cover their emissions with European Emission Allowances (EUA) for 2019 and 2020; at the same time, the CO_2 auctions from 2019 that were suspended by the British government are now set to resume, throwing large additional quantities onto the market.

The oil market trend is also uncertain. While economic performance is unlikely to generate a large increase in demand for oil and hence oil prices, tensions with Iran could escalate at any time, causing oil prices to skyrocket.

The expansion of volatile, new renewable generation is making VERBUND's generation portfolio more significant. In addition to the base load power plants (run-of-river hydropower), flexibly accessible storage and pumped storage power plants along with a highly efficient combined cycle gas turbine power plant (Mellach CCGT) supplement the generation portfolio. APG, VERBUND's wholly owned subsidiary, owns and operates the transmission grid in Austria and therefore plays a major role in connection with the security of supply in Austria and in the European electricity network. VERBUND's innovative products and services for consumers provide solutions for the future of energy today.

Investment plan 2020–2022

VERBUND's updated investment plan for the period 2020–2022 provides for capital expenditure in the amount of €2,077m. Of that total, around €1,287m will be spent on growth CAPEX and around €790m on maintenance CAPEX. Most of the growth CAPEX (approximately €719m) will go towards expanding the regulated Austrian high-voltage grid. In addition, VERBUND will be investing mainly in selected hydropower plant projects as well as in increasing the efficiency of existing power plants. The Töging run-of-river power plant in Germany deserves particular mention here. The investments will involve VERBUND's domestic markets of Austria and Germany. In financial year 2020, VERBUND plans to invest a total of approximately €614m, around €343m of which will be invested in growth and around €271m in maintenance.

Dividend

VERBUND plans to distribute a dividend of €0.69 per share for financial year 2019. The payout ratio for 2019 will thus amount to 43.7% based on the adjusted Group result.

Earnings projection for 2020

VERBUND's earnings performance is significantly influenced by the following factors: wholesale prices for electricity, the Group's own generation from hydropower and wind power, the contribution to earnings from flexibility products and ongoing developments in the energy market. Around 65% of the planned own generation for 2020 was already contracted as at 31 December 2019. The price obtained for this was approximately €10.5/MWh above the sales price achieved in 2019. For those volumes not yet hedged, VERBUND has based its calculations on current market prices.

Based on the forecast at the beginning of the year, VERBUND AG expects clearly positive earnings before taxes for financial year 2019.

Vienna, 13 February 2020
Executive Board

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

Mag. Dr. Michael Strugl
Vice-Chairman of the Executive Board

Dr. Peter F. Kollmann
Member of the Executive Board

Mag. Dr. Achim Kaspar
Member of the Executive Board

Annual financial statements

Balance sheet

Assets

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	Notes	2018	2019
A. Fixed assets			
I. Intangible assets	(1)	312.5	891.1
II. Property, plant and equipment		22,951.6	22,594.1
III. Investments	(2)	4,653,023.0	4,884,293.6
		4,676,287.1	**4,907,778.8**
B. Current assets			
I. Inventories	(3)	25.6	43.8
II. Receivables and other assets	(4)	64,226.1	120,742.1
of which due in more than one year		0.0	6.5
		64,251.7	**120,785.9**
C. Prepayments and accrued income	(5)	68,999.4	**64,481.6**
D. Deferred tax assets	(6)	105,800.1	**64,586.3**
		4,915,338.4	**5,157,632.5**
Rights of recourse	(7)	896,564.6	963,514.9
less counter-guarantees from cross-border leasing		–391,698.2	–379,833.5
		504,866.4	**583,681.4**

Liabilities

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	Notes	2018	2019
A. Equity			
I. Called and paid-in share capital	(8)	347,415.7	347,415.7
II. Capital reserves	(9)	971,720.3	971,720.3
III. Revenue reserves	(10)	1,149,435.8	1,529,256.0
IV. Net profit	(11)	145,914.6	239,716.8
of which profit carried forward		0.0	0.0
		2,614,486.4	**3,088,108.8**
B. Provisions	(12)	92,131.9	**160,171.0**
C. Liabilities	(13)	2,207,486.7	**1,908,689.6**
of which due within one year		1,037,065.3	972,490.9
of which due in more than one year		1,170,421.4	936,198.7
D. Accruals and deferred income	(14)	1,233.5	**663.1**
		4,915,338.4	**5,157,632.5**
Contingent liabilities	(15)	896,564.6	963,514.9
less counter-guarantees from cross-border leasing		–391,698.2	–379,833.5
		504,866.4	**583,681.4**

Income statement

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	Notes	2018	2019
1. Revenue	(16)	259,550.3	313,905.8
2. Other operating income	(17)	4,318.6	694.4
3. Operating income (subtotal of lines 1 and 2)		263,868.8	**314,600.2**
4. Expenses for electricity, grid/gas purchases and purchases of emission rights and other purchased production services and other services		–199,982.5	–207,251.8
5. Personnel expenses	(18)	–27,040.3	–33,236.6
6. Depreciation and amortisation	(19)	–1,737.0	–2,056.3
7. Other operating expenses	(20)	–36,489.1	–38,498.4
8. Operating result (subtotal of lines 3 to 7)		–1,380.2	**33,557.1**
9. Income from equity interests		272,121.9	231,591.5
10. Income from other securities and loans classified as financial assets		34,226.5	37,638.2
11. Other interest and similar income		2,894.1	2,337.0
12. Income from the disposal and reversal of impairment losses on investments		349,927.9	384,905.7
13. Expenses from investments		–16,456.3	–7,309.9
14. Interest and similar expenses		–76,670.5	–60,331.9
15. Financial result (subtotal of lines 9 to 14)	(21)	566,043.5	**588,830.5**
16. Earnings before taxes (subtotal of lines 8 and 15)		564,663.4	**622,387.6**
17. Taxes on income and profit	(22)	–1,613.7	–2,850.6
18. Net income for the year		563,049.7	**619,537.0**
19. Allocation to revenue reserves		–417,135.1	–379,820.2
20. Net profit		145,914.6	**239,716.8**

Statement of changes in fixed assets

	As at 1/1/2019	Additions	Disposals	Reclassifications	
I. Intangible assets					
1. Industrial property rights, electricity purchase rights, usage fees and similar rights and benefits as well as licences derived therefrom	7,009.6	1,052.7	0.2	0.0	
	7,009.6	1,052.7	0.2	0.0	
II. Property, plant and equipment					
1. Land, land rights and buildings, including buildings on third-party land					
a. with residential buildings	77.6	0.0	0.0	0.0	
b. with plant and other plant facilities	28,123.0	239.7	0.9	0.0	
2. Electrical installations	6,225.9	84.0	13.5	0.0	
3. Office and plant equipment	20,904.4	909.8	102.6	0.0	
	55,331.0	1,233.6	116.9	0.0	
Property, plant and equipment and intangible assets	62,340.6	2,286.3	117.1	0.0	
III. Investments					
1. Shares in affiliated companies	3,581,993.0	6,490.6	0.0	0.0	
2. Loans to affiliated companies	1,446,166.7	1,423.6	167,312.8	0.0	
3. Equity interests	282,643.0	0.0	0.0	0.0	
4. Loans to equity interests	65,000.0	50,000.0	45,000.0	0.0	
5. Securities (loan stock rights) under fixed assets	8,384.8	0.0	362.7	0.0	
6. Other loans	51,651.1	6,002.3	3,519.0	0.0	
	5,435,838.4	63,916.4	216,194.5	0.0	
Fixed assets	5,498,179.0	66,202.7	216,311.6	0.0	

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	As at 31/12/2019	Accumulated amortisation as at 31/12/2019	**Net carrying amount as at 31/12/2019**	Accumulated amortisation as at 31/12/2018	Net carrying amount as at 31/12/2018
	8,062.1	7,171.0	891.1	6,697.1	312.5
	8,062.1	7,171.0	**891.1**	6,697.1	312.5
	77.6	77.6	0.0	77.6	0.0
	28,361.9	19,658.3	8,703.5	19,150.7	8,972.3
	6,296.5	4,371.1	1,925.5	3,973.7	2,252.2
	21,711.7	9,746.5	11,965.1	9,177.4	11,727.1
	56,447.7	33,853.5	**22,594.1**	32,379.4	22,951.6
	64,509.8	41,024.5	**23,485.2**	39,076.5	23,264.2
	3,588,483.6	380,699.0	3,207,784.5	759,120.6	2,822,872.4
	1,280,277.4	0.0	1,280,277.4	0.0	1,446,166.7
	282,643.0	16,847.1	265,795.9	23,206.2	259,436.8
	70,000.0	0.0	70,000.0	0.0	65,000.0
	8,022.1	1,720.7	6,301.4	488.6	7,896.1
	54,134.3	0.0	54,134.3	0.0	51,651.1
	5,283,560.4	399,266.8	**4,884,293.6**	782,815.4	4,653,023.0
	5,348,070.1	440,291.3	**4,907,778.8**	821,891.9	4,676,287.1

Statement of changes in depreciation and amortisation of fixed assets

	Accumulated amortisation as at 1/1/2019	Additions from amortisation and depreciation	
I. Intangible assets			
1. Industrial property rights, electricity purchase rights, usage fees and similar rights and benefits as well as licences derived therefrom	6,697.1	474.1	
	6,697.1	474.1	
II. Property, plant and equipment			
1. Land, land rights and buildings, including buildings on third-party land			
a. with residential buildings	77.6	0.0	
b. with plant and other plant facilities	19,150.7	507.7	
2. Electrical installations	3,973.7	410.8	
3. Office and plant equipment	9,177.4	645.9	
	32,379.4	1,564.4	
Property, plant and equipment and intangible assets	39,076.5	2,038.5	
III. Investments			
1. Shares in affiliated companies	759,120.6	0.0	
2. Loans to affiliated companies	0.0	0.0	
3. Equity interests	23,206.2	0.0	
4. Loans to equity interests	0.0	0.0	
5. Securities (loan stock rights) under fixed assets	488.6	0.0	
6. Other loans	0.0	0.0	
	782,815.4	0.0	
Fixed assets	821,891.9	2,038.5	

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	Additions from impairment losses	Disposals	Reversal of impairment	Reclassifications	**Accumulated amortisation as at 31/12/2019**
	0.0	0.2	0.0	0.0	7,171.0
	0.0	0.2	0.0	0.0	**7,171.0**
	0.0	0.0	0.0	0.0	77.6
	0.0	0.0	0.0	0.0	19,658.3
	0.0	13.5	0.0	0.0	4,371.1
	17.8	94.5	0.0	0.0	9,746.5
	17.8	108.0	0.0	0.0	**33,853.5**
	17.8	108.2	0.0	0.0	**41,024.5**
	125.0	0.0	378,546.6	0.0	380,699.0
	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	6,359.2	0.0	16,847.1
	0.0	0.0	0.0	0.0	0.0
	1,262.1	30.1	0.0	0.0	1,720.7
	0.0	0.0	0.0	0.0	0.0
	1,387.1	30.1	384,905.7	0.0	**399,266.8**
	1,404.9	138.2	384,905.7	0.0	**440,291.3**

Maturity schedule 2019

				€k
			Residual term to 31/12/2019	
	< 1 year	> 1 year	> 5 years	Total
Loans				
1. Loans to affiliated companies	215,196.8	470,872.5	594,208.1	1,280,277.4
2. Loans to equity interests	0.0	70,000.0	0.0	70,000.0
3. Other loans	3,500.0	45,881.8	4,752.5	54,134.3
	218,696.9	586,754.3	598,960.6	1,404,411.7
Receivables and other assets				
1. Trade receivables	33,654.9	6.5	0.0	33,661.4
2. Receivables from affiliated companies	86,440.9	0.0	0.0	86,440.9
3. Receivables from investees	114.8	0.0	0.0	114.8
4. Other receivables and assets	525.0	0.0	0.0	525.0
	120,735.6	6.5	0.0	120,742.1
Liabilities				
1. Bonds	206,452.9	500,000.0	127,823.0	834,275.9
2. Liabilities to banks	37,093.7	105,172.5	203,152.5	345,418.7
3. Trade payables	37,756.6	3.5	0.0	37,760.1
4. Liabilities to affiliated companies	683,048.7	0.0	0.0	683,048.7
5. Other liabilities	8,139.0	47.2	0.0	8,186.2
	972,490.9	605,223.2	330,975.5	1,908,689.6

Maturity schedule 2018

€k

			Residual term to 31/12/2018	
	< 1 year	> 1 year	> 5 years	Total
Loans				
1. Loans to affiliated companies	57,312.8	329,570.5	1,059,283.4	1,446,166.7
2. Loans to equity interests	45,000.0	20,000.0	0.0	65,000.0
3. Other loans	3,519.0	48,130.9	1.2	51,651.1
	105,831.8	397,701.4	1,059,284.6	1,562,817.7
Receivables and other assets				
1. Trade receivables	27,619.5	0.0	0.0	27,619.5
2. Receivables from affiliated companies	35,842.4	0.0	0.0	35,842.4
3. Receivables from investees	95.0	0.0	0.0	95.0
4. Other receivables and assets	669.2	0.0	0.0	669.2
	64,226.1	0.0	0.0	64,226.1
Liabilities				
1. Bonds	707,938.5	200,450.9	627,823.0	1,536,212.4
2. Liabilities to banks	38,703.9	113,870.5	228,226.3	380,800.7
3. Trade payables	38,956.2	3.5	0.0	38,959.7
4. Liabilities to affiliated companies	242,213.5	0.0	0.0	242,213.5
5. Other liabilities	9,253.2	47.2	0.0	9,300.4
	1,037,065.3	314,372.1	856,049.3	2,207,486.7

Notes
to the annual financial statements

Notes

I. General notes

These annual financial statements have been prepared in accordance with the provisions of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB), as amended.

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

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

If the presentation has changed year-on-year or if the prior-year amounts are not comparable, the prior-year amounts are adjusted in accordance with Section 223(2) of the Austrian Commercial Code (UGB) and explained in the corresponding item.

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

II. Accounting policies

The annual financial statements have been prepared in accordance with Austrian Generally Accepted Accounting Principles and the general requirement to present a true and fair view of the Company's assets, liabilities, financial position and financial performance.

In preparing these annual financial statements, the principle of completeness was adhered to and the principle of prudence was observed. Measurement was based on the assumption that the Company is a going concern.

Fixed assets

As a rule, depreciable fixed assets are measured at cost less depreciation and amortisation.

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

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

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

Shares in affiliated companies and equity interests are recognised at cost or at the lower fair value. Depending on the respective situation, calculation of the fair values is derived from market quotations, comparable recent transactions, measurement using the discounted cash flow method or multiples method. Using the discounted cash flow method (DCF method), the prices are determined by price quotations for energy futures and long-term electricity price forecasts. The discount rate is an after-tax interest rate which reflects current market estimates, the time value of money and the specific risks associated with the investment. Securities and loan stock rights under fixed assets are measured at cost or at the lower fair value.

Interest-bearing loans are recognised at their nominal amounts. Impairment losses are recognised if the impairment is expected to be permanent. Receivables with a maturity of more than one year – with the exception of instalment sales – are reported under financial assets as loans.

In 2016, a reversal provision for tax purposes in accordance with Section 124b(270)(a) of the Austrian Income Tax Act (EStG) was recognised for the impairment reversals not carried out in past years and included in accruals and deferred income in accordance with Section 906(32) of the Austrian Commercial Code (UGB).

VERBUND's schedule of uniform depreciation and amortisation rates primarily specifies the following depreciation and amortisation rates:

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

Current assets

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

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

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

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

Deferred tax assets

Since the 2004 financial year, if tax relief is expected in subsequent years, deferred tax assets are recognised in accordance with Section 198(9) of the Austrian Commercial Code (UGB) whereby the deferred taxes attributable to Group members based on tax allocation are presented under the current result in their balance sheets. The option to recognise deferred taxes for loss carryforwards is applied from financial year 2016.

This prepayment results from differences between the financial and tax accounts with respect to line items that can only be deducted as expenses for tax purposes in income statements of future periods. The underlying tax rate for taxes due in Austria amounts to 25% and for taxes due in Germany, 15.83%.

Provisions

Provisions take into account all identifiable risks that can be allocated to a financial year that has already ended and include those amounts that it was necessary to recognise based on the best estimate of the settlement amount. Provisions with a remaining maturity of more than one year are discounted using a market interest rate.

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

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

Provisions for current pensions, vested pension benefits and similar obligations are determined using the PUC method. The interest expense is shown in the financial result, in line with international practice.

The calculations are based on the updated “AVÖ 2018-P – Actuarial Assumptions for Pension Insurance”.

The calculations as at 31 December 2019 and 2018 have been based on the following assumptions:

		%
	2018	**2019**
Interest rate		
Pensions and similar obligations	1.75 or 2.00	0.75 or 1.00
Termination benefits	1.75	0.75
Trend		
Pension increases	1.75	2.00
Salary increases	1.75	2.75
Contributions to obligations similar to pensions – old contracts	6.00	6.00
Contributions to obligations similar to pensions – new contracts	3.75	3.75
Employee turnover	0,00 – 3,30	0,00 – 4,10
Retirement age – women	56.5 – 65 y.	56.5 – 65 y.
Retirement age – men	61.5 – 65 y.	61.5 – 65 y.
Expected non-current return on plan assets	1.75	0.75

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

The effects of the changes in parameters are presented in personnel expenses.

Liabilities

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

Liabilities from bonds and loans denominated in foreign currency are measured at the ECB foreign exchange reference rate prevailing at the reporting date, provided that this rate is higher than the rate prevailing at the time of origination. The result of this measurement is presented under the corresponding liabilities. Discounts, the capital procurement cost and loan commitment fees were capitalised in financial years 1994 and 2014 and are being repaid as scheduled. The discounts and capital procurement cost assumed in connection with the merger of VERBUND International Finance GmbH in 2014 are presented under financial liabilities and are being repaid.

Accruals and deferred income

In 2016, a reversal provision for tax purposes in accordance with Section 124b(270)(a) of the Austrian Income Tax Act (EStG) was recognised in accruals and deferred income and presented under this item in accordance with Section 906(32) of the Austrian Commercial Code (UGB).

Derivative financial instruments

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

Taxes on income

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

The tax group parent charges (tax allocation rate of 25%) or, in the event of a loss, credits (tax allocation rate of 25%, 20% or 15% depending on the anticipated date of future profits of the group member) the group members with the corporate income tax amounts attributable to them by means of a tax allocation. The recharging of the tax allocations results in an adjustment decreasing or increasing the tax expense in the parent's income statement.

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

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

Matters under corporate law

By means of a contribution in kind and transfer agreement dated 18 December 2019, VERBUND Solutions GmbH transferred its interest in SOLAVOLTA Energie- und Umwelttechnik GmbH to VERBUND Green Power GmbH retroactively as at 6 December 2019 as per Article III of the Austrian Reorganisation Tax Act (Umgründungssteuergesetz, UmgrStG). The carrying amount of SOLAVOLTA Energie- und Umwelttechnik GmbH amounted to €1,804.5k as at 6 December 2019.

To compensate for the decrease in assets at VERBUND Solutions GmbH caused by the contribution in kind, the company received a capital injection from VERBUND AG in the amount of the market value of the object contributed of €2,414.0k.

By means of a contribution in kind and transfer agreement dated 18 December 2019, VERBUND Sales GmbH contributed its 50% interest in smart Energy Services GmbH to VERBUND Energy4Customers GmbH (VEC) retroactively as at 30 November 2019 as per Article II of the Austrian Reorganisation Tax Act (UmgrStG).

The carrying amount of smart Energy Services GmbH amounted to €50.0k as of 30 November 2019.

To compensate for the decrease in assets at VERBUND Sales GmbH caused by the contribution in kind, the company received a capital injection from VERBUND AG in the amount of the market value of the object contributed of €1,943.0k.

Notes on assets

A. Fixed assets

For details see separate "Statement of changes in fixed assets". Base value of land: €3,340.7k (previous year: €3,340.7k).

(1) I. Intangible assets

The net carrying amount of the rights of use of plants acquired by affiliated companies is €0.0k (previous year: €286.4k).

(2) III. Investments

The disclosures in accordance with Section 238(1)(4) of the Austrian Commercial Code (UGB) are presented separately in "Disclosures of equity interests in accordance with Section 238(1)(4) of the Austrian Commercial Code (UGB)".

The changes in and structure of equity interests, loans and securities (loan stock rights) classified as fixed assets are shown separately in the "Statement of changes in fixed assets".

Loans For details see separate "Maturity schedule".

Securities (loan stock rights) under fixed assets These consist primarily of Austrian investment fund units and bonds. Securities under fixed assets in the amount of €0.0k (previous year: €0.0k) are pledged as collateral.

B. Current assets

(3) I. Inventories

€k

	2018	2019
Goods	25.6	43.8

(4) II. Receivables and other assets

For details see separate "Maturity schedule".

Of the receivables from affiliated companies, €816.9k (previous year: €689.1k) related to trade receivables and €85,624.0k (previous year: €35,153.3k) to other receivables.

Of the receivables from investees, €6.9k (previous year: €14.1k) related to trade receivables and €107.9k (previous year: €80.8k) to other receivables.

€k

Other receivables and assets	2018	2019
Accrued interest income and commissions from bonds and loans	373.2	358.6
Tax authorities	35.1	33.9
Payroll	5.3	1.0
Effected advance payments	1.9	1.9
Other	253.7	129.6
	669.2	**525.0**

(5) C. Prepayments and accrued income

€k

	2018	2019
Prepayments for electricity purchases	20,516.9	19,068.2
Discounts, flotation costs and commitment fee relating to bonds and non-current loans	6,191.1	5,257.9
Other	42,291.4	40,155.5
	68,999.4	**64,481.6**

(6) D. Deferred tax assets

€k

	2018	2019
Social capital	6,430.1	7,205.2
Valuation of fixed assets	–10.3	–15.1
Special tax deductions	–254.8	–239.2
Loss carried forward	656.2	0.0
Other	98,978.9	57,635.3
Deferred tax receivables (+) respectively liabilities (–) balanced	105,800.1	**64,586.3**

Deferred tax assets are the result of differences between the financial and taxable result in respect of line items affected by expenses for tax purposes in income statements of future periods. The calculation was based on tax rates of 15.83% and 25%.

Other deferred taxes are related to differences between the financial and tax treatment of the transaction costs, non-current provisions and accounting for investees.

Starting in 2019, the deferred tax liabilities arising in connection with Germany are presented under provisions for taxes on the liabilities side of the balance sheet.

(7) Rights of recourse

Rights of recourse amounted to a total of €963,514.9k (previous year: €896,564.6k). In addition to rights of recourse vis-à-vis Group companies, rights of recourse exist primarily vis-à-vis financial institutions, state energy companies and regional authorities from cross-border leasing transactions carried out at VERBUND Hydro Power GmbH in the amount of €379,833.5k (previous year: €391,698.2k). For further details, see Note (15), "Contingent liabilities".

Notes on equity and liabilities

A. Equity

(8) I. Called and paid-in share capital

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

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

There are no reciprocal equity interests in accordance with Section 241(6) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB).

(9) II. Capital reserves

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

(10) III. Revenue reserves

€k

	2018	**2019**
Statutory reserves	19,884.0	**19,884.0**
Distributable reserves	1,129,551.8	**1,509,372.0**
	1,149,435.8	**1,529,256.0**

(11) IV. Net profit

	€k
As at 31/12/2018	145,914.6
Distribution of dividends	–145,914.6
Profit carried forward	0.0
Net loss for the year	619,537.0
Changes in reserves	–379,820.2
As at 31/12/2019	239,716.8

(12) B. Provisions

1. Provisions for termination benefits

€k	2018	2019
Premium reserve based on actuarial calculations	5,802.3	6,235.1
Taxed proportion of provisions	5,802.3	6,235.1

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

2. Provisions for pensions

€k	2018	2019
Provisions for pension obligations	31,337.8	33,771.7
of which obligations similar to pensions	6,129.9	7,264.5

3. Provisions for taxes

€k	2018	2019
Corporate income tax domestic (including prior reporting periods)	44,271.8	98,390.6
Corporate income tax foreign (including prior reporting periods)	0.0	699.6
Other tax provisions	1,010.6	1,023.0
Deferred tax liabilities	0.0	4,002.2
	45,282.4	**104,115.5**

Deferred tax liabilities are the result of differences between the financial and taxable result in respect of line items affected by expenses for tax purposes in income statements of future periods. The competent tax authorities are located in Germany and, as a result of this, a tax rate of 15.83% was used for calculation.

4. Other provisions

€k	2018	2019
Trade receivables not yet billed	1,980.6	1,866.5
Electricity/grid purchases	0.0	3,334.0
Other	2.0	3.5
	1,982.6	5,204.0

Of the provisions, €0.0k (previous year: €0.0k) related to affiliated companies.

Other personnel-related provisions (€k)	2018	2019
Bonuses	3,647.5	5,257.0
Unused holidays	2,130.7	2,921.9
Holiday allowance	701.9	911.2
Death grant	496.9	556.8
Compensatory time credit	105.9	147.8
Early retirement benefits	92.0	30.7
Other	551.7	1,019.4
	7,726.8	**10,844.8**

(13) C. Liabilities.

For details see separate “Maturity schedule”.

Of the liabilities to affiliated companies, €682,689.1k (previous year: €241,510.5k) related to financial liabilities and €359.6k (previous year: €703.1k) to other liabilities.

Other liabilities (€k)	2018	2019
From taxes	7,267.8	4,463.9
Payroll	42.1	45.2
Related to social security	252.6	330.6
From financing contributions	516.0	761.2
Other	1,221.9	2,585.4
	9,300.4	**8,186.2**

(14) D. Accruals and deferred income

€k	2018	2019
Contributions to building costs	631.5	596.4
Revaluation reserve	508.5	0.0
From electricity business	80.0	66.7
Other	13.4	0.0
	1,233.5	**663.1**

Of the accruals and deferred income, €0.0k (previous year: €0.0k) related to affiliated companies.

(15) Contingent liabilities

Contingent liabilities that are recognised below the line are primarily for letters of comfort and liabilities assumed for subsidiaries as part of the financing that VERBUND AG carries out centrally as well as other assumptions of liabilities, excluding the contingent liabilities in connection with cross-border leasing transactions in the total amount of €75,360.8k (previous year: €21,478.3k). Of this, €75,357.3k (previous year: €21,474.8k) is attributable to affiliated companies and €0.0k (previous year: €0.0k) to investees.

The subsidiary VERBUND Hydro Power GmbH entered into several cross-border leasing transactions during financial years 1999 to 2001. The figures reported in the balance sheet of VERBUND Hydro Power GmbH are all denominated in US dollars. For all transactions, there was full balance sheet cover for all obligations by way of corresponding acquisition of securities or through loans to financial institutions.

Beginning in 2009, and continuing during the 2010 reporting period, due also to the financial market crisis, about 85% of the original volume of the transactions was terminated. The last remaining cross-border leasing transaction (Freudenau power plant) has an off-balance sheet financing structure. In regard to this transaction, the lessee purchase option as stipulated under section 19 of the lease agreement (early buyout option) was exercised in the first half of 2019, thus also terminating this transaction with effect from 2 January 2021. Some of the transactions were terminated early in their entirety; that is, all associated liabilities were repaid. However, some of the transactions were only partially terminated, whereby the transactions with the investors and the associated A-loans were repaid, while VERBUND Hydro Power GmbH continued the existing B-loans and the corresponding investments.

In connection with these cross-border leasing transactions, VERBUND AG issued guarantee bonds for VERBUND Hydro Power GmbH, which for the most part still exist for the transaction that has not been terminated as well as for the liabilities transferred to VERBUND Hydro Power GmbH totalling €888,154.1k (previous year: €875,086.2k). Of the rights of recourse against the primary debtors, €379,833.5k (previous year: €391,698.2k) were secured through counter-guarantees from financial institutions, state energy companies and regional authorities (from guarantors' liabilities). These counter-guarantees are presented under total rights of recourse (see note (8)). Thus, a total of €508,320.6k (previous year: €483,388.0k) remains in contingent liabilities from cross-border leasing transactions after deducting these counter-guarantees.

Minimum ratings for the guarantors are stipulated in the agreements with lenders and with equity investors.

As a result of the deteriorating energy market environment, VERBUND AG's credit rating was downgraded numerous times until 2016, in some cases falling below the required minimum rating. Corresponding provisions were recognised at VERBUND Hydro Power GmbH for the anticipated expenses. A portion of the provisions was able to be reversed as early as financial year 2017 on the basis of rating upgrades. The rating agencies further upgraded the credit rating in financial year 2018 to the extent that the provisions recognised at VERBUND Hydro Power GmbH were completely remeasured and were able to be almost fully reversed.

For two transactions which were terminated early and for which the financial liabilities were continued, there is still a risk that the investing banks might have to be replaced or VERBUND Hydro Power GmbH might have to provide additional collateral if the rating of the investing banks or of VERBUND AG were downgraded below a certain threshold.

The ratings of the contractual partners as well as the rating of VERBUND AG exceeded the contractually agreed thresholds as at 31 December 2019. Thus there is currently no need for VERBUND AG or VERBUND Hydro Power GmbH to exchange individual contractual parties or investments. This risk is also reduced not least by the existence in some cases of guarantors' liabilities from regional authorities for individual contractual parties.

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

Notes to the income statement

(16) 1. Revenue

€k

		2018	2019
Revenue from electricity deliveries			
Domestic	Energy supply companies	19,852.8	19,678.5
	Industrial customers and consumers	93,688.1	100,898.7
	Other customers	90,093.2	126,333.7
		203,634.0	**246,910.9**
EU	Energy supply companies	0.0	0.0
	Industrial customers and consumers	0.0	0.0
EU	Other customers	0.0	0.0
		0.0	**0.0**
Third countries	Energy supply companies	0.0	0.0
Third countries	Other customers	0.0	0.0
		0.0	**0.0**
		203,634.0	**246,910.9**
Invoicing of grid tariffs; user and management fees		3,022.2	3,091.7
Other revenue (including gas trading)		52,894.1	63,903.1
		259,550.3	**313,905.8**

(17) 2. Other operating income

€k

	2018	2019
a) Income from disposal of fixed assets with the exception of investments	3,793.4	2.1
b) Income from reversal of provisions	7.2	7.6
c) Other	517.9	684.7
	4,318.6	**694.4**

(18) 5. Personnel expenses

€k	2018	2019
a) Salaries	18,423.7	**22,522.6**
b) Expenses for termination benefits and payments to employee pension funds		
Termination benefits	3,174.9	1,075.7
Contributions to employee pension funds	160.3	311.6
Change in the provision for termination benefits	–2,632.5	343.8
Expenses/income and takeovers/transfers within the Group	223.1	–423.5
	925.8	**1,307.6**
c) Expenses for pensions and similar obligations		
Early retirement benefits and pension payments	2,266.0	2,273.3
Change in the provisions for pensions and similar obligations	1,244.4	1,896.0
Expenses/income and takeovers/transfers within the Group	292.2	–104.4
Change in the provisions for early retirement benefits	–73.8	–61.5
Pension fund contributions	811.2	1,760.5
	4,539.9	**5,763.9**
d) Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	2,950.8	3,422.1
e) Other social security expenses	200.1	220.4
	27,040.3	**33,236.6**

Interest rate changes for provisions related to termination benefits and pensions and similar obligations resulted in a negative effect of €5,925.7k in the financial year and a positive effect of €1,488.9k in the previous year. The effect of changing the adjusted mortality tables resulted in an expense of €3,696.7k in 2018. The effect of the changes in parameters was recognised in full in the financial year.

(19) 6. Depreciation and amortisation

€k	2018	2019
a) Amortisation of intangible assets and depreciation of property, plant and equipment		
Depreciation and amortisation	1,699.8	1,996.5
Impairment losses	0.0	17.8
Immediate write-off of low-value assets in accordance with Section 13 of the Austrian Income Tax Act (EStG)	37.2	42.1
	1,737.0	**2,056.3**

(20) 7. Other operating expenses

€k

	2018	2019
a) Taxes other than taxes on income	105.3	309.5
b) Other		
Advertising and market development costs	10,328.4	9,683.8
Other administrative expenses	4,832.2	5,326.3
Legal, audit and consulting expenses	4,656.0	5,100.0
Operating costs for buildings, rent and leasing	3,218.3	3,256.9
IT expenses	2,523.0	2,523.7
Temporary personnel and provision of personnel	993.5	1,198.7
Membership fees	778.4	838.8
Training and further education	552.3	644.7
Telecommunications services, data services	545.0	579.0
Other	7,956.6	9,037.0
	36,383.8	**38,188.9**
	36,489.1	**38,498.4**

(21) 15. Financial result

€k

	2018	2019
Income from equity interests		
from affiliated companies	252,209.6	213,444.9
of which from profit pools	10,150.9	25,626.9
Income from other securities and loans in financial assets		
from affiliated companies	31,904.7	33,522.5
Other interest and similar income		
from affiliated companies	2,782.1	2,193.8
Income from disposals and impairment loss reversals of investments		
disposal of shares in affiliated companies	0.0	0.0
reversal of impairment of shares in affiliated companies	349,882.3	378,546.6
Expenses relating to investments		
impairments on affiliated companies	0.0	125.0
expenses from affiliated companies	5,164.4	6,347.3
of which from profit pools	5,164.4	6,347.3
Interest and similar expenses		
of which interest for long-term personnel provisions	565.9	645.4
from affiliated companies	16,238.8	16,110.7

(22) 17. Taxes on income and profit

€k	2018	2019
Consolidated taxes on income[1]	21,697.4	89,923.7
of which recharged to members of the Group[2]	–79,665.5	–134,656.6
Future tax expense for subsequent taxation of losses from foreign members of the tax group	12,404.0	7,979.9
Additional amounts/credit notes from previous periods[1]	–9,905.4	–5,612.5
Change in deferred taxes[1]	57,083.3	45,216.1
	1,613.7	**2,850.6**

[1] tax rate of 15.83% or 25% // [2] tax allocation rate of 15% or 25%

IV. Other disclosures

1. Total amount of other financial obligations

€k

Material items	Total commitment	2020	2020–2024
Rent, lease and insurance agreements	[1]	3,830.2	17,389.6
Purchase commitments	5,346.9	3,877.9	5,346.9
of which to affiliated companies	[1]	25.2	125.1

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

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

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

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

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

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

There are contractor agreements with VERBUND Trading GmbH and VERBUND Sales GmbH in the sales segment.

Due to labour-management agreements and contracts, VERBUND is obligated under certain conditions to make pension payments to employees after they retire. The employer is obligated to provide additional funding to the extent that these pension obligations are required to be fulfilled by APK Pensionskasse AG. As a result of the trend on the financial markets, APK Pensionskasse AG reported an obligation for additional funding in the amount of €0.0k (previous year: €1,108.9k) to cover defined benefit obligations.

VERBUND AG gave a commitment to VERBUND Thermal Power GmbH & Co KG to ensure that the company has adequate financial means to meet its obligations in a timely manner. The commitment is limited to a maximum amount of €250.0m and can be terminated by 31 December 2025 at the earliest.

2. Disclosures regarding financial instruments

Finance area

There are interest rate swaps to hedge increases in interest rates for financial liabilities bearing variable interest with an outstanding principal amount of €86,062.5k (previous year: €100,687.5k) as at 31 December 2019. These interest rate hedges consist of the interest rate swaps and the underlying loans. As there is a documented hedge strategy and detailed hedge documentation, and ongoing measurements of effectiveness are conducted, it is not necessary to recognise a separate provision for onerous contracts for the negative fair values amounting to €7,604.2k (previous year: €8,885.4k). The future interest payments hedged by these hedging instruments will occur in the following seven years (2020 to 2026) and will be recognised in profit or loss accordingly.

To avoid fluctuations in future cash flows from interest payments for loans granted to Group companies at variable rates of interest amounting to a total principal amount of €122,675.0k (previous year: €140,600.0k), interest rate hedges were entered into with banks in late 2012 and during the first half of 2013. At the same time, the outstanding credit agreements with the Group companies involved in this hedging transaction were converted to the fixed interest rate terms contractually agreed with the respective bank. As here, too, there is a documented hedge strategy and detailed hedge documentation, and ongoing measurements of effectiveness are conducted, recognition of a separate provision for onerous contracts for the negative fair values is not required. The reporting date measurement of these transactions resulted in a negative fair value totalling €6,152.9k (previous year: negative fair value of €6,963.5k) as at 31 December 2019.

3. Number of employees

Average	2018	**2019**
Salaried employees	115	132

4. Expenses for termination benefits and pensions

€k

	2018	**2019**
Members of the Executive Board, former members of the Executive Board and their surviving dependants	3,542.1	1,169.6
Other employees	1,923.6	5,901.9
	5,465.7	**7,071.5**

A company pension plan has been set up for members of the Executive Board in the form of a defined contribution pension fund agreement. In financial year 2019, contributions to the pension fund were paid for the Executive Board in the amount of €253,000 (previous year: €225,992).

Statutory regulations apply, taking account of the requirements of Rule 27a of the Austrian Code of Corporate Governance, with respect to the claims of members of the Executive Board upon termination of their position. In financial year 2019, €380,637 was paid out for pensions (previous year: €376,224) and €0 for termination benefits in favour of beneficiaries (previous year: €2,189,150).

Expenses for termination benefits and pensions and similar obligations (post-employment benefits) amounted to €703 (previous year: €256,551). Expenses for pensions and similar obligations for former members of the Executive Board and their surviving dependants amounted to a total of €535,265 (previous year: €494,178).

5. Board members

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

Remuneration of members of the Executive Board €

Name	Fixed remuneration	Variable remuneration[1]	Other	Total
Dipl.-Ing. Wolfgang Anzengruber	750,000	577,594		1,327,594
Mag. Dr. Michael Strugl	685,000	0		685,000
Mag. Dr. Achim Kaspar	475,000	0		475,000
Dr. Peter F. Kollmann	620,000	391,678		1,011,678

[1] Variable remuneration is always paid at the beginning of the following year, because whether or not goals have been achieved can only be determined at the end of the year. Consequently, the variable components paid to the members of the Executive Board in 2019 were paid in respect of financial year 2018.

Remuneration for the four members of the Executive Board totalled €3,549,980 in 2019 (previous year: €5,599,347), which included €50,708 of payments in kind (previous year: €79,237). The other remuneration of €0 (previous year: €828,016) relates to payment in lieu of holiday for members of the Executive Board who have resigned.

Variable remuneration depends upon performance and is limited to a specific percentage of the respective fixed remuneration. This percentage rate was between 50% and 70% for financial year 2018. The level of performance-based remuneration components depends on the extent to which the targets agreed for the financial year are achieved. In financial year 2018, 35% of the agreed goals related to the attainment of the Group result, 30% to the attainment of the free cash flow (three-year target from 2016 until 2018) and 35% to qualitative targets: occupational safety (10%), strategy (15%) and succession planning (10%). The total achievement of targets for 2018 was determined to be 82.5%.

The system of variable remuneration was revised beginning with the current financial year 2019 and a generally three-year Long Term Incentive Programme (LTIP) was agreed in addition to the short-term targets (one-year goals). For the one-year goals, the percentage rate for total achievement of the targets is a standard 70% of the relevant fixed remuneration. In financial year 2019, 70% of the agreement on targets was based on the achievement of the Group result and 30% on non-financial goals (one-year): safety (10%), succession planning (5%), innovation (5%), innovation projects (5%) and digitalisation (5%).

With respect to the LTIP, a maximum of 55% of the respective fixed remuneration can be paid out as long-term remuneration on the basis of medium-term performance criteria; the actual amount depends not only on the achievement of individual targets, but also on the performance of VERBUND shares. The duration of the LTIP is three years. In the beginning, the maximum value is depicted as the current price in phantom shares; the undiscounted amount is paid out in arrears, depending on the achievement of the individual targets and the share price at the end of the three-year assessment period. Therefore, no long-term variable remuneration was paid out in 2019.

As in the previous year, no loans or advances were paid out to any Board members of the Group or its subsidiaries. As in the previous year, VERBUND does not have a stock option programme for either the members of the Executive Board or senior management staff.

Remuneration paid to members of the Supervisory Board (including reimbursement of costs/travel expenses recharged) amounted to a total of €316,262 (previous year: €348,934).

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

€	2018	**2019**
Chairman/Chairwomen	25,000	**25,000**
Vice-Chairpersons	15,000	**15,000**
Member	10,000	**10,000**
Attendance fee	500	**500**

This remuneration also applies to work performed in each case in the Audit Committee and the Strategy Committee. As previously, there is no separate remuneration for work carried out in other committees.

No loans or advances were paid out to members of the Supervisory Board. All members of the Supervisory Board are covered by the D&O insurance taken out by VERBUND.

6. Transactions with related parties

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

During financial year 2019, no agreements which were not at arm's length were entered into with members of the Supervisory Board or with enterprises with which a member of the Supervisory Board is associated. Services were rendered for various companies in the VERBUND Group; these contracts were approved by the Supervisory Board.

7. Intra-Group relationships

VERBUND AG is the parent company within the VERBUND Group and therefore required to prepare consolidated financial statements. In accordance with Section 238(1)(18) of the Austrian Commercial Code (UGB), the Company elects not to disclose the expenses for the auditor.

There are profit and loss transfer agreements with VERBUND Energy4Customers GmbH, VERBUND Finanzierungsservice GmbH, VERBUND Green Power GmbH, VERBUND Sales GmbH, VERBUND Services GmbH, VERBUND Solutions GmbH and VERBUND Trading GmbH.

8. Disclosures in accordance with Section 8 of the Austrian Electricity Industry and Organisation Act (ElWOG)

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

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

Electricity deliveries Ennskraftwerke Aktiengesellschaft, Innwerk AG, Österreichisch-Bayerische Kraftwerke Aktiengesellschaft, Donaukraftwerk Jochenstein Aktiengesellschaft, KELAG-Kärntner Elektrizitäts-Aktiengesellschaft
Electricity trading and sales VERBUND Trading GmbH, VERBUND Sales GmbH
Telecommunications VERBUND Services GmbH
Services VERBUND Services GmbH
Financing VERBUND Finanzierungsservice GmbH
Provision of personnel VERBUND Hydro Power GmbH, VERBUND Trading GmbH, VERBUND Services GmbH, VERBUND Sales GmbH

9. Proposed appropriation of profits

The Executive Board proposes (in accordance with section 96(1) of the Austrian Stock Corporation Act (AktG)) to distribute a dividend of €0.69 per share to 347,415,686 no-par value shares from the distributable profit of financial year 2019, i.e. a total of €239,716,823.34.

10. Events after the reporting date

There were no events requiring disclosure between the reporting date of 31 December 2019 and authorisation for issue on 13 February 2020.

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

Result of the documentation of electricity by source	Proportion	**2019 kWh**
Hydropower	100.0%	1,654,343,930
Solar energy	0.0%	75,064
Total volume of electricity supplied in Austria to consumers for their own use	100.0%	1,654,418,994

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

Environmental impact of electricity generation for the volume of electricity supplied to consumers for their own use		**2019**
Radioactive waste (mg/kWh)		0.0
CO_2 emissions (g/kWh)		0.0

Vienna, 13 February 2020
Executive Board

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

Mag. Dr. Michael Strugl
Vice-Chairman of the Executive Board

Dr. Peter F. Kollmann
Member of the Executive Board

Mag. Dr. Achim Kaspar
Member of the Executive Board

Disclosure of equity interests

in accordance with Section 238(1)(4) of the Austrian Commercial Code (UGB)

€k

	Head-quarters	% share-holding as at 31/12/2019	Most recent annual financial statements	(+) (–)	Net income/loss for the year	Equity[1]
Consolidated affiliated companies[2]						
Austrian Power Grid AG	Vienna	100.00	2019	+	18,714.5	459,191.2
Innwerk AG	Stammham	100.00	2019	+	35,227.2	163,094.4
VERBUND Energy4Customers GmbH	Vienna	100.00	2019	–	4.7	85.0
VERBUND Finanzierungsservice GmbH	Vienna	100.00	2019	+	1,536.1	218.1
VERBUND Green Power GmbH	Vienna	100.00	2019	–	4.5	1,839.5
VERBUND Sales GmbH	Vienna	100.00	2019	+	2,032.3	12,296.9
VERBUND Services GmbH	Vienna	100.00	2019	+	5,507.5	7,420.6
VERBUND Solutions GmbH	Vienna	100.00	2019	–	6,338.1	14,347.5
VERBUND Thermal Power GmbH	Neudorf on Wildon	100.00	2019	+	89.0	7,371.9
VERBUND Trading GmbH	Vienna	100.00	2019	+	45,828.2	263,128.3
VERBUND Wind Power Deutschland GmbH	Wörrstadt	100.00	2019	+	19.8	63.3
VERBUND Wind Power Romania S.R.L.[3, 4]	Bucharest	100.00	2019	+	51,428.5	175,218.4
Windpark Dichtelbach GmbH & Co. KG	Wörrstadt	100.00	2019	+	226.7	3,056.2
Windpark Dörrebach GmbH & Co. KG	Wörrstadt	100.00	2019	+	156.1	3,289.5
Windpark Eichberg GmbH & Co. KG	Wörrstadt	100.00	2019	+	156.3	4,800.5
Windpark Ellern GmbH & Co. KG	Wörrstadt	100.00	2019	–	135.1	4,922.9
Windpark Hochfels GmbH & Co. KG	Wörrstadt	100.00	2019	+	110.3	3,458.1
Windpark Rheinböllen GmbH & Co. KG	Wörrstadt	100.00	2019	+	190.4	4,745.1
Windpark Schönborn GmbH & Co. KG	Wörrstadt	100.00	2019	+	114.7	4,690.4
Windpark Seibersbach GmbH & Co. KG	Wörrstadt	100.00	2019	+	344.6	5,044.8
Windpark Stetten I GmbH & Co. KG	Wörrstadt	100.00	2019	+	358.6	4,634.1
Windpark Utschenwald GmbH & Co. KG	Wörrstadt	100.00	2019	+	21.4	1,641.5
VERBUND Thermal Power GmbH & Co KG	Neudorf on Wildon	99.99	2019	+	5,548.9	35,565.0
Infrastruktur Oberheimbach I	Wörrstadt	85.00	2019	–	0.7	49.3

€k

	Head-quarters	% share-holding as at 31/12/2019	Most recent annual financial statements	(+) (–)	Net income/loss for the year	Equity[1]
GmbH & Co. KG						
VERBUND Hydro Power GmbH	Vienna	80.54	2019	+	331,798.0	1,744,929.5
VERBUND Innkraftwerke GmbH	Töging	70.27	2019	+	23,455.8	304,968.0
Infrastrukturgesellschaft Bischheim GmbH & Co. KG	Wörrstadt	65.29	2019	+	0.0	43.4
Donaukraftwerk Jochenstein Aktiengesellschaft	Passau	50.00	2019	+	866.6	15,801.1
Grenzkraftwerke Gesellschaft mit beschränkter Haftung	Simbach	50.00	2019	+	2,523.3	15,816.6
Österreichisch-Bayerische Kraftwerke Aktiengesellschaft	Simbach	50.00	2019	+	3,224.2	58,207.2
Non-consolidated affiliated companies						
AQUANTO GmbH in Liqu.	Munich	100.00	2017	–	2,101.5	53.6
Associates						
Ennskraftwerke Aktiengesellschaft[5]	Steyr	50.00	2019	+	397.6	27,066.8
KELAG-Kärntner Elektrizitäts-Aktiengesellschaft[6]	Klagenfurt	35.17	2018	+	71,589.2	864,879.2

[1] Equity as defined by Section 224(3)a of the Austrian Commercial Code (UGB), IFRSs or local law // [2] Consolidation in accordance with Sections 253–261 of the Austrian Commercial Code (UGB) // [3] Annual financial statements in accordance with IFRSs // [4] Figures translated using the exchange rate at the reporting date // [5] Accounted for using the equity method in accordance with Sections 263–264 of the Austrian Commercial Code (UGB) // [6] Proportionate consolidation in accordance with Section 262 of the Austrian Commercial Code (UGB)

Independent Auditor's Report

(Translation)

Report on the audit of annual financial statements

Opinion

We have audited the annual financial statements of VERBUND AG, Vienna, which comprise the balance sheet as at 31 December 2019, the income statement for the financial year then ended and notes to the annual financial statements.

In our opinion, the accompanying annual financial statements comply with legal requirements and give a true and fair view of the Company's financial position as at 31 December 2019 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and the special legislation of the Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG).

Basis for opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter referred to as EU-VO) and Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the Company in accordance with laws and regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the financial year under review. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying amounts of shares in affiliated companies

Description and issue

As at 31 December 2019, VERBUND AG reported shares in affiliated companies in the amount of around €3,207.8m (previous year: around €2,822.9m).

Due to the current financial and energy market environment, the Company tested the carrying amounts of these companies.

Numerous inputs flow into the valuation model based on net present value methods applied in the test for impairment in order to assess the market. These include in particular future electricity and primary energy price trends as well as price trends for CO_2 certificates.

Due to the resulting complexity, the dependence of results on the assessment of market developments by management and the sensitivity to the cost of capital and to the key assumptions regarding the medium- and long-term electricity price trends for the energy markets, this is a key audit matter.

Details regarding the impairment tests are presented in the notes to the annual financial statements in section II "Accounting policies".

Audit approach

We compared the parameters used in the impairment tests with company-specific information and relevant market data and market expectations from external and internal data sources and assessed the adequacy of the applied valuation models.

We reviewed and comprehend the changes in valuation parameters as a result of the further decrease in capital costs compared with the previous year on the one hand and the price trend with respect to electricity and primary energy on the other hand.

The evaluation of assumptions regarding the medium- and long-term price trend on the energy markets was carried out based on the price quotations on the electricity exchanges up to the year 2022 and the available price forecasts for the years beyond 2022 under special consideration of the current trend in the energy market environment. We consulted internal specialists in order to corroborate the capital costs by means of comparative analysis. We assessed the consistency of the future cash inflows applied in the calculations by comparing the planning data used therein with the technical performance data of the power plants, contractual bases and external electricity price scenarios.

Other information

Management is responsible for the other information. The other information contains all information in the annual report (excluding the annual financial statements, the management report and the auditor's report thereon). We received the annual report (not including the report of the Supervisory Board) prior to the date of our independent auditor's report; the report of the Supervisory Board will be provided to us after this date.

Our opinion on the annual financial statements does not cover the other information and we will not express any form of assurance thereon. Please refer to the "Report on the audit of the management report" regarding the information in the management report.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we arrive at the conclusion that this other information is materially misstated based on the work that we carried out for the other information received prior to the date of this auditor's report, we must report it. We have nothing to report in this regard.

Responsibilities of management and the audit committee for the annual financial statements

The Company's management is responsible for the preparation of the annual financial statements that give a fair and true view of the Company's assets, liabilities, financial position and profit or loss in accordance with Austrian Generally Accepted Accounting Principles and the special legislation of the Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG). Furthermore, the management is responsible for the internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU-VO and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with the EU-VO and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

In addition:

- We identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that give a true and fair view.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the management report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the annual financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the management report.

Opinion

In our opinion, the management report is prepared in accordance with the applicable legal requirements, includes appropriate disclosures according to Section 243a UGB and is consistent with the annual financial statements.

Statement

In the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit of the annual financial statements, we have not identified material misstatements in the management report.

Additional information required under Article 10 of the EU Audit Regulation

We were elected by the Annual General Meeting held on 30 April 2019 as the auditor for the financial year ended 31 December 2019 and engaged by the Supervisory Board on 30 April 2019 to audit the annual financial statements. We have been the Company's auditor continuously since the financial year ending on 31 December 2007.

We declare that the audit opinion included in the "Report on the Audit of the Consolidated Financial Statements" is in line with the additional report to the audit committee and complies with Article 11 of the EU Audit Regulation.

We declare that we have not provided any non-audit-related services in accordance with Art. 5(1) of the EU-VO and that we maintained our independence from the Company while conducting our audit.

Engagement Partner

The engagement partner responsible for the audit is Mag. Gerhard Marterbauer.

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

Vienna, 18 February 2020
Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Gerhard Marterbauer	Mag. Christof Wolf
Wirtschaftsprüfer	**Wirtschaftsprüfer**
(Austrian Certified Public Accountant)	**(Austrian Certified Public Accountant)**

Glossary

Glossary

Cash flow

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

Current assets

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

EBIT

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

Equity ratio

Ratio of equity to total capital.

FFO (funds from operations)

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

Gearing

Ratio of net debt to equity.

Net debt

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

Notional debt repayment period

Ratio of debt to surplus funds from earnings after tax.

RCF (retained cash flow)

Funds from operations (FFO) less dividends paid.

ROCE (return on capital employed)

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

ROE (return on equity)

Ratio of earnings before taxes to equity at the beginning of the financial year.

ROI (return on investment)

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

ROS (return on sales)

Ratio of earnings before interest (including personnel-related interest) and taxes to revenue.

Part 3
Statement of all legal representatives

Statement of all legal representatives

according to para 124 (1) Stock exchange act

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

We confirm to the best of our knowledge that the financial statements of the parent company give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the parent company, together with a description of the principal risks and uncertainties the parent company faces.

Vienna, April 2020

The Executive Board

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

Mag. Dr. Michael Strugl
Vice-Chairman of the Executive Board

Dr. Peter F. Kollmann
Member of the Executive Board

Mag. Dr. Achim Kaspar
Member of the Executive Board

VERBUND Group structure

as at 31 December 2019 GRI 102-45

Legend

Consolidated (100%)

Proportionately consolidated

Accounted for using the equity method

Joint venture, accounted for using the equity method

Not consolidated

– – – Profit and loss transfer agreement

100.00% Energji Ashta Shpk

100.00% Lestin & Co. Tauch- und Bergungsunternehmen Gesellschaft m.b.H

100.00% VERBUND Wind Power Deutschland GmbH

65.29% Infrastrukturgesellschaft Bischheim GmbH & Co KG

85.00% Infrastruktur Oberheimbach I GmbH & Co KG

100.00% Windpark Dörrebach GmbH & Co KG

100.00% Windpark Utschenwald GmbH & Co KG

100.00% Windpark Seibersbach GmbH & Co KG

100.00% Windpark Stetten I GmbH & Co KG

100.00% Windpark Schönborn GmbH & Co KG

100.00% Windpark Rheinböllen GmbH & Co KG

100.00% Windpark Hochfels GmbH & Co KG

100.00% Windpark Dichtelbach GmbH & Co KG

100.00% Windpark Eichberg GmbH & Co KG

100.00% Windpark Ellern GmbH & Co KG

*) in liquidation

**) the company has entered into a proportionate loss absorption agreement with its shareholder(s)

1) VERBUND AG holds a 99.9972% share in VERBUND Thermal Power GmbH & Co KG and VERBUND Thermal Power GmbH holds a 0.0028% share.

EDITORIAL DETAILS

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Shareholder structure:
– Republic of Austria (51.0%)
– Syndicate (> 25.0%) consisting of EVN AG (the shareholders of which are: Niederösterreichische Landes-Beteiligungsholding GmbH, 51%, EnBW Trust e.V., 30.0%) and Wiener Stadtwerke (the sole shareholder is the City of Vienna)
– TIWAG-Tiroler Wasserkraft AG (> 5.0%, the sole shareholder is the province of Tyrol)
– Free float (< 20.0 %): no further information is available concerning owners of shares in free float.

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

Regulatory body/trade associations:
E-Control GmbH/E-Control Kommission
Bundesministerium für Finanzen
Wirtschaftskammer Österreich
Oesterreichs Energie

Object of the Group:
The Group focus is the generation, transportation, trading with and sale of electrical energy and energy from other sources as well as the provision and performance of energy services.

Executive Board:
Wolfgang Anzengruber (Chairman),
Michael Strugl (Vice-Chairman),
Peter F. Kollmann,
Achim Kaspar

Supervisory Board:
Thomas Schmid (Chairman), Martin Ohneberg (1st Vice-Chairman), Elisabeth Engelbrechtsmüller-Strauß (2nd Vice-Chairwoman), Harald Kaszanits, Werner Muhm, Susanne Riess, Jürgen Roth, Stefan Szyszkowitz, Christa Wagner, Peter Weinelt, Doris Dangl, Isabella Hönlinger, Kurt Christof, Wolfgang Liebschser, Veronika Neugeboren

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

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GRI 102-53

Verbund
Power for the Future