Integrated Annual Report 2021

The Power
to Transform

Verbund

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	2017	2018	2019	2020	**2021**
Revenue[1, 4]	€m	2,913.2	2,671.1	3,895.0	3,449.8	**4,776.6**
EBITDA	€m	922.3	864.2	1,183.5	1,292.8	**1,579.0**
Adjusted EBITDA[2]	€m	899.7	863.5	1,183.5	1,292.8	**1,579.0**
Operating result (EBIT)	€m	400.1	655.1	865.9	921.9	**1,266.8**
Operating result before effects from impairment tests	€m	581.0	536.9	819.3	914.0	**1,161.7**
Group result	€m	301.4	433.2	554.8	631.4	**873.6**
Adjusted Group result[2]	€m	354.5	342.2	549.0	610.4	**798.6**
Total assets[4]	€m	11,283.6	11,704.8	11,838.6	11,987.7	**17,111.6**
Equity[4]	€m	5,690.8	5,941.0	6,568.0	6,807.4	**6,362.9**
Net debt	€m	2,843.8	2,560.7	2,256.1	1,881.2	**3,510.8**
Additions to property, plant and equipment	€m	231.0	292.5	438.9	628.5	**842.8**
Cash flow from operating activities[4]	€m	640.6	664.1	1,204.3	1,182.1	**98.2**
Free cash flow before dividends[4]	€m	416.1	415.3	817.4	582.1	**–1,010.1**
Free cash flow after dividends	€m	293.5	237.2	639.3	299.5	**–1,329.5**
EBITDA margin[1, 4]	%	31.7	32.4	30.4	37.5	**33.1**
EBIT margin[1, 4]	%	13.7	24.5	22.2	26.7	**26.5**
Return on capital employed (ROCE)[1, 4]	%	4.2	5.6	7.8	9.6	**11.4**
Return on equity (ROE)[4]	%	5.4	8.2	10.2	10.7	**15.0**
Equity ratio (adjusted)[4]	%	52.4	52.7	57.7	58.6	**38.2**
Gearing	%	50.0	43.1	34.4	27.4	**55.2**
Net debt/EBITDA	X	3.1	3.0	1.9	1.5	**2.2**
FFO/Net debt (net debt coverage)	%	30.0	28.7	44.3	57.7	**36.6**
Gross debt coverage (FFO)	%	28.1	25.7	41.0	52.6	**31.9**
Gross interest cover (FFO)	X	8.1	7.3	11.9	19.4	**24.9**
Closing price	€	20.15	37.24	44.74	69.85	**98.90**
Market capitalisation	€m	6,998.7	12,937.8	15,543.4	24,267.0	**34,359.4**
Earnings per share	€	0.87	1.25	1.60	1.82	**2.51**
Cash flow per share	€	1.84	1.91	3.47	3.40	**0.28**
Carrying amount per share[3]	€	14.58	15.27	16.95	17.71	**15.72**
Price/earnings ratio (last trading day)	X	23.22	29.87	28.02	38.43	**39.33**
Price/cash flow ratio	X	10.93	19.48	12.91	20.53	**350.03**
Price/book value ratio[3]	X	1.38	2.44	2.64	3.95	**6.29**
(Proposed) dividend per share	€	0.42	0.42	0.69	0.75	**1.05**
Dividend yield	%	2.1	1.1	1.5	1.1	**1.1**
Payout ratio from Group result[5]	%	48.4	33.7	43.2	41.3	**41.8**
Entity value/EBITDA	X	10.7	17.9	15.0	20.2	**24.0**
Average number of employees	Number	2,819	2,742	2,772	2,870	**3,184**
Electricity sales volume	GWh	58,518	58,908	62,179	62,741	**58,896**
Hydro coefficient	X	0.99	0.94	1.01	1.01	**0.95**
New renewables coefficient	X	1.03	0.90	1.01	1.00	**0.91**

[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 // [4] calculation adjusted retrospectively in accordance with IAS 8 in financial year 2021 with effect from 1 January 2020 // [5] payout ratio calculated on the basis of the adjusted Group result amounts to 45.7% for the 2021 reporting period (previous year: 42.7%)

Environmental performance

	Unit	2017	2018	2019	2020	**2021**
Hydropower generation[1]	GWh	29,687	28,684	30,660	31,525	**29,340**
Wind power generation	GWh	952	834	929	924	**839**
Solar power generation	GWh	–	–	–	1	**2**
Thermal power generation	GWh	2,227	1,611	1,596	1,033	**1,125**
Share of generation from renewables	%	93	95	95	97	**96**
Specific GHG emissions (Scope 1/total electricity generated)[2]	g CO_2e/kWh	41	34	32	19	**14**
Emissions avoided through renewable generation[3]	kt CO_2	23,666	22,411	24,071	24,726	**22,055**

Social performance

	Unit	2017	2018	2019	2020	**2021**
Number of employees under labour law[4]	Number	2,819	2,784	2,843	2,980	**3,497**
Training per employee[5]	Hours	36.0	33.6	40.0	20.0	**26.4**
Lost time injury frequency (LTIF)[6]	Number	10.1	5.4	6.4	5.6	**6.8**
Proportion of women	%	17.5	17.6	17.8	18.3	**19.3**
Average duration of employment[7]	Years	18.8	18.1	17.6	16.1	**15.0**
Employee turnover rate[8]	%	2.8	2.1	2.0	1.5	**2.4**

[1] incl. purchase rights // [2] Scope 1 excl. GCA. Total electricity generated incl. purchase rights excluding electricity generated for district heating; preliminary data prior to audit // [3] calculation using the share of thermal generation based on ENTSO-E mix // [4] as at 31 December, excl. members of the Executive Board and employees in partial retirement // [5] 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 // [6] ratio of workplace injuries from the first day of leave to million working hours; excl. injuries requiring only first aid measures and excl. fatal injuries. The basis for calculating the working hours is defined for the industry at 1,740 working hours per year; incl. external contractors from 2018. // [7] 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. // [8] 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 2022

Event	Date
Annual result 2021	17 March 2022
Publication of Integrated Annual Report	17 March 2022
Record date for Annual General Meeting	15 April 2022
Annual General Meeting	25 April 2022
Ex-dividend date	2 May 2022
Record date for dividends	3 May 2022
Dividend payment date	13 May 2022
Interim report quarter 1/2022	12 May 2022
Interim report quarters 1–2/2022	28 July 2022
Interim report quarters 1–3/2022	3 November 2022

VERBUND
Integrated Annual Report 2021

Contents

Information about the integrated report

This Integrated Annual Report contains the Group management report published by VERBUND for financial year 2021, 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 102-45
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 2021 calendar year. The most recent preceding integrated annual report (for financial year 2020) was published on 17 March 2021. To ensure that our report is up to date, we also report in the Group management report on any major events occurring at VERBUND between 31 December 2021 and authorisation of the annual report for issue on 17 February 2022. 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 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.

GRI 102-46

The materiality analysis is presented in the Materiality section

Reporting pursuant to the Austrian Sustainability and Diversity Improvement Act (NaDiVeG) and Article 8 of the EU Taxonomy Regulation

VERBUND's NFI Report prepared in accordance with Section 267a of the Austrian Commercial Code (Unternehmensgesetzbuch, 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 and bribery matters.

Starting in 2022, VERBUND is also required to disclose information on environmentally sustainable revenues, capital expenditures (CAPEX) and operational expenditures (OPEX) pursuant to the EU Taxonomy Regulation for financial year 2021. This reporting requirement is complied with through the Materiality section of the Non-Financial Report.

The Group's auditor reviewed the NFI Report for completeness and recorded the outcome in an Independent Assurance that was presented to the Supervisory Board. The scope of the audit did not include the disclosures required by the EU taxonomy because the final delegated act was not yet effective at the time the audit was commissioned.

102-56

GRI 102-32

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

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, GRI, 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 and GRI 403: Occupational Health and Safety) and the 2020 GRI Standards (relating to GRI 306: Waste). The current GRI table of contents including the TCFD Index is published on the VERBUND website: www.verbund.com > About VERBUND > Responsibility > Non-financial Information.

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 Corporate Responsibility 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 was subjected to an external audit by independent auditor Deloitte Audit Wirtschafts-prüfungs 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. You can also dive into the VERBUND world directly by scanning the QR code in the margin.

Report of the Executive Board

Ladies and Gentlemen,

GRI 102-14

The VERBUND Group delivered a very strong performance in 2021. The financial year was marked by a huge rise in wholesale electricity prices in Europe, which are a key value driver for VERBUND's performance. This trend can be attributed to two main factors.

First, the strong commitment of the EU member states to achieving comprehensive decarbonisation of the energy system caused prices for European emission allowances to soar. On 14 July 2021, the European Commission thus took further clear decisions as part of its Fit for 55 package targeting a 55% reduction in all of the EU's greenhouse gas emissions by 2030 compared with 1990 levels.

Second, prices for primary energy sources such as natural gas and coal – key elements in the formation of wholesale electricity prices in Europe and prices of emission allowances – rose sharply in 2021. Reasons for these increases were the worldwide hunger for energy, especially in Asian countries (above all in China), below-average gas storage inventories in Europe, unfavourable weather conditions and the delay in putting the Nord Stream 2 gas pipeline into operation. VERBUND benefited considerably from these trends and from the strong demand for companies with a clearly sustainable positioning. The income trend in 2021 was therefore very positive, and the performance of VERBUND shares with gains of 41.6% underpinned the Group's attractiveness in an environment that prioritises climate change mitigation and sustainability.

VERBUND strategy revised in 2021 in response to global decarbonisation efforts. VERBUND overhauled its corporate strategy in 2021 in response to the national and global decarbonisation efforts. This led to three strategic focus areas being defined: strengthening VERBUND's integrated positioning in its home market, ranging from renewable electricity generation, to electricity transmission, up to sales to customers of electricity produced from renewable energy sources; expanding renewable electricity generation in Europe; and positioning VERBUND as a player in the development of a European hydrogen economy.

Strengthening VERBUND's integrated positioning in its home market. VERBUND's integrated positioning in its home market comprises its core business of efficient, environmentally friendly generation of electricity from hydropower in addition to the transmission and sale of electricity and gas. VERBUND will progressively combine electricity generation from renewables with flexibility products for an increasingly volatile electricity market. In mid-June 2021, construction began on the Reißeck lake plateau in Carinthia for the Reißeck II plus pumped storage power plant. The Limberg III pumped storage power plant, construction of which started in September 2021, will be pivotal in achieving Austria's ambitious climate targets.

To facilitate the energy transition, VERBUND also invests in the expansion of transmission networks such as the 380-kV Salzburg line between St. Peter in Upper Austria and the Tauern grid hub in Salzburg or the 380-kV Weinviertel line, as well as in numerous large substations to ensure security of supply and further integrate the new renewable electricity generation into the energy system of tomorrow. Our subsidiary Austrian Power Grid AG (APG) is implementing the €3.5bn network development plan for the power grid over a ten-year period because a secure electricity supply is the bedrock of a state-of-the-art, sustainable and digital society. Assisted by our subsidiary Gas Connect Austria GmbH (GCA), we are enhancing the gas grid so that it is in shape for what lies ahead and for subsequent transportation of green hydrogen, a key element in the complete decarbonisation of the energy system of the future. Acquiring a 51% stake in GCA enabled VERBUND to sharpen its risk profile by strengthening its regulated business, but also put the Group in an ideal position for sector coupling and development of a green hydrogen system. Combined with VERBUND's renewable generation portfolio, the highly sophisticated transport infrastructure of GCA is capable of making an important and valuable contribution to the achievement of climate targets.

Expansion of new renewable electricity generation. Electricity generation from onshore wind power and solar power in Europe is another growth area. In our efforts to drive forward the energy transition, we are also looking beyond our national borders. Going forward, VERBUND will therefore purchase and develop renewable projects in other European markets as well. With this approach we aim to generate around 20–25% of our electricity from new renewable sources of energy by 2030. In quarter 2/2021, for example, VERBUND kicked off an energy cooperation with Visiolar GmbH in Germany with the stated goal of producing energy in a sustainable and carbon-neutral manner. In addition, VERBUND acquired the Illora solar project in southern Spain at the end of 2021. The photovoltaic farm with a planned total output of around 148 MWp is expected to come on stream in the first half of 2022.

Hydrogen – a market of tomorrow. Green electricity is not the sole solution for decarbonisation. Large amounts of greenhouse gas emissions come from sectors that are not easy to electrify. Green hydrogen provides a key to achieving this. In future, this climate-neutral energy source will be used in industrial processes, as a fuel in freight transport and as a storage medium. VERBUND is looking to carve out a niche for itself in Europe's nascent hydrogen economy and expand its value chain – towards production, transportation and storage as well as the distribution of green hydrogen. However, for demand for green hydrogen to be met, the necessary infrastructure needs to be created, followed at a later stage by hydrogen imports. We are therefore currently evaluating promising projects and are participating in projects to create a European hydrogen import corridor.

Sustainability focal points in 2021 – green finance, new Code of Conduct, gender balance and Climate Impact Day. As a long-standing pioneer in green finance, VERBUND brought a world first onto the market in 2021, once again leading the way in the field of sustainable finance. The Green & Sustainability-linked Bond that the international media referred to as a "super green bond" combined four sustainable elements for the first time, generating huge international demand in a capital market increasingly driven by sustainability criteria. The proceeds of the bond will be invested exclusively in sustainable projects, the Group is additionally committed to achieving long-term sustainability goals, the bond was EU taxonomy compliant for the first time, and it was placed solely with sustainable investors.

As an expression of its business ethics, VERBUND a number of years ago set itself the goal of engaging in fair, transparent and sustainable business practices. This goal also forms the basis for VERBUND's completely revised Code of Conduct released in December 2021. In addition, numerous actions were developed and implemented in 2021 within the scope of the Gender Balance project. For example, the proportion of female executives was increased from 9.0% to 13.5%. Furthermore, a gender balance network was installed and accessibility initiatives contributed to the inclusion of people with disabilities. The first-ever Climate Impact Day was held on 21 September 2021 with VERBUND participating as a cooperation partner. The aim of this initiative is to create awareness among the general public and in companies of the topics of sustainability and climate change and its mitigation. A team of VERBUND YoungStars – an existing network of employees under the age of 35 – organised an internal day on this matter so that all VERBUND employees could attend.

VERBUND's encouraging business and share price performance in 2021. VERBUND saw a significant improvement in the results posted for financial year 2021. EBITDA climbed by 22.1% to €1,579.0m. The Group result surged by 38.3% to €873.6m compared with the same period of the previous year. The hydro coefficient for the run-of-river power plants dropped to 0.95, or 6 percentage points below the prior-year figure and 5 percentage points below the long-term average. Generation from our annual storage power plants fell by 6.9% in quarters 1–4/2021 versus 2020. Generation from hydropower thus decreased by 2,185 GWh compared with the previous year. However, the marked increase in wholesale electricity prices on the spot markets and the prices for short-term futures gave a boost to earnings – unlike futures market prices, which declined in the period under review. Consequently, the average sales price obtained for our own generation from hydropower rose significantly by €10.2/MWh to €54.8/MWh. The first-time consolidation of Gas Connect Austria GmbH (GCA), the regulated gas transmission and distribution system operator in Austria acquired with effect from 31 May 2021, also made a positive contribution to earnings.

VERBUND shares turned in a very encouraging performance in financial year 2021. With gains of 41.6%, the shares outperformed the ATX (+38.9%) and the STOXX Europe 600 Utilities (+5.4%).

Dividend and outlook. We plan to propose a dividend of €1.05 per share for financial year 2021 at the Annual General Meeting to be held on 25 April 2022. The payout ratio calculated on the basis of the adjusted Group result thus amounts to 45.7% for 2021 (or 41.8% based on the reported Group result).

Corporate strategy sends a strong signal. Our goal in revising our corporate strategy is to send a strong signal and take VERBUND from success to success. Actively shaping the future of energy is front and centre of this strategy. We are continuously working on innovations, new areas of business and acquisitions. This, however, is only possible with the hard work and commitment of our staff.

A big thank-you therefore goes especially to our employees, who are working so hard in the persistently challenging COVID-19 environment amid the upheaval in the energy markets, as well as to all our customers, investors, suppliers and cooperation partners, who are taking the next steps forward with us in this taxing decade!

Mag. Dr. Michael Strugl MBA | Dr. Peter F. Kollmann | Mag. Dr. Achim Kaspar

Report of the Supervisory Board

As Austria's leading energy utility, VERBUND took advantage of the energy market climate and generated outstanding results once again in financial year 2021 despite the ongoing COVID-19 pandemic. The Group succeeded in strengthening its profitability and in successfully continuing its sustainable development. The Supervisory Board actively monitored and supported this strong performance.

GRI 102-26

Performance of duties

In financial year 2021, the Supervisory Board discharged the responsibilities and exercised the powers incumbent upon it by virtue of the law and the Articles of Association at seven plenary meetings, which due to the preventive measures against COVID-19 were held as video or teleconferences. The overall attendance rate for all Supervisory Board members was 98%. 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 regularly discussed the implementation of the strategy with the Executive Board. Major investment and acquisition projects were among the main topics discussed. The Supervisory Board monitored and supported the Executive Board's management activities continuously based on its extensive reporting. 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 2021 Consolidated Corporate Governance Report. Between meetings, the Chairman of the Supervisory Board conversed regularly with the Chairman of the Executive Board and also held a number of discussions with individual members of the Executive Board.

Change in the General Committee of the Supervisory Board

MMag. Thomas Schmid stepped down as member and Chairman of the Supervisory Board on 8 June 2021 with immediate effect. His position was not filled in the reporting period. The Supervisory Board subsequently appointed Mag. Martin Ohneberg as Chairman and Mag. Christa Schlager as 2nd Vice-Chairwoman. There were no other changes in the composition of the Supervisory Board.

Code of Corporate Governance, Supervisory Board Committees

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

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 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 voting on the implementation of the Group's strategy and to discuss individual topics of strategic relevance. The Project Committee formed as a sub-committee of the Strategy Committee also met on one occasion.

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 commercial integration of equity interests and on the audits performed by Internal Audit.

The newly established Sustainability Committee addresses in particular the topics of sustainability, the New Green Deal, decarbonisation, the energy transition, climate action and environmental protection. It is responsible for the development of appropriate strategies and implementation measures as well as for the annual review of the sustainability strategy and goals. The Sustainability Committee held four meetings in financial year 2021 to discuss various specific areas of emphasis in addition to fundamental objectives and reporting.

In accordance with the Code of Corporate Governance and the rules of procedure, three other committees – an Emergencies Committee, a Nomination Committee and a Remuneration Committee – were again formed in the financial year now ended. The Remuneration Committee held two meetings to discuss in particular target agreements and the achievement of targets for the variable remuneration for the Executive Board as well as the 2020 remuneration report. 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 is contained in the Group's Consolidated Corporate Governance Report for 2021. Information on the remuneration paid to the Supervisory Board members can be found in the remuneration report that the Executive Board and the Supervisory Board jointly prepared for presentation to the Annual General Meeting in April 2022 in accordance with Section 78c of the Austrian Stock Corporation Act (Aktiengesetz, AktG).

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 2021 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 2021 as presented by the Executive Board. As a result, they are final for the purposes of Section 96(4) 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 of the Group's employees for their successful work in 2021. Their tireless efforts in exceptional circumstances ensured an uninterrupted supply of electricity in Austria. The Supervisory Board would also like to thank the Group's shareholders, customers and business partners for their trust.

Vienna, March 2022

Mag. Martin Ohneberg
Chairman of the Supervisory Board

VERBUND at a glance

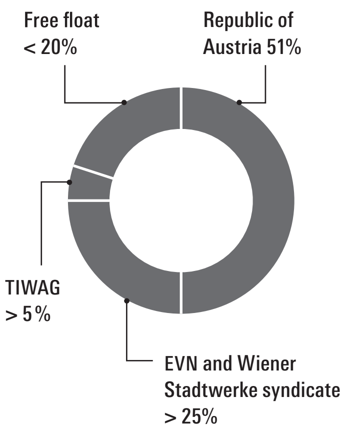
POWERING RENEWABLE ENERGY

At VERBUND, we use renewable energy to create a liveable energy future by providing reliable, customised energy solutions.

SUSTAINABILITY & INNOVATION

Climate change is of great importance for VERBUND. We work to create sustainable solutions for the future of energy – ones that will enable us to reduce emissions and use of resources. Research, development and innovation are the bedrock of our commitment.

SHAREHOLDER STRUCTURE



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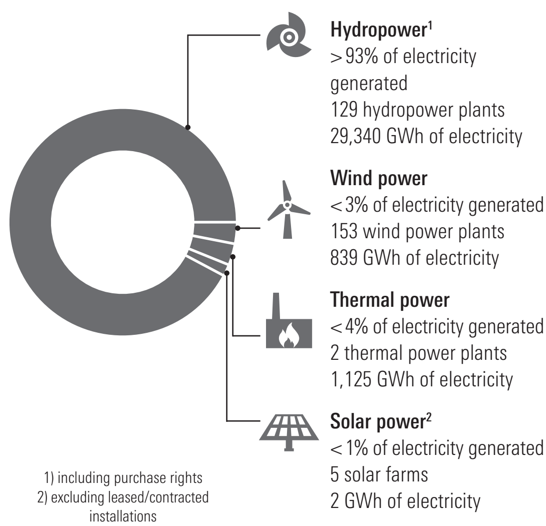
GRI 102-1, GRI 102-2, GRI 102-3,
GRI 102-4, GRI 102-5, GRI 102-6

"Our power for a green future" is our vision of how we will live up to our economic and social responsibility. Sustainability is an essential part of the corporate strategy. VERBUND is Austria's leading power company and one of the largest producers of hydroelectricity in Europe. The Group generated annual revenue of around €4.8bn in 2021 with approximately 3,200 employees. VERBUND has been quoted on the Vienna Stock Exchange since 1988 with 51% of the share capital being held by the Republic of Austria.

GENERATION

All amounts are for 2021

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 the lion's share of the energy we produce. Generation of 100% carbon-free electricity will be achieved in the long term.



1) including purchase rights
2) excluding leased/contracted installations

OUR SEGMENTS

VERBUND's **129**
hydropower plants together have
a capacity of over 8,300 MW.

GCA's high-pressure
gas pipeline network is around
900
kilometres long.

By 2030, up to **1/4**
of our overall electricity
generation will come from wind
and solar power.

APG's trans-regional
power grid extends over approximately
3,400
kilometres.

Over **500,000**
residential customers relied on green
electricity from VERBUND in 2021.

Hydro
Climate-friendly hydropower is the most important source of energy for our electricity generation. Around 94% of VERBUND electricity comes from hydropower. We manage our power plants efficiently and protect people and the environment. Going forward, we will continue to invest in the expansion of hydropower.

New renewables
VERBUND is pressing ahead with new wind and solar power projects to diversify its generation portfolio. Our long-term goal is to build up an onshore wind and solar portfolio in Europe that will account for approximately 20–25% of our overall generation by 2030.

Sales
Through electricity trading we sell the electricity we generate on wholesale markets and manage the use of VERBUND power plants. In sales we are continuously expanding our lead in innovative green electricity and flexibility products as well as energy services.

Grid
Austrian Power Grid (APG), VERBUND's grid subsidiary, operates the national electricity transmission network in Austria. We also have a majority stake in Gas Connect Austria (GCA) – a key hub in the European natural gas network.

All other segments
"All other segments" brings together the Thermal generation, Services and Equity interests segments. The combined cycle gas turbine power plant in Mellach in Styria works to achieve a secure supply of electricity and heating.

VERBUND's 2030 strategy

The coming years will be decisive for the switch to renewable energy sources. Earth's well-being is an important issue for VERBUND. "Our power for a green future" is our vision of how we will live up not only to our economic responsibility but also to our social responsibility as Austria's leading electricity company.

Europe needs to rapidly broaden its renewables base if the energy transition is to succeed. Demand for flexibility products is growing, and storage systems and grids need to be expanded. Efforts must also be made to advance decarbonisation, decentralisation and digitalisation.

TCFD Against this backdrop, the Group's strategy was updated in 2021 and three strategic focus areas were defined: strengthening the integrated domestic market, expanding new renewables in Europe and positioning VERBUND as a European hydrogen player.

Strengthening the integrated domestic market

Strengthen VERBUND's position as an integrated utility (in terms of generation, transportation and sale) and a leading producer of hydroelectricity as the basis for further growth as well as a decarbonisation partner in Austria and Germany by:

- expanding its position as an efficient, leading producer of hydroelectricity by maintaining the value of existing hydropower plants, optimising the flexible generation portfolio and commercially exploiting existing opportunities to grow hydropower;
- growing the stable electricity and gas infrastructure;
- contributing to security of supply in Austria by providing flexibility products (including congestion management and control power);
- combining electricity generation from renewables with flexibility products to ensure reliable supply with renewable energy sources around the clock; and
- acting as an innovative partner in the development of sustainable solutions for companies, commercial enterprises and households in the fields of e-mobility, solar power and battery storage.

Expanding renewables in Europe

Significantly expand wind and photovoltaic installations in Europe to diversify technological and geographical risks and ensure potentially attractive returns (goal: renewables should make up 20–25% of total electricity generation by 2030) by:

- conducting structured M&A deals and forging partnerships in established markets;
- focusing on proprietary development in Eastern Europe; and
- strengthening VERBUND's role as a leading producer of green electricity by constructing photovoltaic installations in the industrial, commercial and consumer sectors.

Positioning VERBUND as a European hydrogen player

Green hydrogen is the key to the energy transition and decarbonisation and a pioneering field in which VERBUND will play a vital role by:

- deepening existing customer relationships with leading industrial companies in local hydrogen production; and
- expanding the value chain in the medium term for international hydrogen generation, marketing and transportation and importing green hydrogen into Central Europe.

By focusing on these strategic areas, VERBUND is positioning itself as a profitable electricity generation company that is leading the way in decarbonising Europe at the same time. The individual focus areas will also give a substantial boost to the SDGs (Sustainable Development Goals) Affordable and clean energy (SDG 7), Industry, innovation and infrastructure (SDG 9), Responsible consumption and production (SDG 12) and Climate action (SDG 13).

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

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

GRI 102-14

TCFD

Material topics	Corporate objectives
Increasing enterprise value[1]	Financial stability: Net debt/EBITDA < 3.0
	Return on capital: ROCE > 9.0%[2]
	Target/ensure an A-level rating
Security of supply	Maintain value and expand generation and grid capacity
Strengthening the integrated domestic market: hydropower	Rehabilitate existing hydropower plants and build new ones
	Provide flexible generation units
Strengthening the integrated domestic market: grid	Implement network development plan for electricity
	Implement network development plan for gas
Strengthening the integrated domestic market: sales	Build up battery flexibility products
	Develop innovative solutions for industrial and commercial customers such as photovoltaic installations and e-mobility products
	Growth in the consumer market
	Customer Loyalty Index: ≥ 75 points
Expanding green electricity generation in Europe	20–25% of all electricity generated by 2030 to come from wind and solar power
	Accelerated growth through structured M&A deals
	Proprietary development of renewables in Eastern Europe
Positioning VERBUND as a European hydrogen player	Construct customer-focused H_2 generation facilities
	Participate in international transport routes to import H_2 into Central Europe
	Long-term business development of international H_2 production combined with renewable generation

Material topics	Corporate objectives
Innovation	Implement the VERBUND start-up engagement programme and develop it further, focusing on building a start-up investment portfolio
	Develop and launch new flagship projects/initiatives throughout the strategic innovation areas
Digitalisation, information security and data protection	Implement projects focused on rolling out digital solutions throughout the Group's value chain
	Implement further measures to improve the hybrid world of work
	Reach all employees with relevance for awareness of data and information security
	Implement the planned information security projects to further increase the degree of cybersecurity maturity
Climate action	Reduce Scope 1 emissions by 16% by 2030 (2015–2030)
	Reduce Scope 3 emissions from electricity sales to end consumers by 5% by 2030 (2020–2030)
Resource and energy consumption	Implement economic efficiency measures developed from energy audits
	Reduce volumes of work materials in use by 10% by 2025
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 to 77 by 2025
	Continue ISO 14001 certification of existing sites and incorporate new sites
Occupational health and safety	Lost time injury frequency (LTIF) ≤ 5 by 2025
	Progressive ISO 45001 certification of all VERBUND sites by 2025
Attractive employer	Employee 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 people with disabilities (currently 4% in Austria and 5% in Germany)
Compliance	100% participation rate in mandatory compliance training
	Implement a digital whistleblowing platform by 2022

[1] based on existing asset and value chain structure
[2] does not apply to regulated activities

Investor relations

International capital market environment in 2021

Stock markets rebounded in 2021 in the wake of the market distortions caused by the COVID-19 pandemic in 2020. In spite of supply difficulties due to logistics issues and a shortage of precursors amid full order books and new mutations of the virus, a significant economic upswing could be observed. After the different lockdowns, consumers were again increasingly eager to invest in consumer goods and services. The economy and the capital market were also bolstered by the extensive, unprecedented monetary and fiscal policy measures taken by central banks and governments. Rising inflation, due in particular to a huge surge in energy prices, and geopolitical conflicts between Russia and the United States and between the United States and China had a negative impact.

The US Dow Jones Industrial stock index ended 2021 up 18.7% after reaching a new all-time high. The Eurostoxx 50 performed even better, posting gains of 21.0% compared with the end of 2020. Japan's Nikkei 225 index turned in a far worse performance by comparison, closing the year up 4.9%. Share price performance in the emerging markets was significantly weaker. The MSCI Emerging Markets Index finished 2021 down 4.6% on the 2020 year-end figure. In contrast, the ATX delivered an impressive performance in 2021 following the tremendous COVID-19-related slump in 2020, closing the year with gains of 38.9%. The index finished trading in 2021 at 3,861.1 points.

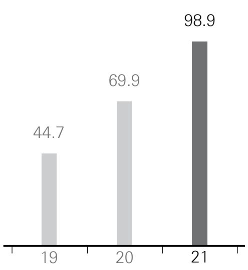
Upcoming dates:

Record date for Annual General Meeting: 15 April 2022
Annual General Meeting: 25 April 2022
Ex-dividend date: 2 May 2022
Record date for dividends: 3 May 2022
Dividend payment date: 13 May 2022
Results for quarter 1/2022: 12 May 2022

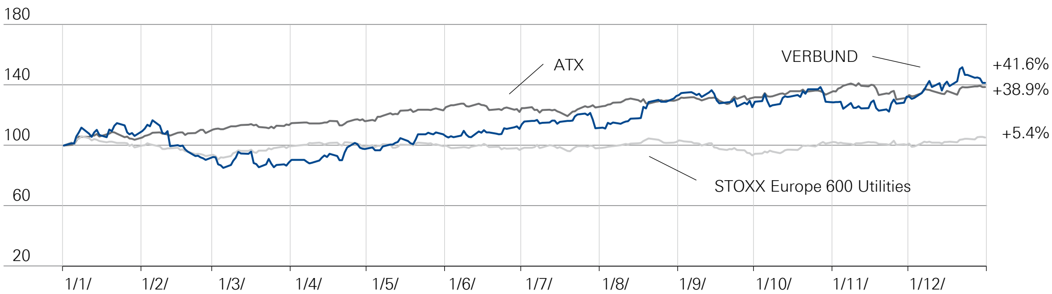
VERBUND shares

VERBUND shares performed very encouragingly again in 2021 in spite of the ongoing global COVID-19 pandemic and thus continued the growth trend seen in 2020. The performance of VERBUND shares in quarter 1/2021 was characterised by high inflows and outflows in exchange traded funds (ETFs) related to clean energy. In quarter 2/2021, the shares benefited from a steady improvement in the energy market environment. This trend continued in quarters 3–4/2021, fuelled primarily by rising gas and coal prices, as well as high prices for emission allowances. VERBUND shares thus reached a new all-time high of €106.2 on 22 December 2021. They closed financial year 2021 trading at €98.9, an increase of 41.6% on the last trading day of 2020. This significant increase was caused by the considerable improvement in the energy market climate for renewable energy producers and by the Group's sustainable positioning. VERBUND shares marginally outperformed the Austrian ATX in a year in which the ATX posted overall gains of 38.9% and also significantly outperformed the European STOXX Europe 600 Utilities sector index, which was up 5.4% in 2020. With a market capitalisation of €34.4bn, VERBUND was once again Austria's largest listed company at the end of 2021 by a large margin.

Closing prices
VERBUND shares €/share



VERBUND share price: relative performance 2021



KPIs – shares

	Unit	2020	**2021**	Change
Share price high	€	69.9	106.2	52.0%
Share price low	€	29.0	59.6	–
Closing price	€	69.9	98.9	41.6%
Performance	%	56.1	41.6	–
Market capitalisation	€m	24,267.0	34,359.4	41.6%
ATX weighting	%	10.7	11.0	–
Value of shares traded	€m	4,742.1	7,753.0	63.5%
Shares traded per day	Shares	417,949	401,333	–4.0%

Investor relations team activities in 2021

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Andreas Wollein
Head of Group Finance
and Investor Relations
Tel.: + 43 (0)50 313-52604
E-mail: investor-relations@verbund.com

Active, open communication with investors, analysts and individual shareholders during road shows, conference calls and in one-on-one conversations is important to VERBUND. The ongoing COVID-19 crisis as well as sharp increases in wholesale prices for electricity and the relevant prices for primary energy sources required increased communications activities that took place almost exclusively in virtual formats. The IR team participated in several virtual road shows in Europe and the United States in 2021, as well as in 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 the website at www.verbund.com – including the 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.

VERBUND shares are covered by 14 renowned Austrian and international investment banks, thus ensuring their visibility in the capital market. The following investment banks covered VERBUND as at 31 December 2021:

Alpha Value (Nicolas Bouthors)
Bank of America (Mikel Zabala)
Barclays (Peter Crampton)
Berenberg Bank (Lawson Steele)
Citigroup (Piotr Dzieciolowski)
Credit Suisse (Wanda Serwinowska)
Deutsche Bank (Olly Jeffery)
Erste Group (Petr Bártek)
HSBC (Adam Dickens)
Kepler Cheuvreux (Ingo Becker)
Oddo BHF (Louis Boujard)
Raiffeisen Bank International (Teresa Schinwald)
Société Générale (Lueder Schumacher)
Stifel (Martin Tessier)

Current ratings

As at 31 December 2021, VERBUND's ratings were as follows:

- Standard & Poor's: A/stable outlook
- Moody's: A3/stable outlook

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

VERBUND in sustainability indices and sustainability rankings

The trend towards sustainable investments continued to gain traction in 2021. This is due for one thing to numerous European and international sustainable finance initiatives such as the EU taxonomy, the Sustainable Finance Disclosure Regulation (SFDR) and the International Platform on Sustainable Finance (IPSF). For another, companies that operate sustainably are considered to be more resilient and resistant to risk long term in what are still turbulent times (precipitated by COVID-19, production bottlenecks, supply chain risks). This also benefited VERBUND's sustainable business model and led to excellent results in sustainability ratings.

VERBUND rose to B+ in the ISS ESG rating (previously ISS-oekom), putting it among the top three companies in the electric utility sector. This improvement was achieved thanks not least to the continued very good rating for environmental management and VERBUND's strong focus on renewable energy.

The environmental management and strong corporate governance action also prompted the US financial services provider MSCI to raise VERBUND's rating to AAA, the top grade.

In the Carbon Disclosure Project (CDP) rating VERBUND also achieved a very good A– rating once more in 2021, placing it among the top Austrian companies and above the global and European average (B–/B) and the energy sector average of B. In EcoVadis, VERBUND achieved the gold standard with 70 out of 100 points, as in preceding years.

Only the Sustainalytics rating deteriorated slightly to 18.9 out of 100 points (2020: 18.1; note: the lower, the better) due to the higher sector risk for electric utilities, which VERBUND cannot influence; however, this rating is still in the low-risk range. Thanks to improved internal sustainability management performance, which results in a lower management risk (which VERBUND can influence), the increased sector risk was cushioned.

VERBUND was the company with the largest market capitalisation in 2021 in Vienna's leading index, the ATX.

See also:
www.voenix.at

VERBUND was included in the following sustainability indices as at 31 December 2021:

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

Consolidated
Corporate Governance Report

Consolidated Corporate Governance Report

in accordance with Section 267b of the Austrian Commercial Code (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 (Unternehmensgesetzbuch, 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 has declared its unconditional commitment to the Austrian Code of Corporate Governance (ÖCGK). 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 2021 as amended in January 2021 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 2022. 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.

Evaluation

In accordance with C Rule 62 of the Austrian Code of Corporate Governance (ÖCGK), compliance with the Code and the accuracy of the related reporting is evaluated externally by an independent auditor at regular intervals. The last such evaluation was carried out for 2019 and resulted in a positive report. The next evaluation is planned for financial year 2022.

Scope of 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.

This Corporate Governance Report no longer contains information on the remuneration of the Executive Board and the Supervisory Board. Please refer to the separate remuneration report which is to be submitted to the Annual General Meeting and is published on the website.

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 2021 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 at 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 or information, abstention from voting or departure from the meeting). This was required once for a single agenda item in the reporting period.

Executive Board

Composition of the Executive Board

GRI 102-18
GRI 405-1

In financial year 2021, the Executive Board was composed of three members.

Since 1 January 2021, the Executive Board comprises Mag. Dr. Michael Strugl MBA (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 Mag. Dr. Michael Strugl MBA Chairman	1963	1/1/2019	31/12/2023
Dr. Peter F. Kollmann Member of the Executive Board	1962	1/1/2014	31/12/2023
Mag. Dr. Achim Kaspar Member of the Executive Board	1965	1/1/2019	31/12/2023

GRI 102-25

Board functions of Executive Board members within the Group

Name	Group company		Function
Mag. Dr. Michael Strugl MBA	VERBUND Energy4Business GmbH	Supervisory Board	Chairman
		Annual General Meeting	Chairman
	Austrian Power Grid AG	Supervisory Board	Member
	VERBUND Hydro Power GmbH	Supervisory Board	Chairman
		Annual General Meeting	Chairman
	VERBUND Green Power GmbH	Annual General Meeting	Vice-Chairman
	VERBUND Energy4Customers GmbH	Annual General Meeting	Chairman
	VERBUND Thermal Power GmbH	Supervisory Board	Chairman
		Annual General Meeting	Chairman
	Ennskraftwerke AG	Supervisory Board	Vice-Chairman
	Gas Connect Austria GmbH	Supervisory Board	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 Energy4Business GmbH	Supervisory Board	Vice-Chairman
	VERBUND Green Power GmbH	Annual General Meeting	Member
	Gas Connect Austria GmbH	Supervisory Board	Chairman

Board functions of Executive Board members within the Group

Name	Group company		Function
Mag. Dr. Achim Kaspar	Ennskraftwerke AG	Supervisory Board	Member
	VERBUND Hydro Power GmbH	Supervisory Board	Vice-Chairman
	VERBUND Innkraftwerke GmbH	Supervisory Board	Chairman
		Shareholders' Meeting	Chairman
	Grenzkraftwerke GmbH	Supervisory Board	Chairman
		Annual General Meeting	Chairman
	Innwerk AG	Supervisory Board	Chairman
	Donaukraftwerke Jochenstein AG	Supervisory Board	Chairman
	Österreichisch-Bayerische Kraftwerke AG	Supervisory Board	Chairman
	VERBUND Thermal Power GmbH	Supervisory Board	Vice-Chairman
		Annual General Meeting	Vice-Chairman
	VERBUND Green Power GmbH	Annual General Meeting	Chairman
	VERBUND Services GmbH	Annual General Meeting	Vice-Chairman

Supervisory Board appointments of Executive Board members outside the Group

Name	Company	Function
Dr. Peter F. Kollmann	Telekom Austria AG	Member
Mag. Dr. Achim Kaspar	KELAG-Kärntner Elektrizitäts-Aktiengesellschaft[1]	Member

[1] As at 31 December 2021, VERBUND held a 35.17% equity interest in KELAG.

Work procedures and allocation of responsibilities

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

The rules of procedure for the Executive Board govern the allocation of responsibilities and how the members of the Executive Board are to 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. Effective 1 January 2021, minor additions were made to the rules of procedure in regard to the representation of the chairperson of the Executive Board in the event that he or she is unable to attend.

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

Mag. Dr. Michael Strugl MBA	Chairman; corporate development (incl. mergers & acquisitions), corporate office (incl. legal affairs, corporate affairs, compliance & audit), strategic human resources, corporate innovation & new business, communications, hydrogen business Business, customers, ventures
Dr. Peter F. Kollmann	Financial management and Investor relations, group controlling, corporate accounting and risk management Services, power grid and gas grid
Mag. Dr. Achim Kaspar	Digitalisation, information security and IT, corporate responsibility Renewable hydropower generation, new renewables generation, thermal generation, tourism

Supervisory Board

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

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 102-24

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.

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 2021, the Supervisory Board has a total of 14 members: nine shareholder representatives elected by the Annual General Meeting and five employee representatives appointed by the Works Council.

On 8 June 2021, MMag. Thomas Schmid resigned his position as a Member and Chairman of the Supervisory Board with immediate effect. The Supervisory Board subsequently appointed Mag. Martin Ohneberg as Chairman. There were no further changes to the composition of the Supervisory Board.

Name	Year of birth	Date of initial appointment	End of current term of office
MMag. Thomas Schmid Chairman (until 8/6/2021)	1975	30/4/2019	8/6/2021
Mag. Martin Ohneberg Chairman (from 22/9/2021) 1st Vice-Chairman (until 22/9/2021) Managing partner of HENN Industrial Group GmbH & Co KG, HENN GmbH and HENN GmbH & Co KG; Member of the boards of directors of Aluflexpack AG, Switzerland (president), and Montana Aerospace AG, Switzerland (vice-president); member of the supervisory boards of VARTA AG, Germany, and Getzner Werkstoffe Holding GmbH, Austria	1971	30/4/2019	AGM 2024
Mag. Dr. Christine Catasta 1st Vice-Chairwoman (from 22/9/2021) 2nd Vice-Chairwoman (until 22/9/2021) Member of the management board and director (authorised representative) of Österreichische Beteiligungs AG (until 31/1/2022); Member of the supervisory boards of OMV AG (vice-chairwoman), Telekom Austria AG (member), Bundesimmobiliengesellschaft m.b.H. (chairwoman), ARE Austrian Real Estate GmbH (chairwoman), Austrian Airlines AG (member), ÖLH Österreichische Luftverkehrs-Holding-GmbH (member) and Casinos Austria AG (member)	1958	16/6/2020	AGM 2024
Mag. Christa Schlager 2nd Vice-Chairwoman (from 22/9/2021) Head of the economic policy department at the Vienna Chamber of Labour; Member of the supervisory board of Österreichische Forschungsförderungsgesellschaft mbH (member)	1969	16/6/2020	AGM 2023
Dr. Susan Hennersdorf CEO cresc. gmbH; Member of the supervisory board of Tele Columbus AG (member until June 2021)	1967	16/6/2020	AGM 2022
Prof. Dr. Barbara Praetorius Professor at the University of Applied Sciences (HTW) Berlin Member of the supervisory board of Berliner Wasserbetriebe (BWB) AöR (member)	1964	16/6/2020	AGM 2022
Mag. Jürgen Roth Managing partner at Tank Roth GmbH; Member of the supervisory board of ICS Internationalisierungscenter Steiermark GmbH (chairman) and ELG (Erdöl-Lagergesellschaft m.b.H.); Member of the European Economic and Social Committee	1973	22/4/2015	AGM 2023
Dipl.-Ing. Eckhardt Rümmler Member of the supervisory board of PreussenElektra GmbH, Germany (member)	1960	16/6/2020	AGM 2024

Name	Year of birth	Date of initial appointment	End of current term of office
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 (member) and Wiener Börse AG (member)	1964	23/4/2018	AGM 2023
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), Bestattung und Friedhöfe Wien GmbH (chairman), WienIT GmbH (chairman), EVN AG (member), Burgenland Holding Aktiengesellschaft (member) and Wiener Gesundheitsverbund (member)	1966	5/4/2017	AGM 2023

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
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.

Of the Supervisory Board members, 21% are between the ages of 30 and 50 and 79% 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 (ÖCGK)):

- 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 nine shareholder representatives have issued a written statement on their independence. Seven 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, Hennersdorf, Praetorius, Roth, Rümmler and Schlager. Both quotas required for independence by Rule 53 and Rule 54 of the Code are thus met.

Meetings of the Supervisory Board

Seven plenary meetings of the Supervisory Board were held during financial year 2021. Due to preventive measures in place in response to the COVID-19 pandemic, only the Chairman and individual members of the Supervisory Board were physically in attendance at the meetings, while the majority of the Supervisory Board members participated remotely by telephone or video. The overall attendance rate for all Supervisory Board members (including remote attendees) was 98%. No member of the Supervisory Board attended fewer than half of the meetings in person (including virtual attendance).

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 2020;
- 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;
- appointment of managing directors in subsidiaries;
- Limberg III pumped storage power plant project;
- Gratkorn power plant project on the Mur River – increase in total project cost;
- wind and solar power projects;
- acquisition of a stake in SMATRICS (EMPA) and sale of 25.1% to EnBW;
- H2 Töging hydrogen project – investment approval;
- approval of agreements with entities that are related parties of Supervisory Board members; and
- approval of the Group budget for 2022.

(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 74th Annual General Meeting on 20 April 2021, the actions of all Supervisory Board members were formally approved.

In light of the highly detailed self-evaluation carried out with the help of external moderators in late 2020, which included interviews with all members of the Supervisory Board and the Executive Board and an in-depth discussion of the results, a formal evaluation was not carried out in the year under review following the Chairman's departure. However, the Supervisory Board meetings included an ongoing discussion on how to improve the board's activities. Another structured self-evaluation is planned for next year.

Composition and work procedures of the committees

In accordance with the provisions of the rules of procedure for the Supervisory Board (as amended on 16 June 2020), 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, a Nomination Committee and a Sustainability 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 (ÖCGK). 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. Dr. Christine Catasta	Chairwoman
Mag. Martin Ohneberg	Vice-Chairman
Mag. Jürgen Roth	Member
Mag. Christa Schlager	Member
Doris Dangl	Employee representative
Kurt Christof	Employee representative

The Supervisory Board's Audit Committee met three times during financial year 2021. The activities of the Audit Committee focused on:

- preparing the resolution on the consolidated financial statements for 2020 and the annual financial statements of VERBUND AG for 2020 including appropriation of profit;
- proposal for the election of the auditor;
- acknowledgement of the semi-annual financial statements for 2021;
- audit process and 2021 audit areas of emphasis (auditor);
- SAP status report;
- commercial integration of companies/interests;
- audit and non-audit services performed by the auditor;
- acknowledgement of the reports of the Executive Board;
- 2022 budget and financial report;
- acknowledgement of the audit programme and audit reports of the Internal Audit department; and
- risks and opportunities.

Strategy Committee

A Strategy Committee has been established in accordance with the applicable rules of procedure. It is comprised of five members of the Supervisory Board elected by the shareholders and three 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 and the handling of specific strategic topics. 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. In addition, the Project Committee established by the Strategy Committee as a subcommittee met once.

Members of the Strategy Committee

Name	Function
Mag. Martin Ohneberg	Chairman
Dipl.-Ing. Eckhardt Rümmler	Vice-Chairman
Mag. Dr. Christine Catasta	Member
Dr. Susan Hennersdorf	Member
Prof. Dr. Barbara Praetorius	Member
Doris Dangl	Employee representative
Ing. Wolfgang Liebscher	Employee representative
Veronika Neugeboren	Employee representative

Emergencies Committee

An emergencies committee (Rule 39 of the Austrian Code of Corporate Governance (ÖCGK)) 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
Mag. Martin Ohneberg	Chairman
Mag. Dr. Christine Catasta	Vice-Chairwoman
Dipl.-Ing. Eckhardt Rümmler	Member
Mag. Christa Schlager	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 (ÖCGK) consisting of the chairperson of the Supervisory Board and the 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
Mag. Martin Ohneberg	Chairman
Mag. Dr. Christine Catasta	Vice-Chairwoman
Mag. Christa Schlager	Member

The Remuneration Committee has the remuneration expert required by Rule 43 of the Austrian Code of Corporate Governance (ÖCGK) at its disposal, as both Mag. Martin Ohneberg and Mag. Dr. Christine Catasta meet this requirement.

The Remuneration Committee met two times during 2021. The meetings dealt with the agreements on targets and level of target achievement for the Executive Board's variable remuneration components as well as the 2020 remuneration report to be submitted to the Annual General Meeting.

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
Mag. Martin Ohneberg	Chairman
Mag. Dr. Christine Catasta	Vice-Chairwoman
Mag. Jürgen Roth	Member
Mag. Christa Schlager	Member
Doris Dangl	Employee representative
Ing. Wolfgang Liebscher	Employee representative

The Nomination Committee did not meet during the reporting period.

Sustainability Committee

With the amendment of the rules of procedure on 16 June 2020, the Supervisory Board established a permanent Sustainability Committee for the first time. In accordance with the 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 Sustainability Committee is responsible for the following tasks in particular:

- discussion of the topics of sustainability, New Green Deal, decarbonisation, energy transition, climate change and environmental protection;
- development of suitable strategies and measures for implementation; and
- annual review of sustainability strategy and targets and support of any adaptive measures.

Members of the Sustainability Committee

Name	Function
Prof. Dr. Barbara Praetorius	Chairwoman
Dipl.-Ing. Eckhardt Rümmler	Vice-Chairman
Mag. Jürgen Roth	Member
Mag. Christa Schlager	Member
Doris Dangl	Employee representative
Dr. Isabella Hönlinger	Employee representative

The Sustainability Committee met four times in financial year 2021. In addition to fundamental objectives, the meetings dealt in particular with the reporting of sustainability topics and specific areas of emphasis (e.g. security of supply and climate action, occupational safety, green finance, corporate carbon footprint).

Contracts requiring consent – conflicts of interest

GRI 102-25

In financial year 2021, 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:

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 2021, an order volume totalling €582k was processed on the basis of the existing contracts (excluding transactions with grid subsidiary APG). These primarily involved electricity and grid purchases 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 2021, an order volume totalling €818k was processed on the basis of the existing contracts (excluding transactions with grid subsidiary APG). These primarily involved grid purchases for VERBUND companies. Two individual transactions (< €210k) were completed under the EFET general electricity trading agreement between VERBUND Energy4Business GmbH and Wien Energie. 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. During the reporting period, the Supervisory Board approved a cooperation agreement granting VERBUND Thermal Power GmbH the right to participate in hydrogen testing at a gas turbine of Wien Energie for a fee of €1m to cover costs.

In financial year 2021, 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 or individual projects. 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, 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.

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 74th Annual General Meeting of VERBUND AG was held on 20 April 2021 as a virtual annual general meeting due to the COVID-19 ban on face-to-face events. The agenda and resolutions adopted for this Annual General Meeting 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 the election of the new Supervisory Board at the Annual General Meeting on 16 June 2020, seven women are members of the Supervisory Board of VERBUND AG (four shareholder representatives and three employee representatives). This share of 50% (overall) not only complies with the statutory quota requiring 30% of the less-represented gender on the supervisory board (women, in the case of VERBUND), it also complies with the federal government's decision from 2011 according to which 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, particularly with the election of three members from Germany reinforcing the internationality.
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.

These diversity criteria were amply taken into account in the election of the new Supervisory Board at the Annual General Meeting on 16 June 2020, particularly the aspects of gender, internationality and specialist expertise.

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 Christine Catasta, Susan Hennersdorf, Barbara Praetorius and Christa Schlager as well as the employee representatives Doris Dangl, Isabella Hönlinger and Veronika Neugeboren, the Supervisory Board of VERBUND AG has seven women members, which equates to a female membership of 50%.

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 2021, 15 women held management positions within the Group (first and second levels of management). The percentage of women in management positions is therefore 13.5%. The percentage of women among employees throughout the Group is 19.3%. 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.
- The Executive Board emphasises non-discrimination within the Group. Numerous measures were developed in 2021 as part of the Gender Balance project and have already been implemented.
- A Gender Balance Network was founded in order to define the parameters, internal structures and responsibilities (including the local points of contact) to allow for and nurture a debate on the topic of gender equity as a facet of a modern and supportive corporate culture.
- 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 equal treatment of men and 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 2021, VERBUND received the Work and Family Audit certificate for the fifth time.
- On a regular basis, VERBUND prepares an income report comparing the salaries of men and women.

Vienna, 17 February 2022

Executive Board

Michael Strugl **Chairman of the Executive Board of VERBUND AG**	Peter F. Kollmann **CFO, member of the Executive Board of VERBUND AG**	Achim Kaspar **Member of the Executive Board of VERBUND AG**

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 in the Integrated Annual Report.

General conditions

Prices for primary energy sources rose steeply in financial year 2021. In spite of this, the economy experienced a significant recovery compared with the previous year. Oil prices increased by more than 60%, gas prices by 390%, coal prices by around 65%, and even prices for emission allowances doubled in 2021. This in turn led to a sharp rise in prices for electrical energy on both the spot and futures markets.

Overall demand for electricity in Austria increased again in 2021 as the economic rebounded. However, domestic electricity generation was down against 2020, leading to a deterioration in net imports.

Actively shaping the future of energy
is front and centre of VERBUND's new strategy.

General economic environment

Significant recovery in the global economy in 2021

The global economy saw significant expansion again in 2021 after the sharp slump in 2020 due to COVID-19. The International Monetary Fund (IMF) put global growth at 5.9%, but also noted that countries with access to vaccines were growing at different rates to those without. Along with the COVID-19 pandemic, supply chain issues as well as rising commodity prices and the related increase in inflation posed major challenges to economic growth.

According to the IMF, economic output rose by 5.6% in the United States and by 5.2% in the euro area, with the countries in Europe that had experienced the sharpest downturns in 2020 showing comparatively higher growth in 2021 (Italy and France, for example). For Germany the IMF anticipated a comparatively smaller increase of 2.7% in 2021.

Besides the above-mentioned issues, economic growth in the coming years will depend to a large extent on the evolution of the COVID-19 pandemic. If more aggressive mutations of the virus emerge, leading to lockdowns, the key indicators can be expected to deteriorate compared with 2021.

For Austria, the Austrian Institute of Economic Research (Österreichisches Institut für Wirtschaftsforschung, WIFO) predicted economic growth of 4.1% for 2021 and 5.2% for 2022. Although the economic upswing was heterogeneous from sector to sector, overall it was extremely strong. However, in the second half of 2021, supply bottlenecks, rising commodity prices and further lockdowns had a dampening effect. The labour market also recovered rapidly in spite of weaker growth in the tourism sector.

Energy market environment

Electricity consumption up amid lower power generation in Austria

Austria's electricity consumption (less pumped storage consumption, including grid loss and own use of electricity by power plants) in 2021 was up 3.4% year-on-year at 71.2 TWh, principally on the back of the economic recovery. With the exception of January, February and October, electricity consumption in the remaining months of 2021 was higher than in the previous year. The biggest increase in consumption, of 15.2%, was in April 2021.

Generation of electricity from hydropower was down by as much as 5.5% on the 2020 figure. By contrast, generation from thermal power plants in Austria rose by 2.1% year-on-year in 2021 (+0.3 TWh).

Electricity generation from wind power plants also declined in 2021 due to lower wind supply after 2020. Generation volumes in 2021 were down by 1.0%. In contrast to 2020, there was a decrease in other generation (–5.3%). This figure includes other renewable energy sources (excluding biomass, which falls into the category of thermal generation) and from plants that cannot yet be allocated for statistical purposes. Overall, at 69.0 TWh, electricity production in Austria in 2021 was down 3.3% on the prior-year figure.

Net imports likewise deteriorated year-on-year in 2021 owing to lower generation volumes amid an increase in demand. In 2021, electricity imports rose by 7.8% and electricity exports fell by 15.2%, giving net imports of –7.5 TWh.

Oil prices recover compared with 2020

The price of Brent crude oil (front month) was around \$71/bbl in 2021 compared with approximately \$43/bbl in 2020. This represents an increase of more than 60%.

After oil prices had tanked in 2020 in connection with the COVID-19 crisis (–33%), in 2021 the oil market saw an equally strong recovery in prices when a rebound in demand triggered by the economic recovery was met with only a halting increase in supply, especially from OPEC+ countries. The steep rise in gas and coal prices also drove oil prices sharply higher, as oil now increasingly came into consideration as a substitute energy source.

Surge in gas prices

Prices on the spot market at the European NCG trading point (from 1 October 2020 THE – Trading Hub Europe) averaged around €47/MWh in 2021, which was €37/MWh or 390% higher year-on-year. In futures trading, invoiced amounts for supplier contracts for the coming year (NCG front year) were around €34/MWh in 2021 – approximately €20/MWh or 146% higher than prices for front year in 2020. This price rally was mainly attributable to the incipient economic recovery with increased demand for gas (primarily in Asia), but also to supply problems and insufficient gas storage facilities in Europe. The conflict between Russia and Ukraine caused additional strain in the European gas market.

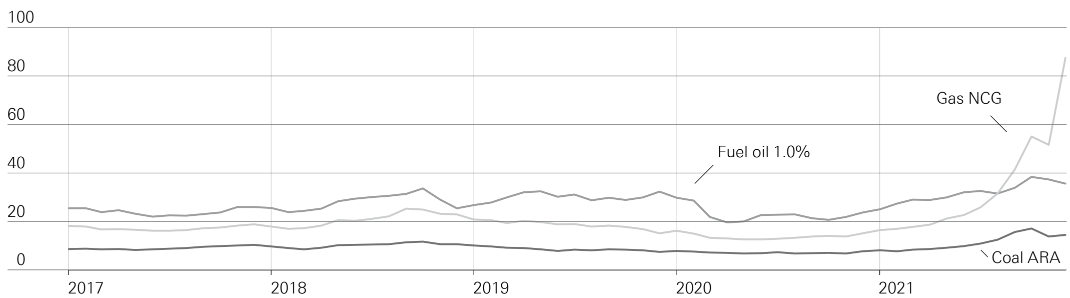
Increase in steam coal prices

Steam coal prices also surged in 2021 compared with the previous year. Coal prices on the futures market (ARA front year) were up $37/t (64%) on the prior year at an average of $95/t.

Coal prices on the spot market also rose sharply. Averaging $122/t in 2021, these were 144% higher than the average listing in the previous year.

There are several reasons for this price increase. In Europe, the steep rise in gas prices and weak renewable electricity generation led to increased coal-fired power generation, while in Asia the economic recovery resulted in strong growth in demand. This was met with faltering supply, especially in China. Following several catastrophic mining accidents, a new mining safety campaign was declared. As a result, but also due to flooding in coal-producing regions, coal production slowed down significantly.

Coal, oil and gas price performance €/MWh thermal



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

Rising carbon prices

After 2020, a year dominated by the COVID-19 crisis, a significant recovery was also observed on the CO_2 market in 2021: while prices were just shy of €35/t at the beginning of the year (forward market front year), they rose during the year to reach around €80/t at year-end. Reasons for this price increase were the EU's stricter climate targets, the economic recovery, and higher CO_2 emissions related to the sharp rise in coal-fired power generation as a consequence of surging gas prices and weak wind power generation. In 2021, CO_2 prices averaged €54/t, more than twice the average level of €25/t in 2020.

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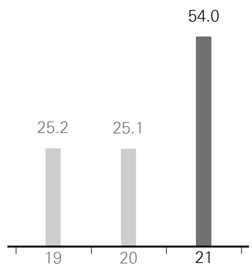
CO_2 emission allowance prices €/t CO_2



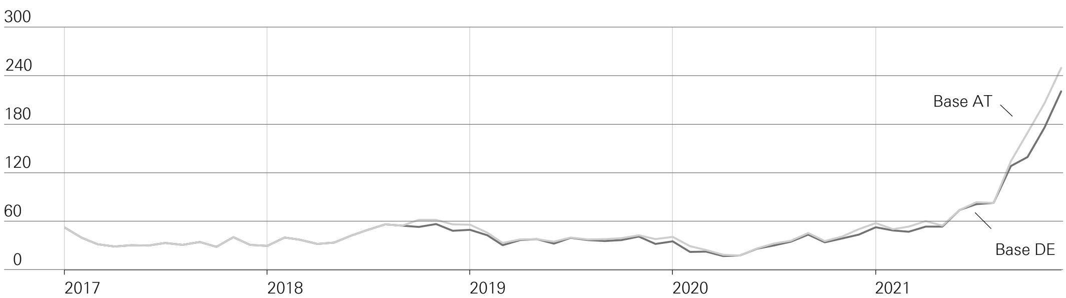
EUA Front-Year-Future; Average yearly prices *Source: ICE*

Sharp price increase in the market for wholesale electricity

In 2021, the market for wholesale electricity was affected by a sharp price increase, both on the spot market and on the futures market. The two markets were impacted by the steep rise in CO_2 and primary energy prices and by the rebound in demand for electricity in Europe.

The average price for base load electricity deliveries in the Austrian market area on EPEX Spot, the European electricity exchange spot market, was up 222% year-on-year to €107/MWh in 2021. At €127/MWh, peak-load prices were also 219% higher than the 2020 average. The average price for immediate base load electricity deliveries in the German market area in 2021 was €97/MWh (up 218% on the previous year), and the price for peak-load energy was €116/MWh (up 208%). From September 2021 onwards, the average base spot price in the German market area was well over €100/MWh, rising to more than €200/MWh in December 2021. This constituted a historic high. Prices in Austria during this period were significantly higher again.

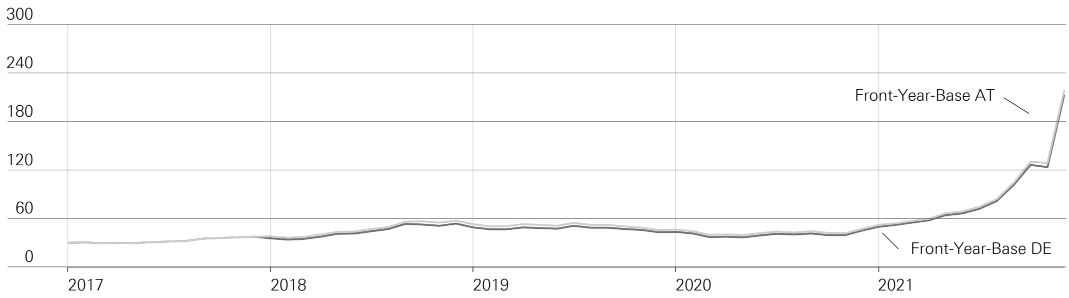
Spot market electricity price performance (Base) in €/MWh



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 2022 (front year base) was traded at an average price of €91/MWh in 2021 in the Austrian market area and peak load (front year peak) was traded at €110/MWh. This represented an increase of over 110% year-on-year. In the German market area, front year base traded at an average of €88/MWh and front year peak at €107/MWh in 2021, an increase of around 120%.

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



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 2021 had only a minor influence on revenue in the reporting period.

Political and regulatory framework

EU energy policy

TCFD

European Climate Law

The main aim of the European Green Deal – the central European strategy document for energy and climate policy – unveiled back in 2019 is to increase the EU's climate targets for 2030 and 2050. The Union's ambitious objective has also been enshrined in law with the European Climate Law adopted in 2021. The European Commission raised its target for 2030 from a 40% reduction in greenhouse gas emissions to a 55% cut (1990 baseline), while the target reduction for 2050 has been increased from 80% to 95% on the path to net climate neutrality (1990 baseline).

Fit for 55 legislative package

In mid-July 2021 the European Commission provided more details on the implementation and structure of the target trajectory for achieving this reduction in greenhouse gases in a comprehensive legislative package entitled "Fit for 55". The package comprises twelve legislative proposals and other non-legislative statements. A reform of the EU ETS is central to achievement of the targets; this will increase the linear reduction factor (reduction of the number of emission allowances issued each year) from 2.2% p.a. to 4.2% p.a. and lead to a one-time overall reduction of the available emission allowances. The total number of free allowances allocated will also be reduced at a faster pace. Shipping will be integrated into the EU ETS from 2026 and separate emissions trading systems for road transport and buildings will be introduced. As regards the amendment to the Renewable Energy Directive (RED3), the European Commission intends to raise the EU final energy consumption target for renewables from 32% at present to 40% in 2030. More ambitious 2030 renewables sub-targets have been defined for transport (13% greenhouse gas intensity reduction) and for heating and cooling (annual binding increase of 1.1 percentage point in the share of renewables). For renewable hydrogen, it is proposed that the rules for the production of green hydrogen from electrolysis, which under the current

RED2 are applicable exclusively to the transport sector, be extended to all final hydrogen consumption sectors. Furthermore, the draft RED3 provides for a 50% renewable share in hydrogen consumption in industry by 2030. The Energy Efficiency Directive also seeks to introduce a higher target for reducing primary (39%) and final (36%) energy consumption by 2030, up from the current target of 32.5% (for both primary and final consumption). This will be reflected in a higher annual obligation on member states to achieve annual energy savings of 1.5% in end-use consumption (currently set at 0.8%).

Another central component of the package is the proposal for a carbon border adjustment mechanism, i.e. a type of CO_2 countervailing duty for carbon-intensive sectors. The European Commission is pushing for the legislation to be passed by 2023 to allow enough time to reach the 2030 targets.

Sustainable Finance Taxonomy Regulation

In April, the European Commission published the delegated act setting out technical screening criteria for the environmental objectives of climate change mitigation and adaptation based on the Sustainable Finance Taxonomy Regulation. According to the technical screening criteria, all electricity generated from wind power and solar energy shall be considered sustainable within the meaning of the taxonomy. In principle, this likewise applies to electricity generated from hydropower, but the delegated act requires further proof of the sustainability of hydropower plants. At the time the report was published, the European Commission was proposing to classify investments in electricity generation from nuclear and gas-fired power plants as sustainable under certain circumstances. The proposal is currently being examined by the European Council and the European Parliament. In July, the European Commission also published a delegated act with details on reporting requirements for companies from 2022 onwards arising from the Taxonomy Regulation.

IPCEI Hydrogen – Important Projects of Common European Interest

In August 2021 Austria submitted a pre-notification to the European Commission with a selection of Austrian hydrogen projects as part of the IPCEI industrial policy initiative. If awarded IPCEI status by the European Commission, the projects could be given preferential treatment in terms of public funding. Austria has earmarked €125m for this from the funds it receives under the EU growth initiative Recovery & Resilience Fund. The pre-notification document names three VERBUND projects (Carbon2Product Austria and two modular sub-projects of Green Hydrogen@Blue Danube). The award of a subsidy cannot be inferred from the pre-notification.

Hydrogen and Decarbonised Gas Market Package

The European Commission released its Hydrogen and Decarbonised Gas Market Package (also known as the gas package) in mid-December 2021. A sister package to the Fit for 55 package, it addresses the integration of decarbonised gases (blue hydrogen produced from natural gas plus CCS/CCU) as well as low-carbon gases (nuclear hydrogen). The Hydrogen and Decarbonised Gas Market Package presents a unified nomenclature for hydrogen that classifies hydrogen according to its method of production (renewable or fossil origin) and its final CO_2 life cycle emissions. The future use of gas infrastructure is also addressed. In addition, specific regulations for the construction and operation of hydrogen networks are proposed. These are supplemented by regulations on the conversion of existing gas grid infrastructure.

New legal framework for the energy sector in Austria

TCFD

Renewable Energy Development Act approved

The Renewable Energy Development Act (Erneuerbaren-Ausbau-Gesetz, EAG) was approved by the Austrian National Council on 7 July 2021. The EAG will serve to implement the goal of 100% of electricity generated from renewables by 2030 (national balance). Technology-specific expansion trajectories are envisaged for this. The annual subsidy volume (three-year average) is not expected to exceed €1bn. The EAG stipulates that renewable energy contributions shall be capped for low-income households. For hydropower plants, the EAG largely provides for subsidies granted by means of administratively determined market premiums, i.e. up to 25 MW (or, in the case of larger plants, for the first 25 MW) for new construction, expansion and rehabilitation projects. The total annual contract award volume is 100 MW, with 20 MW being put out to tender together with the wind power projects due to objections by the European Commission under state aid law. To be eligible for funding, rehabilitation projects must achieve an increase of 5% in mean energy capability/maximum electrical capacity for plants up to 1 MW, and an increase of 3% for plants above 1 MW.

Photovoltaic installations with a capacity of 10 kWp or higher will be subsidised via tenders for market premiums; investment grants are also possible for plants with a capacity of up to 1 MWp. A subsidy reduction of 25% is provided for open-field solar installations on grassland or on land used for agricultural purposes (with exceptions). Wind power plants with a capacity of 1 MW or higher will be subsidised in 2022 via an administrative allocation and from 2023 via tenders for market premiums. A location differentiation model is planned so that less profitable locations can also be expanded.

A local area (NE 6, NE 7) and a regional area (NE 5, partly NE 4) are defined as territorial limitations for renewable energy communities (RECs). These will particularly be exempted from the grid fees of the upstream grid levels, but will also enjoy other benefits.

The EAG also provides for subsidies for generation facilities in the field of renewable gases. Among other things, investment subsidies of €40m per year will be made available for green hydrogen production plants. Tariff relief and exemptions from end-user charges for electrolysis (similar to the exemption from tariffs and end-user charges for pumped storage that will be granted in the future for 15 years) have also been defined.

Ecosocial tax reform

A proposal for ecosocial tax reform was presented in autumn 2021. The project envisaged in the government programme provides for progressive national carbon pricing of sectors outside the EU Emissions Trading Scheme (buildings, transport, sections of industry) from 1 July 2022, offset by a substantial relief mechanism. Carbon will be priced at €30/t in July 2022, rising to €55/t by 2025. In 2026, the price is to be aligned with the EU ETS. Reimbursement will be made by easing the burden of labour and pensions (e.g. wage tax reduction), by reducing the pressure on the economy (e.g. reduction of corporate income tax) and through other compensation mechanisms such as regional bonuses.

The amendments of the Energy Efficiency Act (Energieeffizienzgesetz, EEffG) and the Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) for implementation of the Clean Energy Package were not presented in 2021. The Austrian Climate Change Act (Klimaschutzgesetz, KSG) and the amended Environmental Impact Assessment Act (Umweltverträglichkeitsprüfungsgesetz, UVP-G) are also not expected until 2022. Likewise, a decision on the Austrian hydrogen strategy was not made in 2021.

New legal framework for the energy sector in Germany

The Climate Change Act passed by the German Bundestag in summer 2021 ushered in stricter requirements for mitigating climate change and made the goal of achieving greenhouse gas neutrality by 2045 binding. Accompanying the bill, Germany's federal government adopted an emergency programme to underpin the ambitious goals. TCFD

Emissions are to be cut by 65% by 2030 (1990 baseline). An 88% reduction in greenhouse gases is targeted for 2040. New ambitious targets have also been defined in the individual sectors of the economy such as transport and energy. Besides the ambitious expansion targets, changes in approval procedures are also expected to accelerate the expansion of renewables. In future, power plant upgrades will face fewer hurdles. This could make it easier to replace existing wind power plants with new ones. Looking ahead, only the question of whether the replacement of the plant will bring about an improvement for the environment will be decisive for approval.

The new federal government that took office in December 2021 will continue on the path to climate neutrality in 2045 and aims to achieve the climate targets by moving ahead with the expansion of renewables and a climate check for all draft legislation. Going forward, achievement of targets will be reviewed on the basis of a multi-year national account of climate action policy.

Finance

Factors affecting the result

Wholesale electricity prices

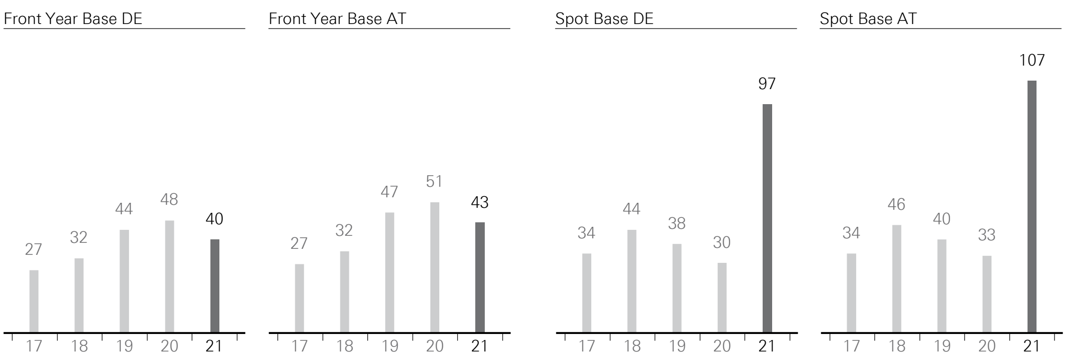
VERBUND contracted for most of its own electricity generation for 2021 on the futures market back in 2019 and 2020. Ever since the split of the joint German-Austrian price zone in October 2018, separate, higher prices have prevailed in Austria. Prices for AT 2021 front-year base load contracts (traded in 2020) averaged €42.8/MWh, and prices for DE 2021 front-year base load contracts averaged €40.2/MWh. Futures market prices thus decreased year-on-year by 16.4% (AT) and 16.0% (DE).

Front-year peak load (AT) contracts traded at an average of €52.0/MWh and front-year peak load (DE) contracts traded at an average of €49.0/MWh. Futures market prices in this area thus also decreased year-on-year by 16.3% (AT) and 14.9% (DE). The declines are mainly attributable to the COVID-19 pandemic.

Following the sharp drop in the previous year due to COVID-19, wholesale trading prices for electricity on both the Austrian and German spot markets rallied significantly in quarters 1–4/2021. Prices for base load electricity increased by an average of 222.4% to €106.8/MWh in Austria and by 217.9% to €96.8/MWh in Germany. Prices for peak load rose by 218.7% to €127.3/MWh in Austria and by 208.3% to €115.5/MWh in Germany. These massive increases can be attributed to the sharp rise in CO_2 and primary energy prices.

Futures prices €/MWh

Spot market prices €/MWh



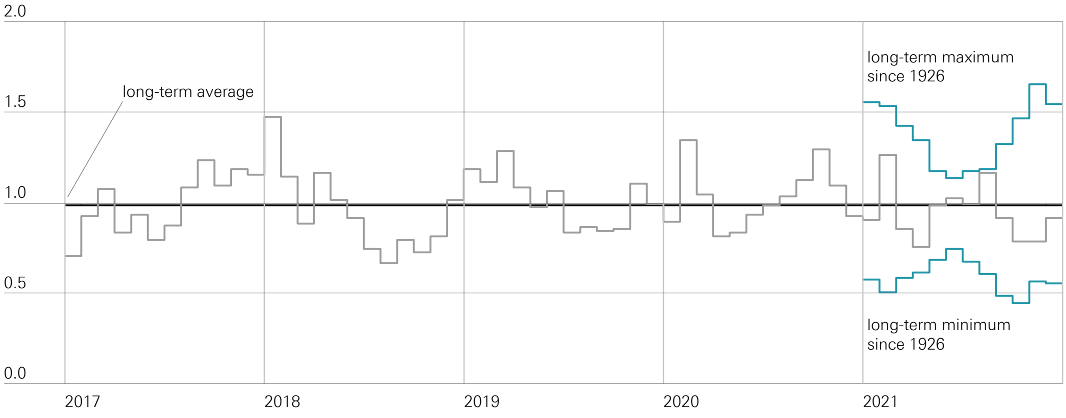
Futures prices traded in the year before supply. The years stated are the respective years of supply.
2017 – 2018: Market area Gemany/Austria. Starting 2019: Market area Germany or Austria respectively.
Spot prices: 1/1/2017 – 30/9/2018 Market area Germany/Austria, starting 1/10/2018 Market area Germany or Austria respectively. Average prices.

Source: EEX, EPEX Spot

Water supply

The water supply in rivers is of particular significance for VERBUND since around 94% 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 2021 reporting period, the hydro coefficient for run-of-river and pondage power plants was 0.95, which is 5 percentage points lower than the long-term average and 6 percentage points below the prior-year level (1.01). The hydro coefficients for the individual quarters differed substantially as follows: quarter 1: 0.99 (previous year: 1.09), quarter 2: 0.93 (0.86), quarter 3: 1.03 (1.05) and quarter 4: 0.83 (1.11).

Hydro coefficient (monthly averages)



Electricity supply and sales volumes

VERBUND's own generation decreased by 2,176 GWh, or 6.5% in quarters 1–4/2020 to 31,306 GWh compared with the same period in 2020. Generation from hydropower decreased by 2,185 GWh compared with the previous year. The hydro coefficient for the run-of-river power plants dropped to 0.95, or 6 percentage points below the prior-year figure and 5 percentage points below the long-term average. Generation from our annual storage power plants fell by 6.9% in quarters 1–4/2021 versus 2020. The effects from increasing reservoir levels and a slightly lower inflow outweighed the higher generation from turbining.

The volume of electricity generated by VERBUND's wind power installations in quarters 1–4/2021 was 84 GWh lower in the reporting period than in the previous year due to the low wind supply in all markets (Austria, Germany, Romania). Electricity generated by photovoltaic installations stood at 2.1 GWh in 2021.

By contrast, generation from thermal power plants increased by 91 GWh in quarters 1–4/2021. The Mellach combined cycle gas turbine power plant produced 437 GWh more electricity in the reporting period than in the prior-year reporting period due to market-driven operations for district heating production in quarter 4/2021, in spite of the plant's reduced use for congestion management. The Mellach district heating power plant, which since the end of quarter 1/2020 has been used solely in gas operation, was deployed for only a brief period and generated 345 GWh less electricity.

Purchases of electricity from third parties for trading and sales fell by 2,126 GWh. By contrast, electricity purchased from third parties to cover grid loss and control power volumes increased by 587 GWh.

Group electricity supply

GWh

	2020	2021	Change
Hydropower[1]	31,525	29,340	–6.9%
Wind power	924	839	–9.1%
Solar power	1	2	–
Thermal power	1,033	1,125	8.8%
Own generation	33,482	**31,306**	–6.5%
Electricity purchased for trading and sales	29,918	27,793	–7.1%
Electricity purchased for grid loss and control power volumes	3,588	4,175	16.4%
Electricity supply	66,989	**63,274**	–5.5%

[1] incl. purchase rights

VERBUND's electricity sales volume fell by 3,845 GWh in quarters 1–4/2021. Electricity volumes delivered to consumers rose by 636 GWh. In the wake of the COVID-19-related decline in the previous year, the numbers of both domestic and foreign customers rose. As at 31 December 2021, our residential customer base comprised approximately 527,000 electricity and gas customers. By contrast, sales to resellers fell by 2,116 GWh year-on-year, mainly due to lower delivery volumes in Austria. Electricity deliveries to trading firms decreased by 2,366 GWh due to lower spot trading volumes. Own use of electricity rose by 61 GWh. This increase is attributable above all to increased operation of the Group's power plants in turbining mode.

Group electricity sales volume and own use

GWh

	2020	2021	Change
Consumers	13,568	14,204	4.7%
Resellers	29,009	26,893	–7.3%
Traders	20,164	17,799	–11.7%
Electricity sales volume	62,741	**58,896**	–6.1%
Own use	3,327	3,388	1.8%
Control power volume	921	990	7.5%
Total electricity sales volume and own use	66,989	**63,274**	–5.5%

Approximately 56% of the electricity sold by VERBUND in quarters 1–4/2021 went to the Austrian market (previous year: around 55%). International trading and sales activities focused on the German market, which accounted for around 81% of all volumes sold abroad in 2021.

Electricity sales by country

GWh

	2020	2021	Change
Austria	34,469	33,185	–3.7%
Germany	23,098	20,798	–10.0%
France	4,284	4,191	–2.2%
Romania	875	669	–23.5%
Other	15	53	–
Electricity sales volume	62,741	**58,896**	–6.1%

Financial performance

Result

€m

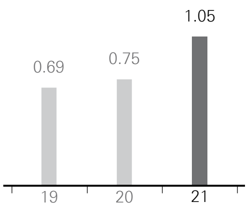
	2020	2021	Change
EBITDA	1,292.8	1,579.0	22.1%
Adjusted EBITDA	1,292.8	1,579.0	22.1%
Operating result	921.9	1,266.8	37.4%
Group result	631.4	873.6	38.3%
Adjusted Group result	610.4	798.6	30.8%
Earnings per share in €	1.82	2.51	38.3%
(Proposed) dividend per share in €	0.75	1.05	40.0%

Income trend

VERBUND saw a significant improvement in the results posted for financial year 2021. EBITDA climbed by 22.1% to €1,579.0m. The Group result surged by 38.3% to €873.6m compared with the same period of the previous year. The hydro coefficient for the run-of-river power plants dropped to 0.95, or 6 percentage points below the prior-year figure and 5 percentage points below the long-term average. Generation from our annual storage power plants fell by 6.9% in quarters 1–4/2021 versus 2020. Generation from hydropower thus decreased by 2,185 GWh compared with the previous year. However, the marked increase in wholesale electricity prices on the spot markets and the prices for short-term futures gave a boost to earnings – unlike futures market prices, which declined in the period under review. Consequently, the average sales price obtained for our own generation from hydropower rose significantly by €10.2/MWh to €54.8/MWh. The first-time consolidation of Gas Connect Austria GmbH (GCA), the regulated gas transmission and distribution system operator in Austria acquired with effect from 31 May 2021, likewise made a positive contribution to earnings.

The Group result for financial years 2020 and 2021 was also influenced by non-recurring effects. These were mainly effects from impairment tests and, in the financial result, the measurement of an obligation to return an interest. Overall, non-recurring income of €75.0m was recorded in the Group result in financial year 2021 (2020: €21.0m). Adjusted for these non-recurring effects, the Group result rose by 30.8% to €798.6m.

Dividend per share €



Dividend

A dividend of €1.05 per share for financial year 2021 will be proposed to the Annual General Meeting on 25 April 2022. The payout ratio calculated on the basis of the reported Group result amounts to 41.8% for 2021 and the payout ratio calculated on the basis of the Group result after adjusting for non-recurring effects is 45.7%. In 2020, a dividend of €0.75 per share was paid out to shareholders; the payout ratio amounted to 41.3% of the reported Group result or 42.7% of the adjusted Group result.

Revenue €m

	2020	**2021**	Change
Electricity revenue	2,814.0	3,833.3	36.2%
Grid revenue	497.3	735.0	47.8%
Other revenue	138.4	208.4	50.5%
Revenue	3,449.8	4,776.6	38.5%

Electricity revenue

VERBUND's electricity revenue rose by €1,019.2m to €3,833.3m in 2021. The sharp increase in electricity revenue can be attributed to the massive increase in wholesale electricity prices. The average sales price obtained for our own generation from hydropower rose significantly by €10.2/MWh to €54.8/MWh. This increase is attributable to markedly higher prices on the spot markets as well as to the prices for short-term futures on the wholesale electricity market, unlike futures market prices, which declined in the period under review. In terms of quantities, electricity sales volumes decreased by 3,845 GWh, or 6.1%, year-on-year.

Grid revenue

Grid revenue rose by €237.7m year-on-year to €735.0m in 2021. The revenue increase at Austrian Power Grid AG (APG) of €113.9m is primarily due to an increase in revenue from balancing services and to higher revenue from the auctioning off of cross-border capacity. An increase in national tariff revenue resulting from volume effects was also recorded. This contrasted with a decrease in international revenue from grid usage fees attributable to inter-TSO compensation. The first-time consolidation of Gas Connect Austria GmbH (GCA), the regulated gas transmission and distribution system operator in Austria acquired with effect from 31 May 2021, also increased grid revenue.

Other revenue and other operating income

Other revenue climbed by €69.9m to €208.4m. District heating revenue rose significantly due to the inception of the new agreement to supply district heating from the Mellach combined cycle gas turbine power plant as at 1 October 2021. Higher revenue from gas deliveries and emission allowances also had a positive effect, as did the first-time consolidation of Gas Connect Austria GmbH and SMATRICS GmbH & Co KG. Income from the sale of green electricity certificates declined, however. Other operating income rose by €19.9m to €97.4m. This is largely due to the income from insurance compensation assured in connection with the incident on 12 December 2017 that occurred at the Baumgarten gas station operated by Gas Connect Austria GmbH. Own work capitalised also rose.

Expenses €m

	2020	2021	Change
Expenses for electricity, grid, gas and certificates purchases	1,404.4	2,612.6	86.0%
Fuel expenses and other usage-/revenue-dependent expenses	78.8	250.1	–
Personnel expenses	347.6	383.7	10.4%
Other operating expenses	276.3	318.3	15.2%

Expenses for electricity, grid, gas and certificates purchases

Expenses for electricity, grid, gas and certificates purchases increased by €1,208.2m to €2,612.6m. The volume of electricity purchased from third parties for trading and sales as well as for grid losses and control power declined by a total of 1,539 GWh. By contrast, higher procurement prices arising from higher overall price levels for wholesale electricity gave rise to a significant increase in expenses. Expenses for electricity purchases thus increased by €1,149.5m compared with the previous year. Expenses for grid purchases fell by €4.7m and expenses for gas purchases climbed by €54.9m.

Fuel expenses

Fuel and other usage-/revenue-dependent expenses rose by €171.3m to €250.1m. There was a marked increase in gas expenses due in particular to the sharp rise in gas prices. Production was also up year-on-year (for details please refer to the section entitled Electricity supply and sales volumes). In addition, the higher expenses for emission allowances, which were likewise attributable to the significant price increases, pushed up expenses. By contrast, the discontinuation of coal-fired generation at the Mellach district heating power plant with effect from 31 March 2020 resulted in the elimination of coal expenses.

Personnel expenses

Personnel expenses were up €36.1m year-on-year to €383.7m. The increase essentially resulted from the consolidation of Gas Connect Austria GmbH and SMATRICS GmbH & Co KG with 383 employees in all. In addition, the hiring of additional staff required for the implementation of strategic growth projects raised personnel expenses, as did the 1.5% increase in pay rates under the collective bargaining agreement.

Other operating expenses

Other operating expenses rose by €42.1m to €318.3m. This increase is primarily due to the consolidation of Gas Connect Austria GmbH. Other contributory factors were the rise in goods and services purchased for third-party maintenance of power plants and line systems, higher IT expenses and higher legal, audit and consulting expenses.

Measurement and recognition of energy derivatives

Starting in the 2021 reporting period, the result from the measurement of energy derivatives and the result from the recognition of futures to which hedge accounting in accordance with IFRS 9 is not applied are no longer presented under revenue and electricity, grid, gas and certificates purchases but combined in a separate item entitled Measurement and recognition of energy derivatives.

The 2021 reporting period shows a gain of €269.7m (previous year: loss of €127.4m). The gain was mainly due to a surplus from positive recognitions of futures purchases on the stock exchange resulting from the sharp increase in electricity prices. Futures are recognised on the fulfilment or cascading of the contract. The products are replaced by equivalent positions in quarterly or monthly futures after the last trading day of the product in question.

EBITDA

As a result of the above-mentioned factors, EBITDA increased by 22.1% to €1,579.0m.

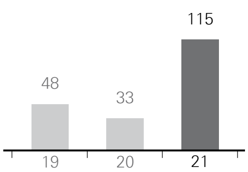
Depreciation and amortisation

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €38.5m to €417.3m. Along with the first-time consolidation of Gas Connect Austria GmbH, this is due in particular to an increase in the investment volume.

Impairment losses

Impairment losses of €9.9m mainly concerned the goodwill of Gas Connect Austria GmbH in the amount of €8.8m. The impairment losses in financial year 2020 of €25.0m had essentially related to the Mellach combined cycle gas turbine power plant (€14.9m) and the Gries run-of-river power plant (€5.6m). Further details on impairment testing are presented in the notes to the consolidated financial statements.

Reversal of impairment losses €m



Reversal of impairment losses

Reversals of impairment losses of €115.0m, which are mostly attributable to assumptions of higher electricity prices, resulted primarily from the reversal of impairment losses recognised on the wind farms in Romania (€58.3m), the Mellach combined cycle gas turbine power plant (€24.5m), the Malta/Reißeck storage power plant group (€11.7m) and the Zemm-Ziller storage power plant group (€9.0m). The reversals of impairment losses of €32.9m in financial year 2020 had been attributable to the reversal of impairment losses recognised on the wind farms in Romania. Further details on impairment testing are presented in the notes to the consolidated financial statements.

Financial result

€m

	2020	2021	Change
Result from interests accounted for using the equity method	28.8	34.8	20.8%
Other result from equity interests	10.3	19.5	90.0%
Interest income	32.1	38.4	19.5%
Interest expenses	–81.0	–77.8	–4.0%
Other financial result	32.8	–15.8	–
Impairment losses	0.0	–18.3	–
Reversals of impairment losses	3.4	16.8	–
Financial result	26.4	–2.4	–

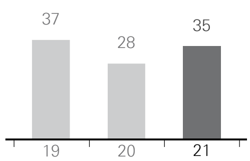
Result from interests accounted for using the equity method

The result from interests accounted for using the equity method rose by €6.0m to €34.8m. This increase is mainly due to the earnings contributions from KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

Other result from equity interests

The other result from equity interests increased by €9.3m year-on-year to €19.5m. This increase resulted mainly from the non-recurring effect arising from the transitional consolidation of SMATRICS GmbH & Co KG. Further details on the consolidation of SMATRICS GmbH & Co KG effective 30 September 2021 can be found in the notes.

Equity result - domestic €m



Equity method accounting

Interest income and expenses

Interest income increased by €6.3m to €38.4m compared with 2020 on account of the recognition of default interest through profit or loss. Interest expenses fell by €3.2m to €77.8m, due in particular to the decrease in interest payments on bonds. The positive effects from the repayments of principal in financial year 2020 outweighed the negative effects from the issuance of a €500m bond in April 2021. Interest expenses from credit facilities also decreased as a result of scheduled repayments.

Other financial result

The other financial result fell by €48.6m to €–15.8m. This decrease can be attributed primarily to the measurement of an obligation to return an interest (€–56.2m) relating to the Jochenstein power plant on the Danube River. Conversely, the measurement of securities funds through profit or loss in accordance with IFRS 9 had a positive effect (€+9.4m).

Impairment losses and reversals of impairment losses in the financial result

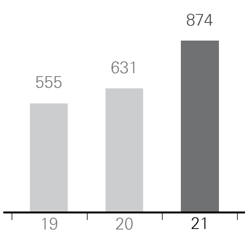
The impairment losses of €18.3m resulted from the impairment loss recognised on Trans Austria Gasleitung GmbH. As in the previous year, the reversal of impairment losses of €16.8m (2020: €3.4m) resulted from the reversal of the impairment loss recognised on Ashta Beteiligungsverwaltung GmbH. Further details on impairment testing are presented in the notes to the consolidated financial statements.

Financial result

The financial result consequently declined by €28.8m, falling from €26.4m to €–2.4m.

Group result

Group result €m



After taking account of an effective tax rate of 22.1% and non-controlling interests in the amount of €111.5m, the Group result amounted to €873.6m. This represents an increase of 38.3% compared with the previous year. Earnings per share amounted to €2.51 (2020: €1.82) for 347,415,686 shares. The Group result after adjustment for non-recurring effects was €798.6m, corresponding to an increase of 30.8% on the prior-year period.

Financial position

Consolidated balance sheet (condensed)

€m

	2020	Percent	**2021**	**Percent**	Change
Non-current assets	11,285.3	94%	12,877.4	75%	14.1%
Current assets	702.3	6%	4,234.1	25%	–
Assets	11,987.7	100%	**17,111.6**	**100%**	42.7%
Equity	6,807.4	57%	6,362.9	37%	–6.5%
Non-current liabilities	4,045.4	34%	4,404.4	26%	8.9%
Current liabilities	1,134.8	9%	6,344.2	37%	–
Equity and liabilities	11,987.7	100%	**17,111.6**	**100%**	42.7%

Assets

The rise in non-current assets compared with 31 December 2020 is mainly attributable to the increase in property, plant and equipment due in particular to the first-time consolidation of Gas Connect Austria GmbH as at 31 May 2021. The other additions to property, plant and equipment of €842.8m were reduced by depreciation of €375.3m. The main additions to property, plant and equipment related to capital expenditure for the Austrian transmission network and replacement investments at Austrian and German hydropower plants. The increase in current assets is primarily due to substantially higher positive fair values for derivative hedging transactions in the electricity business resulting from the sharp increase in wholesale prices for electricity, as well as to higher trade receivables and receivables for guarantees in electricity trading. SDG 8

Equity and liabilities

The decrease in equity is largely attributable to considerable negative effects from the measurement of cash flow hedges recognised in other comprehensive income, resulting in particular from the sharp increase in wholesale prices for electricity, as well as to the dividend payment by VERBUND AG. These were offset by the profit for the period generated in quarters 1–4/2021 and by higher equity attributable to non-controlling interests as a result of the first-time consolidation of Gas Connect Austria GmbH, which increased equity. The increase in current and non-current liabilities was primarily the result of sharply higher negative fair values for derivative hedging transactions in the electricity business arising from the steep rise in wholesale prices for electricity, higher current borrowings from banks, the Green and Sustainability-linked Bond issued in quarters 1–4/2021 and higher financial liabilities in connection with the acquisition of Gas Connect Austria GmbH.

Cash flows

Cash flow statement (condensed)

€m

	2020	2021	Change
Cash flow from operating activities	1,182.1	98.2	–91.7%
Cash flow from investing activities	–596.8	–1,105.3	85.2%
Cash flow from financing activities	–580.8	1,276.5	–
Change in cash and cash equivalents	4.6	**269.4**	–
Cash and cash equivalents at the end of the period	49.2	318.6	–

Cash flow from operating activities

Cash flow from operating activities amounted to €98.2m in the 2021 reporting period, down €1,084.0m on the prior-year figure. In addition to changes in working capital and significantly higher income tax payments, the difference was chiefly due to considerably higher margining payments for hedging transactions in electricity trading provided as security for open positions held with exchange clearing houses.

Cash flow from investing activities

Cash flow from investing activities amounted to €–1,105.3m in the 2021 reporting period (2020: €–596.8m). The change compared with the previous year is mainly attributable to the acquisitions of Gas Connect Austria GmbH (€–230.5m) and SMATRICS GmbH & Co KG (€–16.7m), as well as to a higher cash outflow from capital expenditure for intangible assets and property, plant and equipment (€–251.7m).

Cash flow from financing activities

Cash flow from financing activities amounted to €1,276.5m in the 2021 reporting period, a change of €+1,857.3m. The main reason for the change was higher net inflows associated with money market transactions (€+1,395.2m) and the higher cash inflow from the assumption of financial liabilities (€+489.1m). The higher dividend payouts (€–36.8m) and the increased cash outflow from the repayment of financial liabilities (€–12.0m) had an offsetting effect.

Key performance indicators and financial governance

VERBUND's principal management KPIs are net debt/EBITDA and 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 2018.

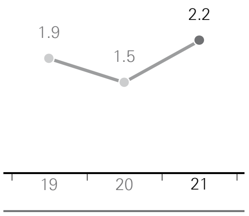
Net debt/EBITDA and free cash flow

The development of the KPIs net debt/EBITDA and free cash flow in 2021 is shaped to a large extent by the sharp increase in wholesale electricity prices and the resulting high security deposits for the exchange-traded futures contracts for hedging own production of electricity.

The ratio of net debt to EBITDA was 2.2 at 31 December 2021 (2020: 1.5). The deterioration was mainly attributable to higher net debt, resulting primarily from higher current borrowings from banks. Information on the change in EBITDA is presented in the Finance section.

Free cash flow after dividends amounted to €–1,329.5m at the end of the reporting period (2020: €299.5m). The change is chiefly due to a substantially lower operating cash flow (for more information see the Finance section), increased capital expenditure on property, plant and equipment and consolidated subsidiaries, and higher dividend payments compared with 2020.

Net debt/EBITDA



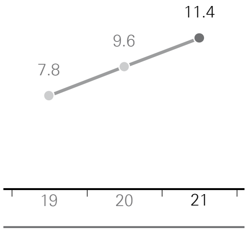
Return on capital employed (ROCE)

ROCE is an indicator of the profitability of the Group's operating assets. ROCE for VERBUND's unregulated business activities at the end of 2021 was 11.4% (2020: 9.6%). The objective is for this figure to exceed 9.0% 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 2021, NOPAT for VERBUND's unregulated business activities was €870.0m (2020: €665.9m). The increase is mostly due to the change in profit before tax and is explained in the Finance 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 €7,624.1m at the end of 2021 (2020: €6,936.4m). The Group return exceeded the weighted average cost of capital (WACC) of the Group's unregulated business activities in 2021 (31 December 2021: 4.00%).

ROCE



Gearing

Gearing is determined as follows:

Interest-bearing net debt (condensed) €m

	2020	2021	Change
Financial liabilities	858.5	2,849.4	–
Interest-bearing provisions	880.1	825.7	–6.2%
Other interest-bearing liabilities	322.3	345.4	7.2%
Cross-border leasing	0.1	0.1	5.0%
Cash and cash equivalents	–49.1	–318.4	–
Securities	–129.0	–138.5	–
Other liquid financial assets	–1.7	–52.8	–
Interest-bearing net debt	1,881.2	**3,510.8**	86.6%
Equity	6,807.4	**6,362.9**	–6.5%
Gearing ratio	27.4%	**55.2%**	–

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; 2. securing a solid credit rating over the long term; and 3. implementing innovative financial transactions in the field of green finance.

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 2021, 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 committed lines of credit amounting to €300m and uncommitted lines of credit amounting to approximately €2,345.0m at the end of 2021. As at 31 December 2021, €1,430.0m 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 31/12/2021:
S&P: A/stable outlook
Moody's: A3/stable 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, among other things, in the capital market. As at 31 December 2021, VERBUND had a long-term rating of A with a stable outlook from Standard & Poor's (S&P) and a rating of A3 with a stable outlook from Moody's. For the long term, VERBUND is aiming for a solid "A" category rating. VERBUND is therefore focusing primarily on optimising free cash flow and on the two key rating-related performance indicators of FFO/net debt and RCF/net debt.

Implementing innovative financial transactions in the field of green finance

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

TCFD

Green finance has very high priority for VERBUND because the entire strategy is focused on sustainability and this area is decisive in the international arena and a cornerstone of the national climate strategy. VERBUND will continue to position itself as a pioneer in a future decarbonised energy market.

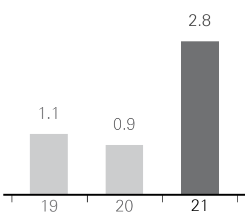
Following a number of innovative transactions in recent years such as the issuance of the first green bond in the German-speaking region, the world's first green Schuldschein over a digital platform and the first syndicated loan whose margin structure is linked exclusively to VERBUND's ESG rating (sustainability rating) over the term of the loan, a Green & Sustainability-linked Bond was issued in 2021 that combines all four available sustainable components in green finance in a single transaction:

1. Use of proceeds (classic project-specific green bond)
2. EU taxonomy aligned (the projects must be aligned with the EU Taxonomy Regulation as at the date of issue)
3. Sustainable link (margin dependency relating to the achievement of the Group's sustainability goals)
4. UN Principles for Responsible Investments (strong preference for sustainable investors in accordance with a transparency requirement in bookbuilding).

Specifically, VERBUND is planning to use the proceeds exclusively for "green" projects conforming to the VERBUND Green Financing Framework. Developed at the beginning of 2021, this Framework is consistent with the current (as of the issue date) draft of the EU Taxonomy Delegated Act and the EU Green Bond Standard. It was also drawn up in accordance with the ICMA Green Bond Principles and the ICMA Sustainability-linked Bond Principles. The proceeds from this bond will be used to finance the rehabilitation and expansion of a hydropower plant in Germany and high-voltage power line projects in Austria. ISS ESG, a leading global sustainability rating agency, rated the quality of the Green Financing Framework very positively in a second party opinion. In addition, VERBUND commits to expanding both the newly installed production output exclusively in the areas of hydropower, wind power and solar power by at least 2,000 MW (KPI 1) and the installation of additional transformer capacity (necessary for feeding the renewable electricity into the high-voltage grid) by at least 12,000 MVA (KPI 2). Both of these targets are very ambitious. If one of the targets is not achieved by 31 December 2032, the coupon payments of the bond will increase by 0.25% p.a. for the remaining term of the bond (as also detailed in the bond terms).

In the period from 1 January 2021 to 31 December 2021, the values for KPI 1 increased by 43 MW * to a total of 8,735 MW (basis 31 December 2020: 8,692 MW *) and the values for KPI 2 by 1,150 MVA to a total of 31,960 MVA.

Financial liabilities €bn



Carrying amounts

As at 31 December 2021, VERBUND's borrowing portfolio was composed as follows: 34.7% bonds and 65.3% loans.

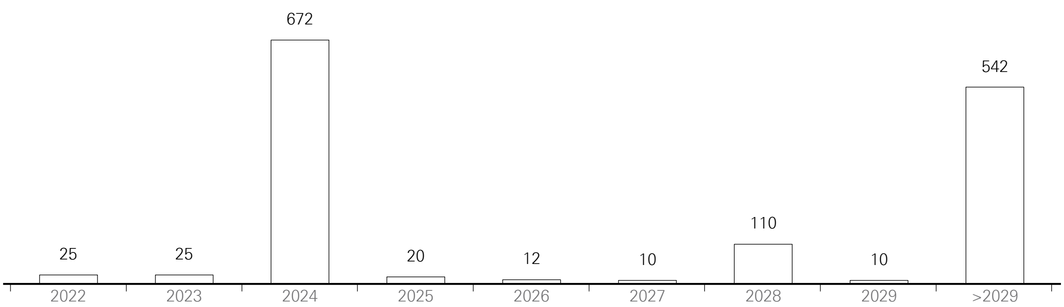
The following key performance indicators refer to purely external financial liabilities, excluding former cross-border leasing transactions, exclusive financial guarantees and exclusive limited partnership interests. The carrying amount of VERBUND's financial liabilities was €2,849.4m as at 31 December 2021. The entire amount was financed in euros. A total of 43.9% of these financial liabilities had fixed interest rates and 56.1% had variable interest rates. As at 31 December 2021, the duration of all liabilities was 4.4 years and the average term to maturity was 4.7 years. The effective interest rate was 1.68%.

Repayments of principal and repayment structure

In financial year 2021, principal payments of €30m were made on long-term borrowings. A total of €25m will fall due in 2022 and €25m is scheduled to be repaid in 2023.

* corrected values

Repayments €m



Segment report

Hydro

Generation of electricity from hydropower is reported in the Hydro segment. VERBUND is one of Europe's biggest producers of hydroelectricity and around 94% of the total electricity VERBUND generated in 2021 came from hydropower. 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 provides an outstanding competitive basis to meet the needs of the energy market of the future in a cost-effective manner.

Flexible pumped storage power plants are indispensable for ensuring integration of volatile new renewable energy sources into the power grid.

Business performance

KPIs – Hydro segment

	Unit	2020	**2021**	Change
Total revenue	€m	1,267.4	**1,465.5**	15.6%
EBITDA	€m	926.8	**1,106.0**	19.3%
Result from interests accounted for using the equity method	€m	0.7	**0.3**	–
Capital employed	€m	5,985.3	**5,920.6**	– 1.1%

The increase in total revenue and EBITDA is mainly due to higher average prices obtained for electricity. Generation from both storage power plants and run-of-river power plants declined. The hydro coefficient for the run-of-river power plants was 0.95 (Q1–4/2020: 1.01).

The reduction in capital employed was mainly due to higher deferred tax liabilities and a decrease in property, plant and equipment, which was offset by higher current receivables.

Energy supply

GRI EU1
GRI EU2

SDG 7

Energy generation overview

Electricity generation

	Number[1]	Maximum electrical capacity in MW[1]	Mean energy capability in GWh[3]	2019 Generation in GWh	2020 Generation in GWh	**2021 Generation in GWh[4]**
Hydropower[2]	129	8,307	29,141	30,660	31,525	**29,340**

[1] as at 31 December 2021 // [2] incl. purchase rights // [3] mean energy capability includes generation from natural inflow // [4] generation from natural inflow (run-of-river and storage power plants) as well as from pumping/turbining

As at the end of 2021, VERBUND electricity from hydropower came from 92 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) – was 29,141 GWh.

In the 2021 reporting period, the hydro coefficient for run-of-river and pondage power plants was 0.95, which is below the long-term average and also below the figure for the previous year (1.01). The hydro coefficients for the individual quarters differed substantially as follows: quarter 1: 0.99 (previous year: 1.09), quarter 2: 0.93 (0.86), quarter 3: 1.03 (1.05) and quarter 4: 0.83 (1.11).

Generation from our annual storage power plants fell by 6.9% in quarters 1–4/2021 compared with the prior year. The effects from increasing reservoir levels and a slightly lower inflow outweighed the higher generation from turbining.

GRI EU10
GRI EU1

SDG 7

VERBUND's hydropower plants had a capacity of 8,307 MW (maximum electrical capacity = maximum capacity for sustained operations) as at 31 December 2021.

Capacity changes 2020–2023[1]

MW

	2020	**2021**	2022	2023
Hydropower[2]	8,267	**8,307**	8,417	8,467

[1] as at 31 December of each year // [2] incl. purchase rights3

The capacity changes in the hydropower segment in 2021 are attributable to the commissioning of the completed rehabilitation projects for the Malta Oberstufe and Salza power plants. Additional increases in mean energy capability and capacity are expected for the coming years due to new construction projects and rehabilitations.

Availability of hydropower plants

GRI EU30

SDG 7

The availability of hydropower plants was affected in 2021 by the large number of ongoing rehabilitations and new construction projects.

Overall, the Austrian power plants of VERBUND Hydro Power GmbH (run-of-river and storage power plants) had average availability of 91.9% in 2021. This availability level is lower than the mean for the last five years (93.7%); the ongoing overhaul of the generator sets at the storage power plants had a particularly significant impact here.

The Grenzkraftwerke power plants on the Inn and Danube rivers (Bavaria/Austria) achieved overall availability of 92.6% in 2021, falling short of the average for the last five years of 93.2%.

The Bavarian run-of-river power plants operated by VERBUND Innkraftwerke GmbH also achieved an overall availability level of 85.6% in 2021, which was significantly lower than the average of 91.2% for the last five years. This was principally due to the decommissioning of the existing power plant in connection with the new construction project at the Töging site.

Operational management under COVID-19

Coping with the COVID-19 pandemic dominated operations once more in 2021. It prompted the crisis management function of VERBUND Hydro Power GmbH (VHP) to draw up its own matrix of COVID-19 measures with four degrees of protection. Each degree of protection entails measures in relation to masking, access rules, remote working, specifications on the organisation of collaboration (separation of teams) and limits on the numbers of participants in work meetings. This ensured reliable operations at the hydropower plants at all times.

New power plant projects

New construction of the Gratkorn power plant on the Mur River

The investment decision was taken in December 2020 for the Gratkorn power plant on the Mur River, as a partner project between VHP (50%) and Energie Steiermark Green Power GmbH (50%) with a maximum electrical capacity of 11 MW and a mean energy capability of 54.2 GWh.

GRI 413-1

After the construction decision had been taken, public briefings on the project as well as the planned construction measures were initiated, and a “construction platform” was installed for maintaining regular contact with the local communities.

Following the detailed planning, the initial preparatory construction work (including the clearing) began in autumn 2021. The actual construction phase is due to start in quarter 1/2022. Commissioning is scheduled for early 2024. An investment grant for the project under the Green Electricity Act (Ökostromgesetz, ÖSG) and a COVID-19 investment premium have been assured.

While the power plant is being built, a number of measures will also be implemented for the region. These include improvement of flood protection, enhancement of the cycle path network and a new crossing of the Mur River for pedestrians and cyclists.

Construction of the new Reißeck II plus pumped storage power plant

The investment decision for the Reißeck II plus project was also taken in December 2020 and construction began in May 2021. Construction progressed according to plan, which meant that in 2021 all drifts were fully constructed and the caverns were completely excavated. Commissioning is scheduled for November 2023.

The Reißeck II plus project will expand and improve the existing power plant system in the Reißeck group through the construction of a 45 MW pumped storage power plant to facilitate the transfer of the stored contents from Great Mühldorf Lake to the existing upper reservoirs and thereby optimise the system.

Construction of the new Limberg III pumped storage power plant

Limberg III is a twin project to the existing Limberg II pumped storage power plant. Two pump-turbines with a total capacity of 480 MW will be built in a separate power plant cavern and the Limberg Dam will also be raised to increase storage capacity in addition to flexibility.

The investment decision for this project was taken in March 2021 and initial construction activities began only a month later. Commissioning is scheduled for 2025.

After the construction decision was taken, VERBUND notified the local community about the construction measures and set up a central communications department for ongoing enquiries.

Here, too, construction progressed according to plan, with boring of the drainage tunnel and excavation of the starter tunnel for the tunnel boring machine, among other things, being completed in 2021.

In connection with this large construction site, a raft of environmental measures are also being implemented such as obtaining land-use permissions for a European nature reserve called Alpine Alluvial Plain Drossen, restoration of storage areas using a special seed-sod combination technique and restoration of areas from the 1950s construction period.

Other new construction projects

In addition to the new construction projects described above, VERBUND continued work on the Spiegelwald small-scale power plant in the Zillertal Valley in 2021. Other power plant projects are at the planning stage. The public will be engaged in accordance with the principles of stakeholder management described in the section entitled Sustainable planning and stakeholder management.

The planned Stegenwald power plant on the central Salzach River, a project that is being implemented in collaboration with Salzburg AG, will have a capacity of 14.5 MW and a mean energy capability of 72 GWh. Work on this project in 2021 focused on advancing the approval procedure. In addition to the notification of water rights approval and approval under forestry legislation, approval under nature conservation law has now also been obtained in the first instance. However, the Salzburg Ombudsman for the environment objected to this ruling. The proceedings are now pending in the State Administrative Court.

The Group is giving further consideration to implementing an ecological innovation project at the Tittmoning basin of the Salzach River near the German-Austrian border entailing a combination of river restoration for riverbed stabilisation plus river enhancement for the creation of habitats and energy use (run-of-river power plant). In 2021, the preparatory work continued to focus on an initial site on the Lower Salzach, where the integration of innovative compact turbines into the ramp structure required to stabilise the riverbed will generate around 30 GWh of green electricity.

Also on the border between Bavaria and Austria, VERBUND continues to work hard on obtaining approval for the Riedl energy store, an efficient pumped storage power plant with 300 MW of flexible capacity. The completely revised documentation required for approval was submitted to the responsible district administrative office in Passau at the beginning of December. After a further completeness check has been performed, the documents should be made available to the public in 2022.

Expansion and rehabilitation projects

Modernisation and expansion of the Inn power plant in Töging/Jettenbach

The project 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. On completion, it is expected to increase total generation by 139 GWh to a total of 696 GWh and installed capacity by 32.4 MW to 117.7 MW. Construction began in 2018 and commissioning is scheduled for 2022.

Concrete construction work at the Jettenbach weir site was essentially completed by the end of 2021 with a bridge over the inlet structure and a control building. Installation of the weir locks began in autumn 2021 and will continue into spring 2022. The shell of the Mittergars pumping station was likewise completed in 2021.

At the Töging power plant site, concrete construction work had also been essentially completed by the end of 2021, generator sets 1 and 2 had been installed and a pressure test had already been successfully carried out in November 2021. Final installation of generator set 3 is under way. Decommissioning of the existing power plant took place on schedule in September 2021.

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 at the Jettenbach reservoir were kicked off in summer 2021. 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.

However, the project information events held alternately in Jettenbach and Töging since the start of construction had to be significantly curtailed in March 2020 for safety reasons in compliance with the COVID-19 restrictions. In 2021, for example, residents, political representatives and educational institutions could only visit the sites on personal invitation. The public hotline as the first point of contact for residents was available year-round.

Talks with the residents affected by the increase in the groundwater level were continued. Furthermore, negotiations on a compensation agreement are being held with residents in relation to flood protection measures.

Modernisation of the Bösdornau power plant

Modernisation work at the Bösdornau power plant in connection with the construction of the Tuxbach diversion tunnel began in quarter 2/2021. Owing to complications with a neighbouring landowner, the commissioning targeted for the end of 2021 was postponed until 2022. Further restoration and compensatory measures will be completed in 2022 and 2023.

Rehabilitation projects

Ybbs-Persenbeug rehabilitation

Austria’s oldest Danube power plant at Ybbs-Persenbeug has been undergoing progressive modernisation since 2012. After the three main generators at the North power plant had been replaced by 2018, modernisation of the three remaining generator sets of the South power plant began in autumn 2019. Renovation of the first main generator and thus the last of the six vertical generator sets to be replaced commenced in September 2021. Once the rehabilitation measures have been completed in 2022, the plant will have an additional mean energy capability of 77 GWh and an additional maximum electrical capacity of 18 MW.

Ottensheim-Wilhering rehabilitation project

In the Ottensheim-Wilhering rehabilitation project, the first of nine generator sets to be refurbished (generator set 5) was successfully commissioned in July 2021. Renovation work on generator set 2 commenced in September 2021. Once the rehabilitation measures have been completed in 2029 for all nine generator sets, the plant will have an additional mean energy capability of 56 GWh and an additional maximum electrical capacity of 45 MW.

Kaprun-Oberstufe rehabilitation projects

In the Kaprun-Oberstufe rehabilitation project, the first of two generator sets to be refurbished was successfully put into operation in July 2021. Renovation of the second generator set then began. On completion of the work in 2022, turbining capacity will increase by 48 MW, pumping capacity by 30 MW and mean energy capability by 10 GWh.

Malta power plant group rehabilitation programme

The Malta rehabilitation programme consists of sub-projects to rehabilitate the Malta-Oberstufe and the Malta-Hauptstufe stations and to replace the existing Hattelberg pumping station with a new pumping station in Reißeck. On completion of all work in 2022, the turbining capacity of the above-mentioned plants will increase by 40 MW, the pumping capacity by 232.3 MW and the mean energy capability by 2 GWh.

The Malta-Oberstufe sub-project was essentially completed in December 2021 with the commissioning of the second of two generator sets. Commissioning of the Reißeck pumping station, construction of which began in November 2020, is now planned for quarter 1/2022. And in the Malta-Hauptstufe sub-project, renovation of the first of two pumps was completed in summer 2021. Overhaul of the second pump is planned for 2022.

Ering-Frauenstein rehabilitation project

In the Ering-Frauenstein rehabilitation project, renovation of the first of three generator sets to be refurbished (generator set 3) began in September 2021. Once the rehabilitation measures have been completed in 2024, the plant will have an additional mean energy capability of 50 GWh and an additional maximum electrical capacity of 21 MW.

Additional rehabilitation projects in the planning stages

In the other rehabilitation projects, including those in the Gerlos I, Arnstein, Laufnitzdorf and Roßhag power plants, planning and design work continued and implementation measures began.

GRI EU13
GRI 304-1

A description of conservation measures at VERBUND can be found in the Environmental performance section and at www.verbund.com > About VERBUND > Responsibility > Environment

SDG 15

Environmental measures: excellent track record in restoration maintained

VERBUND Hydropower expects to incur total costs of over €280m for implementing the requirements of the EU Water Framework Directive in force from the time measures were initiated in 2021 up to 2027. This is in addition to its ongoing expenses for operation and maintenance, particularly in relation to monitoring and conservation of the fish passes built. Selected nature conservation activities are presented on the VERBUND website and the EU-funded LIFE projects each have their own project website with relevant information for the public.

The most extensive individual project carried out in 2021 was the completion of the work for the LIFE project entitled “Passability and habitat enhancement at the Altenwörth power plant”.

Furthermore, the fish pass at the Ferlach-Maria Rain power plant on the Drau River was completed, which is in fact the highest in Europe. The main technical construction work to create passability began at the Feistritz-Ludmannsdorf power plant. Once this measure is completed, the Drau will be passable along its length from the state border to Paternion.

Fish passability on the Mur River has been almost completely achieved. In addition, fish passes were put into operation in 2021 on the Inn River at the Nussdorf power plant and on the Enns River at the Staning (Ennskraftwerke) power plant. As of the end of 2021, a total of 66 power plant sites now have fish passes, meeting the goal of increasing the number of fish passes by 50% from 2015 to 2021.

Work has also focused on planning additional generously sized, predominantly semi-natural fish passes on the Danube River, the Inn River to the German border and the Inn River in Bavaria (which are combined, among others, in the two LIFE projects entitled “Bluebelt Danube-Inn” and “Riverscape Lower Inn”), as well as on monitoring the fish ladders already constructed.

Fish passes

		2019	2020	**2021**
Locations	Number	54	62	**66**

The technical possibilities for limiting hydropeaking at the storage and pumped storage power plants of VERBUND Hydropower are currently being evaluated in detailed feasibility studies, particularly at the Salzach, Enns and Teigitsch rivers. Multiple research projects focused on extensively investigating outstanding issues relating to EU Water Framework Directive specifications. Through the Christian Doppler Laboratory for Sediment Research and Management, 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. The project will continue for several years. In the ÖkoResch project, the Vienna University of Natural Resources and Life Sciences is evaluating the opportunities and limitations of residual flow release in high mountain areas in pilot projects and providing scientific support for hydropeaking tests. Initial specific implementation projects for reducing hydropeaking effects are planned for 2022.

GRI 102-43
GRI 103-2

GRI 413-1

Sustainable planning and stakeholder management

In all major projects, VERBUND Hydropower considers the 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 all projects, a strong focus is placed on dialogue with citizens (beginning as early as the planning stage). Wherever possible, VERBUND also seeks to leverage synergies in planning and execution to provide direct advantages for those affected (for example by improving local flood protection installations and through appropriate transportation infrastructure).

Regrettably, 2021 was once again severely impacted by the COVID-19 pandemic. Forums for personal interaction, including local resident briefings, meetings with mayors and tourism associations, as well as local council information sessions and other stakeholder dialogue formats, which number among VERBUND's standard communication tools, had to be scaled back significantly or postponed until further notice in 2021. This included the open days, which VERBUND Hydropower considers important opportunities for companies and local residents to come in contact largely outside of projects.

In project and stakeholder communication, many participants have now developed a routine of exchanging information over video conferences. Where absolutely necessary or useful, the information needs of individual stakeholders were also met in 2021 in small groups under appropriate conditions – VERBUND was also able to contribute to the INNsieme River Experience Day at the Ering-Frauenstein power plant.

Information on the major projects is also provided on the VERBUND website, and there are separate websites for the LIFE projects. Efforts in this regard were further intensified and communication in social media intensified. Compliance with the most stringent environmental standards is reviewed periodically by internal and external auditors during regular operations.

Examination of the flooding on the Drau River in 2012

A total of around 90 civil proceedings for possible damages are still pending in Austria and Slovenia as a result of the Drau flooding in 2012. The Slovenian proceedings are still in the first-instance evidentiary stage.

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

GRI 102-44
GRI 413-1

Through the implementation of technical measures, the noise emissions from the Malta-Hauptstufe pumped storage power plant had been reduced by 2018 to such an extent that possible health hazards have been and are ruled out. This was confirmed in 2018 through measurements by local residents and subsequently in expert reports.

As part of the rehabilitation of the Malta-Hauptstufe project that is currently being implemented, the existing pumps will be replaced by new, more efficient, quieter pumps to be able to reduce these emissions even further. The first of two pumps was modernised in the first half of 2021. Initial measurements point to a further significant improvement in the situation. A report testing the noise levels has been commissioned for the first pump. Overhaul of the second pump is planned for 2022.

Hydro Consulting

Since 2017, VERBUND has been progressively developing and setting up its Hydro Consulting operating segment based on the comprehensive experience of VERBUND Hydropower's highly skilled team of experts. In addition to increasing profit, this operating segment's activities are primarily focused on maintaining and/or expanding VERBUND's core competencies in the field of hydropower while gaining additional insights that will benefit the Group's own installations.

Moreover, the specific expertise of VERBUND Hydropower will contribute to efficient, safe, and socially and environmentally compatible implementation of projects worldwide, thus furthering the sustainable development of hydropower. In the selection of projects, importance is also attached accordingly to compliance with international standards (e.g. World Bank, IHA) concerning sustainability.

A total of 14 service contracts with an order backlog of around €11m (2021–2025) were processed in 2021.

Of particular note are the ongoing technical project management contract for the construction of the 89 MW joint power plant on the Inn River on the border between Tyrol and Switzerland plus several orders for the Xayaburi and Luang Prabang large-scale power plants on the Mekong River in Laos.

The management agreement for the Manara pumped storage power plant to be built (156 MW) was also signed in February 2021. VERBUND Hydro Power GmbH (VHP) will contribute its operating expertise to this construction project.

In addition, several smaller orders were processed such as consultations for renovation activities in Germany, an assessment of the condition of a power plant in Mexico and plant inspections for customers in Austria, New Zealand and Iceland.

New renewables

VERBUND aims to make a significant contribution to the Austrian and European climate and energy strategy. Its goal is therefore to accelerate profitable growth in electricity generation from wind and solar power. By 2030, the portfolio is expected to account for around 20–25% of VERBUND's total generation (around 3% as at 31 December 2021).

VERBUND aims to generate around 20–25% of the Group's total electricity generation from new renewables by 2030.

Business performance

KPIs – New renewables segment

	Unit	2020	**2021**	Change
Total revenue	€m	110.6	126.4	14.3%
EBITDA	€m	58.9	53.3	–9.5%
Result from interests accounted for using the equity method	€m	0.1	0.3	–
Capital employed	€m	419.5	455.2	8.5%

The New renewables segment was expanded in the 2021 reporting period to include VERBUND Green Power Photovoltaik GmbH in Germany as well as the photovoltaic farms in Spain acquired in quarter 4/2021 that are currently under construction.

The increase in total revenue resulted primarily from higher average prices achieved in spite of lower generation volumes at the wind farms. In addition to higher expenses for electricity purchases attributable to a sharp increase in procurement prices, the decrease in EBITDA is due above all to negative earnings contributions from the companies included in the basis of consolidation in 2021 for the first time. The new renewables coefficient was 0.91 (Q1–4/2020: 1.00).

The change in capital employed mainly resulted from the rise in property, plant and equipment and higher current receivables, which were offset by higher current liabilities.

GRI EU1
GRI EU2

SDG 7

Energy supply

Energy generation overview

Electricity generation

	Number[1]	Maximum electrical capacity in MW/MWp[1]	2019 Generation in GWh	2020 Generation in GWh	**2021 Generation in GWh**
Wind power	153[2]	418	929	924	**839**
Solar power[4]	5[3]	3	–	1	**2**
Total		422	929	925	**841**

[1] as at 31 December 2021 // [2] refers to the number of wind farms // [3] refers to the number of solar farms // [4] excl. leased/contracted installations

VERBUND generated 841 GWh of electricity from the renewable energy sources of wind and solar power in financial year 2021, down on the previous year's level of 925 GWh. The decrease in generation (–84 GWh) is attributable to a lower wind supply and to bearing damage on a turbine at the Ellern wind farm (Germany). Photovoltaic installations generated around 2 GWh in 2021.

The electrical capacity of VERBUND's wind power installations as at 31 December 2021 was 418 MW, while the capacity of its photovoltaic installations was 3.4 MWp (excluding installations for industrial customers).

GRI EU10
GRI EU1

SDG 7

Capacity changes 2020–2023[1]

MW/MWp

	2020	**2021**	2022	2023
Wind power	418	**418**	418	418
Solar power	2	**3**	155[2]	155
Total	420	**421**	573	573

[1] as at 31 December of each year, excluding B2B PV projects // [2] 2022 expansion includes the acquisition of open-field solar installations in Spain in the amount of 148 MW.

Capacity changes in VERBUND's wind and solar power projects are shown based on the current investment plan for the next year and include all existing installations that had been put into operation by 31 December 2021.

Solar and wind power

GRI EU30
GRI EU1
SDG 7

With wind power plants and photovoltaic installations in Austria, Germany and Romania, VERBUND has 421 MW of installed capacity at its disposal. The average technical availability of the wind power plants in 2021 was 96.9%, while that of the photovoltaic installations was 100.0%.

In the field of operations management, the annual safety day was held for operational personnel in compliance with strict COVID-19 protocols. In addition to safety instructions by safety officers, the plant supervisors received practical fire safety training on site.

Alongside the current construction projects (see below), in terms of project development and asset acquisition intensive work continued on the implementation of the wind power and solar power project pipeline in and outside Austria.

In Austria, VERBUND analysed projects at different stages of development as well as possible collaborations with project development partners in the financial year now ended, some of which it completed. Further open fields of around 59 hectares were acquired for photovoltaic installations.

Another project partnership to develop large-scale open-field solar installations in Brandenburg was agreed with JLW/Visiolar at the end of 2020. The appendix to the agreement pertaining to the spaces of up to approximately 1,400 hectares to be developed was signed in April 2021. In recent months, the internal project structure has been established and development of individual projects from the portfolio has been advanced. The first project is to go into operation in 2024, subject to regulatory approvals.

Several projects were also assessed in Spain in the financial year now ended. First, VERBUND looked into purchasing plants under construction with a capacity of around 148 MWp. A purchase agreement for these was signed at the end of November 2021. Commissioning of the plants is scheduled for the first half of 2022.

Another project was a cooperation agreement for the development of open-field solar installations with a potential capacity of up to 100 MWp. As of the date of this report, the negotiations were still ongoing.

Selected investment projects

Mitterkirchen saw the commissioning of a 1.7 MWp open-field solar installation in mid-September 2021. This project is a single-axis tracking photovoltaic demonstration system in the megawatt range for optimised use of space on land owned by VERBUND Hydro Power GmbH (VHP). Besides optimising the use of space, the project also focuses on cost effectiveness, the impact of mechanical moving components on maintenance work and future uses of solar applications in the agricultural sector. Final acceptance of the installation is scheduled for January 2022 at the latest. GRI EU10

By order of VERBUND Energy4Business GmbH (VEB), VERBUND Green Power GmbH (VGP) was once again tasked in 2021 with the construction as well as the maintenance and monitoring of open-field and rooftop solar installations at industrial customers in Austria.

Research and special projects

Smart Operation of Wind Turbines under Icing Conditions (SOWINDIC)

The SOWINDIC research project targets a significant reduction in unplanned production losses under icing conditions as well as balancing energy volumes through research into a completely new, innovative method of rotor blade heating of wind turbines.

Database information system (DBIS)

The DBIS project entails developing a scalable IT platform solution for automated monitoring of all of the wind farms and photovoltaic installations that VERBUND operates. The objective is to maximise process automation of the data flow including innovative data processing of the individual assets up to validated final reports and maintenance work carried out. This will help to foster efficient operation and effective maintenance. At the end of 2021, the project was in the implementation phase. Operation is slated to commence in May 2022.

SDG 15
GRI 304-1

Additional information on ecological measures can be found in the Environmental performance section

Environmental measures

At the Bruck-Göttlesbrunn wind farm, an expert conducts ornithological monitoring annually in order to examine the effects on the habitat and the breeding behaviour of various bird species. The most recent monitoring did not reveal any abnormalities. 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 farms additionally ensure that the most stringent environmental standards are maintained over the entire life cycle of the wind power plants.

Since 2020, the photovoltaic installations that came on stream in Austria have been included in the scope of the environmental management system and certified.

GRI 413-1

Stakeholder management

VERBUND places strong emphasis on engaging with the local population in the development and operation of wind farms and photovoltaic installations. 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. In addition, VERBUND is currently working on financial citizen participation models for Austria and Germany based on a model that has already been developed for wind power.

Sales

The Sales segment combines all of VERBUND's trading and sales activities. Through its trading in electricity, gas, guarantees of origin, emission allowances and transport capacity as well as in innovative green electricity and flexibility products, VERBUND has taken 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 regard to 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. This makes VERBUND a leading provider of flexibility and green electricity products as well as comprehensive services for the energy markets in Austria as well as in Germany.

TCFD

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. VERBUND furnishes its customers with energy market expertise in the form of new products and services. Thus VERBUND assists customers with marketing their facilities for renewable energy and offers them – for example – flexibility products to reduce their risk exposure arising from balancing energy. In addition, VERBUND allows its customers to participate directly in the balancing services and intraday markets. Products and services relating to solar power, electromobility, batteries and hydrogen expand the offerings, and VERBUND customers are supported in actively participating in the energy transition.

The core markets of VERBUND's sales activities are Austria and Germany. In Austria, VERBUND supplies the household/agriculture and commercial segments with electricity generated almost entirely from hydropower. In both Austria and in Germany, VERBUND also delivers to industrial enterprises and resellers.

Business performance

KPIs – Sales segment

	Unit	2020	2021	Change
Total revenue	€m	2,738.5	3,865.5	41.2%
EBITDA	€m	75.5	59.6	–21.1%
Result from interests accounted for using the equity method	€m	–0.2	–2.0	–
Capital employed	€m	168.2	1,609.0	–

The rise in total revenue is mainly attributable to significantly higher prices in the electricity market and is offset by correspondingly higher expenses for the purchase of electricity. The reduction in EBITDA is due, among other things, to a lower result from the measurement of derivatives for the electricity and gas sector and to higher prices for purchasing gas for consumers, while primarily the earnings contributions of flexibility products increased.

The rise in capital employed is mostly attributable to higher deferred tax assets, higher trade receivables and guarantees in electricity trading.

Electricity trading and sales

An established partner in the European energy market

Changes and trends in the European electricity markets and conditions are increasing the complexity of marketing the power plant portfolio because of rising demands for flexibility, greater decentralisation and more stringent requirements for efficient management and the long-term marketing of generation facilities. At the same time, the demands of trading partners and customers are also rising in the areas of asset marketing, flexibility management, supply of electrical energy and green electricity marketing.

Here VERBUND serves as an asset optimiser, offering a comprehensive range of customised products and services in the energy market. The range extends from plant use optimisation and market access to flexible marketing and hedging offers, as well as forecasting and regulatory services.

VERBUND's customers primarily include European wholesale partners, other energy trading companies, resellers and municipal utilities, as well as major consumers. The customer portfolio of VERBUND Energy4Business GmbH (VEB) 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.

Optimal marketing of VERBUND's own generation

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

VEB ensures market-driven management and optimisation of the use of all VERBUND power plants. The precise inflow and weather forecasts required for this are prepared using models, some of which were developed within the Group. 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 set of rules and regulations concerning risk that are regularly updated.

VERBUND uses its expertise for marketing renewables

VERBUND is pursuing an ambitious growth strategy in its wind and solar power activities. The marketing of new renewable energy sources on behalf of third-party plants is designed to support this growth. These activities focus in particular on wind power, small-scale hydropower and solar power. 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 – an important component of the product portfolio

VERBUND's product portfolio includes trading in emission allowances and guarantees of origin (green electricity). 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.

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. In addition, system services such as primary, secondary and tertiary control are provided when needed by Austrian Power Grid (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.

Along with the Mellach combined cycle gas turbine power plant (Mellach CCGT), the pumped storage power plants are also used for congestion management. To this end, APG demands congruent modes of operation from the different power plant operators to allow unfavourable load flows in the European high voltage grid to be prevented or balanced out.

Independent of marketing generation, VERBUND also offers 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.

Innovative services and products

VERBUND provides customers with various products and services for marketing and purchasing electrical energy. These include stock market access to the intraday, spot and futures markets, forecasting services, management of balancing groups, integrated portfolio management and regulatory services.

For a number of years, VERBUND has offered a central B2B customer platform called VISION for web-based communication with the Group's large customers in the areas of customer service and energy-related solutions. Additional features and improvements are continually being implemented.

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.

Photovoltaic – the power of the sun and the bedrock for additional VERBUND growth

VEB works with industrial customers to develop and construct photovoltaic installations – either as rooftop systems or as open-field solar installations – whose power customers can use directly for their own purposes. Based on this concept, photovoltaic projects totalling around 25 MWp were completed or nearly completed in 2021, a significant increase over the previous year. Significant expansion is planned for subsequent years.

Activities in the solar power segment have been heavily impacted by the Renewable Energy Development Act (Erneuerbaren-Ausbau-Gesetz, EAG) along with the related investment subsidies and the sharp rise in prices for components due to higher raw material and freight costs.

Intelligent and flexible solutions for the energy market and VERBUND's customers

The future of energy is becoming more decentralised, small scale and renewable. In other words, it is becoming more flexible. This in turn calls for more intelligent and flexible solutions. Innovative, customised flexibility products from VERBUND give suppliers, industrial and service companies and producers of green electricity access to the energy market while also securing the power grid.

Industrial flexibility assets are marketed separately on the control power and intraday market through 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 supports industrial companies in generating added revenue while retaining full operational autonomy. This also serves to stabilise the power grid while making a significant contribution to integrating renewable energy into the energy system.

The reorganisation of the energy infrastructure requires new, intelligent and cross-sectoral solutions with the highest standards of flexibility and availability. Battery storage units support conventional energy storage (pumped storage and storage power plants). Under the EU-funded project SYNERG-E, VEB put nine industrial-scale battery storage units into operation at ultra-fast charging stations in Austria and Germany in 2021. The batteries are used to cap peak loads at fast EV charging stations and to market control power. In autumn 2020, VEB acquired a battery storage project in Germany with a capacity of 10 MW which was commissioned in 2021 and now provides grid support. Three additional projects of this type with a total capacity of 52.5 MW were acquired in 2021, all of which will be commissioned in 2022. One further battery project with an industrial customer will also be completed in quarter 1/2022.

Electromobility picks up speed – expanding the range

In 2021, VEB further expanded its range of products and services for industrial customers and serves as the marketing point of contact within the VERBUND Group for business and industrial customers. SMATRICS supports this organisation by operating the charge controller system and is responsible for implementation of construction projects and the technical operation of charging stations.

In addition to services related to electromobility, special focus is placed on integrating charging infrastructures with photovoltaic installations, on storage systems and on other large-scale consumers by means of intelligent energy management on site at the respective industrial customer. By bundling products and services in this way, VEB offers a comprehensive product portfolio beyond the actual electromobility service, which enables it to differentiate itself from the competition. Industrial customers have a single point of contact for multiple topics, who is responsible for implementing several products and services tailored to their site.

Business charging offers industrial customers a contracting model under which VEB assumes all of the services required from structural inspections, through planning and construction, to monthly invoicing.

Contracts covering this attractive range of products and services have already been entered into and were implemented with several customers in 2021. Significant expansion of this operating segment is planned in 2022.

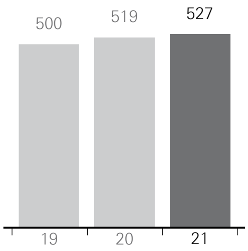
Electricity sales

100% hydropower with outstanding service for consumers

In the 2021 "Service Champions" study, VERBUND achieved "Gold" status in its household/agriculture and commercial segments for the seventh time in a row. VERBUND managed to come out ahead of 46 other electricity providers and take first place. VERBUND also shone in the "Industry Monitor 2021" study. More than 325,000 customer opinions were collected in the extensive online survey. In terms of customer satisfaction, VERBUND ranked the highest of all electricity and gas providers and was named the 2021 industry champion. VERBUND also won Austria's "Energy Transition Award" in the "Electricity" category. This award is in recognition of the commitment of the DACH region's energy providers to the energy transition.

VERBUND also felt the effects of the ongoing COVID-19 crisis and volatile activities in the energy market in its efforts to acquire new customers. Cuts were evident in direct sales in particular. At the end of the year, around 447,000 customers in the household/agriculture and commercial segments were receiving VERBUND electricity generated from 100% Austrian hydropower. Market share in the household segment amounted to around 8% in 2021. Climate-neutral natural gas from VERBUND was supplied to approximately 80,000 customers in the household/agriculture and commercial segments in 2021.

End customers k



Household/agriculture and commercial

GRI EU3

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 uses its seal of approval to certify that VERBUND hydropower plants generate green electricity and feed it into the grid in appropriate quantities and in the quality required by consumers (industrial, household/agricultural customers and commercial customers), resellers (municipal utilities and energy providers) and traders.

GRI 417-1

The transition in the energy sector calls for innovative solutions for tomorrow, today.

In 2020, VERBUND's entire electricity generation from hydropower certified by TÜV SÜD amounted to 21,919 GWh in Austria and 4,028 GWh in Germany. The figures for 2021 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.

With the electricity generated at Austrian and German power plants certified by TÜV SÜD, VERBUND is one of the region's largest suppliers of green electricity.

Electricity labelling in Austria

GRI 417-1

SDG 12

In Austria, the electricity label is displayed on the consumer's electricity bill. In 2020, 99.98% of the electricity VERBUND supplied in its household/agriculture and commercial segments came from hydropower. VERBUND also supplied electricity generated from photovoltaic installations owned by other VERBUND customers to its customers in these segments in 2020. Rounded off, this share accounts for 0.02% and was reported separately in the electricity label.

A total of 73.32% of the electricity VERBUND supplied in its business and industrial segments in 2020 came from renewable energy sources. Of the guarantees of origin issued, 53.06% related to electricity from hydropower, 9.35% to electricity from wind power, 5.75% to electricity from solid or liquid biomass, 1.71% to electricity from solar energy, 3.41% to electricity from biogas and 0.04% to other renewable energy sources. The remaining 26.68% related to natural gas.

The Austrian Electricity Industry and Organisation Act of 2010 (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

VERBUND supplies industrial customers in Germany through VERBUND Energy4Business (VEB) from Austria as well as directly through VERBUND Energy4Business Germany (VEB-DE).

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.

In regard to the electricity mix described below, it should be noted that demand for certified electricity is low among industrial customers in Germany. 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.

VERBUND Energy4Business GmbH (VEB)

The origin of the electricity volumes supplied by Energy4Business GmbH to business and industrial customers in Germany in 2020 breaks down as follows: 0% renewable energy (financed through the EEG levy), 22.7% electricity from renewable energy with guarantees of origin, not financed through the EEG levy, 3.5% other fossil fuels, 18.4% natural gas, 36.6% coal and 18.8% nuclear energy.

VERBUND Energy4Business GmbH Germany (VEB-DE)

GRI 417-1

SDG 12

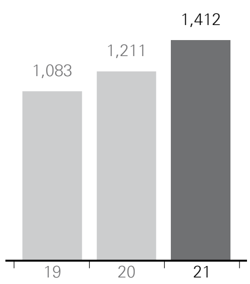
The origin of the electricity volumes supplied by VERBUND Energy4Business GmbH Germany (VEB-DE) to business and industrial customers in Germany in 2020 breaks down as follows: 0% renewable energy (financed through the EEG levy), 25.5% electricity from renewable energy with guarantees of origin, not financed through the EEG levy), 2% other fossil fuels, 18% natural gas, 36% coal and 18.5% nuclear energy.

Climate-neutral natural gas

As a full-service energy provider, VERBUND has offered climate-neutral natural gas since 2014. 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 projects. One example of this is the Ashta hydropower plant in Albania. This has been officially confirmed by TÜV NORD, an independent technical inspection authority in Germany.

A total of 1.4 TWh of natural gas was sold in the reporting period. Carbon offsets for these sales amounted to 249 kt CO_2e.

Gas sold in GWh



Attractive photovoltaic and electromobility range

Residential customers benefit from VERBUND expertise in photovoltaic installations for the home. Around 800 new customers were acquired for rental photovoltaic services in 2021. VERBUND also successfully launched its eCharging product in late 2021. Beginning in October 2021, VERBUND has offered a complete charging package for charging at home and on the road conveniently from a single source. In doing so, VERBUND has positioned itself as a full-service provider for all topics related to energy and sustainability.

Customer satisfaction and customer relationships

Continued strong customer satisfaction and loyalty

GRI 102-44

In cooperation with a market research firm, VERBUND conducts an annual survey of residential and commercial customers on the topic of customer experience management. The survey is designed to be representative and covers numerous topics. It polls customers of VERBUND and customers of competitors within the energy market.

Overall, consumers in Austria were satisfied with their current energy providers in 2021 – whether in terms of their overall satisfaction or the aspects of recommendations, the likelihood that they would choose the same provider again or their assessment of how trustworthy the companies were. Though the differences were minor, VERBUND customers gave us a better rating as an energy provider than other providers. We saw similar results for loyalty to VERBUND: our competitors had a loyalty index of approximately 71. In the residential customer sector, VERBUND's rating was just over 74 out of 100 points. The commercial customer sector showed similar results: our competitors were rated around 69, while VERBUND scored significantly higher at 73.

VERBUND also scored higher in customer relationships. Survey results of 2.2 showed that perceived appreciation in the household and commercial customer segments were each at the upper end of the scale. Good customer service, provision of information at regular intervals and free energy days were among the reasons for the favourable opinions. VERBUND customers spoke particularly highly of the loyalty bonus programme, prize draws and the customer referral programme.

Customer support

VERBUND's identity as a leading energy provider in Austria includes providing a comprehensive range of services. Competent and friendly customer advisors can be reached at VERBUND's freephone customer service number (+43(0) 800 210 210) from anywhere in Austria from Monday to Friday between 7:00 a.m. and 8:00 p.m. to answer any questions existing customers might have and to support potential customers in switching electricity and natural gas providers.

VERBUND's online services do justice to the trend towards self-service, rounding off VERBUND's range of services. The VERBUND website at www.verbund.at provides an overview of the Group's product portfolio, details on facilitating the switch to VERBUND, offers for existing customers and answers to frequently asked questions.

Energy consulting

Throughout all federal states of Austria, certified energy consultants are available free of charge to support clients of Caritas in connection with the VERBUND Electricity Relief Fund. These consultants provide valuable tips on saving energy to support needy people in sustainably lowering their energy costs. The commitment in connection with the Caritas Electricity Relief Fund is just one of many examples of how VERBUND fulfils its social responsibility. More on this topic can be found in the section entitled Stakeholder engagement and social responsibility.

Late payment

GRI EU27 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 account is terminated due to late payment.

In 2021, the electricity or natural gas supply accounts of around 8,707 household and commercial customers had to be terminated. This equates to a decrease of 5% in account terminations compared with 2020 (9,200).

Grid

The Grid segment comprises the activities of Austrian Power Grid AG (APG) and Gas Connect Austria GmbH (GCA).

Austrian Power Grid (APG), VERBUND's independent grid subsidiary, operates Austria's national electrical grid. APG's infrastructure ensures a reliable supply of electricity, making it one of the lifelines of Austria, its residents and businesses. The APG grid encompasses a route length of around 3,400 km and is operated, maintained and continually adjusted to the growing needs of the economy and society by a team of around 700 specialists. The capacity of the APG grid is pivotal to the success of the energy transition and to the electrification of society, the economy and the industrial sector, and is the basis for a sustainable safe supply of electricity in Austria. APG thus also bears responsibility for transforming the overall system of the energy market. With an investment volume of €374m for expanding and upgrading the grid infrastructure in 2021, APG is providing a powerful stimulus to the domestic economy. The main projects include the Salzburg, Weinviertel and Germany lines and the Upper Austria (Central region) Electric Transmission Infrastructure project.

Gas Connect Austria (GCA) is an Austrian operator of gas transmission and distribution pipelines and, as such, plays a key role in the Austrian and Central European energy supply. Effective 31 May 2021, VERBUND holds a 51% stake in independent grid operator Gas Connect Austria. Starting from the Baumgarten hub, GCA operates a state-of-the-art, powerful high-pressure network with connections to Germany, Slovakia, Slovenia and Hungary, as well as domestic storage and production facilities. There are five compressor stations, 56 metering and transfer stations and over 100 transfer measuring points along the approximately 900 km-long pipeline system. The core task is the marketing of transport capacity for domestic supply and at the international border points. Along with Trans Austria Gasleitung (TAG) GmbH, GCA operates the import and distribution station at Baumgarten an der March, through which around 40 billion m^3 of gas flow annually.

Business performance

KPIs – Grid segment

	Unit	2020	2021	Change
Total revenue	€m	730.4	1,246.9	70.7%
EBITDA	€m	232.4	331.3	42.6%
Result from interests accounted for using the equity method	€m	0.1	0.2	–
Capital employed	€m	1,651.6	2,647.8	60.3%

Starting from 31 May 2021, the Grid segment also comprises Gas Connect Austria GmbH and Austrian Gas Grid Management AG.

Total revenue increased – besides the companies included for the first time – due in particular to an increase in revenue from balancing services, higher national grid usage fees and higher revenue from the auctioning off of cross-border capacity. The rise in EBITDA is primarily attributable to the earnings contributions from Gas Connect Austria GmbH and Austrian Gas Grid Management AG.

The increase in capital employed mainly resulted from the rise in property, plant and equipment and the result from interests accounted for using the equity method in connection with the first-time consolidation of Gas Connect Austria GmbH, as well as from the rise in property, plant and equipment through the net investment by APG, offset by higher non-interest-bearing debt.

AUSTRIAN POWER GRID AG (APG)

Technical developments

GRI EU4

APG power grid data

Voltage level	Power lines Route length/km	Power lines System length/km	Substations/grid switching stations
Overhead power lines			
380-kV	1,156	2,584	
220-kV	1,613	3,206	
110-kV	654	1,167	
Cable			
110-kV	6	11	
Total	3,428	6,966	65

Operational developments

As the control area manager in Austria, APG is responsible for identifying bottlenecks in the transmission network and taking appropriate countermeasures. These necessitated grid measures and redispatching at the power plants in the past financial year 2021.

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 volatile load flows. Since the required grid expansion is not keeping pace with these developments due to protracted administrative processes, congestion is occurring both within and outside of the APG grid. The above-mentioned intervention in the power plant portfolio (redispatching) is necessary to prevent congestion in the existing grid infrastructure.

As a result of the decrease in long-range electricity transmission and the very good water supply in the months critical to grid performance, relatively little redispatching was required in the APG grid in 2021.

In 2021, power plants in Austria were widely used for managing grid congestion outside of Austria (mainly in Germany). A large share of the redispatch quantities were attributable to these measures in the past year (see Redispatch quantities table below).

Redispatch quantities

	2019	2020	**2021**
Redispatch quantities (in GWh)[1]	2,417.4	1,455.2	**1,800.0**

[1] only volumes from increased production

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

System security in APG's power grid depends to a large extent on the availability of flexible power plants and reducible consumers in Austria. However, due to the difficult market situation this availability is inadequate and must be contractually safeguarded to ensure that it can be used for necessary redispatch activation. To safeguard the necessary redispatch capacity, the availability of the required power plants has been contractually safeguarded by APG in close consultation with E-Control. In this regard, the new statutory regulations in accordance with Sections 23(a) ff. of the Austrian Electricity Industry and Organisation Act (ElWOG) (as amended in the Federal Legal Gazette I [BGBl] No. 17/2021) have applied since October 2021. As of mid-September 2021, grid reserve requirements of up to 3,235 MW have been contractually secured for the period from October 2021 to the end of September 2022. The contracted reserve capacity was regularly used for redispatching in 2021.

Impact of the COVID-19 pandemic on APG and grid operation

A new phase of managing the COVID-19 challenges began upon completion of the company vaccination campaign on 8 July 2021. The guidelines on APG safeguards as an integral part of a new works agreement were updated to reflect current conditions, though the measures currently in effect are still aligned with the Austrian federal government's traffic light system for the federal states. APG's crisis management was wound up on 9 July 2021. A COVID-19 taskforce will now track the appropriateness of further internal precautions. The established structure of contact tracing will be kept in place for monitoring of positive, precautionary and suspected cases. Contact to people who test positive or people from risk areas will be traced back as far as possible using transmission chains. In the event of suspected contact, employees will be promptly informed and will work exclusively from home.

Interruptions to supply

One interruption to supply occurred in the APG grid in 2021, affecting consumers for around ten minutes. The effects on consumers of a component failure in APG's transmission network are quantified using the "megawatt hours (MWh) not supplied" indicator. Counting of the supply interruption duration starts from the time supply to consumers is interrupted if this can be clearly attributed to a preceding fault in the transmission network.

GRI EU28
GRI EU29

In 2021, APG transmitted around 45,349 GWh at grid level 1 (380-kV and 220-kV). A total of 1.9 MWh, i.e. 0.000004% of the volume transmitted, was not supplied. There was one such interruption affecting consumers in 2020, two in 2019 and one in 2018.

Electricity transmission and grid loss

In financial year 2021, the transmission volume at grid level 1 (380-kV and 220-kV grid) increased by 1.1% over the previous year. Domestic delivery came to 32,453 GWh. Based on the reported transmission schedules of the Austrian and international market participants, the APG control area imported 29,292.5 GWh and exported 19,725.5 GWh in 2021. This results in an import surplus of 9,567.04 GWh.

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

GRI EU12

Electricity transmission and transmission losses

	Unit	2019	2020	**2021**
Electricity transmitted[1]	GWh	46,731	44,863	**45,349**
Grid loss[1]	GWh	758	731	**674**
Grid loss as a percentage of electricity transmitted	%	1.62	1.63	**1.49**

[1] grid level 1

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. 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 (ElWOG) of 2010).

The 2021 APG Network Development Plan (NDP 2021) provides for structured expansion of Austria's grid. In particular, the projects and measures included in the plan focus on managing trends in the energy market (primarily the integration of renewables and new power plants into the grid, grid connections for distribution system operators, the Renewable Energy Development Act (EAG) and climate change targets, market integration, etc.). In addition to 20 new (green field) substations, the plan calls for additional expansions to existing switching stations, general overhauls of 220-kV lines and further expansion of the 380-kV grid (e.g. completion of the 380-kV ring). These projects will ensure high-performance integration of renewable energy generation in eastern Austria and strengthen western Austria's link to the pumped storage power plants along with a strong connection to the load centres in Austria and to the neighbouring countries.

Four 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 line projects in the NDP 2021 have been coordinated on a pan-European basis as part of the Ten-Year Network Development Plan (TYNDP) of the European Network of Transmission System Operators for Electricity (ENTSO-E).

APG's 2021 Network Development Plan provides for gross investments of around €3.5bn by 2031. These investments will serve to develop the grid infrastructure capable of providing secure electricity transmission in Austria going forward. In 2021, APG invested a total of €374.1m (gross) in intangible assets and property, plant and equipment (2020: €379.7m).

The largest investments in 2021 were as follows:

SDG 8

Investments in grid expansion

	€m
380-kV Salzburg line St. Peter–Tauern grid hub	169.4
Weinviertel grid area	59.5
Reschen Pass project	17.1

Maintenance CAPEX	€m
Conductor replacement on the 220-kV line from Tauern to Weißenbach	15.3
New construction of substation replacements	23.2
Modernisation of secondary technology (control system/protection/counting)	7.5

APG's top-priority line construction projects currently under construction include the Salzburg line, the Weinviertel line, the Germany line and the Reschen Pass project. The environmental impact assessment (EIA) process was initiated for the Upper Austria (Central region) Electric Transmission Infrastructure project in late November 2021.

Support within the project environment

Direct communication with target groups is a key pillar of APG's overall communication strategy. By utilising 360-degree communication tools, ranging from stakeholder newsletters through specific project websites to our social media presence, we are absolutely customer-centric in all areas of communication. Topics at the forefront here are the secure supply of electricity, achievement of climate and energy targets, integration of new players into the energy system, the macroeconomic effects of APG's investment programme, specific fields of innovation and, of course, our specific investment projects. APG addresses in detail the multifaceted expectations, opinions and needs of the involved stakeholders. This involves applying the most up-to-date tools used for qualitative and quantitative social research. In 2021, the communications support within the project environment was subject to the limited options under COVID-19. Personal dialogue – including via video conference – with the project's stakeholders within the region (municipal representatives, landowners, opinion leaders, representatives of public initiatives and other stakeholders) formed the central pillar for creating acceptance for the respective project. Acceptance among the regional population and among the parties involved on a legal basis is an essential foundation for timely approval and for subsequently carrying out the project implementation and is therefore crucial for secure electricity supply and achieving climate and energy targets. We were able to foster a constructive and cooperative climate by communicating proactively, quickly, and transparently in a manner tailored to the specific target groups and by treating the various different local stakeholder groups respectfully. The positive effects of this method were particularly apparent in the long-disputed Salzburg line project. The foundation for this was laid in a separate 2021 project communication strategy, which is based on the principles of the APG strategy. This will also form the basis for the project communication in the years to come.

Salzburg line

Commissioning of the 114 km-long 380-kV Salzburg line between the Salzburg and Tauern substations represents a significant step in the highly efficient connection of load centres and metropolitan areas to the major (pumped storage) power plant sites in Austria. The Salzburg line makes it possible for plants in eastern Austria feeding in renewable energy (wind and solar power in particular) to interact with the pumped storage power plants and thus to store surplus renewable energy generation and provide balancing services in the event of deviations in the forecast. Meeting the climate targets and other targets of the Austrian federal government in the electricity sector would not be possible without the Salzburg line.

The project has been in the implementation phase since October 2019 and construction is progressing on schedule. The Austrian Supreme Administrative Court granted final approval of the project in October 2020. Commissioning of the Salzburg line is planned for quarter 2/2025. Due to massive delays in the approval process and in order to offset the negative effects resulting from the delay in commissioning, APG was compelled to introduce added emergency measures aimed at improving grid security and reducing congestion management.

In addition to the measures previously introduced, the conductors were therefore replaced on the 220-kV line from Tauern to Weissenbach in 2021 since the delays in the Salzburg line have also pushed back the planned general overhaul of this now 70-year-old line.

Germany line

The 380-kV Germany line between St. Peter and the Austrian national border represents the construction of a high-performance interconnector on an optimised route. Dismantling the two existing 220-kV lines will alleviate the burden on local residential areas for the long term. The project will facilitate enhanced interaction of renewable energy in north-western Europe and Germany with the Austrian load centres and pumped storage power plants. The Germany line will therefore make a major contribution to the European energy transition.

APG has already started construction of the nearly 3 km-long 380-kV line to the national border. However, commissioning is not planned until 2026–2027 due to delays in the approval process on the German side.

Weinviertel line

The integration of renewable energy – primarily wind power – in the Weinviertel region necessitates replacement of the 220-kV line originally built in the 1950s. The new Weinviertel line is a key project for expanding wind power in eastern Lower Austria. APG has thus been constructing a new, highly efficient 380-kV line since 2019 on an optimised route from the Seyring junction to the new Zaya substation and a 220-kV connection to the Austrian national border. Construction measures on the line and on the substation are progressing as scheduled and commissioning of the new Weinviertel line will take place in summer 2022. The old 220-kV line, which was in need of renovation, will subsequently be dismantled. This will ease the burden on residential areas as well as on important nature reserves and bird sanctuaries in the long term and allow them to be used in another way.

Electricity supply in central Upper Austria

GRI 413-1

Central Upper Austria is currently supplied with electricity via a 110-kV line. However, this supply will be insufficient to meet the future requirements of the region and the Linz metropolitan area. Electricity consumption in central Upper Austria will grow in the years to come due to the dynamic trends in the area. These include, in particular, the growth of the economic area, the progressing electrification and process conversions in the industrial sector related to decarbonisation (especially in regard to electricity-based steel manufacturing) and a growing number of consumers. Furthermore, Austria's commitment to expanding renewable electricity with the Renewable Energy Development Act (EAG) and the required transport of green electricity necessitate expansion of the region's electricity infrastructure.

Construction of a 220-kV supply ring is planned to replace the 110-kV grid supply. Going forward, this 220-kV ring will link the Ernsthofen, Pichling, Hütte Süd, Wegscheid and Kronstorf APG substations.

The grid operators' design includes new construction of replacements for existing lines, conversion of substations from 110 kV to 220 kV on line sections already designed accordingly, along with expansion and renovation projects in a total of eight substations. Switching to the 220-kV voltage level will make it possible to transmit more electric power and energy, creating a secure, efficient and powerful electricity supply for central Upper Austria.

The project was submitted for the environmental impact assessment (EIA) in late November 2021. Project implementation – after approval has been granted – should take place from 2024 until 2030–2031. Gradual commissioning of individual construction phases is scheduled to begin in 2026 (e.g. the 220-/110-kV Hütte Süd substation).

Reschen Pass project

Built in 1953, APG's connecting line currently in place between Austria (Lienz) and Italy (Soverzene) is now far from being able to handle the requirements of today's European electricity market. Increasing hydropower generation in Austria's western Alpine region (with mainly pumped storage power plants), the further expansion of wind power and the developments in the energy market in Italy (including massive expansion of renewable energy projects) require higher capacities between Austria and Italy. Establishing a new 220-kV connection from Nauders/Reschen Pass to Premadio (i.e. to the Lombardy region) will create another connection between the APG and TERNA transmission networks with greater capacity. Construction is on schedule and the project is slated to come on stream in late autumn 2023.

Other projects and maintenance CAPEX

APG has also earmarked extensive maintenance CAPEX for the modernisation and reinforcement of substations and lines at the 220- and 110-kV grid level (see also APG's Network Development Plan 2021). Considerations on the reinforcement and expansion of existing switching stations lead to extensive maintenance measures, particularly for old systems, or, in the case of technical and economic improvements, often to new construction of replacement switching stations. Extensive maintenance measures and, above all, general overhauls of old 220-kV lines are required as well. Maintenance CAPEX and grid modernisation projects for existing switching stations and lines – in addition to the grid expansion investments called for under the grid development projects – will also require allocation of significant resources in the years to come.

Sustainable habitat management

For line projects, APG also 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 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 habitat management" project the content of this work was developed further, expanded to APG's entire transmission network and integrated into operational route management. Consequently, APG already has more than 20 years of experience in sustainable route and habitat management for

GRI 102-43

Additional information on conservation is available at www.apg.at
GRI 304-2

Please refer to the DMA for details on sustainable route management overhead lines and makes a significant contribution to the use of line routes as habitats for species of plants and animals.

Savings from wind marketing

To reduce imbalances in the green balancing group 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 on behalf of Abwicklungsstelle für Ökostrom AG (OeMAG) since 2015. As a result, the OeMAG balancing group saved around €11.9m in balancing energy in 2021. In addition, marketing electricity from wind power generated further indirect savings of €7.4m in 2021 due to lower activation of balancing services by APG. Marketing electricity from wind power generated total savings of around €19.3m in the financial year now ended, proving the added value of efficient, market-based solutions.

Vertical market integration

APG takes innovative measures to implement simplified, transparent and non-discriminatory inclusion of small-scale, decentralised generation and consumption facilities for APG's products (balancing services, congestion management, grid reserve). Extensive coordination is ongoing in this regard with distribution system operators, market participants and selected partners within the industrial sector. A prototype for participating in the balancing services market is set to be put into operation in spring 2022.

Developments in the international markets

In terms of opening up the balancing services markets internationally, the cooperations APG initiated in the past are still considered to be models within Europe. International cooperations with other transmission system operators (TSOs) give Austrian balancing services providers access to a larger market, even without the need for further prequalification, since their balancing services can also be accepted abroad. At the same time, this bolsters liquidity in the balancing services market, leading to cost savings with respect to the overall system. Meanwhile, several other European TSOs want to join these cooperations (particularly the automatic frequency restoration reserves cooperation between APG and the German TSOs) because of these positive effects.

In regard to the wholesale markets, the link to the day-ahead market at the borders with Hungary and the Czech Republic was implemented in 2021. Continuous intraday trading was also expanded to the border with Italy. Thus, by implication, cross-border capacities can be efficiently tendered on the electricity markets at all APG borders – with the exception of Switzerland. Linking these electricity markets has further improved the trade opportunities for Austrian market participants and ensured maximum liquidity for the Austrian marketplace.

GAS CONNECT AUSTRIA GMBH (GCA)

Business performance

Financial year 2021 was characterised by strong fluctuations in energy prices for electricity and gas as well as in prices for emission allowances. Gas transport in GCA's transmission network held little benefit for customers due to minimal price spreads at the European gas hubs. Delays in commissioning the Nord Stream 2 natural gas pipeline have intensified the pressure on the EU gas market. Because of the decision by Germany's Federal Network Agency, the positive effects of Nord Stream 2 will not be felt until the first half of 2022. As a result, revenue from the sale of transport capacities in the transmission pipeline remained below expectations in 2021. In contrast, revenue from distribution network activities and from the service business showed a favourable trend. Expectations were exceeded in both of these segments in the past financial year.

A three-fold increase in the price of electricity and gas since the beginning of the year drove up the expenses for the power required for compression. Various cost cutting measures and the COVID-19-related restrictions on travel and meetings along with the resulting lower expenses for travel and training helped to offset this increase. Insurance compensation promised in connection with the incident in Baumgarten on 12 December 2017, payment of which is expected to be received in 2022, had a positive effect reported in the income statement.

The interest in TAG GmbH accounted for using the equity method performed worse than projected due to the high gas prices.

Marketing capacity

Gas Connect Austria always keeps its sights on the satisfaction of its customers and continually works to adapt products and services to the requirements of the market. The focus is on developing innovative and flexible transport solutions as well as on professional and customer-oriented key account management. Regular customer satisfaction studies are conducted to assess the quality of the services and to subsequently introduce measures aimed at continuous improvement. In 2021, the number of transport customers on the transmission pipeline was similar to that of the previous years. At a rate of an average 24 auctions per hour in 2021, a similar number of capacity auctions were conducted on the PRISMA booking platform and on the RBP (Regional Booking Platform).

The transport volumes marketed in 2021 were slightly below the volumes for 2020. This decrease is due mainly to lower demand caused by the overall gas flow situation in Europe along with the bankruptcies of several transport customers.

Grid development

The network development plan secures the future of Baumgarten as an energy hub. In January 2020, E-Control approved GCA's network development plan for the first time without further requirements. In its new network development plan, GCA has placed emphasis on innovation projects relating to renewable gases, and a possible future Austrian hydrogen transport network is being outlined together with Austrian Gas Grid Management AG (AGGM) and TAG.

Within the scope of the European Ten-Year Network Development Plan (TYNDP 2020), GCA also defined its future focus and its willingness to actively contribute to the energy transition. In its capacity as a distribution system operator, GCA submitted the Power-to-Gas for Austria (P2G4A) project in regard to the TYNDP 2020. The TYNDP 2022 is currently in preparation.

Technical data

GCA power grid data

	Pipelines System length/km	DN	Number of stations
Transmission pipeline			
West-Austria gas pipeline (WAG)	384.3	DN 800-1200	3 CS, 1 SS, 9 M/TS
Penta-West gas pipeline	94.5	DN 700	1 CS, 3 M/TS
Hungaria-Austria gas pipeline (HAG)	45.7	DN 700	1 M/TS
Süd-Ost gas pipeline (SOL)	26.1	DN 500	2 M/TS
Various, e.g. KIP	13.4	DN 500	1 M/TS
Distribution network			
Primary distribution system (PDS)	309.7	DN 80-1200	1 CS, 40 M/TS
Total	873.7		

Abbreviations: substations (SS), compressor stations (CS), metering and transfer stations (M/TS), diameter nominal (DN)

Installed compressor capacity

System	Site	Capacity in MW
WAG (West Austria gas pipeline)	Baumgarten (LA)	43,480
WAG	Kirchberg (LA)	25,000
WAG	Rainbach (UA)	36,700
Penta-West gas pipeline	Neustift (LA)	22,200
PDS	Baumgarten CS OGG	17,700
Total	–	145,080

Abbreviations: primary distribution system (PDS), compressor station (CS)

Operational developments

Ongoing operations and maintenance

Maximum technical transport capacity was available in 2021 with no restrictions. Machine availability (measured in compressor units) was at nearly 89%. All regulatory and statutory maintenance requirements were conducted. Expanded to include all of GCA’s maintenance plans, the level of fulfilment amounted to nearly 97%. Especially in light of the challenging conditions due to the COVID-19 pandemic, this represents a highly satisfactory performance.

Dispatching (system management)
GCA's dispatching centre ensures smooth and efficient management of gas flows in the pipeline systems around the clock. Here, too, the COVID-19 pandemic presented particular challenges in the 24/7 operation of commercial and physical dispatching. Specific safety concepts were used to avoid potential infections within the teams and guarantee safe and reliable operations.

Strict safety and quality standards
As a gas transmission network operator, Gas Connect Austria's highest priority is safe and reliable supply. The company relies on strict safety and quality standards to live up to this responsibility, day in and day out. In 2021, GCA achieved certification for its information and IT security in accordance with the cybersecurity framework of ISO 27001. For quality assurance purposes, Gas Connect Austria established an integrated management system in alignment with international ISO standards many years ago, and the system is regularly reviewed by an external certification service.

Gas Connect Austria is certified in accordance with the following management systems:

- ISO 9001 Quality Management System SDG 8
- ISO 14001 Environmental Management System
- ISO 50001 Energy Management System
- ISO 45001 Occupational Health and Safety Management System
- ISO 27001 Information Security Management System

Projects and stakeholder management
The key investments in the project area are related to replacement investments to maintain the existing gas grid.

Maintenance CAPEX	€m
Transmission pipeline segment: revamp of Oberkappel MS	20.3
Distribution network segment: construction of new PDS hub	19.1
Distribution network segment: G00-011 pipe modernisation	29.6

Abbreviations: metering station (MS), primary distribution system (PDS)

The complete reconstruction of the Oberkappel metering station dominates activities in the transmission pipeline segment. This metering and transfer station of the West Austria Gas pipeline guarantees safe transport of gas and metering at the border crossing between Austria and Germany. As part of the modernisation work necessitated by the station's age, the metering technology was brought up to the state of the art with ultrasonic meters including new gas quality measurement equipment. Adaptations for cleaning the gas (new filter separators), for safety (new venting system) and operation (new regulating valves) were also implemented. The project was completed on schedule in quarter 3/2021.

In the distribution network segment, the main project is the reconstruction of the primary distribution system (PDS) hub in the Baumgarten station. The PDS hub connects the transmission pipelines with the Austrian distribution network in the Baumgarten station. Several sections of the plant had been impacted by mechanical and thermal effects in an incident that occurred in December 2017.

Based on an in-depth study, a decision was made to build a new, improved PDS hub according to the state of the art. The project will be completed on schedule in quarter 4/2022.

GRI 413-1

It is important to us to maintain good contact and amicable relations with communities, landowners and farmers directly affected by the project, as well as with local residents and interest groups (such as chambers of agriculture) at our sites (stations) and along our pipeline routes.

GCA assumes responsibility for the necessary intervention and impacts on nature, the environment and mankind and for the resulting accompanying and compensatory measures. In construction, these include compliance with the "Guidelines for proper soil recultivation of agricultural and forestry land", implementation of environmental construction supervision and controlling of non-native and invasive species. Viewpoints and representations are substantiated by third-party experts or by means of reference projects. The scenario in which a project is initiated and its benefits for specific interest groups and the general public are communicated in detail.

The employees of GCA's Right of Way department act as the general point of contact around the clock for all kinds of information, from inspection requests (reports of damage) to suggestions and complaints. Neighbouring property owners and interested parties can also visit GCA in person or get in touch by phone, e-mail or letter or through social media.

An annual survey and assessment of consequential damage (growth damage as a result of thermal output) is conducted with representatives of the responsible chambers of agriculture as well as with individual farmers. The damages determined in this way are then mostly settled by way of crop damage meetings. In the event of more complex damages, home visits are made to the claimants.

Support for local youth

Since 2010, Gas Connect Austria has partnered with the Austrian Youth Book Club (Österreichischer Buchklub der Jugend). Various projects have been implemented throughout the years including Children Exploring History ("Kinder erforschen Geschichte"), Reading Community ("Lesegemeinde") with reading theatre, workshops and numerous book donations to promote the joy of reading among the young people of GCA's neighbouring communities. The Reading Community project was initiated in the Styrian municipality of Strass in 2021 (GCA operates the SOL pipeline in Styria).

Sustainable route management

The gas grid of gas subsidiary GCA leads through different landscapes in Lower Austria, Upper Austria, Burgenland, Styria, Carinthia and Vienna. Depending on the region, the climate, the naturally occurring circumstances and the type of use by humans, the route types to be found along GCA's pipeline routes include routes through forests, grasslands and farmland. The pipeline routes not only contain the pipelines, but also provide valuable habitats for flora and fauna.

When planning the construction of new pipeline routes, the aim is always to avoid sensitive areas (nature reserves, bird sanctuaries, biotopes, natural and archaeological monuments, etc.). If this is not possible, GCA consults with experts from different fields to define extensive measures for limiting interference in the natural environment, for example ecological site supervision, compliance with guidelines for proper soil recultivation, reforestation, official monitoring, control of non-native and invasive species, ground squirrel relocation and wildlife corridors.

Innovation, research and development

Gas Connect Austria works continually on new technological developments and improvements to the status quo. To this end, new technologies and concepts aimed at improving safety and availability and increasing efficiency are regularly implemented. SDG 9

Safety

In conjunction with a technology partner, further progress in 2021 was made in digitalising pipeline safety in the form of continuous monitoring based on fibre optic technology. Advances were made in the field of drone research, which in addition to stationary cameras can be used for monitoring facilities, as well as in satellite-based monitoring.

Furthermore, Gas Connect Austria is investigating opportunities for continuously available fire detection using infrared cameras and the potential connection to a central fire reporting system. Parallel to the fire detection system, the possibility of continuous gas detection using laser technology is being tested further in pilot projects.

Route monitoring using satellite image analysis is another innovation in pipeline safety. A pilot project conducted in cooperation with external partners was completed, after which the possibilities of this innovative technology were explored and assessed on selected sections of pipeline.

The role of hydrogen in the future

In order to specifically address the issue of hydrogen compatibility in the transport system, an external consulting firm was commissioned to conduct a study in 2021 for developing a specific implementation plan along with the cost of implementation based on two specific pipelines.

Additionally, GCA is a member of Hydrogen Europe, the Clean Hydrogen Alliance and the European Hydrogen Backbone initiative, where it participates in numerous working groups planning the future hydrogen network. Many routes for importing hydrogen into Austria were also evaluated by the World Energy Council.

Beyond that, GCA submitted an IPCEI (Important Project of Common European Interest) in the field of hydrogen (H2EART). This focuses on the conversion of the pipeline network for hydrogen, the construction of hydrogen pipelines to large-scale consumers and establishment of the Baumgarten station as a European hydrogen hub. Since 2021, the project has been a key element of numerous other European IPCEIs. Furthermore, a preliminary study is being developed for the Power2Gas4Austria project, a sector coupling project by GCA and APG.

Reducing methane emissions

For many years, GCA has continually implemented measures to reduce methane emissions and participates in the United Nations international environmental programme culminating in the Oil and Gas Methane Partnership (OGMP) initiative. In 2021, OGMP certified Gas Connect Austria as meeting the gold standard (highest level) of methane reporting.

In order to minimise methane emissions at the GCA plants as far as possible, an acoustic detection camera was acquired in 2021. The camera has delivered highly encouraging results in operational tests and was also used for detecting compressed air leaks. Based on the positive results, additional cameras will be purchased for other maintenance sites in order to test for leakage in the systems during maintenance activities or when new equipment is being put into operation. This represents an important contribution to reducing methane emissions.

At the Rainbach compressor station, a feasibility study was prepared for a recompression unit to recapture methane released from natural gas compressors during venting when the system is shut down. The goal is to reduce methane emissions during maintenance activities.

Future developments

Security of supply –– forward-looking energy sources

Gaseous energy, currently in the form of natural gas, but also in future in the form of renewable gases, plays an important role in security of supply. Gas is used in households, businesses, energy-intensive industry, mobility and freight transport. It covers over 20% of domestic energy requirements and is reliably available 24 hours a day, 365 days a year. Gas can be stored in large quantities and can thus compensate for the fluctuations in solar, wind and hydropower and relieves the load on the electricity grids when required. Gas can also be produced renewably in the form of biogas, synthetic methane or green hydrogen. Gaseous energy will be indispensable for the chemical industry and the steel industry in future. GCA is actively working to prepare the gas grid for transporting renewable gases. Laws currently allow “only” 4% of hydrogen in electricity generated from gas (or up to 10% in regulated exceptional circumstances), which equates to 6 TWh in the Austrian transmission network. This will be gradually increased across Europe in the years to come. GCA welcomes this progress and could already quickly achieve 10% compatibility with minimal modifications.

Contribution to the energy transition

GCA has been involved in the decarbonisation of the gas grid for many years. From 2014 to 2017, the “Wind2Hydrogen” pilot plant at the Auersthal site was used to test how electricity from wind power plants can be converted to hydrogen via electrolysis and fed into the gas grid. The mixing of hydrogen into the gas grid is called blending. A highly energy-efficient process for re-extracting the hydrogen from the gas pipeline in its pure form – called deblending – has been developed together with the Vienna University of Technology (TU) as part of the “HylyPure” project.

Development of the company

In 2022, GCA will continue its efforts to reinforce Austria’s position as the central European gas hub for the long term. Accordingly, those activities will be continued which are aimed at bringing in binding market demand for the projects currently being implemented with the goal of supplying added capacity. In the years to come, sustained demand for natural gas is anticipated throughout Europe – on one hand because of the coal phase-out and, on the other hand, to serve as a backbone for volatile electricity production from renewable energy (Dunkelflaute).

Upcoming initiatives and parameters at the European and even at the national level will define the framework and the challenges for the gas infrastructure in general and, in particular, the role of Gas Connect Austria in the energy transition on the path to decarbonisation by 2040 and 2050. Various studies demonstrate effectively that the use of pipelines represents the most cost-efficient option for transporting gases (biogas, hydrogen, synthetic methane) within Europe. That transport becomes 50% more efficient if existing pipelines are used. The GCA grid is capable of transporting different renewable gases and is thus, by definition, not a fossil grid but rather a transport opportunity for renewable energy already in existence today.

In this period up to 2050, renewable gases such as biogas and hydrogen from green electricity and synthetic methane (including from imports) will play an additional role in utilising the capacity of the gas infrastructure. Furthermore, because of the transit character of its pipelines, it is important for GCA to consider the climate and energy plans of neighbouring countries. This will help to ensure that it will have the corresponding range of products and services available (to meet demand that changes over time). The currently untapped potential of carbon capture and storage at the place of consumption may also become more interesting. In the years to come, Gas Connect Austria will focus on being involved in designing the future role of the gas infrastructure in a decarbonised environment and within the framework of the international gas infrastructure associations ENTSOG and GIE, as well as FGW at a national level.

This will serve to anchor the perception and significance of GCA as a critical infrastructure company and the contribution its gas grid will make in the energy transition within the relevant community of stakeholders and decision-makers.

The partnership initiated in 2014 with the Czech grid operator N4G will be continued by further advancing the development of a direct connection between the Czech Republic and Austria at the transmission pipeline level in line with market requirements. The commercial and technical planning has been completed and a corresponding project proposal considered. Binding market demand in the form of an auction is planned for 2022.

In addition, GCA is working with FGSZ on projects to increase the sales potential. For July 2022, preparations are underway to market various offer levels for transport capacities at the Hungarian-Austrian cross-border point Mosonmagyaróvár.

Gas Connect Austria has also joined forces with other grid and storage operators and with producers for the H2EU+Store project, which generates renewable hydrogen in Western Ukraine and brings it through Slovakia by pipeline to Austria, where it is stored and then transported to the German industrial sector. This is the first time that the entire value chain ranging from generation to transportation to consumption is united under a single project. H2Global also aims to secure the funding for producers and consumers by means of long-term purchase agreements.

All other segments

"All other segments" is a combined heading under which the Thermal generation, Services and Equity interests segments are brought together (because they are below the quantitative thresholds). Electricity and heat generation from gas is 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 2021, this only comprised the equity interest in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

Business performance

KPIs – All other segments

	Unit	2020	**2021**	Change
Total revenue	€m	184.8	**383.4**	–
EBITDA	€m	37.9	**72.5**	91.1%
Result from interests accounted for using the equity method	€m	28.1	**36.0**	27.8%
Capital employed	€m	412.6	**512.6**	24.2%

The sharp rise in total revenue and EBITDA stemmed mainly from the increased use of the Mellach CCGT in quarter 4/2021 which, as a consequence of higher sales prices, led to higher revenue and correspondingly higher gas usage. The result from interests accounted for using the equity method was generated by KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

The rise in capital employed is chiefly attributable to the increased equity interest in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft due to the positive result from interests accounted for using the equity method and higher property, plant and equipment, resulting in particular from the reversals of impairment losses recognised on the Mellach CCGT in quarter 4/2021 and from higher current receivables.

Thermal generation

At the end of 2021, VERBUND operated one thermal power plant at the Mellach/Werndorf site; operations were suspended for one thermal power plant and one boiler unit. Going forward, the Mellach site with Austria's most cutting-edge combined cycle gas turbine power plant will be instrumental in maintaining security of supply in Austria and will serve as a bridge technology to a lower-carbon energy future.

Energy supply

Energy generation overview

Electricity generation

GRI EU1
GRI EU2

	Number[1]	Maximum electrical capacity in MW[1]	2019 Generation in GWh	2020 Generation in GWh	**2021 Generation in GWh**
Mellach CCGT (natural gas)	1	848	888	687	1,124
Mellach district heating power plant (hard coal)	–	–	681	–	–
Mellach district heating power plant (hard coal/natural gas)[2]	1	165	–	346	1
Total	2	1,013	1,569	1,033	**1,125**

[1] as at 31 December 2021 // [2] reduction in output from 246 MW to 165 MW in April 2020 due to conversion to natural gas

Generation from thermal power (net) rose by 8.8% to 1,124.8 GWh in the 2021 reporting period. The increase is due to greater generation at the Mellach combined cycle gas turbine power plant (CCGT). The Mellach district heating plant phased out coal-fired electricity generation in 2020 and generated only 1 GWh for congestion management purposes. At 304.3 GWh in 2021, generation of district heating was 37.3% lower than in the prior-year reporting period. There were no district heating deliveries in winter 2020/21.

Capacity changes

GRI EU1

The maximum electrical capacity of VERBUND's thermal power plants – the Mellach CCGT and the Mellach district heating power plant – totalled 1,013 MW as at 31 December 2021. Generator 10 of the Mellach CCGT was contracted for congestion management purposes. Beginning on 1 October 2021, generator 20 of the Mellach CCGT was contracted by Energie Steiermark Wärme GmbH to supply district heating to Graz and the surrounding area. Operations were suspended at the Mellach district heating power plant beginning in October 2021.

Restructuring of the thermal segment

With the exception of the fly ash facility, the dismantling work at the former Werndorf power plant site was completed in 2021.

At the Dürnrohr site, dismantling of the former VERBUND Thermal Power plants began in 2021. Partial dismantling is planned. In cooperation with the power plant partners, a concept is being developed to voluntarily secure and renovate the N64 contaminated areas at the Moosbierbaum industrial site.

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

GRI EU30

The average time availability of the thermal power plants (Mellach CCGT and Mellach district heating power plant) was 92.6% in financial year 2021. This is slightly lower than the prior-year figure of 92.7%. The level of reliability averaged 95.2% and thus was lower than the prior-year figure (2020: 98.1%).

Other project topics

In the project for the Werndorf gas boiler plant, damage occurred again at the end of 2020. An analysis of the damage and its causes was carried out in 2021, and the further steps to be taken were largely agreed with the general contractor.

The ambitious research project HOTFLEX kicked off at the Mellach power plant site in 2019 continued in financial year 2021. A pilot plant for high-temperature electrolysis and fuel cell operations was constructed on the premises of the gas turbine power plant. A test programme and operation in electrolysis mode followed in 2021. The project will continue in 2022.

In future, projects for decarbonisation of thermal generation will be developed, tested and implemented at the Mellach/Werndorf power plant site. This is already occurring in the HOTFLEX, Hy^2Power, RECPP, GreenDealCO_2 and HyTechonomy projects, for example, and in a cooperation on a hydrogen field test. The existing infrastructure at the site and the operational expertise can be used for these. The objective of the projects is to gradually reduce the specific carbon emissions per generated MWh of electricity and heat. The competencies related to hydrogen are now bundled in a separate Group division due to restructuring measures.

The projects Hy^2Power, aimed at developing a technology concept for a power plant to provide grid services, and Re-Purposing Coal Power Plants (RECPP), aimed at developing a strategy for subsequent use of coal-fired power plants in the energy transition, were continued in 2021. In addition, the HyTechonomy project for the further development of key technologies for hydrogen and the GreenDealCO_2 project for the integration of power-to-fuel plants in former coal-fired power plants were launched in 2021.

Achievement of the targets defined for VERBUND Thermal Power GmbH & Co KG (VTP) was confirmed in the last external sustainability audit. An external extension audit was completed for the environmental management system (in line with ISO 14001:2015 and in accordance with the EMAS Directive) in September 2021.

Work continues at the decommissioned St. Andrä site on a sustainable solution for the soda ash found there. Utilisation at the decommissioned Zeltweg site is continuing.

Allocation and purchase of emission allowances

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 allowance must be acquired for every tonne of CO_2 emitted. Free allocations of emission allowances amounted to just 28.5 kt CO_2 in 2021, as only a small portion of the free allocations went to district heating plants in the fourth phase of ETS. For VERBUND, this amounted to just 6.5% of the quantity needed for its emissions totalling 431.9 kt CO_2. Emission allowances were acquired through auctions or in the market to cover the remaining share of 93.5%. This decrease in the number of CO_2 emission allowances needed is attributable to the discontinuation of coal-fired electricity generation in the Mellach district heating plant and the expiry of the old agreement to supply district heating.

KPIs – direct CO_2 emissions from thermal power plants

	Unit	2019	2020	2021
CO_2 emissions from thermal power plants[1]	kt CO_2	1,068	648	432
Free allocations of emission allowances	kt CO_2	53	42	29

[1] preliminary figures before ETS audit

Services

In financial year 2021, the following services were provided in key fields of activity by VERBUND Services GmbH (VSE) as a shared service organisation of VERBUND:

- coordination of Group crisis management;
- provision of IT and telecommunication services (e.g. landline telephony, mobile communications, ship radio and company radio systems, radio relay systems, fibre-optic data networks, industry TV, fire protection equipment, IT standard client including data back-up, licence provision, application development, help desk services, data centre operations, etc.);
- general services: facility management, office management, cleaning services, catering, Vienna vehicle fleet service;
- procurement;
- management accounting and operations: ERP SAP systems, corporate organisation, commercial services;
- financial accounting; and
- human resources services and payroll.

In quarters 1–4/2021, the COVID-19 pandemic presented challenges for VERBUND throughout the Group and therefore also for VERBUND Services GmbH. With its core competencies, VERBUND Services GmbH plays a role in securing the electricity supply (as part of the critical infrastructure) and makes significant contributions to VERBUND's Group crisis management. A variety of services were provided by Group crisis management, in particular the Group situation report, the Group management report, the safety equipment and the self-tests. In addition, Group crisis management is responsible for coordinating the operation of the COVID-19 test facility at VERBUND's corporate headquarters at Am Hof in Vienna and the coordination of company vaccination stations for COVID-19 vaccinations – after all, some 1,700 people have taken advantage of the latter. VERBUND Services GmbH provides staff both for the test facility and for the vaccination stations.

Facility management optimally maintained the COVID-19 prevention measures. Critical workspaces at more than 50 of VERBUND's power plant and administrative office locations were disinfected regularly and furnished with protective equipment. Measures were taken in line with the strategic security concept to increase building security at corporate headquarters.

In the commercial processes, the stability and performance of the system availability in SAP was ensured without interruption. Additionally, the commercial processes were further improved with the successful introduction of electronic processing of incoming post and the implementation of a specially developed tool for workflow-supported online contract generation in SAP. In the SAP Excellence project, the migration to SAP S/4 Hana is on schedule. The design phase was successfully completed in adherence to the project schedule and the project budget. The implementation phase will start at the beginning of 2022 and is expected to last until early 2024 (ERP) or early 2025 (BW).

In human resources services, the requirements necessitated by the COVID-19 pandemic continued to be implemented. These included assumption of crisis unit functions and ongoing processing of claims against VERBUND and government grants related to COVID-19 such as special care arrangements and risk groups, as well as processing of quarantines, potential contacts and absences related to COVID-19. In addition, continuous changes in the law were implemented, examples being the amendment of the commuter allowance calculation and the allowance for working from home. There was also a focus on system automation to improve security in the event of changes to banking connections and to allow fully automated calculations in negotiations for reduced working hours. Furthermore, around 270 employees in Germany were switched over to electronic payslips. VUM Verfahren Umwelt Management GmbH with around 50 employees was acquired as a new customer for the payroll services department. For another customer that had relocated, an app solution was implemented for subsidisation of lunches including conclusion of a works agreement.

In IT services, the relocation measures necessitated by the new data centre were finished on schedule and the go-live was completed without business interruptions. Further progress was also made in the implementation of additional projects related to information security. The experiences of remote working from home were the basis for the newly initiated plans and projects for supporting the new culture of work.

In telecommunications, telephone systems were replaced and the access control systems needed to implement zone concepts were set up at VERBUND Hydro Power GmbH (VHP) in the designated plant areas. Furthermore, the project to replace the client switches was commenced to improve the performance and IT security of the data network. Modification of the dense wavelength division multiplexing (DWDM) network also continued, and the replacement of the transmission technology for the data transfer network was commissioned or started.

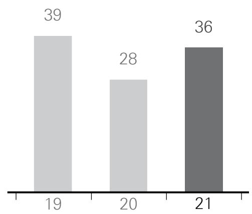
Equity interests

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

At €36.0m, the contribution from KELAG to the result from interests accounted for using the equity method was up in 2021 compared with the prior-year figure (2020: €28.1m)[1]. Among other things, the increase year-on-year was attributable to significantly higher sales prices and good water supply. The dividend attributable to VERBUND for 2021 was €17.6m. As at 31 December 2021, 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 field 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.

Equity result - KELAG €m



Equity method accounting

[1] KELAG accounting adjusted retrospectively in accordance with IAS 8

Opportunity and risk management

GRI 102-11

The risk management system in place at VERBUND is based on international standards such as COSO II and ISO 31000. VERBUND's risk management system is structured to ensure comprehensive coverage of potential areas of risk and opportunity, while uniform, Group-wide principles form the basis for standardised treatment of risks and opportunities.

Due in particular to the energy transition, which poses challenges for the energy industry as a whole, both processes and products of the Group-wide risk management system are regularly adapted to changes in internal and external requirements. Each year, VERBUND's auditor reviews and confirms the effectiveness and maturity level of the Enterprise Risk Management based on the recommendations contained in the ISO 31000 reference model.

Further development

In financial year 2021, VERBUND's risk management activities focused, among other things, on further developing the risk-return approach for the Group (mainly in connection with planned projects and investments) and the multi-year risk horizon for risk inherent in current business operations, as well as on identifying and evaluating strategic risks and expanding the risk-bearing capacity concept. A stress test analysis was also introduced, which in future will be carried out once a year or as required. Our risk reporting processes have also been revised and expanded as part of this process.

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 opportunity or risk categories 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	X	X

Category	Description/measures	Impact on earnings	
	Measures: - Pricing-in strategy - Conclusion of long-term supply agreements - Options transactions		
Volume risk		**Opportunity**	**Risk**
Fluctuations in volume Water/wind/PV TCFD	Difference between expected and actual production volume from water/wind/PV generation – 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 – power grid	Planning risk in relation to the products grid usage, congestion management, grid loss and control power in the Grid segment Measures: - Discussion/agreement with regulators - International collaborations	X	X
Contribution margin risk – gas grid	Planning risks: revenue (transmission pipeline, distribution network), energy costs and maintenance expense Measures: - Continuous monitoring	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 TCFD	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 - Strict scoring of business partners based on a conservative system for evaluating credit ratings - 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: - Ongoing assessment of projects for impact on ratings	X	X
Interest rate risk	Rising or falling interest expenses/interest income 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 to improve security of IT systems and IT infrastructure - Insurance policies		X

Category	Description/measures	Impact on earnings	
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 and external 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 market or in climatic, legal or macroeconomic conditions Measures: - Regular monitoring - Holding of regular strategy meetings	X	X

Current opportunities and risks 2021

The material drivers of opportunities and risks in the 2021 financial year are in the following risk categories: volume risk, price risk, project risk, financial risk and operational risk.

GRI 201-2
SDG 13
TCFD

Volume opportunities/volume 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 and solar farms as well as APG's high-voltage lines.

Hydropower generation is subject to the seasonally fluctuating water supply of the catchment areas. Options to compensate for these effects by means of the (annual) storage power plants of VERBUND Hydro Power (VHP) are very limited. Little rainfall and a resulting poor water supply characterised quarter 4/2021 in particular. As a result, the generation volume was below the long-term average in the months of October to December 2021. Throughout all of 2021, generation from wind power was also below the long-term average due to the low wind supply.

Over the long term, changes in the climate can have a lasting effect on the water/wind supply and photovoltaic output, which may cause greater seasonal or annual deviations in generation to occur in the future. In order to counter this trend and to diversify potential risks, VERBUND relies on maintaining the value of existing hydropower plants and expanding promising new ones in tandem with increasing generation from wind and solar farms.

Electricity price opportunities/electricity price risks

GRI 201-2
TCFD

In addition to the risks of fluctuations in output, electricity price trends also represent a significant risk and opportunity factor for VERBUND. In order to reduce the risk potential, long-term agreements were entered into with customers in some cases. However, changing conditions can influence the profitability of some of these agreements, particularly in the long term, and necessitate adaptations.

Electricity prices generally rose in 2021, while a significant increase in volatility was observable on the electricity markets particularly in the second half of the year. Higher electricity prices more than offset the negative effects of lower generation volumes.

In addition to other factors, rising carbon prices had a significant effect on electricity prices in financial year 2021. Around 96% of VERBUND's output was generated from carbon-free renewable energy sources which are thus not part of the European Union's Emissions Trading System (ETS). Accordingly, rising/falling ETS prices also have a positive/negative impact on VERBUND's financial performance.

Project opportunities/project risks

The ongoing construction boom, scarcity of raw materials, supply chain problems and inflation resulted in price increases in 2021, which for VERBUND also meant rising costs for various construction projects. Previously concluded fixed price contracts provided a partial buffer to these negative effects. Supply chain problems also caused delays in the implementation of various other projects, such as in the area of IT infrastructure.

Financial opportunities/financial risks

Expiring government support measures related to COVID-19, other measures aimed at containing the pandemic such as lockdowns and restrictions, and higher prices for consumer goods and energy resulted in a slight increase in the default and counterparty risk in 2021. In order to minimise the risk potential, VERBUND relies on an established system of credit limits and a strict scoring of business partners based on a system for evaluating credit ratings and regular monitoring of credit risk.

Operational opportunities/operational risks

In many sectors and areas, the COVID-19 crisis resulted in a shift to increased remote working arrangements. Cyber criminals are increasingly attempting to capitalise on this situation, which also raised this potential threat in 2021. VERBUND responds to the heightened challenges (mainly from the perspective of critical infrastructure) by continually improving the existing security mechanisms. VERBUND counteracts risks from cyber space by implementing preventive security strategies, internal projects to increase the security of IT systems and IT infrastructure, as well as internal guidelines and correspondingly defined and secured processes.

Continuous improvement of risk management is of great importance to VERBUND.

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 (as described above to some extent). 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. TCFD

Risk-bearing capacity

One success factor is secure access to the capital market. The concept for the risk-bearing capacity is focused on two areas: on one hand, identifying the effects of organic and inorganic projects on the Group's credit rating and, on the other hand, determining whether future medium- to long-term scenarios jeopardise the Group's target credit rating.

Forecast – performance in financial year 2022 (sensitivity)

All else remaining equal, a change in the factors shown below would be reflected in the projected Group result for 2022 as follows (based on the hedging status as at 31 December 2021 for generation and interest rate):

+/–1% in generation from hydropower plants: €+/–24.5m
+/–1% in generation from wind power: €+/–1.0m
+/–1€/MWh in wholesale electricity prices (renewable generation): €+/–5.1m
+/–1 percentage point in interest rates: €–/+12.0m

Internal control and risk management system

GRI 102-11
GRI 103-2

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 VERBUND Integrated Annual Report 2021 entitled Opportunity and risk management.

Organisational framework

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

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.

Basic principles of the internal control and risk management system

GRI 103-3

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 ARIS (the process modelling tool) and published on the intranet (incl. risk control matrix). VERBUND's organisational structure is continually adapted to address changing internal and external conditions.

Reporting in compliance with unbundling provisions

VERBUND's quarterly 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 Austrian Power Grid (APG) has therefore been operating in the electricity market since 2012 as an independent transmission system operator. An external equal treatment officer monitors compliance with the unbundling provisions specified in the contract. VERBUND AG acquired a 51% stake in Gas Connect Austria GmbH (GCA) effective 31 May 2021. VERBUND subsidiary GCA performs the duties of an independent transmission system operator in the gas market and continues to be subject to the statutory unbundling provisions. Compliance is monitored by an external equal treatment officer.

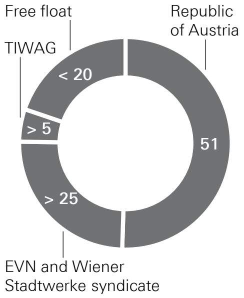
Periodic monitoring

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. APG, as an independent transmission system operator for electricity, and GCA, as an independent transmission system operator for gas, have each had their own internal audit function since March 2012 and February 2012, respectively.

Shareholder structure and capital information

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

Shareholder structure %



1. At the reporting date of 31 December 2021, 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 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 (ÖCGK), 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) UGB.

8. The Company is also not involved in any significant agreements that contain provisions referring to the stipulations under Section 243a(1)(8) 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) UGB.

The Consolidated Corporate Governance Report, which is included in the VERBUND Integrated Annual Report 2021, is available on the VERBUND website.

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

Innovation, research and development

KPIs – innovation, research & development (IR&D)

	Unit	2019	2020	**2021**
Number of IR&D projects	Number	80	91	**127**
Total project volume[1]	€m	192.6	257.0	**266.4**
of which EU projects[1]	€m	118.2	152.2	**103.5**
Total VERBUND share[1]	€m	58.7	77.6	**110.4**
Annual VERBUND expenses[2]	€m	10.7	9.5	**11.3**
Annual VERBUND investment[2]	€m	6.8	4.1	**2.4**

[1] over the entire duration of the projects // [2] Beginning in 2020, expenses and investments are reported separately and previous years are adjusted.

GRI EU-DMA, formerly EU8

SDG 7
SDG 9
SDG 17

International agreements on climate change, the European Commission's Fit for 55 plan, national strategies and programmes and the commitment of civil society are clear indications that the energy transition away from fossil fuels to renewable energy sources is in full swing – even in spite of the continuing COVID-19 crisis.

Research, development and innovation contribute significantly to implementing climate action projects and initiatives. VERBUND also assumes responsibility in this context and demonstrates this with its strategic commitment to innovative technologies and business models for decarbonisation. These efforts are supported by cooperations with universities and research institutes, businesses and start-ups in Austria and internationally.

Focus on electromobility: green electricity as the basis for climate-friendly mobility

SDG 11

For the latest generation of electric cars, VERBUND is relying on the expansion of a high-performance charging infrastructure network through its investment in SMATRICS-EnBW. In conjunction with European partners, a network of charging opportunities is being established along European mobility corridors. The interoperable network thus provides cross-border mobility services based on electricity from renewable energy. The high-performance charging network is being built under the Central European Ultra Charging (CEUC) project – co-funded by the European Commission – in Austria and with partners in Italy and South-Eastern Europe. The eCharge4Drivers research project is testing and demonstrating potential applications for intelligent charging services with funds from the European research programme Horizon 2020. In addition to publicly accessible charging infrastructure, VERBUND is focusing on innovative charging solutions for private individuals and corporate customers. This centres on the smart link between energy provision and management using charging solutions in each respective environment.

Focus on new storage: batteries as the link between generation and consumption

VERBUND relies on innovation and research projects in the field of new storage systems to address the growing share of volatile renewable energy sources in the power grid and local consumers and to combine different generation and storage technologies at a regional level.

In the Blue Battery research project successfully implemented in 2020, an industrial-scale battery storage unit was integrated into an existing hydropower plant with the objective of being 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.

In the European innovation project SYNERG-E, the focus is on the interface between the energy and mobility sectors. The electricity infrastructure faces challenges as charging output power rises up to 1 MW for high-performance charging infrastructure. This challenge is being addressed by implementing local battery storage at electric vehicle charging stations in the SYNERG-E project. Intelligent management of batteries and the charging processes at the respective site makes it possible to balance out the load peaks generated by the charging process for electric cars. In addition, the stationary battery storage is bundled virtually in order to provide grid services. A total of nine high-performance charging sites in Austria and Germany will be equipped with local battery storage in this project funded by the European Commission.

Working together with partners, VERBUND is prioritising green hydrogen with the goal of further advancing decarbonisation of the industrial and mobility sectors.

Focus on green hydrogen: a game changer in the energy sector

Working together with partners, VERBUND is prioritising green hydrogen with the goal of further advancing decarbonisation of the industrial and mobility sectors.

Launched in 2017, the H2FUTURE project, co-funded by the Fuel Cells and Hydrogen Joint Undertaking (FCH JU), implemented a proton exchange membrane (PEM) electrolyser with a capacity of 6 MW together with research project partners. The demonstration facility first produced green hydrogen in 2019. Numerous potential applications were subsequently demonstrated with the plant. One of these was the provision of grid services by the plant. In addition, tests were conducted to maximise hydrogen production. Green hydrogen is produced primarily for use in steelmaking. The H2FUTURE research project was ultimately successfully completed at the end of 2021 and the findings it generated were then incorporated into subsequent projects.

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. The focus of the WIVA projects in which VERBUND is involved is on production and use of green hydrogen in industrial companies or for storage in storage facilities. Under the WIVA project H2Pioneer, VERBUND is coordinating a research project aimed at the utilisation of green hydrogen in the semiconductor industry.

In the Carbon to Product Austria (C2PAT) innovation project, VERBUND is collaborating with partners from the industrial sector – Lafarge, Borealis and OMV – to test the use of green hydrogen in a circular economy project.

VERBUND is setting another focus in new hydrogen technologies with the HOTFLEX project. In this project, a new hydrogen technology is being 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.

The cooperation with Zillertaler Verkehrsbetriebe is focused on the use of hydrogen in the transportation sector. In late 2023, the narrow-gauge railway in the Zillertal Valley is scheduled to begin trial operation powered by hydrogen. The green hydrogen to be used for this will be produced with renewable electricity from VERBUND's power plants in the Zillertal Valley.

In the Green Hydrogen@Blue Danube innovation project, VERBUND is taking a major step towards bringing the hydrogen activities to the international stage. The goal is to work with international partners in establishing a European hydrogen value chain reaching from the production using renewable energy sources, through transport, to the buyers. In 2021, the project's implementation focus was on developing regional hydrogen hubs together with customers. In the course of this, VERBUND is participating in the ongoing IPCEI (Important Projects of Common European Interest) process and is networking with hydrogen initiatives in Europe.

Focus on biodiversity: fish passes ensure habitat connectivity at run-of-river power plants

SDG 15

Working together with partners, valuable habitats were connected to each other at VERBUND's Altenwörth and Greifenstein power plants on the Danube River as part of the LIFE Network Danube Plus project, safeguarding accessibility for migrating fish and water organisms and creating new habitats in the Krems and Kamp rivers.

Lower Austria's longest fish pass at more than 12.5 km in length has been constructed in Altenwörth. The fish pass connects restoration projects on the Danube and its tributaries, thereby fostering the biodiversity in the Danube. A total of 575,000 m^3 of gravel and fine sediment was relocated during the work. The excavated material was used locally near the river's old course.

In addition to the fish pass, as a power plant operator VERBUND is working with the market municipality of Kirchberg am Wagram to improve the bathing quality of the old course of the Danube at Altenwörth. An artificial biotope was constructed on the left bank of the old course in order to filter out and reduce the excess quantity of nutrients. This is intended to reduce the growth of algae to a natural level.

During construction of the Greifenstein power plant, the water balance of the neighbouring floodplain was secured by means of a system of artificial reservoirs. Today, this system of channels is a protected area with an abundance of typical plants and animals. With a total of four fish passes, the channel system is now accessible for fish and the Schmida and Göllersbach rivers have been reconnected to the Danube.

Focus on new renewables: intelligent management of wind and solar farms

VERBUND is focused on new renewables and specifically on solar and wind power. As part of this, research and development projects addressing preventative maintenance and intelligent plant management are being implemented.

The objective of the Smart Operation of Wind Turbines under Icing Conditions (SOWINDIC) research project is the significant reduction of unplanned ice-related production losses and balancing energy volumes through research into a completely new and innovative operation method for heating the rotor blades of wind turbines. Sponsored through the sixth tender of the Austrian Climate and Energy Fund's energy research programme, the project will extend over 36 months. Project partners of the research project comprise the Austrian Institute of Technology (AIT), the University of Vienna's Institute of Mathematics and its Data Science@Uni Vienna research platform, along with Meteotest AG.

The database information system (DBIS) project aims to develop a scalable IT platform solution for automated monitoring of all VERBUND Green Power wind and solar farms currently in operation. In this project, the highest degree of process automation was developed for the data stream including an innovative method which was developed in house for processing data related to the individual assets encompassing validated final reports and completed maintenance assignments. In this way, DBIS contributes to the efficient operation and maintenance of VERBUND Green Power's plants. The project entered the implementation phase in 2021. It is expected to go live in May 2022.

One of the first single-axis tracking photovoltaic demonstration systems was realised in the megawatt range in the project entitled "Single-axis tracking photovoltaic installation (Mitterkirchen)". The objective of the project is to optimise the use of space at VERBUND Hydropower's Wallsee/ Mitterkirchen power plant site. Besides optimising the use of space, the project also focuses on cost effectiveness, the impact of mechanical moving components on maintenance work and future uses of solar applications in the agricultural sector.

Focus on digitalisation: Digital Hydro Power Plant – hydropower 4.0

In view of the promising options for further digitalisation in the field of hydropower, the Digital Hydro Power Plant project aims to systematically develop and evaluate digital testing systems in practical application at the Rabenstein pilot plant. The range of topics extends from platform solutions for a multitude of areas, smart sensor designs, mobile assistance systems, artificial intelligence, digital twins, drones and 3D printing to innovative inspection devices. Digital solutions will contribute to further improvements in operations and the maintenance of hydropower plants, the transfer and broadening of expert knowledge, and personal and plant safety. Initial solutions are already being used outside of the pilot power plant. The diverse solutions developed by VERBUND in the Digital Hydro Power Plant project were presented in the course of an event attended by international experts in 2021.

Innovations in the power grid: Vertical Market Integration

As the control area manager, Austrian Power Grid (APG) is responsible to keep consumption of electrical energy in balance with generation at any given moment in Austria. In order to achieve the target anchored in the Renewable Energy Expansion Act (Erneuerbaren-Ausbau-Gesetz, EAG) of generating all electricity from renewable energy sources by 2030 (national balance), the share of volatile generation facilities is being greatly increased. To maintain the balance between generation and consumption in the future as well, comprehensive utilisation of existing and new flexibility options is essential.

In the project Vertical Market Integration, APG is working with its implementation partner EQUIGY to facilitate low-threshold, standardised, transparent and non-discriminatory integration of flexibility services into the automatic frequency restoration reserves. By using the EQUIGY ecosystems, existing functionalities can be accessed and new developments will follow an internationally standardised format. This streamlines consistent market access for flexibility providers in several countries, helping to bring new providers to the market more efficiently. Furthermore, since multiple grid operators cooperate for development, costs are kept low for the market and subsequently also for consumers.

This innovative integration model for automatic frequency restoration reserves is also expected to serve as a basis for other applications in future such as congestion management. Meanwhile, a concept for comprehensive utilisation of flexibility services is currently being developed with industry partners. A first draft of this joint model will be coordinated with regulatory authorities in 2021.

ABS for the power grid (ABS4TSO)

Large rotating msses of turbines and generators in hydropower plants and thermal plants creates inertia in the power grid, which counters sudden changes in grid frequency. Due to the rapidly growing share of inverter-based feed-in from wind and solar farms without that inherent inertia, new services are required to stabilise grid frequency.

A joint effort between the Vienna University of Technology (TU), the Austrian Institute of Technology (AIT) and VERBUND developed a 1 MW/500 kWh battery storage system for this purpose which is capable of providing highly dynamic system services with specific parameterisation options for the inverter. The field test in APG’s substation in southeast Vienna began in 2021 following in-depth functional testing in the AIT laboratory.

BVLOS drone flights for rapid incident inspections

From time to time, high and ultra-high voltage lines have to be temporarily shut down due to critical incidents. Lines must be inspected for damage or foreign objects before being put back into operation.

Long-distance drones equipped with high-resolution cameras can be automated to fly along the routes and inspect lines beyond the visual line of sight (BVLOS) of a pilot. Collected images are provided to experts for examination. In the future, routine inspections can be assisted by this approach as well.

In cooperation with SmartDigital, APG conducted two automated drone flights along 100 km of 380-kV high voltage lines in 2021. The flight was able to be tracked from the operation centre using live view and live radar technology. Trials for a future night flight were also conducted.

Outlook

According to the International Monetary Fund (IMF), the global economy showed a strong recovery in 2021 with growth of around 5.9% despite the ongoing COVID-19 pandemic. The IMF likewise forecasts strong growth for 2022 of 4.4%, which is also significantly above the growth rates for 2018 and 2019. Because of the difficulty of forecasting the further progression of the pandemic and the challenges from supply chain problems combined with high commodity prices and the associated higher inflation rates, these strong growth rates are also to be considered with a high degree of uncertainty.

In 2021, the economy (+4.1%) and the labour market recovered significantly in Austria as well, and the Austrian Institute of Economic Research (Österreichisches Institut für Wirtschaftsforschung, WIFO) expects even stronger growth in 2022 at +5.2%, although the uncertainty referenced above applies here, too.

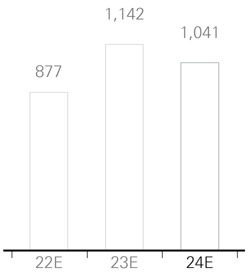
Along with the economic recovery and slower growth in supplies, commodity prices rose significantly. This particularly impacted the price of gas with an increase of +390% over the previous year. Average carbon prices for 2021 doubled compared with the previous year due to the EU's more stringent climate targets, the economic recovery and higher carbon emissions as a result of the sharp rise in coal-fired electricity generation. These trends were reflected in significant price increases on both the spot and futures markets.

The planned expansion of volatile new renewables generation is making VERBUND's generation portfolio in the core markets more significant. Base load power plants (run-of-river hydropower), flexibly accessible storage and pumped storage power plants and a highly efficient combined cycle gas turbine power plant (Mellach CCGT), which serves as a bridge technology for maintaining domestic security of supply, are helping to make it possible to expand new renewables and to support the target of 100% renewable energy by 2030. VERBUND also plays a role in achieving the target of carbon-free electricity generation through organic and inorganic growth in new renewables in new markets. APG, VERBUND's wholly owned subsidiary, owns and operates the transmission network in Austria and therefore plays a major role in connection with grid security in Austria and in the European electricity network. Gas Connect Austria GmbH (GCA), in which VERBUND has held a 51% stake since 31 May 2021, is an independent Austrian gas transmission and distribution system operator and, as such, plays a key role in the Austrian and Central European energy supply. As an integrated energy company, VERBUND's innovative products and services provide consumers with solutions for the future of energy.

Investment plan 2022–2024

SDG 8

Investment plan €m



VERBUND's updated investment plan for the period 2022–2024 provides for capital expenditure in the amount of €3,059m. Of that total, around €2,075m will be spent on growth CAPEX and around €985m on maintenance CAPEX. Most of the growth CAPEX (approximately €831m) will go towards expanding the regulated Austrian high-voltage grid. In addition, VERBUND will be investing mainly in projects related to new renewables, in selected hydropower plant projects as well as in increasing the efficiency of existing power plants. The investments will mostly involve VERBUND's domestic markets of Austria and Germany. In financial year 2022, VERBUND plans to invest a total of approximately €877m, around €507m of which will be invested in growth and around €370m in maintenance.

Dividend

VERBUND plans to distribute a dividend of €1.05 per share for financial year 2021. The payout ratio for 2021 will thus amount to 45.7% based on the adjusted Group result.

Earnings projection for 2022

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 69% of the planned own generation for 2022 was already contracted as at 31 December 2021. The price obtained for this was approximately €24.2/MWh above the sales price achieved in 2021.

Given the still precarious COVID-19 situation in many countries, geopolitical uncertainties and high volatility in the key factors influencing VERBUND's results, the outlook remains highly uncertain.

Events after the reporting date

On 20 January 2022, the Austrian National Council approved the eco-social tax reform in its third reading. Corporate income tax will be lowered from 25% at present to 24% beginning in 2023 and to 23% beginning in 2024. The revaluation of deferred tax necessitated by these changes will result in income of approximately €60m which is not taken into account in these financial statements.

Vienna, 17 February 2022

Executive Board

Michael Strugl
Chairman of the Executive Board of VERBUND AG

Peter F. Kollmann
CFO, member of the Executive Board of VERBUND AG

Achim Kaspar
Member of the Executive Board of VERBUND AG

Report on non-financial information
(NFI Report)

Report on non-financial information

in accordance with Section 267a of the Austrian Commercial Code (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, thus pre-empting the trend towards reporting on environmental factors. That annual publication was followed in 2002 by VERBUND's first sustainability report. From then until 2014, a sustainability report was published annually as a supplement to the annual report. Since 2015, VERBUND has published an integrated annual report in response to the rising demand from different groups of stakeholders for comprehensive company information. 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), which entered into force on 6 December 2016, stipulates that large public interest entities must publish non-financial information starting in financial year 2017. 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

Starting in 2022, VERBUND is also required to disclose information on environmentally sustainable revenues, capital expenditures (CAPEX) and operational expenditures (OPEX) pursuant to the EU Taxonomy Regulation for financial year 2021. This reporting requirement is complied with through the Materiality section of the Non-Financial Report.

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 2021 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 and TCFD Index 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 the VERBUND website. GRI 102-56

Further information is available at www.verbund.com > About VERBUND > Responsibility > Non-financial Information

VERBUND's business model

VERBUND is one of the largest producers of hydroelectricity in Europe and makes a significant contribution to maintaining security of supply in Austria. Its value chain comprises the generation, transportation, trading and sale 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, wind power and solar power, as well as the electricity and gas grid. Details are provided in the segment reporting on the Hydro and Renewable generation segments. The segment reporting on the Grid segment also contains key information on sustainability. All ongoing projects and current events from financial year 2021 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.

In 2021, due to the acquisition of Gas Connect Austria (GCA), VERBUND's material topics were reconciled and reviewed in comparison with those of GCA. This reconciliation and review process was conducted in externally facilitated workshops with experts from VERBUND and GCA. The workshops evaluated 15 topics from the areas of the environment, the economy, social and governance from the stakeholder perspective and based on their social and environmental impact. CGA's material topics identified in this way were then reconciled and reviewed alongside VERBUND's material topics. The workshop results showed that CGA's material topics correspond to VERBUND's. Particularly important for both companies are the topics of security of supply, occupational safety, innovation, compliance and transparency.

The material topics were adapted for the 2019 stakeholder survey to account for new international requirements from investors and sustainability ratings, trends and technologies, and were expanded from twelve to 20 topics. The 20 topics identified were assigned to four areas: environment and energy, economics, social and governance.

GRI 102-47

ENVIRONMENT AND ENERGY	ECONOMICS	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 was conducted in two stages (a quantitative survey and qualitative interviews). The assessment of the economic, environmental and social impact was deliberately excluded from the survey and is not included in the materiality matrix. From VERBUND's perspective, it serves no purpose to mix the topics of "stakeholder interests" and "impact", as they are based on different assessment criteria. The added value is greater with separate reporting of the material topics and stakeholder interests in the materiality matrix and the measured impacts in the "Impact of activity" section. This reduces the complexity of the topic and takes its high relevance into account.

The quantitative survey was conducted by means of a questionnaire querying the expectations of the stakeholder groups in relation to the 20 material topics. Both internal (employees, Works Council, Supervisory Board) and external stakeholders (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. The survey collected responses from 255 people to questions about VERBUND's current performance level in respect of the material topics and on the future need for action by VERBUND concerning these topics.

GRI 102-43

The qualitative survey was conducted in the form of personal in-depth interviews with 46 representatives from all internal and external stakeholder groups. This format made it possible to collect responses on a more granular level and in particular 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.

The chart below summarises the results of the survey. It shows VERBUND's current performance level compared to the future need for action 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, compliance and transparency.

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

GRI 102-44

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), as well as 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 commitment to society 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 pioneer company 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 at the vanguard in the area of sustainability and because of its environmentally friendly and safe implementation of services in the field of renewable energy.

GRI 102-47

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 303: Water and Effluents GRI 306: 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 and Effluents		Percentage of sites certified to ISO 14001/EMAS
Economics			
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]		

MATERIAL TOPIC AT VERBUND/SDG	GRI STANDARDS	SECTOR SUPPLEMENTS	ADDITIONAL INFORMATION
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 206: Anti-competitive Behaviour GRI 307: Environmental Compliance GRI 406: Non-discrimination GRI 415: Public Policy 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, commitment to the UN Global Compact

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

Impact of activity

GRI 102-11
GRI 102-15

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.

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). VERBUND's material topics have been assigned to the following five categories: environmental matters, social matters, employee matters, respect for human rights, anti-corruption and bribery matters. The most significant impacts, risks and opportunities are regularly assessed by VERBUND's sustainability team (at least every two years). The findings of the assessment are reported to the Corporate Responsibility Committee. More detailed information can be found in the sections entitled Environmental performance, Human resources, Stakeholder engagement and social responsibility, Human rights, Occupational health and safety, 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 due to the effect of hydropower plants on habitats in relation to river morphology and biodiversity and 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 contingency plans and a crisis management team.
Social matters:	**Security of supply, increase in enterprise value, customer relations, innovation, information security and data protection, stakeholder engagement, commitment to society, international commitment**
Impact of activity	System security in the Austrian transmission network; 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; Gender Balance project; 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 and on its employees.
Significant risks	The aspects of equal opportunity 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 entirely ruled out, 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 on 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; Supplier Code of Conduct as integral part of contract; review of the integrity of 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.

Disclosures pursuant to Art. 8 of the EU Taxonomy Regulation

Based on this Regulation and the previously published delegated act, VERBUND evaluated which of the Group's activities are associated with economic activities that qualify as environmentally sustainable economic activities. In a first step, the activities listed in the Regulation and classified as essentially taxonomy-eligible were identified. Taxonomy eligibility means that these economic activities may make a substantial contribution to at least one of the six EU environmental objectives if they meet defined criteria, although such criteria have only been published for the first two EU environmental objectives: climate change mitigation and climate change adaptation. The other EU environmental objectives relate to the topics of sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Based on the evaluation carried out, these include the following VERBUND activities:

For a brief description of the activities, see section entitled VERBUND at a glance

- Electricity generation using solar photovoltaic technology;
- Electricity generation from wind power;
- Electricity generation from hydropower;
- Transmission and distribution of electricity;
- Storage of electricity; and
- Transmission and distribution networks for renewable and low-carbon gases

The aforementioned activities may potentially contribute substantially to both the EU environmental objective of climate change mitigation and the EU environmental objective of climate change adaptation. For VERBUND, fighting climate change through the energy transition is paramount, which is why these activities are allocated to the EU environmental objective of climate change mitigation. This avoids double-counting of the reported contributions.

VERBUND is required to disclose the proportion of its total revenue, capital expenditures (capex) and operational expenditures (OPEX) associated with activities included in the taxonomy for financial year 2021. From financial year 2022, the share of taxonomy-aligned activities that fully meet the technical, environmental and social criteria of the Regulation and the delegated acts is also to be reported.

Information on taxonomy-eligible revenue

Group revenue has been allocated to the individual economic activities:

- The revenue of the Hydro segment has been allocated to the economic activities "electricity generation from hydropower" (run-of-river power plants and daily and weekly storage facilities that are not pumped storage power plants) and "storage of electricity" (pumped storage power plants).
- The revenue of the New renewables segment has been allocated per production technology to the economic activities "electricity generation using solar photovoltaic technology" and "electricity generation from wind power".
- The revenue from the Grid segment has been allocated to the economic activities "transmission and distribution of electricity" (APG's power grid) and "transmission and distribution networks for renewable and low-carbon gases" (GCA's gas grid).
- To avoid double-counting, revenue from the Sales segment (electricity trading and sales) has not been taken into account. Excluded from this are activities related to battery storage systems, which have been allocated to the economic activity "storage of electricity".

Revenue is defined in accordance with the definition under IFRS 15.

Revenue – taxonomy-eligible activities for the EU environmental objective of climate change mitigation

	Unit	2021	Relative share
Electricity generation using solar photovoltaic technology	€m	0.1	0.0%
Electricity generation from wind power	€m	125.4	2.6%
Electricity generation from hydropower	€m	1,068.6	22.4%
Transmission and distribution of electricity (E)	€m	1,086.3	22.7%
Storage of electricity (E)	€m	288.5	6.0%
Transmission and distribution networks for renewable and low-carbon gases	€m	129.1	2.7%
Total taxonomy-eligible activities	€m	**2,698.1**	56.5%
Total taxonomy non-eligible activities	€m	2,078.6	43.5%
Total	€m	**4,776.6**	100.0%

E = enabling activity

The largest share of taxonomy-eligible revenue comes from the Hydro segment (relates to the categories of electricity generation from hydropower and storage of electricity), followed by the Grid segment.

Information on taxonomy-eligible capital expenditures (CAPEX)

For information on the investment plan please refer to the Outlook section

The allocation of capital expenditures to economic activities is consistent with that for revenue. The capital expenditures are part of VERBUND's multi-year investment plan, which was approved by the Group's Supervisory Board.

The definition of capital expenditures conforms to the definitions provided in IAS 16 and IAS 38.

CAPEX – taxonomy-eligible activities for the EU environmental objective of climate change mitigation

	Unit	2021	Relative share
Electricity generation using solar photovoltaic technology	€m	114.4	14.0%
Electricity generation from wind power	€m	0.2	0.0%
Electricity generation from hydropower	€m	168.4	20.6%
Transmission and distribution of electricity (E)	€m	338.6	41.3%
Storage of electricity (E)	€m	133.0	16.2%
Transmission and distribution networks for renewable and low-carbon gases	€m	38.7	4.7%
Total taxonomy-eligible activities	€m	**793.3**	96.8%
Total taxonomy non-eligible activities	€m	25.9	3.2%
Total	€m	**819.2**	100.0%

E = enabling activity

The main share of the taxonomy-eligible CAPEX stems from the Grid segment, followed by the Hydro segment. The investments relate to expansion and maintenance CAPEX.

Companies that have issued environmentally sustainable bonds or debt securities to finance certain defined taxonomy-aligned activities must also publish the CAPEX KPI, which has been adjusted for taxonomy-aligned capital expenditures financed with these bonds or debt securities. Due to the transitional provision for financial year 2021, this share shall only be reported by VERBUND from financial year 2022.

For further information on green finance please refer to the Financing section

Information on taxonomy-eligible operational expenditures (OPEX)

The allocation of operational expenditures to economic activities is consistent with that for revenue and capital expenditures.

In accordance with the Regulation, only specific types of operational expenditures may be taken into consideration. These include maintenance expenses as well as directly attributable research and development expenses that do not constitute capital expenditures. Overhead costs may not be taken into consideration. Maintenance expenses are by far the largest attributable operational expenditures incurred in the operation of power plants and grids, and these have been included in the calculation of the KPI. The allocation of other taxonomy-eligible operational expenditures to individual economic activities requires additional analysis and evaluation instruments in the accounting systems that are currently being developed.

The definition of operational expenditures conforms to the definitions provided in IAS 16 and IAS 38.

OPEX – taxonomy-eligible activities for the EU environmental objective of climate change mitigation

	Unit	**2021**	Relative share
Electricity generation using solar photovoltaic technology	€m	0.1	0.1%
Electricity generation from wind power	€m	5.6	5.4%
Electricity generation from hydropower	€m	45.6	43.4%
Transmission and distribution of electricity (E)	€m	22.7	21.6%
Storage of electricity (E)	€m	16.9	16.1%
Transmission and distribution networks for renewable and low-carbon gases	€m	6.8	6.5%
Total taxonomy-eligible activities	€m	**97.7**	93.1%
Total taxonomy non-eligible activities	€m	7.3	6.9%
Total	€m	**104.9**	100%

E = enabling activity

The largest share of the taxonomy-eligible OPEX comes from the Hydro segment, followed by the Grid segment.

Sustainable topics and projects in 2021

Code of Conduct for Sustainable Business

In 2021, the VERBUND Code of Conduct and the sustainability mission statement were comprehensively updated and revised. Among other things, this took into account the increased interest of external stakeholders and internal developments, e.g. VERBUND’s 2030 strategy, the updating of the 2019 stakeholder survey and the implementation of the Supplier Code of Conduct. The inter-disciplinary project team recognised the numerous synergies between the existing Code of Conduct and the sustainability mission statement. An innovative approach was therefore selected and the two documents were combined to form the new "Code of Conduct for Sustainable Business". The Code covers the following action areas: our ethical corporate governance, our commitment to the climate and environmental, our way of working, our economic responsibility and our contribution to society. With a clearly defined channel for submitting reports and reporting violations of the rules, and including specific practical examples, it serves the Group, the Executive Board, the management and the employees as a set of guidelines for responsible conduct. Sustainability and responsible conduct towards society, the environment and the economy go hand in hand.

Sustainable supplier assessment

VERBUND is conscious of its responsibility within the supply chain, which is why we are working intensively on this topic. As the next step in the further development of its sustainable supplier management system, VERBUND has therefore been working since 2021 on the implementation of a new rating system for assessing the sustainability performance of suppliers. To this end, VERBUND is working with an external provider whose ESG ratings are to be used for the sustainability assessment in future. Rollout will initially be to VERBUND's top 100 suppliers. In the medium term, additional strategic supplier groups will be included using a risk-based approach.

Climate Impact Day

In 2021, VERBUND took part in Climate Impact Day (CID), which was organised for the first time by start-up company Glacier. The aim of this day is to promote the topic of sustainability and to raise awareness for climate change mitigation both in the community and within the Group. VERBUND also organised a day for its employees dedicated to climate change and its mitigation. This gave employees an opportunity to learn about VERBUND's solutions for mitigating climate change, such as e-mobility and solar power, and about the topic of climate change risks, and to test their knowledge in a quiz and a game of climate bingo.

Definition of report content

GRI 102-46

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 topic selection based on the issues and standard disclosures specified in the Sustainability and Diversity Improvement Act (NaDiVeG) and the GRI Standards.

Stakeholder engagement and social responsibility

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

VERBUND strives to achieve regular engagement with all relevant stakeholder groups. In doing so, 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.

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

VERBUND also provides expertise in processes that are important for society as a whole. In 2021 VERBUND was involved in particular in the discussions on the Austrian Renewable Energy Development Act Package, the EU's Fit for 55 package of legislative initiatives and the topic of sustainable finance.

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

Relationships with VERBUND's stakeholders are planned and managed 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 stakeholders in question.

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 guideline are the provision of early and detailed information to those affected, along with an invitation to engage in open discussion.

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

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, therefore, a communication roadmap is defined outlining all activities relating to the communication measures, from identification of the parties concerned to the time schedule and 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. The contact details for the responsible person will be published in all media.

Selected stakeholder activities in 2021

The established VERBUND stakeholder formats were also successfully continued in 2021. These included, for example, the morning talks, the VERBUND Energy Breakfast, the Hydropower Dialogue with district administrators in Bavaria, the dialogue with environmental organisations and the EU energy forums. Due to the measures implemented to combat the COVID-19 pandemic, some individual formats were switched to online events, depending on the pandemic situation, while others were postponed until a later date or had to be cancelled altogether, such as the VERBUND Day in Brussels, stakeholder visits as part of the "One day at VERBUND" event and all events planned in association with the Munich Energy Club.

GRI 413-1

VERBUND provides information on developments in energy and climate policy, engages in discourse and proposes constructive solutions.

VERBUND also maintains constant contact with affected stakeholder groups at its sites. Throughout the entire dialogue process, formal legal positions had been consciously pushed into the background in past years. The restrictions imposed due to the COVID-19 pandemic have made the otherwise customary civil dialogue more difficult. In spite of these obstacles, virtual citizens' meetings were held for the first time and simple videos of construction sites were increasingly used. Events at power plants such as the popular open days had to be cancelled, however.

In summer 2021, site visits with small groups of local residents were organised at the large construction site of the Altenwörth fish pass project to explain the local impacts of closures of popular cycle paths.

Advocacy of interests

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

VERBUND closely followed the developments and changes in the regulatory framework at EU level as well as in Austria and Germany again in 2021. In terms of content, the focus was on the following topics in 2021: the review and adoption of the Renewable Energy Development Act Package in Austria, the European Commission's comprehensive Fit for 55 package of legislative initiatives for the implementation of the European Green Deal, activities in the area of green finance, as well as active participation in numerous consultation processes on European strategy and policy projects relating to energy and climate policy.

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

SDG 1
SDG 4
SDG 7
SDG 17

VERBUND assumes responsibility for a society that perceives readily available electricity generated from clean sources as a quality-of-life factor and trusts in the security of supply. 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

The VERBUND Electricity Relief Fund in collaboration with Caritas provides assistance quickly with no red tape and, above all, for the long term, 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 6,075 households with 15,200 people altogether living in these households.

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

KPIs – VERBUND Electricity Relief Fund run by Caritas

	Unit	2019	2020	**2021**
Interim financing	Number	345	320	510
Interim financing	€	55,500	45,000	35,000
Energy consultations	Number	515	521	432
Appliances exchanged	Number	149	328	353

In 2021, 96 people with disabilities received immediate assistance from the VERBUND Empowerment Fund run by Diakonie. The total amount provided by VERBUND was €266,000. The VERBUND Empowerment Fund run by Diakonie has made it possible, in times of great uncertainty, to build new and innovative "bridges of communication" and therefore to consistently provide non-verbal people with LIFEtool counselling and support.

GRI 203-1

SDG 7
SDG 11

KPIs – VERBUND Empowerment Fund run by Diakonie

	Unit	2019	2020	**2021**
Individual assistance	Number	105	95	96
Consultations	Number	731	740	765

VERBUND Climate School in Hohe Tauern National Park

The ongoing pandemic led to a far-reaching decline in bookings for the classroom offering of climate courses. The online offering at www.klima.schule was therefore further optimised and revised – also in light of the investment in digital teaching tools – with the aim of offering teachers and students valuable and at the same time fascinating content to address the topics of climate, climate change and climate change mitigation.

VERBUND Climate School in the DMA and online: https://klima.schule/

GRI 203-1

VERBUND Electricity School kindles enthusiasm for technology

VERBUND helps teachers to make their physics lessons exciting and interactive by providing a range of physics teaching materials. Once again, the strict protective measures at the power plant sites scarcely allowed for any power plant tours for school groups in 2021. The offer remains in the medium term, however. In contrast, the editorial traineeship with the daily newspaper "Die Presse" is continuing. As in the previous year, 30 school classes from all over Austria participated in this initiative. VERBUND presents the thematic world of energy.

VERBUND Electricity School on the VERBUND website and in the DMA

GRI 203-1

VERBUND COLLECTION

In 2021, the prestigious art institution Photographer's Gallery in London curated the "Feminist Avant-Garde" exhibition from the VERBUND COLLECTION as one of the five most important exhibitions in its history on the occasion of its 50th anniversary. The exhibition of the same name has been touring across Europe for more than ten years now and has already been hosted by Rome, Madrid, Brussels, Hamburg, London, Vienna, Karlsruhe and Brno. The issues addressed by this exhibition include the reduction of women to the role of mother/housewife/wife, the feeling of being trapped and wanting to break free, questioning beauty ideals and female role-playing. The exhibition was last shown in the Lentos Art Museum in Linz from September 2021 to January 2022. From May 2022 it will be shown in the Museum of Contemporary Art Vojvodina in Novi Sad, Serbia, on the occasion of the European Capital of Culture.

The second curatorial focus of the VERBUND COLLECTION is on artworks dedicated to the "Perception of Spaces and Places". This subject area brings together 300 works by 71 artists and has already been on show at the MAK Museum of Applied Arts in Vienna, the BOZAR Centre for Fine Arts in Brussels and the Museum der Moderne in Salzburg.

In addition to museums, the VERBUND COLLECTION also exhibits its works in the "Vertikale Galerie" in the stairwell of VERBUND's headquarters at "Am Hof".

Compliance

New Code of Conduct as basis for the compliance management system

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 its business ethics, VERBUND set itself the goal of engaging in fair, transparent and sustainable business practices. A Group-wide compliance management system (CMS) was established a number of years ago for this reason. This system is based on VERBUND's Code of Conduct and is intended to assist with implementing the Code and complying with its provisions.

This Code of Conduct, which forms part of the Group's corporate philosophy, was fundamentally revised and rewritten in the 2021 reporting period. In addition to updates and various clarifications, the content was also expanded, and specific examples of responsible behaviour by employees were added. Furthermore, the Code of Conduct was also combined with the sustainability mission statement. This also resulted in the new name "Code of Conduct for Sustainable Business", which is a very good expression of the fundamental importance of sustainability for the Group.

Compliance guidelines explain the Code of Conduct in more detail. In addition, they provide for a compliance organisation for the entire VERBUND Group. This organisation encompasses the whole Group and consists of a Group-wide compliance team under the leadership of a full-time Chief Compliance Officer. The Executive Board and Supervisory Board regularly receive written compliance reports and verbal ad hoc information on demand.

Communication measures and whistleblower system

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

The Group continued to actively refine its compliance management system (CMS) in financial year 2021, in spite of the COVID-19 restrictions. This refinement process was underpinned in particular by Group-wide communication measures, such as standardised compliance meetings with Group executives as well as continuous internal and external exchange of information.

However, an effective CMS requires not only measures for prevention, but also facilities that help ensure that the Group is informed of compliance breaches and can respond appropriately. This is the only way to avoid damage to the Group. The whistleblower system in place at VERBUND will have an added electronic reporting channel from the start of 2022. This new digital whistleblower platform will now also enable two-way communication with anonymous whistleblowers. It is available to employees and to external stakeholders for certain topics.

Digital VERBUND whistleblower platform: verbund.integrityline.com

Compliance risk survey

GRI 205-1

SDG 16

As in prior years, a systematic Group-wide compliance risk survey was conducted in 2021. All divisions of the VERBUND holding company and the principal consolidated subsidiaries were involved in the survey in their capacity as risk owners. The 20 risk owners also included the new subsidiary Gas Connect Austria GmbH (GCA), which was integrated into the compliance management system in the course of the reporting year.

The risk owners carried out a qualitative compliance risk assessment based on the criteria of materiality, probability of occurrence and maturity of existing measures using a standardised questionnaire. The COVID-19 crisis did not have any particular effects on the compliance risk situation and no additional risks were identified.

Following the evaluation of these risk analyses, an overall appraisal was carried out using a risk-based approach. This provided the basis for defining the risk areas for which the specific, targeted compliance measures being focused on are developed and implemented. This is to avoid any 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 survey is planned for subsequent years.

As part of this process, the corruption risks, in particular, in all areas of the Group were examined and documented in 2021. 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 2021. 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 210 queries received. The most frequently mentioned topics were invitations, participation in events, gifts and other benefits, as well as the handling of confidential information and potential conflicts of interest. Even though the number of enquiries was down slightly due to the COVID-19 situation (with temporarily cancelled events and a closed restaurant trade), management and employees nevertheless demonstrated a high level of sensitivity to compliance issues.

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 held 17 training sessions in the reporting year (mainly via video conference due to COVID-19). Target groups were various departments of the holding company and subsidiaries of VERBUND, as well as new employees and new executives. In addition, there were special training sessions by external instructors on the topic of competition law. The compliance officers at the subsidiaries also held 46 training sessions.

The intranet-based e-training programme was once again a key pillar of the training programme in 2021. The compliance e-learning programme comprises the courses on compliance basics, anti-corruption and financial market compliance and has been integrated into the Group-wide Learning Management System (LMS), along with the related surveys. 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.

Another highly effective instrument for strengthening the compliance culture was a qualitative non-financial sub-target in the target agreements for the executives. This required executives to discuss key compliance issues or topics with their employees at least once during the current year, e.g. within the scope of a regular meeting, a division or department meeting. All executives of the Group met this requirement.

Further information on the Supplier Code of Conduct can be found in the Supply Chain section

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 and via the General Terms and Conditions of Purchase Orders. The Group's own Supplier Code of Conduct has also been in force since 2020; this formulates VERBUND's requirements for its contractors with respect to sustainability and compliance and along with the general terms and conditions is a binding part of all of the Group's orders in the procurement process.

Conversely, VERBUND also received several requests from business partners in the reporting year to accept their codes of conduct. The Compliance department reviewed the relevant requirements in each case.

Business partner integrity checks

GRI 205-3

Integrity and trust form the basis for cooperation with all business partners. VERBUND therefore commits not only itself but also its business partners to fairness and transparency and incorporates them into its CMS.

The most important business partner compliance measures include standardised business partner integrity checks, which have been implemented throughout the VERBUND Group for several years now. They are used to actively manage integrity risks. Aside from fulfilling legal requirements, VERBUND's primary aim is to safeguard the Group's reputation. The results of the analysis underpin the more extensive assessment of business partners. The processes for the business partner integrity checks were further developed and clarified in the reporting year.

No contracts with business partners had to be terminated due to corruption-related breaches in 2021.

Prevention of corruption and compliance incidents

GRI 205-2

VERBUND's objective is to avoid any compliance incidents. Corruption prevention therefore plays a key role in the VERBUND CMS. The topic of corruption prevention was therefore once again the subject of the extensive internal communication and training measures in financial year 2021. A total of 2,081 individuals (equivalent to around 55% of all of VERBUND's employees, including executives) received training on the subject of anti-corruption, around two-thirds of whom via the compliance e-learning programme. Of the executives, 74 (100%) completed the online 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 2021.

When implementing the Anti-corruption Policy, 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 around 30 cases involving the giving or receiving of invitations or participation in events and denied three of these.

Four reports (two of them external) on cases of alleged or suspected compliance breaches were received by the Group in 2021 and were investigated immediately where possible. In two of these reports, however, the allegations were too unsubstantiated or too vague, despite enquiries, making it impossible to address the content. In the other cases, investigations were unable to verify the suspicious circumstances. No violations or cases of corruption were identified. There were also no claims against the Group or its employees in the reporting period.

GRI 102-17
GRI 205-3

One suspected case of discrimination was also reported to the Diversity and Inclusion Manager in the financial year under review. This matter was investigated and it was determined that no discrimination had taken place. Discussions were held with the parties affected/involved, facts were presented and solutions were worked out for the affected parties.

GRI 406-1

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 makes no financial donations to political parties, grass-roots political organisations or holders of political office.

GRI 415-1
GRI 102-25

SDG 16

Financial market compliance and 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. The aim is to prevent the misuse of inside information.

In the 2021 reporting period, an increasing number of project-related areas of confidentiality were established based on the Group’s growth strategy. There were three occasions where inside information had to be published as ad hoc disclosures.

Legal compliance

In December 2020, VERBUND AG was served with an action for restraint brought by a competitor before the Commercial Court of Vienna, together with an application for the issuance of a temporary injunction. This action filed under the Federal Act against Unfair Competition (Bundesgesetz gegen den unlauteren Wettbewerb, UWG) was based on alleged misleading price comparison advertising (presentation of a cost saving as an example calculation). VERBUND AG submitted its response to the action as well as its comments on the application for a temporary injunction within the deadline specified. In August 2021 the application for a temporary injunction was dismissed with final effect, since there was no deception in the opinion of the court. The main proceedings were terminated by way of a suspension agreement.

GRI 417-3

Almost exactly four years after an accident in Baumgarten an der March on 12 December 2017, in which one person was killed, 22 others were injured and major property damage was caused, the trial began on 13 December 2021 at Korneuburg Regional Court. A total of twelve individuals are charged with causing death due to negligence resulting in a fire. Two of the accused are employees of Gas Connect Austria (GCA). The counsel for the prosecution also requested the court to impose fines on four companies based on the Austrian Law on the Responsibility of Associations (Verbandverantwortlichkeitsgesetz), including GCA. Due to numerous objections against the COVID-19 measures set by the judge, initially only the opening statements of the lawyers were presented. At the start of January 2022 it was still unclear when the proceedings would be continued.

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 2021 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).

GRI 307-1

For information on the examination of the flooding on the Drau River in 2012 and the associated proceedings, please refer to the Hydro section. For information on GRI 307-1 (Non-compliance with environmental laws and regulations), please refer to the Environmental performance section.

Environmental performance

In all of its fields of activity, VERBUND is committed to taking a responsible 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 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 VERBUND's environmental achievements. Existing structures, processes and responsibilities in environmental management ensure compliance with legal requirements, nationally and internationally accepted regulations and the Group's own standards. For 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 form the basis for the Group-wide collection and reporting of VERBUND environmental data. Detailed information on the standards applied and applicable factors is available from VERBUND's Investor Relations or Corporate Responsibility 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 issue in VERBUND's environmental management systems. There are two primary ways in which normal operation of VERBUND's plants has 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 contingency plans and a crisis management team.

GRI 103-1
GRI 103-3

Please refer to DMA section entitled Crisis management

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. This applies to 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. The Mellach thermal generation facilities are also validated in accordance with the EMAS Regulation. A separate environmental statement is published annually on VERBUND's website for these facilities. This means that 100% of VERBUND's sites have been certified since 2017. The objective is to continue with ISO 14001 certification at existing sites and to add new sites. New facilities are therefore incorporated into the environmental management system as quickly as possible after commissioning and included in the scope of the certificate for the next audit.

GRI 103-2

Certificates and environmental statements are available at www.verbund.com > About VERBUND > Responsibility > Environment > Environmental management

For details see NFI download

Generation and use of power

GRI 302-1

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

SDG 12

In 2021, 96.4% of electricity generated at VERBUND originated from hydropower, wind power and solar power, and 3.6% from thermal generation. VERBUND's total energy consumption decreased to 18.9 million gigajoules (GJ) in 2021 from 19.5 million GJ in 2020, with a 6% reduction in total generation.

Fossil fuels accounted for 42% of total use of power at 8 million GJ. Only the fossil fuel natural gas was used for thermal generation to generate electricity for grid support for congestion management purposes as well as for district heating. Therefore, neither hard coal nor sewage sludge (biomass as a substitute fuel) is used from 2021 onwards. In addition, natural gas will be used in the gas compressor stations to operate GCA's gas grid. Around 51% more natural gas was used in 2021 than in 2020 (2020: 5.2 million GJ; 2021: 7.9 million GJ). The volume of fuels used for the vehicle fleet and equipment amounted to 0.06 million GJ (2020: 0.06 million GJ), corresponding to around 0.7% of the total use of power from fossil fuels.

Internal electricity consumption by VERBUND comprises grid purchases for administration, power plants, pumps and grid facilities. In 2021, the share of electricity purchased was 58% of total use of power. At around 10.9 million GJ of electricity, mainly for pumping and turbining and for compensating grid losses, a slightly higher volume of electricity was drawn from the grid than in financial year 2020. Over 72% of this electricity came from renewable energy sources.

GRI 302-3

The key performance indicator energy intensity, which is expressed as the ratio of the Group's power use to the volume of electricity and district heating generated, remained the same in 2021, at 0.16 GWh/GWh (2020: 0.16 GWh/GWh). VERBUND's target of a 25% reduction in energy intensity by 2021 (2015 baseline) was achieved between 2019 and 2021, largely thanks to the rapid phase-out of generation from hard coal, the implementation of measures to improve efficiency and the increase in renewable generation.

GRI 302-1
GRI 302-3

KPIs – generation and energy

	Unit	2019	2020	2021
Generation				
Electricity generation (net, total)[1]	GWh	33,159	33,482	**31,306**
Share of generation from renewables	%	95	97	**96**
Generation of district heating (net)	GWh	789	486	**304**
Direct use of power total[2]	GJ	24,239,101	19,488,089	**18,880,407**
Total fuels from non-renewable sources	GJ	14,277,133	9,161,226	7,983,925
Hard coal	GJ	7,305,244	3,861,230	0
Natural gas	GJ	6,906,302	5,237,540	7,926,514
Fuels[3]	GJ	65,587	62,456	57,410
Total fuels from renewable sources	GJ	5,615	2,107	0
Electricity (grid purchase)[4]	GJ	9,950,037	10,318,314	10,888,822
District heating/cooling (grid purchase)	GJ	6,315	6,443	7,661
Energy intensity[5]	GWh/GWh	0.20	0.16	**0.16**

[1] incl. purchase rights // [2] Own power used in all operating segments. Fuels calculated based on heat units // [3] 2020: adjusted due to late reports // [4] volume drawn from the grid for consumption in power plants, administration, gas grid, electricity used for pumping and electricity purchased for grid losses in the transmission network (all grid levels); 2019 and 2020: retrospective adjustment of data // [5] excl. GCA

Use of materials

GRI 301-1

Materials VERBUND uses include additives and consumables for effluent treatment and for energy generation in the power plants and for the grid facilities.

Total material requirements fell by 78% year-on-year. This decrease is primarily attributable to reduced use of additives and consumables at the Mellach site in 2021. The material intensity for thermal generation has been reduced by 97% since 2015. VERBUND therefore achieved its goal of an 80% drop in this figure by 2021 (2015 base year) by switching from generation from hard coal to natural gas and through the use of the new waste water treatment system.

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

SDG 12

KPIs – use of materials

	Unit	2019	2020	2021
Total use of materials	t	5,026	1,889	**421**
Use of additives and consumables	t	5,006	1,879	406
Use of copier paper	t	20	10	15

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 change rating

SDG 13

TCFD

The Group's focus on electricity generation from renewable energy is a crucial factor both for VERBUND and its customers for reducing and avoiding greenhouse gas emissions. Of the electricity generated at VERBUND in 2021, 96.4% was generated from hydropower, solar power and wind power. As it is still necessary to use thermal power plants to provide grid support and district heating, the remaining 3.6% share of generation came from thermal power plants. VERBUND ceased using hard coal in April 2020 and now uses only natural gas.

VERBUND's GHG reporting meets the criteria of the Greenhouse Gas Protocol (GHG Protocol) and, with publication in 2021, also those of EN ISO 14064-1:2018. Under both these standards, GHG emissions are divided into three scopes. Scope 1 emissions are all direct emissions generated from internal company activities and activities at VERBUND. Scope 2 emissions are generated indirectly from internal electricity and district heating consumption and from grid losses. Scope 3 emissions, from the consumption-based perspective, comprise other indirect GHG emissions in the upstream and downstream value chain.

In 2021, the carbon footprint was recalculated and the scope of reporting was expanded as part of the Corporate Carbon Footprint project. The comprehensive revaluation was carried out based on the enhanced business model, new areas of business, the expansion of generation facilities for renewable energy and the application of the ISO standard. A direct comparison of any historical publication of GHG-related data is only possible for VERBUND's Scope 1 emissions, which are subject to the EU ETS. For other GHG emissions, a recalculation was carried out in some cases, and a complete initial calculation for others. GHG emissions from the operation of GCA's gas grid have been included in the data collection since June 2021.

GRI 103-3

VERBUND has already ceased using lignite (2006), oil (2015) and hard coal (2020) as fuel and counts as one of the early movers among electric utilities. VERBUND has continuously reduced its CO_2 emissions from thermal power plants since 2005, which fall under the European Emissions Trading System (EU ETS). Between 2005 (3.8 million tonnes CO_2) and 2021 (0.4 million tonnes CO_2) VERBUND reduced its ETS emissions by 88%. VERBUND is thus contributing to the avoidance and reduction of emissions as well as to SDG 13 "Climate action". By reducing thermal production volumes and switching fuels to natural gas, VERBUND has also massively reduced its airborne emissions (dust, NOx, SO_2). The Group fell just slightly short of achieving its target to reduce VERBUND-specific direct GHG emissions (Scope 1) to below 10 g CO_2e per kWh of total electricity generated, with these emissions amounting to 14 g CO_2e per kWh.

Due to the transformation of the energy sector and the implementation of VERBUND's strategy, the business model that has evolved with it, and new calculation methods, there is a new GHG emission forecast for VERBUND for the years ahead. VERBUND has been and will continue to be perceived in Austria as a reliable partner for securing supply. In the area of security of supply, VERBUND is trusted by the the population and has a responsibility in this respect. VERBUND tries to meet these needs at the best by generating electricity from hydropower, wind power and solar power, also with the Mellach site and as an operator of electricity and gas transmission networks. Use of the state-of-the-art Mellach combined cycle gas turbine power plant is therefore necessary to continue to provide and maintain a secure domestic supply. On the one hand, the Mellach power plant is called upon as a grid reserve for the necessary congestion management and, on the other, it serves to supply district heating for the greater Graz area. Consequently, the use of the thermal power plant and the associated emissions are dependent on external factors and cannot be influenced by VERBUND.

The climate targets based on this are as follows: by 2030, direct Scope 1 GHG emissions are to be reduced relative to 2015 (around 1.8 million tonnes CO_2e) by 16% to around 1.5 million tonnes CO_2e. In electricity trading, VERBUND contributes to emissions avoidance for its customers with its green electricity products, as VERBUND sells and delivers electricity with a guarantee of origin from renewable sources. In this connection, VERBUND provides its customers with comprehensive advice and raises their awareness on the topic of green electricity. VERBUND is aiming to reduce the upstream GHG emissions from the sale of purchased electricity to consumers to around 3.5 million tonnes CO_2e by 2030 compared with base year 2020 (around 3.7 million tonnes CO_2e), with simultaneous growth of 5%. By doing so, VERBUND will also contribute to the EU-wide objective of reducing GHG emissions by 55% from 1990 to 2030.

VERBUND's management worked intensively on the revision of its corporate strategy in 2021 in response to national and global decarbonisation efforts.

VERBUND includes CO_2, CH_4 and SF_6 emissions in its direct Scope 1 GHG emissions. This volume decreased by around 31% in 2021 from 0.65 million tonnes to 0.45 million tonnes CO_2e due to the suspended district heating supply contract. A total of 95% of these emissions are CO_2 emissions from the use of natural gas in the Mellach power plant and 1.5% in gas compressor stations in the gas grid, which fall under the EU ETS. There are no direct emissions from the generation of electricity using renewable energy sources. GRI 305-1

The remaining Scope 1 emissions do not fall under the EU ETS. The share of process emissions was 1.5%. Less than 1% of the emissions originated from the use of fuels in our own vehicle fleet and a further less than 1% were caused by volatile SF_6 and CH_4 emissions from grid facilities. Direct greenhouse gas emissions from the consumption of fuel by the vehicle fleet have been offset through CO_2-certificates since 2020. VERBUND has been working on the electrification of its vehicle fleet for years. In 2021 an internal regulation entered into force which stipulates that only vehicles with zero-carbon drive technologies may be purchased as company vehicles in future, such as all-electric cars or hydrogen vehicles.

The specific value of own emissions from electricity and district heating generation and electricity transmission amounted to just 14 g CO_2e/kWh of total electricity generation in 2021. The GHG intensity in 2021 was therefore once again significantly below the specific value for direct CO_2 emissions of the Austrian production mix in 2020 according to the Association of Issuing Bodies (AIB), at 111 g CO_2/kWh. VERBUND is therefore even further below the value of the European generation mix according to the International Energy Agency (IEA) of 233 g CO_2/kWh, 21% of which consists of nuclear power generation, however. VERBUND, on the other hand, achieves its entire specific emission value without any nuclear power generation. These comparisons show how successful VERBUND has been in its drive to achieve nuclear-free decarbonisation of its electricity generation. VERBUND's strategic focus envisages a further increase in generation from renewable energy, which will serve to further improve this figure. GRI 305-4

The KPI emissions avoided through renewable generation shows the emissions that would theoretically be generated if all of VERBUND's own generation from renewable energy sources were to be produced in thermal power plants. This is calculated based on average thermal generation emissions in Europe in accordance with the IEA of around 731 g CO_2/kWh. In 2021, emissions avoided amounted to around 22 million tonnes of CO_2.

KPIs – greenhouse gas emissions Scope 1

	Unit	2019	2020	**2021**
Scope 1 direct emissions[1]	kt CO_2e	1,073	654	**454**
Specific Scope 1 emissions[2]	g CO_2e/kWh	32	20	**14**
Emissions avoidance:				
Greenhouse gas emissions avoided through renewable generation[3]	kt CO_2	24,071	24,726	**22,055**

[1] preliminary figures before ETS audit; 2020: adjusted due to late reports // [2] from electricity generation and transmission (excl. GCA) based on total electricity generated (incl. purchase rights excl. electricity generated for district heating); 2020: adjusted due to late reports // [3] calculated using emissions from thermal generation in Europe based on IEA values

GRI 305-2
GRI 102-48

Indirect emissions from electricity supply in Scope 2 purchases arise from grid losses, from electricity consumption (grid purchases) and from district heating and cooling. Two different figures are reported for these: a location-based figure and a market-based figure. In the Corporate Carbon Footprint project, the Scope 2 emissions were recalculated based on the quantities of electricity used for pumping that were actually consumed and corresponding emissions were accounted for in Scope 3 in accordance with the life cycle assessment.

The location-based figure is calculated using the carbon emission factor of the local power grid. Therefore, this figure will only change if there are modifications in the quantities of electricity purchased and/or changes in the European generation landscape. VERBUND's location-based figure in Scope 2 amounted to 0.15 million tonnes CO_2e in 2021 (2020: 0.18 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 exclusively used electricity with guarantees of origin from 100% renewable energy to operate pumped storage power plants, which has helped it to substantially reduce its market-based emissions. The figure is consistently low compared with previous years and was 0.26 million tonnes CO_2e for 2021.

KPIs – greenhouse gas emissions Scope 2[1]

	Unit	2019	2020	**2021**
Scope 2 indirect emissions (market-based)	kt CO_2e	272	265	**255**
Scope 2 indirect emissions (location-based)	kt CO_2e	175	176	**146**

[1] 2019 and 2020: adjusted due to new calculation method

Within the Corporate Carbon Footprint project, a significance assessment was carried out for all Scope 3 categories to determine the significant indirect emissions for VERBUND in the entire value chain. From 2020, the reporting on VERBUND's upstream emissions includes purchased goods and services, capital goods, fuel and energy-related activities and, as previously, business trips. As before, fuel and energy-related activities consist of upstream emissions from fuel usage, and, from 2020, also location-based emissions from VERBUND's internal electricity consumption and from electricity sales to end consumers. Most GHG emissions from the total volume of upstream GHG emissions of 3.7 million tonnes CO_2e in 2021 (2020: 4.09 million tonnes CO_2e) are attributable to this category. The emissions from the combustion of natural gas by customers, which are compensated by VERBUND, continue to be reported as downstream activities. These amounted to 0.22 million tonnes CO_2e in 2020 and to 0.25 million tonnes CO_2e in 2021.

GRI 305-3
GRI 102-48

KPIs – greenhouse gas emissions Scope 3

	Unit	2019	2020	2021
Scope 3 upstream indirect emissions[1]	kt CO_2e	n.a.	4,089	3,699
Scope 3 downstream indirect emissions[2]	kt CO_2e	198	221	249

[1] initial assessment and recalculation Scope 3, 2020; previous years not comparable // [2] preliminary data prior to TÜV inspection

Airborne emissions

The table "KPIs – airborne emissions" shows other emissions from VERBUND's thermal power plants and, from June 2021, also from GCA's gas grid, as absolute amounts.

The phase-out of thermal generation from hard coal at the Mellach site eliminated sulphur dioxide emissions (SO_2 emissions) from April 2020. The reduction target was thus met in 2021. Dust emissions were also reduced to zero. Nitrogen oxide (NO_x) emissions decreased by 57%. Carbon monoxide (CO) emissions declined by a total of 21% compared with 2020.

In the period from 2015 to 2021, NO_x emissions were reduced by 85% and dust emissions by 100%. The targets to reduce NO_x emissions by 80% and dust emissions by 90% were therefore achieved.

GRI 305-7

For further information, please refer to the DMA

SDG 3
SDG 13

KPIs – airborne emissions

	Unit	2019	2020	2021
CO	t	65	47	37
SO_2	t	112	51	0
NO_x	t	475	285	122
Dust	t	11	11	0

GRI 304-1
GRI EU13

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

For current projects and environmental measures see the Hydro and New renewables segment reports

SDG 15

Conservation and biodiversity

Some VERBUND power plants and grid facilities are located in nature conservation areas or other protected areas. The following table contains the disclosures on the sites by type of protected area. 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.

Rehabilitation measures implemented at water bodies and the construction of fish passes to re-establish river continuity are making an important contribution to the preservation and promotion of biodiversity. Current examples of investments in ecology and biodiversity in the vicinity of VERBUND hydropower plants can be found in the Hydro section and information on wind and solar power projects can be found in the New renewables 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 presented on the web pages of the respective LIFE projects, on the APG website and on the VERBUND website.

KPIs – conservation and biodiversity (as of 2020)

	Unit	
Sites in protected areas[1]		
Sites in Natura 2000 areas	ha	3,656
Sites in Ramsar areas	ha	783
Sites in national parks	ha	82
Sites in conservation areas	ha	1,164

[1] excl. GCA; data collected in 2020, update planned for 2022

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

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

SDG 6

Water and effluents

Water withdrawals at VERBUND sites totalled 66.6 million m^3 in 2021 and were therefore 43% lower than the figure of 116.7 million m^3 recorded in 2020. Approximately 87% of this total volume of water was used as cooling water in our Mellach CCGT. This share is withdrawn from the surface water, used for cooling and returned chemically unchanged. Around 13% are volumes of service water. Only 0.3% of the total water volume withdrawn is actually consumed.

Details on treatment methods used and the water quality, including the review of the main substances of concern and 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. In 2021 limits were found to have been exceeded to a minor extent at five sites. The causes were analysed and appropriate countermeasures have already been put in place to ensure compliance again.

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%.

The KPI water intensity as a percentage of total electricity generated decreased by 77% compared with 2015. The target reduction of 50% by 2021 was overachieved in 2020 and 2021.

KPIs – water input and output

	Unit	2019	2020	2021
Total water withdrawal by source	1,000 m³	162,017	116,706	66,663
from surface water	1,000 m³	152,869	107,023	58,127
from groundwater and well water	1,000 m³	9,044	9,573	8,396
from public water supply	1,000 m³	104	110	140
Total water discharge	**1,000 m³**	**161,575**	**116,483**	**66,473**
of which cooling water returned from thermal power plants into surface water	1,000 m³	151,401	105,763	57,077
other water discharge	1,000 m³	10,173	10,720	9,396
Water discharge by quality[1]	**1,000 m³**	**161,575**	**116,483**	**66,473**
fresh water discharge (< 1,000 mg/l TDS)	1,000 m³	161,541	116,465	66,473
other water discharge (> 1,000 mg/l TDS)	1,000 m³	34	18	0
Water consumption	**1,000 m³**	**443**	**223**	**191**
Water intensity as a percentage of total electricity generated	**1,000 m³/GWh**	**4.9**	**3.5**	**2.1**

[1] 2019 and 2020: amounts adjusted; TDS = total dissolved solids

Waste and by-products

GRI 306-3 (2020)
GRI 306 EU-ADD

For more on the topic of waste, please refer to the DMA

SDG 12

At approximately 173 kt, the total waste volume was 38.8 kt higher in 2021 than the volume recorded in 2020. This increase is mainly attributable to the approximately 52% higher volume of non-hazardous waste from projects. At 79%, this category also accounted for the highest proportion of the total volume and resulted from increased project activities. Waste was mainly disposed of during the course of the many construction activities and dredging. Around 5% of the total volume was attributable to non-hazardous waste from ongoing operations.

Hazardous waste accounted for just 1% of the total waste volume, at 1,500 tonnes. A lower level of waste generation from projects of 600 tonnes was recorded in this category in the year under review. A total of 2.5 tonnes was attributable to electrical materials containing PCBs.

The mass of screened debris collected totalled 26.7 kt in 2021, thus accounting for 15% of the total volume of waste. 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.

VERBUND's Mellach district heating power plant, which used coal-fired generation up until 31 March 2020, produced ash and gypsum, which qualify as by-products as defined by the Austrian Waste Management Act (Abfallwirtschaftsgesetz, AWG). These can be almost completely recycled as secondary raw materials. The gypsum had already been sold in 2020. In 2021, a further 20,000 tonnes of fly ash that was temporarily stored in a silo was disposed of, leaving around 2,000 tonnes in stock at the end of the year. In addition, the partial softening of the treatment of the cooling water in the Mellach CCGT results in calcareous mud. This calcareous mud goes to the cement works as a raw material additive. At approximately 20.1 kt, the volume of by-products supplied in 2021 was around 52% below the figure for 2020.

KPIs – waste and by-products

	Unit	2019	2020	2021
Total waste[1]	kt	102.2	134.2	**173.0**
Total hazardous waste	kt	1.0	6.1	1.5
from ongoing operations	kt	0.8	0.9	0.9
from projects	kt	0.3	5.2	0.6
Total non-hazardous waste	kt	74.7	98.0	144.9
from ongoing operations	kt	10.3	7.8	8.0
from projects	kt	64.4	90.1	136.9
Screened debris – hydropower plants	kt	26.4	30.2	26.7
By-products				
by-products – thermal power plants	kt	41.3	42.3	20.1

[1] 2020: waste volumes adjusted due to late reports

Other environmental KPIs

Further information on the topic of environment is available in the NFI download and at www.verbund.com

GRI 307-1

SDG 16

No environmental fines were imposed in 2021, nor were any environmental fines incurred in 2019 or 2020.

Further details on environmental KPIs are available in the NFI download and in the Environment section of the VERBUND website.

Human resources

VERBUND's employees make a vital contribution to the Group's success. Their commitment and entrepreneurial actions enable continuous further development and implementation of VERBUND's strategy.

After financial year 2020, which was dominated by the global COVID-19 pandemic, financial year 2021, which was also defined by the COVID-19 crisis, showed how the dedication of VERBUND's employees contributes to the Group's success. Thanks to their commitment, flexibility and entrepreneurial action, VERBUND continued to cope well with the crisis. In spite of the restrictions due to the pandemic, the majority of VERBUND's projects have gone ahead, enabling VERBUND to continue to consistently pursue its strategy.

Crisis management

As an Austrian industry leader and an operator of critical infrastructure, VERBUND has a responsibility to be as best prepared as possible for crisis situations and to take the appropriate action quickly in case of emergency. Like 2020, 2021 was an exceptional year and showed that the good preparation of the established crisis management system paid off.

Aside from protecting the health of all of its employees, VERBUND's priority was to maintain the electricity supply and ensure continuity of the necessary business processes. Although the pandemic created an exceptional situation worldwide for the second year in succession, the challenges brought by COVID-19 in the past financial year were successfully overcome once again with a professional and flexible crisis management system. The crisis teams met on a regular basis and the protection concepts were adapted according to the current infection situation. The measures were implemented in close cooperation with the relevant stakeholders and were accompanied by transparent communication.

New works agreement on home office and mobile working

Based on the extensive experience with remote working due to the COVID-19 pandemic, the Group agreement on remote working that has been in place since 2004 was replaced with a modern set of rules on home office and mobile working. The new regulations, which were drawn up in successful collaboration with the employee representatives, have set a milestone in the direction of modern working and more flexible working conditions – even after the pandemic. The aim is to increase VERBUND's attractiveness as an employer in future, too. It is particularly significant that mobile working brings another new, flexible and location-independent form of carrying out work.

Personnel planning and management

VERBUND uses a contemporary and user-friendly planning and reporting instrument for employee data. This integrated personnel and expense planning system ensures a transparent personnel planning process. Consistent and strict personnel planning also promotes efficient use of resources.

GRI 103-2

SDG 5
SDG 8
SDG 16

VERBUND's central personnel management function 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 controlling, recruitment, personnel marketing and employer branding, labour and social law, company pension management, 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 103-3
For information on age and gender, see the Diversity management section

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.

Types of employment and benefits offered

GRI 102-8

SDG 3

GRI 102-41 and EU DMA: Freedom of association and collective bargaining as well as the Human rights section
GRI 401-2

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 seeks to retain employees for the long term. Apart from probationary periods, fixed-term employment contracts are only used in exceptional cases. The majority of employment contracts at VERBUND are therefore open-ended. 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. Around 25% of part-time employees are men. 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.

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.

Strategic personnel planning project

Various challenges were identified in strategic personnel planning and the planning of the long-term quantitative framework was considered. Implementation of the corporate strategy with the planned growth and the capacities for digitalisation also presents VERBUND with challenges, such as the development of new areas of business (for example in connection with renewable energy and e-mobility). This requires responsible building-up of resources. Other European energy companies are also faced with the same task.

At the same time, VERBUND must deal with the effects of demographic change within the Group and in the external market. In view of the rapidly changing demands on the world of work, the focus in 2021 was also on the qualitative change in the relevant occupational groups for VERBUND. The changes in activities and skills were assessed in a long-term analysis up to 2030. Resulting longer-term needs for action in the areas of training, analysis of potential and employee development were identified and strategies were developed for meeting these needs in the specific occupational groups. This will ensure that the necessary resources can be guaranteed, taking demographic changes, labour market trends and gender balance into account. The specific measures in the areas of employee development, employer branding and apprenticeship training are already being implemented. With early definition of coverage strategies and responsible management of existing and future human resources capacity, VERBUND aims to maintain and enhance its attractiveness as an employer for women and generations to come.

GRI 102-8
GRI 401-1

KPIs – employees

	Unit	2019	2020	**2021**
Average number of employees	Number	2,772	2,870	**3,184**
Number of employees under labour law[1]	Number	2,843	2,980	**3,497**
of which in Austria	Number	2,476	2,602	**3,118**
of which in Germany	Number	355	366	**367**
of which in other European countries	Number	12	12	**12**
Full-time employees	Number	2,663	2,790	**3,282**
Part-time employees	Number	180	190	**215**
New employee hires	Number	205	296	**326**
Employee turnover excluding retirements	Number	58	45	**83**
Employee turnover rate excluding retirements	Percent	2.0	1.5	**2.4**
Employee turnover including retirements	Number	146	174	**189**
Employee turnover rate including retirements	Percent	5.1	5.8	**5.4**
Average duration of employment[2]	Years	17.6	16.1	**15.0**
Percentage of university graduates	Percent	26.5	28.2	**30.9**

[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.

Refocusing of employer image – employer branding

Demographic effects, the increasing complexity in the fields of work in the energy market and the future cultural transformation of VERBUND also necessitate extensive refocusing of the Group's positioning as an employer. A distinctive, differentiated employer brand is crucial for this.

The brand essence of the current employer brand was sharpened in 2020, key positioning statements were developed and a clear differentiating feature from established companies was defined with the aim of continuing efficient, high-quality recruitment and strengthening employee retention and the identification of VERBUND employees with the Group. The intention is to thus improve VERBUND's reputation as an attractive employer and to increase the number of applicant fits.

Under the new slogan #lead (ing) the way, a new employer campaign was rolled out in 2021, starting with the apprentices target group. Emotive job stories were created for this and employer videos were produced about the power plants.

The development of clear communication messages for the main target groups of students (apprentices), graduates and experts achieved an even better response.

Anchoring of the #lead (ing) the way slogan internally has also been driven forward by measures such as the job ambassador programme, ongoing training programmes as well as publications on the intranet. The implementation was geared to the current COVID-19 situation and tailored primarily to digital media.

Existing measures, with the strategic focus on maintaining long-term contact with top-performing students from the Vienna University of Technology (TU) and on measures for the advancement of women, were also continued in 2021. COVID-19 continued to make it more difficult to hold events such as Take Your Daughter to Work Day in Vienna, the Women in Technology ("Frauen in die Technik," FIT) initiative and Girls! Tech up in 2021. The selection process for awarding the VERBUND women's scholarship was held virtually. This allowed VERBUND to give three highly qualified and committed female technicians additional personal and professional training beyond their everyday university life once again in 2021.

Recruitment – virtual, but not impersonal

Developments in connection with COVID-19 also made it more difficult to follow the usual recruitment process at VERBUND. As normal face-to-face contact was not possible, other measures were taken to continue interviewing applicants and select them for VERBUND. Dealing with the challenges of COVID-19 made it even clearer that the recruitment process needs to be flexible and that digital solutions offer crucial advantages, particularly in times of crisis.

During the COVID-19 crisis, a comprehensive digital recruitment and onboarding process made it possible to recruit staff for VERBUND without any face-to-face contact. As before, all applications were processed and video interviews were held in place of the traditional in-person interviews.

A large number of the career fairs were also held virtually. The new online-only framework offered virtual trade fair booths, video presentations and many different networking possibilities.

The continuous efforts to maintain the high level of professionalism of recruitment quality, even at this challenging time, were validated in 2021, when VERBUND was once again acknowledged in the Careers Best Recruiters study and awarded the silver seal. This award with a special focus on crisis resilience demonstrated that VERBUND overcame the challenges of 2021 professionally.

Personnel development

The area of personnel development also required many flexible solutions in 2021 due to the COVID-19 crisis. In 2021 each VERBUND employee nevertheless took part in 26 hours of training on average.

GRI 404-2
GRI 404-1

SDG 4

Personnel development in financial year 2021 focused on training in the areas of safety, technology and mandatory compliance training.

Due to the pandemic, many events could not be attended in person as planned in 2021. Measures for which a virtual format was not feasible due to the nature of the training (e.g. first aid courses, working at height, etc.) had to be either postponed or cancelled altogether. The majority of events were switched to a virtual format. Virtual workshops and webinars are usually in a highly condensed form, due to their online format, and are therefore often significantly shorter than in-person events. This had an effect on the number of training hours again in 2021, which, as in the previous year, only amounted to around 50% of training hours in a normal year.

GRI 404-1
GRI 404-3

SDG 4

KPIs – skills development

	Unit	2019	2020	2021
Continuing education per employee (total workforce)[1]	Hours	40.0	20.0	**26.4**
Continuing education per employee (without executive function)	Hours	38.8	19.2	**25.2**
Continuing education per executive	Hours	82.9	48.0	**54.4**
Continuing education hours for women	Hours	35.4	21.6	**28.8**
Continuing education hours for men	Hours	41.6	19.2	**25.6**
Employee performance review ratio	Percent	88.4	94.5	**96.5**
Apprentices, total	Number	156	164	**182**
of which new apprentices taken on	Number	45	51	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

Digital learning

The consistent digitalisation of learning in recent years has created the ideal basis for being able to respond quickly and efficiently to the new challenges presented by the COVID-19 virus. The Learning Management System (LMS), which went online at the start of 2020, laid the foundations for digital learning formats and created a platform for virtual training and continuing education. Digital continuing education formats have already been offered before now in the form of e-training courses. Employees were already familiar with digital learning, which made the transition easier. Numerous e-training courses were added during the COVID-19 crisis, which were available to employees free of charge. There were also own productions on VERBUND-specific topics and new offerings, as well as acquisitions and cooperations with various providers. This expanded the portfolio to include topics such as personal development, software programmes and digitalisation.

Numerous events that would have been attended in person were also held virtually as webinars. Regardless of whether it is new software that is being introduced, a team workshop or a health topic, VERBUND can design and host a webinar on it. The great advantage of this is that it is possible to prepare content and make it available to employees a lot faster (than is the case for classroom training). In addition, during the "COVID-free period" (period when measures were relaxed) a number of face-to-face events were held again in compliance with strict safety requirements. The main focus at these events was to protect our employees.

New environmental conditions require a variety of new methods. Therefore, even more formats of content delivery are available, and these are also continuously growing. Comic-style explanatory videos were increasingly used here to explain complex content. In addition, acquisitions were made that include the compilation of reference books and give employees the opportunity to listen to these via podcasts.

The onboarding of new employees was mainly accomplished via virtual workshops in 2021, due to the COVID situation. During the "COVID-free period" the onboarding workshop was also conducted in person and a number of power plant tours for the new employees were possible in the summer months.

The global COVID-19 pandemic likewise restricted personnel development, executives and employees in their daily lives in 2021 and presented them with new challenges. As a company

VERBUND found new ways to do things. The people within the Group grew together on both a personal and a professional level during this time and are well prepared to face the challenges ahead.

Apprenticeship training

Particularly in times of crisis, one of our core tasks is the safe operation and continuous maintenance of VERBUND's plants. In order to optimally manage the ongoing generational shift in power plant operations, VERBUND has trained new apprentices every year since 1983. Apprentices at VERBUND learn two professions at once – electrical engineering and metalworking – over a period of four years, with excellent prospects for the future. The high quality of our apprenticeship training is most evident in the outstanding achievements seen in the final apprenticeship examinations.

The apprenticeship at VERBUND is as attractive to girls as it is to boys, which is reflected by the fact that it has once again received the amaZone Award for outstanding performance in training girls and women in technology. 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.

To give the young people an even more emotive and more authentic insight into the working environment of VERBUND's power plants, the employer positioning was redefined together with the apprentices and a new campaign was developed under the slogan #lead (ing) the way. A strong sense of identification, pride and loyalty was achieved within the Group through the intensive involvement of various sites and the employees in the development of employer values, as well as regional job stories and content production. The campaign includes advertising materials, such as flyers, posters and social media posts as well as site-specific landing pages.

Further development of the corporate culture

Employee survey – Great Place to Work

More information available at www.verbund.com > About VERBUND > Responsibility > Social issues > Added benefits for employees

Great Place to Work has been recognising the best employers for 30 years. In 2020, VERBUND participated for the first time in the company-wide Trust Index© employee survey run by the organisation Great Place to Work®. The Trust Index© employee survey provides a comprehensive site assessment of the perceived quality and attractiveness of the workplace culture. Around 74% of the workforce answered a variety of questions on the subjects of credibility, respect, fairness, pride, team spirit and trust and classified VERBUND as a consistently good and attractive employer.

Another Culture Audit© was also conducted at the start of the year. This involved answering open questions on all relevant aspects of human resources and cultural work that make up a successful workplace culture.

In the Culture Audit© these human resources measures and programmes were evaluated in comparison with the best employers from the current benchmark study. In its analysis of the human resources tools used, Great Place to Work® identified nine areas that distinguish the best employers from other employers in respect of their human resources work: Hiring/integrating, Celebrating/team activities, Sharing, Inspiring (targets/strategy/values), Speaking, Listening, Thanking, Developing, Caring.

The cultural evaluation conducted by the Culture Audit© shows that VERBUND's human resources and cultural work encompasses a large number of high-quality programmes and measures and that VERBUND has an employee-focused workplace culture. The personnel measures taken by VERBUND in the above areas were rated as above average in comparison with all companies that participated in the benchmark study.

The only area in which VERBUND was rated below average compared with the other benchmark study participants was in recognising special achievements of employees. In the areas of developing, caring and team spirit, VERBUND was even ranked well above the average of the best employers.

If the Culture Audit© rating is directly contrasted with the results of the employee survey, this provides an indication that the personnel measures are only partly perceived by the employees in their day-to-day lives. These measures need to be communicated better and the relevant processes need to be made more transparent.

Awards

Thanks to the high level of participation in the survey and the thoroughly positive assessment by employees as well as the positive cultural evaluation by the Culture Audit©, VERBUND was certified this year as a "Great Place to Work". In addition, VERBUND placed 7th in the X-Large category of the GREAT 40 and is thus one of "Austria's Best Employers 2021" and is also on the list of Best Workplaces in Europe™ 2021, holding 40th place in the Large category.

Top level: Mindset project

The results of the Great Place to Work survey and the analysis as part of the Gender Balance project show that there is a strong desire for change among employees. Top-level executives have taken this as an opportunity to jointly launch a personnel and team development process as part of the Mindset project.

The aim is to strengthen the identity and the team character and to jointly drive forward personal development. The focus of this project is to be catalysts and drivers of the change: to be an agile team supporting VERBUND's path as a leading company in the energy transition.

Appropriate employee development measures will promote cooperation and establish a common content-related and personal focus. All of these are important prerequisites for accelerating cultural change.

This year's management conference was also based on this new approach and was held entirely in the spirit of the slogan #lead (ing) the way, with the aim of promoting clarity, building closeness and inspiring trust.

The format of this year's management conference was thus designed together with the top-level executives. Based on the slogan #lead (ing) the way, the entire conference was organised by the Executive Board together with top-level management. The new culture, born from the initiatives of the Executive Board and in the Mindset project conducted by top-level management, was actively showcased at the conference and experiences from these projects were shared.

New formats, a lot of joint work in breakouts and the use of a round stage in the middle allowed for direct contact and thus created a sense of connection and closeness, trust and openness. The executives from top-level management took a leading role in various sessions throughout the conference – including as sports coaches during the morning sports programme.

There were also some changes in the communication about the conference. For instance, right on day one of the conference there was a post on the intranet about first impressions of the conference and a message from the CEO to the employees about the strategic focus (CEO talk, recorded during the conference) and a "side views" video on the management conference.

Competency model

Shaping the future at VERBUND also means shaping a future of competency. VERBUND is addressing this issue with its fundamentally redefined competency model. The competency model provides the framework for a large number of personnel development processes. VERBUND has therefore made it its mission to anchor several innovations at the same time in order to make employees at VERBUND fit for the future. Five areas of competency and a total of 30 competencies show what is important in cooperation at VERBUND.

The competency model therefore makes a distinction between basic competencies and future competencies. Basic competencies are competencies that tend to be conducive to performance in the here and now and are more short-term and operative in nature. Their purpose is to ensure efficient and effective business processes. However, future competencies are also relevant for each employee. These focus more on the (re-)design in the medium and long-term future. They increase the Group's ability to learn and adapt.

In addition, executives in particular are considered based on a separate, additional set of competencies. In the best-case scenario, executives can act as a kind of catalyst or supporter. They therefore help to make the aforementioned competencies a reality.

The strategic focus in personnel development is strengthened by the implementation and stringent application of the competency model in the various processes relating to personnel development and personnel work. Under the new name "competency check", the new competencies are now also included in the performance review. Furthermore, all processes are being updated and adapted to the new competency model, for example the documents for the performance review, the inclusion of the competency areas in the selection decision for internal and external audit procedures, as well as initial adjustments to the 270-degree feedback process. Targeted competency development is also taken into consideration in the creation of the management development programme.

Maintaining a work-life balance

VERBUND places great emphasis on maintaining a work-life balance at all times. VERBUND has been doing the "berufundfamilie" audit (Work and Family Audit) since 2009, receiving its fourth certification in 2021. Particularly during the COVID-19 pandemic, flexible working is a high priority. The conclusion of the new works agreement on home office and mobile working laid a good foundation for these forms of working. Many other measures to achieve a better work-life balance were planned or implemented as part of the Group-wide Gender Balance project (see Gender Balance). VERBUND has set itself a number of objectives for the next audit cycle, including to further improve the communication about services and offers, to take a closer look at the topic of caring for relatives, and to continue to promote the flexible working culture.

Diversity management

SDG 10

VERBUND considers diversity management both holistically and in individual dimensions and takes both aspects into account. 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. The focus from 2020 to 2021 was on gender balance. However, since diversity can by no means be reduced to gender, the focus was turned in autumn 2021 to another sub-sector of diversity management: people with disabilities. It is not just the social responsibility that VERBUND clearly sees as a company that is crucial here, but above all the firm conviction that diversity makes VERBUND more successful and more resilient. VERBUND aims to support this by making VERBUND more accessible (for more details please refer to the accessibility management content) and creating more incentives for people with disabilities employed by VERBUND.

The aim of this is to expand the circle of diversity bit by bit and to give a better reflection of the reality of our society, because as a company VERBUND in no way wants to neglect the success factors of diversity and inclusion. VERBUND therefore renewed its ZukunftVIELFALT® certification in 2021. The individual dimensions of diversity were examined in a Group-wide process, focal points were set and new objectives were agreed in line with current priority areas. This also solidified the next goal referred to above – namely, to employ more people with disabilities at VERBUND over the next three years. In addition, executives continue to be set diversity targets so as to ensure continuous implementation. Communication on the other dimensions of diversity management is also being developed further.

Focus on gender

GRI 405-1

Information on diversity on the Executive Board and Supervisory Board can be found in the Corporate Governance Report

KPIs – gender dimension

	Unit	2019	2020	**2021**
Men	Number	2,336	2,436	**2,822**
Women	Number	507	544	**675**
Total proportion of women	Percent	17.8	18.3	**19.3**
Proportion of women among new employee hires	Percent	22.9	20.6	**26.4**
Proportion of women among executives	Percent	9.0	9.0	**13.5**
Proportion of women among apprentices	Percent	3.8	6.7	**9.3**

Although the proportion of women in a technology-focused company like VERBUND is traditionally low, VERBUND has been advocating for more gender balance in recent years and has been successful in this endeavour. The development of the KPIs showed only a small increase in the percentage of women in the various divisions, however. The Executive Board thus resolved to assign this topic strategic relevance and engaged renowned consulting firm Beekhuis Performance Culture to start the Gender Balance project in 2020. To begin with, a multi-dimensional corporate analysis was carried out. This analysis consisted of four parts. As part of the process analysis, VERBUND's processes were reviewed with respect to equality. The KPI analysis then showed how gender balance is reflected in the KPIs. In an online survey all employees were able to give their opinion on equality at VERBUND – more than 1,100 employees took part. In the focus group surveys (which had more than 170 participants), the

VERBUND culture was examined more specifically with regard to gender balance. The analysis identified the key issues for change in the corporate culture that bring the greatest and fastest added value in achievement of gender balance. The first of these is the development of the KPIs and the second is the development of the corporate culture. The target to increase the current proportion of women from 19.3% to a total of 20% by 2025 is expected to be achieved by 2025. The proportion of women at management level is also to be increased to 20%. A detailed quota calculation showed, based on strategic personnel planning and labour market data, how the proportion of women can be increased to 20% by 2025, and forms the basis for the annual targets for the individual operating segments. The actual development will be continuously monitored. Based on the status quo in 2021, the Group is currently on course to achieve its targets.

A change in the corporate culture can only be achieved by developing different approaches. Specifically, several working groups developed measures on key issues for the entire Group in 2021. A clear objective and the stipulation of results criteria ensured efficient implementation. The following key focus areas have already been implemented: fixed quotas for new hires; projects and committees; expansion of flexibility with respect to working hours and home office; increased communication on job vacancies, tools and internal processes; webinars for executives and employees; new gender rules that include all genders. By firmly anchoring these main focus areas, VERBUND aims to bring about a lasting change in the corporate culture and thus appeal to people of different talents in the labour market. This will ensure recruitment of qualified personnel in the long term.

VERBUND once again prepared an income report in 2021, which analyses the salaries of men and women by occupational group. This report shows that there are hardly any differences in the salaries between men and women with the same collective agreement classification. This can be attributed to strict compliance with the classifications of the collective agreement as well as standardised payment based on our performance-based remuneration scheme. Nevertheless, socio-political and cultural aspects such as more part-time work among women, a small number of women in technical professions, and the difficulty women experience in advancing to higher-paid (management) positions are still also discernible at VERBUND. GRI 405-2

VERBUND did not report a ratio of men's and women's salaries in 2021, as a detailed analysis based on a new framework (new model structure) is planned for 2022. Based on these recalculations we expect to achieve even better quality and comparability of results.

Focus on people with disabilities

VERBUND assumes its social responsibility to offer equal opportunities and has set itself the goal of continuing 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. Together with the accessibility management programme, the diversity management programme continually works towards improving the employment of people with disabilities.

SDG 5
SDG 8
GRI 405-1

VERBUND meets the statutory quotas stipulated for the employment of people with disabilities. For VERBUND, the mandatory quota is 144. As of 31 December 2021, VERBUND employed 149 people who qualify. However, as a further decline is expected in the next few years due to numerous retirements, the focus in 2022 is to be entirely on people with disabilities – existing employees are to be sensitised and informed and new talent is to be recruited.

For further information on the topic of accessibility, please refer to the section entitled Occupational health and safety.

Focus on age

GRI 405-1

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.

KPIs – age dimension, total

	Unit	2019	2020	**2021**
Total average age	Years	43.3	42.2	41.6
< 30 years	Percent	19.3	21.1	21.5
30–50 years	Percent	41.5	43.3	46.0
> 50 years	Percent	39.2	35.6	32.5

KPIs – age dimension, executives

	Unit	2019	2020	**2021**
< 30 years	Percent	0.0	0.0	0.0
30–50 years	Percent	47.2	48.3	50.5
> 50 years	Percent	52.8	51.7	49.9

GRI EU15
For disclosures on pension obligations, please refer to the notes

SDG 10

The demographic trend observed for many years continued during the reporting period. Around 7% of VERBUND employees will retire in the next five years. Over the next ten years, around 21% will retire.

It remains important to VERBUND to manage the generation change well and thus retain and expand the knowledge within the Group. As part of its strategic personnel planning, VERBUND identified the most critical areas in 2021 and defined coverage strategies for these areas. To this end, quantitative and qualitative needs for change were considered and specific measures were derived, the majority of which are already being implemented.

In order to keep employees healthier for longer in the work process, the health management team at VERBUND is being expanded further. For more information on this, please refer to the section entitled Occupational health and safety.

In 2020 the YoungStars network for employees under the age of 35 was created by a group of young employees. This gives employees under 35 the opportunity to network across the entire Group, to contribute ideas, to exchange ideas and to purposefully help shape the corporate culture. For this to be realised, there are regular (virtual) events (for employees to get to know each other and the different areas of activity at VERBUND better), discussion forums with executives and opportunities to exchange ideas at informal after-work meet-ups. The first-ever YoungStars Convention was held in 2021, at which the young employees were able to engage in direct dialogue with the Executive Board and executives and were inspired by short motivational presentations.

Occupational health and safety

GRI 103-1

SDG 3

Healthy and motivated employees are very important to the Group's success. Occupational health and safety are therefore also key pillars of VERBUND. Work-related injuries, occupational diseases and work-related illnesses are counteracted with targeted measures to protect employees. VERBUND applies high occupational health and safety standards to protect its own employees and staff employed by external contractors. In addition to complying with the prevailing legal requirements and obligations, high priority is given to providing safe and healthy working conditions, eliminating hazards, and mitigating risks.

Health protection during the COVID-19 pandemic

For more information please refer to the Human resources section

In accordance with VERBUND's protection targets formulated in connection with its continuity, contingency and crisis management plans, protecting the health of employees during the COVID-19 pandemic has utmost priority.

Along with the regulations based on prevailing legal requirements, additional, appropriate protective measures were also defined in accordance with the principles of hazard prevention so as to reduce the risk of infection from COVID-19. When being defined, the protective measures were ranked by order of importance based on the STOP principle. The hazards are countered by substitution or risk avoidance, as well as by technical, organisational and personal measures. In addition to preventing contact among staff by staggering shifts, splitting teams and having staff work remotely where possible, installing Plexiglas partitions and ensuring compliance with social distancing rules and hygiene measures, VERBUND also required staff to wear personal protective equipment such as mouth and nose coverings or filter masks, safety glasses or goggles, disposable gloves and hazmat suits (which the Group provided to employees). The topic of antigen and PCR tests was drafted in the form of a test strategy. Antigen and PCR tests are carried out on an ongoing basis depending on the situation.

Regulations were put in place for the most important work situations (such as business trips, attending or hosting events, working on construction sites), and appropriate protection plans were developed for larger, busier sites and continuously adapted to the prevailing situation. The respective regulations and protective measures were also applicable to any external contractors working at VERBUND sites.

To prevent infection and the further spread of the virus, a comprehensive testing strategy was also developed in collaboration with the occupational health service, with various test procedures such as swab tests in testing lanes and screening tests through to personal saliva tests. These COVID-19 rapid antigen tests have been carried out at VERBUND since November 2020 as a support measure to mitigate risks. Key cornerstones in the fight against the pandemic in 2021 were as follows: the offer and administration of company COVID-19 vaccinations (two-dose basic immunisation and third booster vaccination) as well as testing for neutralising antibodies. The focus of the free vaccination campaign for employees in 2020 was on flu and pneumococcal vaccinations to protect against additional infections.

KPIs – occupational safety

GRI 403-9 (2018)

	Unit	2019	2020	2021
Fatal injuries (total)	Number	0	0	0
Fatal injuries (own staff)	Number	0	0	0
Fatal injuries (external contractors)	Number	0	0	0
Fatal injury frequency (total)		0.0	0.0	0.0
Fatal injury frequency (own staff)		0.0	0.0	0.0
Fatal injury frequency (external contractors)		0.0	0.0	0.0
Serious injuries (total)	Number	0	1	0
Serious injuries (own staff)	Number	0	1	0
Serious injuries (external contractors)	Number	0	0	0
Serious injury frequency (total)		0.0	0.1	0.0
Serious injury frequency (own staff)		0.0	0.2	0.0
Serious injury frequency (external contractors)		0.0	0.0	0.0
Injuries (total)	Number	56	55	75
Injuries (own staff)	Number	36	34	35
Injuries (external contractors)	Number	20	21	40
Lost time injury frequency/LTIF (total)[1]		6.4	5.6	6.8
Lost time injury frequency/LTIF (own staff)[1]		6.1	5.6	5.3
Lost time injury frequency/LTIF (external contractors)[1]		7.0	5.6	9.1
No. of hours worked (total)	Hours	8,802,247	9,861,859	11,021,160
No. of hours worked (own staff)	Hours	5,945,580	6,083,040	6,613,740
No. of hours worked (external contractors)	Hours	2,856,667	3,778,819	4,407,420
Injury severity (total)[2]		22.8	18.3	24.0
Total injury-related days lost (total)	Days	1,275	1,008	1,799

[1] ratio of workplace injuries from first day of leave to 1 million working hours; excluding injuries only requiring first aid and excluding fatal injuries. The basis for calculating the working hours is defined for the industry at 1,740 working hours per year. // [2] average lost days per injury

Accidents in 2021

GRI 103-3
GRI 102-8

The calculation of occupational safety KPIs is based on the number of VERBUND employees under labour law, including employees in partial retirement, temporary staff and all employees of proportionately consolidated equity interests, regardless of the type of consolidation over which VERBUND exercises a controlling influence. On this basis for calculation, VERBUND had 3,801 employees at the end of 2021. This figure included 176 temporary workers, 173 semi-retired employees as well as the entire workforces of Ennskraftwerke Aktiengesellschaft, VUM Verfahren Umwelt Management GmbH, VERBUND Tourismus GmbH, Lestin & Co. Tauch- Bergungs- und Sprengunternehmen Gesellschaft m.b.H, Energji Ashta Shpk and the newly consolidated companies Gas Connect Austria GmbH and SMATRICS GmbH & Co KG. All employees are covered by appropriate management systems for health and safety; 25% thereof are employees who work at companies with an externally certified management system in accordance with ISO 45001.

GRI 403--8

LTIF is used as an international KPI. This enables a 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 the number of accidents in the "Lost time injury frequency/LTIF (external contractors)" KPI.

Thus, the number of accidents among our own staff continued on a positive trend in 2021. The accident rate remained constant compared with 2020, in spite of an increasing number of projects. In terms of accident severity, values also fell significantly compared with 2020.

The rapidly increasing number of projects with a greater risk of accidents, such as efficiency improvement programmes and new power plant construction, was highly noticeable from an increase in the LTIF at external contractors, however. In order to be able to properly interpret the number of accidents, absolute accident figures must be considered in relation to the number of employees and lost days per accident. The accident frequency and injury severity can then be derived from this. 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 awarded work related to the construction of plants are responsible for managing their own work. However, they are also required to comply with the safety standards prescribed by VERBUND and are briefed in accordance with VERBUND's rules.

GRI 103-3

In comparison with other electric utilities in Austria, the total accident frequency of 6.8 (LTIF including external contractors) in 2021 indicates that VERBUND remains on the right track. The medium-term corporate goal is an LTIF ≤ 5. Improvement measures are identified and implemented based on the analysis of accidents within the Group and involving external contractors. As in previous years, neither third-party fault nor organisational shortcomings were identified as the cause of any work-related injuries in 2021. This shows that safety standards within the Group are very high and that safeguards for employees are being implemented as best possible.

Injury type

GRI 403-9 (2018)

	Unit	2019	2020	2021
Impairment of sensory functions (own staff)	Number	2	0	1
Impairment of sensory functions (external contractors)	Number	0	0	0
Unconsciousness, circulatory failure (own staff)	Number	0	0	0
Unconsciousness, circulatory failure (external contractors)	Number	0	0	0
Electrification (own staff)	Number	1	1	0
Electrification (external contractors)	Number	0	0	0
Foreign object injury (own staff)	Number	0	2	1
Foreign object injury (external contractors)	Number	0	2	2
Skin injury, wound (own staff)	Number	11	9	11
Skin injury, wound (external contractors)	Number	6	9	10
Bone fracture (own staff)	Number	5	6	5
Bone fracture (external contractors)	Number	0	1	13
Multiple types of injury (own staff)	Number	2	0	2
Multiple types of injury (external contractors)	Number	1	0	2
Contusion, bruising (own staff)	Number	7	7	7
Contusion, bruising (external contractors)	Number	4	3	7
Other and unknown injury types (own staff)	Number	0	1	1
Other and unknown injury types (external contractors)	Number	1	1	1
Burn, scald, chemical burn, freezing (own staff)	Number	1	1	1
Burn, scald, chemical burn, freezing (external contractors)	Number	1	0	0
Poisoning (own staff)	Number	0	0	0
Poisoning (external contractors)	Number	0	0	0
Loss of body part (own staff)	Number	0	0	0
Loss of body part (external contractors)	Number	0	0	0
Sprain, pull, dislocation, ligament tear, meniscus injury, torn muscle (own staff)	Number	7	7	6
Sprain, pull, dislocation, ligament tear, meniscus injury, torn muscle (external contractors)	Number	7	5	6

GRI 403-9 (2018)

Serious injuries are counted as those injuries from which employees cannot recover within six months to the extent that their state of health prior to the injury is regained. These include, for example, complicated fractures right through to limb amputations. The following were identified at VERBUND as general work-related hazards with risks that could have very serious consequences or cause irreversible damage to health or result in death: hazardous work materials, atmospheres with oxygen deficiency, falls on level ground and from heights, electrocution and work on live parts, drowning, cut injuries from hand-held chainsaws, high-pressure jets, harmful noise and mechanical injuries. The most frequent causes of injury in serious accidents in recent years were trapping and crushing, falls on level ground, falls and falling objects. There were no workplace accidents resulting in serious injury in financial year 2021. In the reporting period, there were also 13 accidents involving VERBUND personnel on the way to or from work – one of which was a serious motorbike accident – as well as one commuting accident involving external staff.

GRI 403-2 (2018)

Details on the evaluation can be found in the DMA

The risks to the health and safety of employees are identified and assessed as part of the workplace evaluation. Based on this evaluation, measures are defined to prevent hazards and then the implementation of these measures and their effectiveness is monitored. A review and, if necessary, an adjustment of the evaluation shall take place if there are any changes in circumstances, but also after accidents at work in particular. Employees are briefed accordingly about frequently occurring accident risks.

Accident prevention

GRI 103-2
GRI 403-5 (2018)

Preventive measures are based on the analyses of work-related injury statistics at VERBUND. As in 2020, the annual continuing education measures for 2021 were heavily influenced by COVID-19. The planned focus topic “Working on the water” was partially implemented depending on the region and partly postponed until 2022.

Every year, as was the case in financial year 2021, 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. COVID-19 likewise posed a considerable challenge for the individual events with respect to briefings. The maximum permitted number of participants had to be continuously adjusted in line with the current COVID-19 case numbers. Some of the briefings were also held as video conferences.

In the area of occupational safety, VERBUND has a large number of internal and national regulations in place that are continually updated and promptly amended as soon as changes in the law come into effect. These regulations relate to the following topics, for example: management of working materials, accident reporting and behaviour after an accident occurs, briefings and instruction, fire safety, personal protective equipment, 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 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 stagnated at an average LTIF value of ten. This figure was reduced significantly to below seven when the “We Live Safety” project was launched. The aim of this project, in addition to protection of technical workers, is to invest in the further development of behaviour-based occupational safety.

Besides numerous workshops for executives, 36 safety coaches from all areas were trained, who have the task of conveying to their colleagues the idea of behaviour-based occupational safety as well as the importance of setting a good example.

This project has been continued as a permanent project since 2020. In addition to ongoing activities, core areas are increased safety communication, installation and use of a wide range of tools, such as a near miss database, safety walks by executives, the introduction of a safety award, a calendar of occupational safety issues for 2022, a sub-project entitled “five minutes for safety” or the new regulation for the evaluation of workplace accidents, and much more.

Healthy and motivated employees are very important to the Group’s success.

Promoting health among employees

GRI 403-6 (2018)

For further information on health management, please refer to the DMA

The “Fit and Healthy at VERBUND” initiative is designed to promote a healthy lifestyle among employees. On the one hand, the aim is to increase general health awareness, while, on the other hand, specific measures are offered that enable everyone to become proactive about their own health. Ideally, these are free offers which employees can take advantage of directly at their workplace.

As in the previous year, another focus in 2021 was on medical check-ups. Together with a preventive medicine association, health roads consisting of a cardiovascular check-up, a physical check-up and a nutrition check were offered during working hours directly at external site locations in the federal provinces of Lower Austria and Carinthia. Another focus was mental health, as stress awareness and resilience are important, particularly during a pandemic. In cooperation with the training department, various webinars on the subject of mental health were offered to executives and employees.

Due to the COVID-19 pandemic, fitness programmes were only offered in an online format. A diverse range of online training sessions were held, including bodyweight exercises and spinal gymnastics, with video recordings for later use. The online offering was also expanded to include webinars on the subject of healthy eating, online visual training sessions and face-to-face workshops on correct lifting and carrying.

A new introduction in 2021 was an app-based motivation platform, which was used to run regular challenges to promote movement and health and to raise awareness for various sustainability issues. VERBUND participated in the Companies Challenge Austria 2021 via this platform, where minutes of exercise had to be collected, and took third place.

Accessibility

Breaking down barriers is an important aspect for the inclusion of people with disabilities. The accessibility management programme at VERBUND addresses the three main topics of structural accessibility, digital accessibility and everyday accessibility in the mind.

In addition, recommendations for accessible building at VERBUND, including an overview of the legal foundations and standards, as well as instructions for implementing structural accessibility beyond legal requirements were published internally in 2021.

The establishment of a Digital Accessibility Team (DAT) made accessible information and communication technologies another focal area in 2021. The aim of the exchange and cooperation between different specialist departments in the Digital Accessibility Team is to build appropriate expertise, identify needs for improvement, assist with the implementation and develop Group-wide standards.

There was also the annual Purple Light Up Day, the international day raisjng awareness for people with disabilities, which was held on 3 December 2021. On this day, parts of VERBUND's corporate headquarters at "Am Hof" in Vienna and the Nußdorf joint power plant in Vienna were lit up purple in support of the global campaign and as a visible sign of the inclusion of people with disabilities. For further information on the focus on people with disabilities, please refer to the Human resources section

Digitalisation, information security and data protection

Digitalisation

The topic of digitalisation is the focus of activities in all of VERBUND's operating segments, with the goal of making internal and external services and processes efficient. Digital innovations, skills and abilities are continually evaluated and developed further. Potential for greater digitalisation is being unlocked in all areas, from generation through trading to sales. Digital solutions are the catalyst for a successful energy future in Austria.

The Digitalisation master plan had further digital projects added to it in financial year 2021 and includes projects from the categories of digitalisation, auto machine learning, big data, digital workforce management, digitalisation in power plants and modern working practices. This master plan thus encompasses all strategically relevant digitalisation projects in the Group and serves to help plan and coordinate digital innovations.

The Digital Deep Dive initiative started in financial year 2020 was completed in 2021. The goal of this initiative was to continuously identify further potential for digitalisation within VERBUND using new approaches and dynamic methods. This project generated further digital follow-up projects, such as the development of an employee app for VERBUND Thermal Power and the establishment of an aerial drone strategy.

Projects within the scope of Hydropower 4.0, such as the Digital Hydro Power Plant and the Digital Workforce Management projects, have allowed additional technologies for the digitalisation of energy generation (including the flight over the Drossen Dam in Kaprun using an aerial drone) to be tested and implemented.

Furthermore, the first projects on the use of auto machine learning for automation were successfully completed in quarter 4/2020. Back-testing confirmed the success of this method.

The first big data platform was also established at VERBUND in December 2020. The necessary tools and a strategic data governance committee were established in 2021 to manage data assets ("meta-data catalogue") and create a data map. The combination of big data and auto machine learning technologies will enable VERBUND to achieve a higher degree of automation of business processes in the future.

Modern Work@VERBUND is an initiative started by an interdisciplinary, cross-company core team with the aim of creating a new, open, transparent and trusting culture of cooperation (cooperation, networking and exchange) throughout the entire Group. In Phase I, after interviews and management consultations had taken place, the action areas for specific initiatives were defined. Three specific initiatives were then planned and implemented in Phase II. Phase III of the project commenced in 2021. The well-established team shall continue to be the contact and sparring partner for projects and measures in the Modern Work environment (e.g. gender balance, MS365, etc.) and shall communicate the measures implemented in Phase II and establish and integrate these further within the Group.

Information security

Information security is a high priority at VERBUND and extends through all areas of the Group. A key role in this is also played by the obligations arising for critical infrastructure companies under the Network and Information Security Act (Netz- und Informationssystemsicherheitsgesetz, NISG). In summer 2020, several VERBUND companies were identified by official notices as "operators of an essential service". In the 2021 reporting period, the central information security management system was once again certified to ISO 27001 and ISO 27019. In addition, the security measures required by the Network and Information Security Act (NISG) were also audited by an external agency for the first time.

Digitalisation projects at VERBUND are always carried out with information security in mind. Information security is therefore a key driver of progress and makes an essential contribution to the achievement of the objectives of the Group's strategy.

The Information Security department established in 2019 was also expanded. In addition to safeguarding infrastructure operations, this department thus also ensured the implementation in 2021 of the Information Security master plan adopted by VERBUND's Executive Board in 2019. The aim of the entire programme is to maintain but also continuously increase the degree of maturity in all areas of information security.

The Security Operation Center (SOC) plays a central role in achieving this objective and in countering the significant increase in cybercrime. The SOC was therefore expanded further, the visibility of attempted cyberattacks on VERBUND was further increased and contingency plans were developed. The sphere of action encompasses not only the entire IT landscape, but also the systems for electricity generation.

Due to the rapid establishment of the Information Security department since 2019 and the speedy progress with the master plan projects, VERBUND was well prepared for the COVID-19 pandemic. New and state-of-the art working methods such as remote working have already been used in project implementation. Information security was therefore at no point in jeopardy, even with the ongoing COVID-19 pandemic. As in 2020, and even with extensive access restrictions at VERBUND sites, at least two members of staff from the Information Security department were always present at the corporate headquarters in order to be able to respond on the ground in an emergency. The security awareness programme was also intensively pursued to make all employees aware of the security risks in the working environment at home and to protect them against possible attacks.

Data protection

VERBUND takes the implementation of the provisions of the EU General Data Protection Regulation (GDPR) very seriously.

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

The data protection tool TOM&PIA developed by VERBUND supports the data protection officers in updating the records of processing activities, protecting the rights of data subjects and managing the notifications to the supervisory authority. This tool is now also offered to other external companies as software as a service.

In financial year 2021, 30 enquiries from data subjects were processed and responded to. There were no cases of personal data breaches that had to be reported to the supervisory authority and no cases of data leaks, data theft or data loss in connection with customer data.

GRI 418-1

Due to COVID-19, the mandatory awareness and training programme was restricted to online channels and therefore to an e-training course and the proprietary online courses "Stories of TOM&PIA".

Human rights

VERBUND is aware of its responsibility to protect human rights in all Group divisions and in any other areas within its sphere of influence. This holistic responsibility is defined in the internal guideline on respect for human rights. As a result, VERBUND respects all types of civil, political, economic, social and cultural rights. VERBUND also considers human rights to include adherence to laws and standards pertaining to the environment, occupational safety, health and compliance. Information on the topic of human rights can therefore also be found in other sections of this Integrated Annual Report.

GRI 103-2

SDG 1
SDG 4
SDG 10

Please refer to the DMA for detailed information on the principles

All executives and all employees at VERBUND are responsible for respecting human rights and reporting any violations to the Chief Compliance Officer. One case of suspected discrimination was reported in 2021. Any significant incidents of environmental pollution and severe deficiencies in occupational health and safety must be reported to the head of the Corporate Responsibility department. There were no such reports in 2021.

Additional information on discrimination cases can be found in the Compliance section

Human rights at VERBUND

VERBUND is committed to ensuring 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 background, sexual orientation or nationality. For VERBUND, protection of the environment is also an important part 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.

The compliance management system is also described in the DMA

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. Human rights are therefore an important aspect of the Supplier Code of Conduct. However, due to VERBUND's 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

GRI 414-1

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

Supply chain excl. APG, GCA

GRI 102-9
GRI 102-10

For details on the supply chain and supplier assessment, please refer to the DMA

GRI 308-1
GRI 414-1

SDG 12

The supply chain at VERBUND is characterised by the construction of new power plants and the investment, 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 (gas) for thermal generation is another component in the supply chain.

Most of VERBUND's procurement volume is transacted using formal tenders via an electronic supplier and tendering portal. When registering on this portal, potential suppliers are also required to complete a questionnaire on the topics of sustainability, compliance, environmental protection and occupational safety. 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 also defined in a Supplier Code of Conduct (SCoC).

At the end of 2021 there was a total of around 6,000 potential suppliers registered on the supplier portal. Around 600 were added in the reporting year, 52% of whom had already responded to the questionnaire by the reporting date on 31 December 2021. The questionnaire must be completed in full in order to participate in VERBUND's tendering process.

Procurement statistics[1]

GRI 204-1

The number of suppliers commissioned by VERBUND in financial year 2021 totalled around 5,100. VERBUND placed 95% of its order volume in its core markets of Austria and Germany. The remaining 5% of orders were awarded to suppliers in other countries (mainly within the EU). In 2021, orders totalling around €815m were placed with suppliers in 32 countries.

Procurement statistics[1]

	Unit	2019	2020	2021
Commissioned suppliers (number rounded)	Number	4,700	4,800	5,100
Order volume	€m	480	430	815
Austria	%	58	80	76
Germany	%	34	15	19
Rest of the world	%	8	5	5

[1] excl. APG, GCA

We assume responsibility in our supply chain and demand the same from our suppliers.

Sustainable supplier management

Sustainable management does not end at VERBUND's door, which is why VERBUND also sets high economic, social and environmental standards in its supply chain. Attention is paid to this in our collaboration with suppliers and in our procurement processes. Due to the integration of the SCoC into supplier contracts, VERBUND suppliers are bound to behave responsibly and ethically. In supplier meetings VERBUND enters into dialogue with selected suppliers to identify risks and build a mutual understanding of sustainability issues such as occupational safety, the environment, compliance and human rights. In 2021, there were discussions with suppliers on the topics of occupational health and safety and photovoltaics. GRI 103-2

Going forward, VERBUND intends to place even greater emphasis on the sustainability performance of its suppliers. VERBUND has therefore been working since 2021 on refining the sustainability assessment of its suppliers, which is to be based in future on the ESG ratings of a renowned rating agency. This will also indicate to suppliers areas in which there is potential for development and improvement with respect to sustainability aspects in their supply chain. Rollout will initially be to the top 100 suppliers. In the medium term, additional strategic supplier groups will be included using a risk-based approach.

To minimise risks in the supply chain, VERBUND suppliers are also subject to integrity checks (ICs). These ICs are carried out prior to a possible award of a contract when certain thresholds are reached. The aim of ICs is to ensure that all statutory requirements are met at both the EU and national levels and to safeguard VERBUND's good reputation. By performing ICs, VERBUND fulfils its corporate due diligence obligations and actively takes preventive measures to prevent financial crime, corruption and money laundering. Furthermore, to ensure compliance with the requirements of the Network and Information Security Act (NISG), the suppliers are evaluated for certain projects with respect to their need for protection and a cyber risk rating is obtained.

Vienna, 17 February 2022

Executive Board

Michael Strugl
Chairman of the Executive Board of VERBUND AG

Peter F. Kollmann
CFO, member of the Executive Board of VERBUND AG

Achim Kaspar
Member of the Executive Board of VERBUND AG

Independent Assurance

Courtesy Translation of the Audit Report of the Independent Assurance on Non-Financial Reporting*

Introduction

We performed procedures to obtain limited assurance, if the consolidated non-financial report as of December 31, 2021 was prepared in accordance with the reporting criteria. The reporting criteria 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 (NaDiVeG). GRI 102-56

Responsibility of the management

The preparation of the report in accordance with the reporting criteria as well as the selection of the scope of the engagement is the responsibility of the management of VERBUND AG. The reporting criteria 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 (NaDiVeG).

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 further includes the internal controls, which have been determined as necessary by management for the preparation of a consolidated non-financial report free from misstatement, whether due to fraud or error.

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 (NaDiVeG) are met.

It should be noted that, in line with our contract, we did not perform any audit procedures regarding disclosures under Art. 8 of the Taxonomy Regulation.

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 (NaDiVeG).

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
- Matching the non-financial disclosures shown in the consolidated non-financial report with the calculation documents provided
- Site visit at the wind farm Bruck an der Leitha
- Conducting a media analysis
- Furthermore, we conducted procedures with regard to whether the reporting requirements of § 267a UGB are met with the consolidated nonfinancial report.

The objective of our engagement is neither an audit of financial statements nor an auditor's review of financial statements. Likewise, neither the detection and clarification of criminal offences, such as embezzlement or other acts of breach of trust and administrative offenses, nor the assessment of the effectiveness and efficiency of the management is the object of our engagement.

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 (NaDiVeG) are not met with the consolidated non-financial report.

It should be noted that, in line with our contract, we did not perform any audit procedures regarding disclosures under Art. 8 of the Taxonomy Regulation.

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 (according to annex). In accordance with chapter 7 of these terms and conditions, 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 25, 2022

Deloitte Audit Wirtschaftsprüfungs GmbH

(signed by:)
Mag. Walter Müller
Austrian Certified Public Accountant

*) Attention: This letter has been translated from German to English for referencing purposes only. Please refer to the officially legally binding version as written and signed in German. Only the German version is the legally binding version.

Consolidated financial statements

Contents of the consolidated financial statements

of VERBUND

Income statement

of VERBUND

€k

In accordance with IFRSs	Notes	2020[1]	2021
Revenue		3,449,789	**4,776,633**
Electricity revenue	3.2.1	2,814,033	3,833,260
Grid revenue	3.2.1	497,310	734,988
Other revenue	3.2.2	138,446	208,386
Other operating income	3.2.3	77,536	97,414
Expenses for electricity, grid, gas and certificate purchases	3.2.4	–1,404,388	–2,612,555
Fuel expenses and other usage-/revenue-dependent expenses	3.2.5	–78,788	–250,134
Personnel expenses	3.2.6	–347,634	–383,733
Other operating expenses	3.2.7	–276,279	–318,332
Measurement and realisation of energy derivatives	3.2.8	–127,443	269,667
EBITDA		1,292,793	**1,578,959**
Depreciation and amortisation	3.2.9	–378,767	–417,269
Impairment losses[2]	3.2.10	–24,964	–9,869
Reversal of impairment loss[2]	3.2.10	32,876	115,009
Operating result		921,938	**1,266,830**
Result from interests accounted for using the equity method	3.2.11	28,835	34,837
Other result from equity interests	3.2.12	10,279	19,534
Interest income	3.2.13	32,127	38,381
Interest expenses	3.2.14	–81,030	–77,814
Other financial result	3.2.15	32,803	–15,836
Impairment losses	3.2.16	0	–18,297
Reversals of impairment losses	3.2.16	3,386	16,817
Financial result		26,400	**–2,378**
Profit before tax		948,338	**1,264,452**
Taxes on income	3.2.17	–238,874	–279,365
Profit for the period		709,464	**985,087**
Attributable to shareholders of VERBUND AG (Group result)		631,427	873,556
Attributable to non-controlling interests		78,036	111,531
Earnings per share in €[3]	3.2.18	1.82	**2.51**

[1] Comparative figures for the period from 1 January to 31 December 2020 were adjusted retrospectively in accordance with IAS 8.// [2] 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. // [3] Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

of VERBUND

€k

In accordance with IFRSs	Notes	2020[1]	2021
Profit for the period		709,464	**985,087**
Remeasurements of the net defined benefit liability	9.2	13,804	86,476
Measurements of financial instruments	3.3.1, 5.1	6,040	23,471
Other comprehensive income from interests accounted for using the equity method[2]	4.5.1	–8,990	5,076
Total of items that will not be reclassified subsequently to the income statement		10,854	**115,022**
Differences from currency translation	3.3.1	–3,585	–3,466
Measurements of cash flow hedges	3.3.1, 5.1	–171,406	–1,819,916
Other comprehensive income from interests accounted for using the equity method[3]	3.3.1	–644	–11,937
Total of items that will be reclassified subsequently to the income statement		–175,634	**–1,835,319**
Other comprehensive income before tax		–164,781	**–1,720,296**
Taxes on income relating to items that will not be reclassified subsequently to the income statement	3.3.2	–4,808	–27,899
Taxes on income relating to items that will be reclassified subsequently to the income statement	3.3.2	42,851	454,979
Other comprehensive income after tax		–126,737	**–1,293,217**
Total comprehensive income for the period		582,726	**–308,129**
Attributable to shareholders of VERBUND AG (Group result)		503,047	–428,019
Attributable to non-controlling interests		79,679	119,889

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8. // [2] deferred taxes included therein in the 2021 reporting period: €– 2.0m (previous year: €– 3.0m) // [3] deferred taxes included therein in the 2021 reporting period: €4.0m (€0.2m)

Balance sheet

of VERBUND

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In accordance with IFRSs	Notes	1/1/2020[1]	31/12/2020[1]	**31/12/2021**
Non-current assets		11,001,064	11,285,338	**12,877,427**
Intangible assets	4.1	652,045	668,157	788,750
Property, plant and equipment	4.2	9,110,760	9,407,623	10,672,047
Right-of-use assets	4.3	133,425	110,663	103,826
Interests accounted for using the equity method	4.5	271,313	282,724	404,053
Other equity interests	4.6, 5.1	138,103	145,748	177,128
Investments and other receivables	4.7, 5.1	695,418	670,422	695,813
Deferred tax assets	10.0	0	0	35,811
Current assets		776,723	702,331	**4,234,145**
Inventories	6.1	34,320	33,036	49,918
Trade receivables, other current receivables and securities	6.2, 5.1	697,768	620,091	3,865,664
Cash and cash equivalents	6.3	44,635	49,203	318,562
Assets		11,777,787	11,987,668	**17,111,572**

€k

In accordance with IFRSs	Notes	1/1/2020[1]	31/12/2020[1]	**31/12/2021**
Equity		6,507,168	6,807,399	**6,362,949**
Attributable to the shareholders of VERBUND AG	7.1–7.4	5,887,804	6,151,179	5,461,640
Attributable to non-controlling interests	7.5	619,364	656,220	901,309
Non-current liabilities		4,107,390	4,045,421	**4,404,426**
Financial liabilities	5.1, 8.1	1,256,572	1,202,154	1,834,155
Provisions	9.0	912,247	886,219	832,928
Deferred tax liabilities	10.2	757,299	797,055	486,851
Contributions to building costs and grants	4.2.2	754,107	760,992	788,378
Other liabilities	5.1, 8.2	427,164	399,001	462,114
Current liabilities		1,163,229	1,134,848	**6,344,197**
Financial liabilities	5.1, 8.1	310,804	84,056	1,462,453
Provisions	9.0	38,589	39,586	44,650
Current tax liabilities	10.1	106,104	197,407	222,384
Trade payables and other liabilities	5.1, 6.4	707,732	813,798	4,614,709
Equity and liabilities		11,777,787	11,987,668	**17,111,572**

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

Cash flow statement

of VERBUND

€k

In accordance with IFRSs	Notes	2020[1]	2021
Profit or loss for the period		709,464	**985,087**
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		372,210	301,551
Impairment losses on investments (net of reversals of impairment losses)		–590	–6,533
Result from interests accounted for using the equity method (net of dividends received)		–19,766	–29,393
Result from the disposal of non-current assets		2,852	–2,901
Change in non-current provisions and deferred tax liabilities		63,933	–2,943
Change in contributions to building costs and grants		6,884	27,386
Other non-cash expenses and income		–74,411	–81
Subtotal		1,060,577	**1,272,174**
Change in inventories		1,284	–9,895
Change in trade receivables and other receivables		–10,962	–2,696,192
Change in trade payables and other liabilities		38,949	1,513,183
Change in current provisions and current tax liabilities		92,300	18,893
Cash flow from operating activities[2]		1,182,148	**98,162**

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8. // [2] Cash flow from operating activities includes €238.2m in taxes paid on income (previous year: €68.5m), €17.9m in interest paid (previous year: €28.5m), €2.1m in interest received (previous year: €0.1m) and €13.1m in dividends received (previous year: €15.6m).

In accordance with IFRSs	Notes	2020[1]	2021
			€k
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		– 602,357	– 854,044
Cash inflow from the disposal of intangible assets and property, plant and equipment		2,284	2,749
Cash outflow from capital expenditure for investments		– 83,458	– 4,462
Cash inflow from the disposal of investments		86,721	7,437
Cash inflow (outflow) from capital expenditure for subsidiaries		0	– 247,203
Cash outflow from capital expenditure for interests accounted for using the equity method and other equity interests		0	– 9,800
Cash flow from investing activities		– 596,810	**– 1,105,324**
Cash inflow from money market transactions		0	1,430,235
Cash outflow from money market transactions		– 14,961	– 50,000
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		0	489,075
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		– 233,908	– 245,942
Cash outflow from the repayment of lease liabilities		– 49,361	– 27,523
Dividends paid	3.4.1	– 282,540	– 319,324
Cash flow from financing activities		– 580,769	**1,276,520**
Change in cash and cash equivalents		4,569	**269,359**
Cash and cash equivalents as at 1/1		44,635	**49,203**
Change in cash and cash equivalents		4,569	269,359
Cash and cash equivalents as at 31/12		49,203	**318,562**

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

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 to the annual financial statements	7.0	7.0	7.0	9.2
Carrying amount as at 1/1/2020	347,416	954,327	4,933,750	–388,655
Adjustment IAS 8[1]	–	–	0	–
Adjusted carrying amount as at 1/1/2020	347,416	954,327	4,933,750	–388,655
Profit or loss for the period	–	–	631,427	–
Other comprehensive income	–	–	0	–98
Total comprehensive income for the period	–	–	631,427	–98
Change in the basis of consolidation	–	–	139	0
Dividends	–	–	–239,717	–
Other changes in equity	–	–	–94	0
Carrying amount as at 31/12/2020	347,416	954,327	5,325,505	–388,753
Carrying amount as at 1/1/2021	**347,416**	**954,327**	**5,325,505**	**–388,753**
Profit or loss for the period	–	–	873,556	–
Other comprehensive income	–	–	0	60,931
Total comprehensive income for the period	**–**	**–**	**873,556**	**60,931**
Change in the basis of consolidation	–	–	–1,104	0
Dividends	–	–	–260,562	–
Other changes in equity	–	–	59	0
Carrying amount as at 31/12/2021	**347,416**	**954,327**	**5,937,454**	**–327,822**

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

€k

Differences 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	
– 11,694	3,165	49,497	5,887,804	680,205	6,568,010
–	–	–	0	– 60,842	– 60,842
– 11,694	3,165	49,497	5,887,804	619,364	6,507,168
–	–	–	631,427	78,036	709,464
– 3,547	4,530	– 129,265	– 128,380	1,643	– 126,737
– 3,547	4,530	– 129,265	503,047	79,679	582,726
0	0	0	139	0	139
–	–	–	– 239,717	– 42,823	– 282,540
0	0	0	– 94	0	– 94
– 15,241	7,694	– 79,768	6,151,179	656,220	6,807,399
– 15,241	7,694	– 79,768	6,151,179	656,220	6,807,399
–	–	–	873,556	111,531	985,087
– 3,352	17,834	– 1,376,988	– 1,301,575	8,358	– 1,293,217
– 3,352	17,834	– 1,376,988	– 428,019	119,889	– 308,129
86	0	0	– 1,017	183,962	182,944
–	–	–	– 260,562	– 58,762	– 319,324
0	0	0	59	0	59
– 18,507	25,528	– 1,456,756	5,461,640	901,309	6,362,949

Notes to the 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 electricity transmission network via Austria Power Grid AG (APG) as well as the long-distance gas pipeline and gas distribution network via Gas Connect Austria GmbH (GCA). In addition, VERBUND holds investments in Austrian and foreign electric utilities.

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) Austrian Commercial Code (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 2021 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 2021 reporting period:

Basis of consolidation

	Consolidation	Accounted for using the equity method	Accounted for as a joint operation
As at 31/12/2020	24	8	1
Change in consolidation method	1	–1	0
Additions from business acquisitions	2	2	0
Other additions	3	0	0
As at 31/12/2021	30	9	1
of which domestic companies	15	8	1
of which foreign companies	15	1	0

In the course of a business acquisition, a 51% stake in GCA was acquired and consolidated for the first time on 31 May 2021 (see Business acquisitions). Austrian Gas Grid Management AG (AGGM), a subsidiary of GCA, was likewise consolidated for the first time as part of this transaction. The equity interest in Trans Austria Gasleitung GmbH (TAG) held by GCA was included using the equity method due to the latter's significant influence over the investee.

SMATRICS GmbH & Co KG (SMATRICS), which was previously consolidated using equity method accounting, was consolidated (see Business acquisitions) after the acquisition of a 20% stake from Siemens Aktiengesellschaft Österreich effective 30 July 2021 and a 40% stake from OMV Downstream GmbH effective 30 September 2021. The general partnership of SMATRICS, E-Mobility Provider Austria GmbH, also acquired as part of this transaction was not consolidated due to immateriality. The 49% equity interest in SMATRICS EnBW GmbH held by SMATRICS was included using the equity method due to the latter's significant influence over the investee.

VERBUND Green Power Deutschland Photovoltaik GmbH, which was previously not consolidated due to immateriality, was consolidated for the first time in quarter 1/2021.

The other additions relate to three Spanish companies – Watt Development SPV 5 S.L.U., Watt Development SPV 6 S.L.U. and Watt Development SPV 7 S.L.U. – which were consolidated for the first time effective 30 November 2021.

The previously consolidated subsidiary VERBUND Trading Romania S.R.L. was deconsolidated on 1 July 2021 due to the realignment of business activities.

Business acquisitions

Acquisition of 51% stake in Gas Connect Austria GmbH

VERBUND acquired a 51% stake in GCA from OMV Gas Logistics Holding GmbH effective 31 May 2021. The agreed purchase price for OMV's 51% stake in GCA was €238.7m. VERBUND also assumed GCA's outstanding liabilities to OMV of around €212.2m.

GCA is responsible for the operation and construction of high-pressure natural gas pipelines in Austria. In addition, the entity is responsible for the marketing and preparation of transportation capacities to the border crossing points and for transportation capacities for natural gas needed in Austria.

The acquisition of this stake will not only sharpen VERBUND's business profile as the owner and operator of critical infrastructure and have a positive impact on its KPIs; it will in particular put the Group in an ideal position for sector coupling with the potential for a future hydrogen economy. In combination with VERBUND's renewable generation portfolio, GCA's transportation infrastructure can make an important and valuable contribution to the achievement of climate targets. The company is assigned to the Grid segment.

The final fair values of the identifiable assets and liabilities of the GCA subgroup were broken down as follows at the acquisition date:

Assets acquired and liabilities assumed €m

	Fair value at the acquisition date
Concessions, rights, licences	25.9
Land and buildings	100.3
Machinery	88.7
Gas pipelines	412.6
Office and plant equipment	57.3
Plants under construction and projects	37.4
Right-of-use assets	4.3
Interests accounted for using the equity method	94.7
Other equity interests	5.2
Other investments	7.9
Non-current other receivables[1]	46.7
Inventories	6.3
Trade receivables and current other receivables[2]	22.4
Cash and cash equivalents	8.2
Total assets acquired	**918.0**

Assets acquired and liabilities assumed

€m	Fair value at the acquisition date
Non-current financial liabilities	147.0
Non-current provisions	61.8
Deferred tax liabilities	62.1
Non-current liabilities to affiliated companies	153.0
Non-current other liabilities	11.9
Current provisions	7.4
Current financial liabilities	0.6
Current liabilities to affiliated companies	60.0
Trade payables and current other liabilities	40.4
Total liabilities assumed	**544.2**
Total identifiable net assets at fair value (100%)	**373.8**
Share of net assets (51%)	190.6
Goodwill[3]	48.1
Total consideration transferred	**238.7**
of which in cash	238.7

[1] The TAG profit participation right with respect to material assets was subjected to an impairment test on 31 December 2021 and subsequently written down by €3.5m. // [2] For trade receivables and current other receivables, the carrying amounts represented a realistic estimate of their fair values (due to the short maturities); they also correspond to the gross value of the receivables. // [3] Goodwill in the amount of €48.1m was subjected to an impairment test in accordance with IAS 36 on 31 December 2021 and subsequently written down by €8.8m. (See section 4.4.1 Impairment testing of goodwill).

The goodwill resulting from the transaction relates primarily to the potential from the transportation of hydrogen.

VERBUND's new subsidiaries contributed €129.1m to VERBUND's revenue from the time of initial consolidation to the reporting date 31 December 2021; their contribution to VERBUND's profit for the period was €14.2m. If the business acquisition had taken place at the beginning of the reporting period, the new subsidiaries would have contributed €215.1m in revenue and €38.3m in net profit for the period to the corresponding line items of VERBUND's income statement.

In light of the complexity of the accounting policy issues in connection with this transaction, which is to be assessed in its entirety, the initial accounting treatment of this business acquisition was classified as "provisional" in the consolidated financial statements published since 31 May 2021. The measurement of the acquired assets and deferred tax liabilities and the presentation of equity investments was adjusted as at 31 December 2021.

Effect of the adjustment on the acquired assets and liabilities classified as "provisional"

	€m
Intangible assets	18.2
Property, plant and equipment	–17.2
Right-of-use assets	–16.4
Associates	–46.7
Other non-current receivables	46.7
Equity interest	–0.3
Total assets acquired	**–15.8**
Deferred tax liabilities	37.3
Total liabilities assumed	**37.3**
Total identifiable net assets at fair value	**21.5**
Goodwill	27.1

Acquisition of 100% stake in SMATRICS GmbH & Co KG

VERBUND acquired 40% of the interest in SMATRICS from OMV Downstream GmbH effective 30 September 2021. Thus, following the acquisition of the 20% stake from SIEMENS Aktiengesellschaft already carried out on 30 July 2021, VERBUND increased its equity interest in SMATRICS to 100%. The agreed purchase price for OMV's 40% interest in SMATRICS was €19.6m. VERBUND also assumed the outstanding liabilities of SMATRICS to OMV in the amount of around €3.6m.

SMATRICS is a leading full-service provider for charging solutions, software products and services along the entire electromobility value chain. The acquisition of the interest in SMATRICS is intended to boost VERBUND's positioning in the electromobility market. In addition, the concentration and further expansion of SMATRICS as a technology company and service provider is to be expedited. The company is assigned to the Sales segment.

The fair value of the identifiable assets and liabilities of SMATRICS as at the acquisition date of the OMV stake was as follows:

Assets acquired and liabilities assumed

	€m Fair value at the acquisition date
Concessions, rights, licences	0.0
Machinery	0.0
Office and plant equipment	0.1
Interests accounted for using the equity method	12.5
Inventories	0.7
Trade receivables and current other receivables[1]	4.1
Cash and cash equivalents	2.9
Total assets acquired	**20.4**
Non-current other liabilities	0.0
Current provisions	2.0
Current liabilities to affiliated companies	7.3
Trade payables and current other liabilities	2.6
Total liabilities assumed	**11.9**
Total identifiable net assets at fair value (100%)	8.5
Consideration transferred (40% stake)[2]	19.6
Fair value equity interest	29.4
Subtotal	**49.0**
Goodwill (100%)	**40.5**

[1] For trade receivables and current other receivables, the carrying amounts represented a realistic estimate of their fair values (due to the short maturities); they also correspond to the gross value of the receivables. // [2] The consideration was transferred entirely in cash.

The goodwill resulting from the transaction can be attributed primarily to the area of electromobility currently being established. SMATRICS will realise economies of scale with an increase in medium-term with new customers and is expected to generate a profit in the medium term.

The consolidation difference between the carrying amount and fair value of the previously held interest in SMATRICS in the amount of around €11.9m arising in the course of the transitional consolidation was recorded as income in the other result from equity interests.

VERBUND's new subsidiary contributed €10.0m to VERBUND's revenue from the time of initial consolidation to the reporting date 31 December 2021; its contribution to VERBUND's profit or loss for the period was €–51k. If the business acquisition had taken place at the beginning of the reporting period, the new subsidiary SMATRICS would have contributed around €18.8m in revenue and a net loss of €–2.9m for the period to the corresponding line items of VERBUND's income statement.

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 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 subsidiary 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	31/12/2020 Closing rate	**31/12/2021** Closing rate	2020 Average rate	**2021** Average rate
Romania	€1 = RON	4.8694	4.9481	4.8370	4.9202

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 operating 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 2021 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
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	25/6/2020 (15/12/2020)	1/1/2021	None
IFRS 16	COVID-19-Related Rent Concessions Beyond 30 June 2021	30/8/2021 (31/8/2021)	1/4/2021	None
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	27/8/2020 (13/1/2021)	1/1/2021	None

New accounting standards not yet applicable or applied

The IASB has also issued new standards that were not applied by VERBUND in the 2021 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	Amendment: Classification of Liabilities as Current or Non-current	23/1/2020 (open)	1/1/2023	None
IAS 1 and IFRS Practice Statement 2	Amendment: Disclosure of Accounting Policies and Making Materiality Judgements	12/2/2021 (open)	1/1/2023	None
IAS 8	Definition of Accounting Estimates	12/2/2021 (open)	1/1/2023	None

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 12	Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	7/5/2021 (open)	1/1/2023	None
IFRS 17	Insurance Contracts	9/12/2021 (open)	1/1/2023	None
IFRS 3	Reference to the Conceptual Framework	14/5/2020 (28/6/2021)	1/1/2022	None
IAS 16	Amendments: Property, Plant and Equipment – Proceeds before Intended Use	14/5/2020 (28/6/2021)	1/1/2022	None
IAS 37	Amendment: Onerous Contracts – Cost of Fulfilling a Contract	14/5/2020 (28/6/2021)	1/1/2022	None
Various	Annual Improvements to IFRS Standards 2018–2020	14/5/2020 (28/6/2021)	1/1/2022	None

[1] Basis: EU Endorsement Status Report from 28 December 2021

Effect of climate change

The effects of climate change on the measurement of VERBUND's assets are evaluated in regular intervals, whereby VERBUND works with scenarios focusing on meteorology and hydrology. The climate-based scenario analysis directly affects VERBUND's strategy in that the investment programme focuses on the construction of regenerative power plants, the expansion of transmission networks and steps to increase efficiency at existing power plants. No significant measurement effects as a result of changes in the quantities relevant for energy production have been identified to date in connection with the evaluated climate scenarios. Estimates and assumptions made when the targeted carbon neutrality is implemented politically in the gas sector influence the measurement of relevant assets.

Adjustments in accordance with IAS 8

Valuation effects of energy derivatives

As a result of the significantly higher prices on the electricity and gas market in the second half of 2021, there were considerable distortions in the presentation of these line items in the income statement due to the resulting valuation effects both in revenue as well as in procurement expenses. In order to continue providing a true and fair view and to ensure comparability with the financial statements of companies in the same or similar industries, the presentation of the valuation results of energy derivatives recognised through profit or loss in accordance with IFRS 9 was adjusted. The measurement gains or losses from energy derivatives previously presented in revenue and procurement expenses are now shown separately in the new line item Measurement and realisation of energy derivatives. The change in accounting methods was applied retrospectively in accordance with IAS 8 by adjusting all comparative information.

Adjustment amounts €m

	2020 Before adjustment	Adjustment	2020 After adjustment
Revenue	3,234.6	215.2	3,449.8
Expenses for electricity, grid, gas and certificate purchases	–1,316.6	–87.8	–1,404.4
Measurement and realisation of energy derivatives	0.0	–127.4	–127.4
Effect of the adjustment on EBITDA	0.0	0.0	0.0

Adjustment amounts €m

	2021 Before adjustment	Adjustment	2021 After adjustment
Revenue	896.9	3,879.8	4,776.6
Expenses for electricity, grid, gas and certificate purchases	1,536.9	–4,149.4	–2,612.6
Measurement and realisation of energy derivatives	0.0	269.7	269.7
Effect of the adjustment on EBITDA	0.0	0.0	0.0

Investment in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft accounted for using the equity method

VERBUND AG holds a direct investment (80.54%) in VERBUND Hydro Power GmbH (VHP) and at the same time an indirect investment in the same company via the consolidated equity interest in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft (KELAG) accounted for using the equity method. As a result of this cross-shareholding and the associated reciprocal interests, the interest in VHP that flows indirectly back to the VERBUND Group via the investment in KELAG (corresponds to 3.52%) is eliminated in order to avoid recognising this interest twice in the result accounted for using the equity method. The change was applied retrospectively in accordance with IAS 8 by adjusting all comparative figures.

Adjustment amounts €m

	1/1/2020 Before adjustment	Adjustment	1/1/2020 After adjustment
Interests accounted for using the equity method (balance sheet)	332.2	–60.8	271.3
Attributable to non-controlling interests (balance sheet)	680.2	–60.8	619.4
Effect of the adjustment on the Group result	0.0	0.0	0.0

Adjustment amounts €m

	31/12/2020 Before adjustment	Adjustment	31/12/2020 After adjustment
Result from interests accounted for using the equity method (income statement)	43.3	–14.5	28.8
Attributable to non-controlling interests (income statement)	–92.5	14.5	–78.0
Attributable to non-controlling interests (balance sheet)	722.8	–66.5	656.2
Interests accounted for using the equity method (balance sheet)	349.3	–66.5	282.7
Effect of the adjustment on profit or loss for the period	723.9	–14.5	709.5
Effect of the adjustment on the Group result	0.0	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 terms of leases	Section 4.3
Determination of the discount rate for impairment testing	Section 4.4
Determination of the expected cash flows for impairment testing of goodwill	Section 4.4.1
Determination of the expected cash flows for impairment testing of power plants	Section 4.4.2
Determination of the discount rate for the measurement of pensions and similar obligations as well as statutory termination benefits	Section 9.2
Determination of measurement parameters for other provisions	Section 9.3
Determination of the likelihood of 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

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, transmission activities and distribution activities. However, in accordance with IFRS 8, VERBUND's segment reporting is to be oriented towards internal management and reporting (management approach). Therefore the definition of the operating segments and the contents of the report corresponds to the structure of internal reporting to the Executive Board as the primary decision-maker:

Definition of operating segments

Hydro	Hydropower generation technology
New renewables	Wind and photovoltaic generation technologies
Sales	Trading and sales activities
Grid	Activities of Austrian Power Grid AG (APG), Gas Connect Austria GmbH (GCA) and Austrian Gas Grid Management AG (AGGM)
All other segments	
Thermal generation	Electricity and thermal generation of VERBUND Thermal Power GmbH & Co KG from 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.

All segment data are measured in accordance with IFRSs.

Operating segment data

€m

	Hydro	New renewables	Sales	Grid	All other segments	Recon- ciliation/ consoli- dation	Total Group
2021							
External revenue	101.2	96.0	3,316.8	1,215.4	44.1	3.1	4,776.6
Internal revenue	1,364.3	30.4	548.7	31.5	339.3	–2,314.1	0.0
Total revenue	1,465.5	126.4	3,865.5	1,246.9	383.4	–2,311.0	4,776.6
EBITDA	**1,106.0**	**53.3**	**59.6**	**331.3**	**72.5**	**–43.8**	**1,579.0**
Depreciation	–217.6	–26.6	–2.0	–153.4	–14.6	–3.1	–417.3
Effects from impairment tests (operating result)	32.2	57.7	0.0	0.0	24.0	–8.8	105.1
Other material non-cash items	35.3	0.1	–31.3	11.2	–15.9	1.5	0.8
Result from interests accounted for using the equity method	0.3	0.3	–2.0	0.2	36.0	0.0	34.8
Effects from impairment tests (financial result)	16.8	0.0	0.0	–18.3	0.0	0.0	–1.5
Capital employed	**5,920.6**	**455.2**	**1,609.0**	**2,647.8**	**512.6**	**31.9**	**11,177.0**
of which carrying amount of interests accounted for using the equity method	22.1	1.5	12.5	77.9	289.9	0.0	404.1
Additions to intangible assets and property, plant and equipment[1]	320.5	114.4	12.1	405.4	12.9	3.1	868.3
Additions to interests accounted for using the equity method[2]	0.0	0.0	9.8	0.0	0.0	0.0	9.8

[1] excl. additions from business acquisitions in the amount of €722.5m // [2] excl. additions from business acquisitions in the amount of €107.2m

Operating segment data[1]

€m

	Hydro	New renewables	Sales	Grid	All other segments	Recon-ciliation/ consoli-dation	Total Group
2020							
External revenue	109.6	85.8	2,529.1	701.1	21.2	3.0	3,449.8
Internal revenue	1,157.7	24.8	209.5	29.3	163.6	–1,584.9	0.0
Total revenue	1,267.4	110.6	2,738.5	730.4	184.8	–1,581.9	3,449.8
EBITDA	**926.8**	**58.9**	**75.5**	**232.4**	**37.9**	**–38.8**	**1,292.8**
Depreciation	–214.5	–24.7	–1.6	–118.4	–16.4	–3.2	–378.8
Effects from impairment tests (operating result)	–8.8	32.9	0.0	0.0	–16.1	0.0	7.9
Other material non-cash items	56.0	0.0	–2.6	7.9	5.5	1.5	68.3
Result from interests accounted for using the equity method	0.7	0.1	–0.2	0.1	28.1	0.0	28.8
Effects from impairment tests (financial result)	3.4	0.0	0.0	0.0	0.0	0.0	3.4
Capital employed	**5,985.3**	**419.5**	**168.2**	**1,651.6**	**412.6**	**44.7**	**8,681.9**
of which carrying amount of interests accounted for using the equity method	5.0	1.3	9.7	1.4	265.4	0.0	282.7
Additions to intangible assets and property, plant and equipment	251.9	5.6	10.1	371.7	13.1	3.9	656.3
Additions to interests accounted for using the equity method	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

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

	2020	2021
Capital employed	8,681.9	11,177.0
Assets not used in the performance and commercialisation process	929.6	3,599.6
Non-interest-bearing debt	2,376.2	2,335.0
Total assets of VERBUND	11,987.7	**17,111.6**

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

	2020	2021
Intangible assets and property, plant and equipment	10,075.8	**11,460.8**
of which in Austria	7,287.6	8,476.4
of which in Germany	2,627.0	2,673.0
of which in other EU countries	161.2	311.5
Interests accounted for using the equity method	282.7	**404.1**
of which in Austria	280.7	385.1
of which in other countries[1]	2.0	19.0

[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, by operating the Austrian transmission network and the long-distance gas pipeline and gas distribution network. The accounting policies for this revenue are presented in the tables 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 long-distance gas pipeline and gas distribution network	15 days	No
Revenue from operating the Austrian electricity transmission network	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 electricity transmission network	Contracts with customers as a result of operating the Austrian long-distance gas pipeline and gas distribution network
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.	The services include the marketing and provision of transportation capacities at the border crossing points, i.e. entry and exit capacities, of transportation capacities for natural gas needed in Austria as well as dispatching and other 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.	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	none

Revenue by segment

€m

	2020 Domestic	**2021 Domestic**	2020 Foreign	**2021 Foreign**	2020 Total	**2021 Total**
Electricity revenue resellers	64.2	56.3	35.2	35.4	99.5	91.8
Electricity revenue traders	0.2	0.4	3.6	2.9	3.8	3.2
Electricity revenue – Hydro segment	64.4	**56.7**	38.8	**38.3**	103.2	**95.0**
Electricity revenue resellers	0.0	0.0	0.0	0.0	0.0	0.0
Electricity revenue traders	14.2	11.3	0.2	29.1	14.4	40.4
Electricity revenue consumers	0.0	0.0	40.7	38.5	40.7	38.5
Electricity revenues – New renewables segment	14.2	**11.3**	40.9	**67.6**	55.1	**78.9**
Electricity revenue resellers	521.8	801.1	401.0	527.3	922.8	1,328.5
Electricity revenue traders	308.2	740.1	677.5	143.0	985.7	883.0
Electricity revenue consumers	290.5	560.0	265.7	425.5	556.2	985.5
Electricity revenue – Sales segment	1,120.5	**2,101.2**	1,344.2	**1,095.8**	2,464.7	**3,197.0**
Electricity revenue resellers	127.1	115.2	57.1	331.5	184.2	446.7
Electricity revenue traders	6.3	7.7	0.6	7.9	6.8	15.6
Electricity revenue – Grid segment	133.4	**122.9**	57.7	**339.4**	191.0	**462.3**
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	1,332.5	**2,292.2**	1,481.5	**1,541.1**	2,814.0	**3,833.3**
Grid revenue electric utilities	322.0	442.0	22.0	8.3	344.0	450.3
Grid revenue industrial customers	3.9	7.1	0.0	0.0	3.9	7.1
Grid revenue other	39.8	105.8	109.7	171.8	149.4	277.6
Total grid revenue – Grid segment	365.7	**554.9**	131.6	**180.1**	497.3	**735.0**
Other revenue – Hydro segment					6.4	**6.2**
Other revenues – New renewables segment					30.7	**17.1**
Other revenue – Sales segment					64.4	**119.7**
Other revenue – Grid segment					12.8	**18.1**
Other revenue – All other segments					21.2	**44.1**
Other revenue – reconciliation					3.0	**3.1**
Total of other revenue					138.4	**208.4**
Total revenue					3,449.8	**4,776.6**

In the 2021 reporting period, €4.4m (previous year: €2.6m) in valuations and realisations of derivative financial instruments 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. As a result, €–1,718.6m (previous year: €2,258.3m) in expenses was presented as a net amount in electricity revenue and €663.4m (previous year: €572.1m) in other revenue.

3.2.2 Other revenue

Other revenue (€m)	2020	2021
Sale of gas	41.9	75.0
Sale of proof of origin and green electricity certificates	45.4	39.8
District heating deliveries	16.2	39.7
Consulting or planning services as well as other services	17.4	20.0
Other	17.5	33.9
Other revenue	138.4	**208.4**

3.2.3 Other operating income

Other operating income (€m)	2020	2021
Changes in inventory and own work capitalised	41.8	54.9
Income from (insurance) compensation[1]	1.8	20.3
Various goods and services	7.0	10.8
Disposal of property, plant and equipment and intangible assets	1.7	2.6
Rent and lease income	4.5	2.1
Other	20.8	6.9
Other operating income	77.5	**97.4**

[1] Income from insurance compensation was recognised in the amount of €17.5m in the 2021 reporting period due to property damage as a consequence of an accident on the grounds of the Baumgarten natural gas station in 2017.

3.2.4 Expenses for electricity, grid, gas and certificate purchases

Expenses for electricity, grid, gas and certificate purchases (€m)	2020	2021
Expenses for electricity purchases	1,314.2	2,463.7
Expenses for gas purchases	28.2	83.2
Expenses for grid purchases (system use)	59.5	54.8
Expenses for proof of origin and green electricity certificate purchases	2.0	1.7
Purchase of emission rights (trade)	0.4	9.3
Expenses for electricity, grid, gas and certificate purchases	1,404.4	**2,612.6**

3.2.5 Fuel expenses and other usage-/revenue-dependent expenses

Fuel expenses and other usage-/revenue-dependent expenses (€m)	2020	2021
Use of natural gas	27.4	192.8
Other revenue-dependent expenses	19.0	24.8
Emission rights acquired in exchange for consideration	14.9	23.9
Use of coal	16.8	0.0
Other usage-dependent expenses	0.8	8.6
Fuel expenses and other usage-/revenue-dependent expenses	78.8	**250.1**

3.2.6 Personnel expenses

Personnel expenses €m

	2020	2021
Wages and salaries	264.0	290.3
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	58.2	65.2
Other social expenses	3.4	5.2
Subtotal	325.6	**360.7**
Expenses for pensions and similar obligations	17.9	18.7
Expenses for termination benefits	4.2	4.3
Personnel expenses	347.6	**383.7**

The pension fund contributions to the defined contribution investment and risk association amounted to €7.6m (previous year: €7.2m) in the 2021 reporting period. Expenses for termination benefits included a total of €2.7m (previous year: €2.2m) in contributions to an employee pension fund.

3.2.7 Other operating expenses

Other operating expenses €m

	2020	2021
Third-party maintenance of power plants and line systems	87.8	104.9
Other third-party services received	29.9	45.4
IT expenses	25.9	34.9
Legal, consulting and audit expenses	19.2	19.9
Advertising expenses	15.4	16.1
Costs for personnel provided	14.9	14.1
Compensation payments	12.9	10.2
Material costs for motor vehicle operation and maintenance	6.0	6.7
Expenses for supervision by E-Control	11.7	14.1
Travel expenses, advanced training	6.3	7.5
Operating costs	5.0	5.3
Purchased telecommunication services	4.9	4.0
Fees	4.4	7.6
Insurance	4.0	4.9
Membership fees	2.9	3.1
Concession fees	2.7	2.7
Usage fees	2.3	3.3
Expenses from the disposal of property, plant and equipment and intangible assets	1.2	1.6
Other	18.9	12.0
Other operating expenses	276.3	**318.3**

3.2.8 Measurement of energy derivatives

Measurement and realisation of energy derivatives €m

	2020	2021
Realisation futures	–49.7	1.041.7
of which positive	174.5	2.129.7
of which negative	–224.2	–1.088.0
Valuations	–77.7	**–772.0**
of which positive	297.4	3.030.7
of which negative	–375.1	–3.802.7
Measurement and realisation of energy derivatives	–127.4	**269.7**

3.2.9 Depreciation and amortisation

Depreciation and amortisation €m

	2020	2021
Depreciation of property, plant and equipment	334.7	375.3
Depreciation of right-of-use assets	35.5	29.6
Amortisation of intangible assets	8.7	12.4
Depreciation and amortisation	378.8	**417.3**

3.2.10 Impairment losses and reversals of impairment losses

Impairment losses and reversals of impairment losses €m

	2020	2021
Romanian wind farms[1]	32.9	58.3
Mellach combined cycle gas turbine power plant[1]	–15.3	25.2
Deferred grants for the Mellach combined cycle gas turbine power plant[1]	0.4	–0.7
Malta and Reisseck storage group[2]	0.0	11.7
Zemm-Ziller storage group[2]	0.0	9.0
Gries run-of-river power plant[2]	–6.6	6.6
Deferred contributions to building costs for the Gries run-of-river power plant[2]	1.0	–1.1
Contributions to building costs for the Graz power plant on the Mur River[2]	–3.2	6.0
Goodwill of Gas Connect Austria GmbH[3]	0.0	–8.8
Other	–1.2	–1.1
Impairment losses and reversals of impairment losses	7.9	**105.1**

[1] See section 4.4.2 Impairment testing of power plants for details regarding the changes in value of the Romanian wind farms as well as the Mellach combined cycle gas turbine power plant. // [2] The recoverability of the run-of-river power plants and contributions to building costs for the Gries and Graz run-of-river power plants as well as the Malta, Reisseck and Zemm-Ziller storage groups had to be tested in the 2021 reporting period as a result of updated electricity price forecasts as well as updated discount rates. // [3] See section 4.4.1 Impairment testing of goodwill for details regarding changes in the value of goodwill associated with Gas Connect Austria.

3.2.11 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, which operates business lines providing electricity, gas and heat.

3.2.12 Other result from equity interests

Other result from equity interests

€m	2020	2021
Income from the disposal of equity interests and unconsolidated subsidiaries	4.3	12.0
Income from equity interests and unconsolidated subsidiaries	6.5	8.1
Expenses arising from equity interests and unconsolidated subsidiaries	−0.6	−0.5
Other result from equity interests	10.3	**19.5**

3.2.13 Interest income

Interest income

€m	2020	2021
Interest from investments under closed items on the balance sheet	30.3	30.9
Interest from money market transactions	0.3	0.7
Other interest and similar income	1.6	6.7
Interest income	32.1	**38.4**

3.2.14 Interest expenses

Interest expenses

€m	2020	2021
Interest for financial liabilities under closed items on the balance sheet	30.3	30.9
Interest for other liabilities from electricity supply commitments	14.6	13.7
Interest for bonds	12.1	10.9
Interest for bank loans	8.4	7.5
Interest on a share redemption obligation	7.7	6.5
Net interest expense on personnel-related liabilities	6.3	5.6
Interest for other non-current provisions	1.2	1.2
Borrowing costs capitalised in accordance with IAS 23	−5.1	−4.9
Other interest and similar expenses	5.7	6.4
Interest expenses	81.0	**77.8**

3.2.15 Other financial result

Other financial result

€m	2020	2021
Measurement of an obligation to return an interest[1]	32.9	−23.3
Income from securities and loans	2.2	3.7
Measurement of derivatives in the finance area	1.4	2.4
Foreign exchange gains	0.0	0.1
Foreign exchange losses	−0.2	−0.1
Change in expected credit losses	−4.2	0.0
Other	0.6	1.4
Other financial result	32.8	**−15.8**

[1] The obligation to transfer the 50% interest in Donaukraftwerk Jochenstein AG to the Free State of Bavaria without exchange of consideration is measured at amortised cost. The expected fair value of the interest at the transfer date (31 December 2050) is calculated periodically and discounted based on the original effective interest rate (corresponding to the weighted average cost of capital at the acquisition date). Changes in the expected fair value of the interest are recognised in the other financial result (see section 8.2 Non-current other liabilities).

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 the other financial result. However, the effects on profit or loss of these two items balance each other out and were therefore not included in the above table.

3.2.16 Impairment losses and reversals of impairment losses

The reversal of impairment losses in the financial result was related to the interest in Ashta Beteiligungsverwaltung GmbH accounted for using the equity method in both the 2021 reporting period as well as in the previous year. The updated electricity price forecasts and the discount rates adjusted as at 31 December 2021 were the reason for an impairment test.

Impairment testing of Ashta Beteiligungsverwaltung GmbH

	31/12/2020	**31/12/2021**
Cash-generating unit	VERBUND and EVN AG joint venture that holds 100% of the interest in Energji Ashta Shpk, which in turn operates a two-stage hydromatrix power plant (installed capacity: 53 MW) in Albania	VERBUND and EVN AG joint venture that holds 100% of the interest in Energji Ashta Shpk, which in turn operates a two-stage hydromatrix power plant (installed capacity: 53 MW) in Albania
Triggering event for (a reduction in) impairment	Updated electricity price forecasts and updated discount rate	Updated electricity price forecasts and updated discount rate
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	Budgets of Energji Ashta Shpk	Budgets of Energji Ashta Shpk
Volume	The annual output corresponding to the mean energy capability of 242 GWh	The annual output corresponding to the mean energy capability of 242 GWh
Price	2021–2028: Electricity prices based on purchase agreement with KESH 2029–2043: Internal price forecasts	2022–2028: Electricity prices based on purchase agreement with KESH 2029–2043: Internal price forecasts
Planning period	Detailed planning phase: 1 year; rough planning phase: 22 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)	Detailed planning phase: 1 year; rough planning phase: 21 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)
Key measurement assumptions	Electricity price forecasts and discount rate	Electricity price forecasts and discount rate
After-tax discount rate[1]	WACC after taxes (2021–2028): 9.75%WACC after taxes (2029–2043): 10.75%	WACC after taxes (2022–2028): 7.75%WACC after taxes (2029–2043): 8.50%
Recoverable amount	€2.0m	€18.9m
Reversal of impairment losses during the period	€3.4m	€16.8m

[1] The implicit pre-tax interest rate determined through a process of iteration amounted to 9.37% (previous year: 11.60%) in the 2021 reporting period.

Sensitivity analysis for Ashta Beteiligungsverwaltung GmbH 31/12/2021[1]

	Value assigned to the key measurement assumption	Change in key measurement assumptions	Effects on the carrying amounts of assets
Electricity price[2]	€73.2 per MWh	± 5%	€+ 2.9m €– 2.9m
After-tax discount rate	7.75% (8.5%)	± 0.25 PP	€+ 1.0m €– 1.0m

[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.

Sensitivity analysis for Ashta Beteiligungsverwaltung GmbH 31/12/2020[1]

	Value assigned to the key measurement assumption	Change in key measurement assumptions	Effects on the carrying amounts of assets
Electricity price[2]	€62.2 per MWh	± 5%	€+ 5.3m €– 5.3m
After-tax discount rate	9.75% (10.75%)	± 0.25 PP	€+ 1.9m €– 1.9m

[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.

The impairment loss in the financial result was related to the interest in TAG accounted for using the equity method in both the 2021 reporting period. Major changes in the energy industry environment, in particular the significant increase in electricity and gas prices, prompted an impairment test.

Impairment testing of Trans Austria Gasleitung GmbH

	31/12/2021[1]
Cash-generating unit	Trans Austria Gasleitung GmbH, Austrian transmission network operator
Basis for recoverable amount	Fair value (Level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)
Derivation of cash flow	Trans Austria Gasleitung GmbH budgets (based primarily on near-market data)
Volume	Capacity bookings
Price	Tariffs published by the regulator by regulation
Planning period	Detailed planning phase: 5 years; rough planning phase: 5 years plus regulatory asset base (RAB) as exit value
Key measurement assumptions	Regulatory interest rate of the RAB
After tax discount rate	Determination of discount rate in consideration of regulatory conditions
Recoverable amount	€51.6m
Impairment losses in the period	€– 18.3m

[1] impairment test on 31 December 2021, after the initial recognition of Trans Austria Gasleitung GmbH as part of the acquisition of Gas Connect Austria GmbH effective 31 May 2021

Sensitivity analysis for Trans Austria Gasleitung GmbH 31/12/2021

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
After tax discount rate	(see table above)	± 0.25 PP	€– 0.9m €+ 0.9m

3.2.17 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 %

	2020	2021
Austria	25.0	25.0
Germany – partnerships[1]	28.6	28.6
Spain	–	25.0
Germany – corporations[1]	24.23–32.98	24.23–32.43
Romania	16.0	16.0

[1] The corporate income tax rate shown also includes the solidarity surcharge and municipal trade tax. The trade tax depends on the local multiplier, which varies from one municipality to another.

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)) within the corporate group is treated as a temporary difference for shares in subsidiaries (outside basis difference).

Taxes on Income €m

	2020	2021
Current tax expenses[1]	155.1	250.0
Future tax expense for subsequent taxation of transfers of losses from foreign members of the tax group	4.2	5.2
Deferred income tax expenses	79.6	24.1
Taxes on income	238.9	**279.4**

[1] Current tax expenses include adjustments from prior periods in the amount of €– 1.2m (previous year: €– 4.6m).

The reasons for the difference between VERBUND's computed and recognised tax expense are as follows:

Tax reconciliation

€m

	2020	**2021**
Computed income tax expense	237.1	316.1
Tax-exempt investment income	–6.1	–9.4
Differing tax rates	–4.5	–8.9
Differences from partnerships	0.9	–6.5
Interests accounted for using the equity method	–2.7	–4.3
Impairment testing of equity-accounted and other interests	–0.8	–4.2
Net income not taxed due to a lack of realisability	–4.6	1.5
Amortisation of goodwill for tax purposes	–2.9	–2.9
Goodwill amortisation IFRS	0.0	2.2
Other line items < €2m	1.7	–1.2
Income tax expenses for the period	218.0	**282.3**
Income tax expenses or income from prior periods (current and deferred)	20.9	–2.9
Recognised income tax expenses	238.9	279.4
Effective tax rate	25.2%	22.1%

3.2.18 Earnings per share

Determination of earnings per share

€m

	2020	**2021**
Profit or loss for the period	709.5	985.1
Profit or loss for the period attributable to non-controlling interests	–78.0	–111.5
Group result	631.4	**873.6**
Weighted average number of shares in circulation	347,415,686	347,415,686
Earnings per share in €[1]	1.82	**2.51**

[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

	2020	**2021**
Measurement gains or losses recognised in equity	–3.6	–3.5
Differences from currency translation	–3.6	**–3.5**
Measurement gains or losses recognised in equity[1]	–92.7	–1,897.4
Reclassification adjustment to the income statement	–78.7	77.5
Measurement of cash flow hedges	–171.4	**–1,819.9**
Measurement gains or losses recognised in equity	–0.6	–11.9
Other comprehensive income from interests accounted for using the equity method	–0.6	**–11.9**
Other comprehensive income	–175.6	–1,835.3

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8. // [2] Of which €–4.9m (previous year: €–2.8m) relates to costs from hedging with options (see section 5.2 Accounting treatment of hedging relationships).

3.3.2 Taxes on other comprehensive income

Taxes on other comprehensive income €m

	2020 Before taxes	2020 Taxes	2020 After taxes	**2021** Before taxes	**2021** Taxes	**2021** After taxes
Remeasurements of net defined benefit liability	13.8	–3.3	10.5	86.5	–22.0	64.4
Measurement of financial instruments	6.0	–1.5	4.5	23.5	–5.9	17.6
Other comprehensive income from interests accounted for using the equity method	–9.0	–	–9.0	5.1	–	5.1
Total of items that will not be reclassified subsequently to the income statement	10.9	–4.8	6.0	**115.0**	**–27.9**	**87.1**
Differences from currency translation	–3.6	–	–3.6	–3.5	–	–3.5
Measurement of cash flow hedges	–171.4	42.9	–128.6	–1,819.9	455.0	–1,364.9
Other comprehensive income from interests accounted for using the equity method	–0.6	–	–0.6	–11.9	–	–11.9
Total of items that will be reclassified subsequently to the income statement	–175.6	42.9	–132.8	**–1,835.3**	**455.0**	**–1,380.3**
Other comprehensive income	–164.8	38.0	–126.7	**–1,720.3**	**427.1**	**–1,293.2**

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 €137.5m (previous year: €127.3m).

3.4.1 Additional information on cash flow from financing activities

Additional information on cash flow from financing activities €m

	2020	**2021**
Dividends paid to the shareholders of VERBUND AG	–239.7	–260.6
Dividends paid to non-controlling interests	–42.8	–58.8

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

Development costs were capitalised in the amount of €2.4m (previous year: €4.1m) in accordance with IAS 38. Expenses for research in the total amount of €11.3m (previous year: €9.5m) were recognised in profit or loss in the 2021 reporting period.

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 (rights allotted without exchange of consideration) or at cost (purchased rights). 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
2021			
Cost as at 1/1	183.0	766.8	949.8
Foreign exchange differences	–0.1	0.0	–0.1
Additions from business acquisitions	63.4	88.5	151.9
Additions	25.5	0.0	25.5
Disposals	–6.9	0.0	–6.9
Reclassifications	0.9	0.0	0.9
Cost as at 31/12	**265.8**	**855.3**	**1,121.1**
Accumulated amortisation as at 1/1	102.5	179.1	281.7
Additions from business acquisitions	37.4	0.0	37.4
Depreciation	12.4	0.0	12.4
Impairment losses	0.0	8.8	8.8
Reversals of impairment losses	–6.6	0.0	–6.6
Disposals	–1.2	0.0	–1.2
Accumulated amortisation as at 31/12	**144.5**	**187.9**	**332.4**
Net carrying amount as at 31/12	**121.3**	**667.4**	**788.7**
Net carrying amount as at 1/1	80.5	587.7	668.1

Intangible assets €m

	Concessions, rights, licences	Goodwill	Total
2020			
Cost as at 1/1	162.5	766.8	929.3
Foreign exchange differences	–0.1	0.0	–0.1
Additions	27.8	0.0	27.8
Disposals	–7.1	0.0	–7.1
Reclassifications	–0.1	0.0	–0.1
Cost as at 31/12	183.0	766.8	949.8
Accumulated amortisation as at 1/1	98.1	179.1	277.2
Depreciation	8.7	0.0	8.7
Impairment losses	3.2	0.0	3.2
Reversals of impairment losses	–0.4	0.0	–0.4
Disposals	–7.0	0.0	–7.0
Accumulated amortisation as at 31/12	102.5	179.1	281.7
Net carrying amount as at 31/12	80.5	587.7	668.1
Net carrying amount as at 1/1	64.4	587.7	652.1

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 manufactured 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 2021 reporting period were around 1.9% (previous year: around 2.5%).

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
Gas pipelines	30
Machinery	10–80
Electrical installations	3–50
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	Gas pipelines	Plants under construction and projects	Total
2021								
Cost as at 1/1	7,788.3	4,603.6	3,696.2	1,535.9	202.8	0.0	856.5	18,683.0
Foreign exchange differences	–0.5	–4.5	–0.1	0.0	0.0	0.0	0.0	–5.1
Additions from business acquisitions	149.1	182.6	7.8	0.0	187.8	754.5	39.3	1,321.0
Additions	21.6	32.9	65.9	19.4	21.2	10.7	671.2	842.8
Disposals	–9.9	–33.4	–51.6	–0.9	–8.5	–0.4	–0.6	–105.3
Reclassifications	44.3	112.5	193.0	3.8	–151.6	–4.1	–198.4	–0.4
Cost as at 31/12	**7,992.8**	**4,893.6**	**3,911.1**	**1,558.2**	**251.7**	**760.8**	**1,367.9**	**20,735.9**
Accumulated depreciation as at 1/1	3,280.5	2,675.6	2,343.9	825.8	149.4	0.0	0.3	9,275.4
Foreign exchange differences	0.0	–2.3	0.0	0.0	0.0	0.0	0.0	–2.3
Additions from business acquisitions	48.8	101.4	0.2	0.0	130.3	341.9	1.9	624.5
Depreciation	96.2	98.7	121.9	30.1	13.6	14.8	0.0	375.3
Impairment losses	0.3	0.2	0.1	0.0	0.0	0.0	0.5	1.1
Reversals of impairment losses	–46.4	–53.1	–9.3	–1.0	0.0	0.0	–0.4	–110.2
Disposals	–9.5	–30.6	–51.0	0.0	–8.4	–0.3	0.0	–99.8
Reclassifications	0.1	65.8	44.5	0.0	–109.8	–4.5	3.9	0.0
Accumulated depreciation as at 31/12	**3,370.0**	**2,855.6**	**2,450.2**	**854.9**	**175.1**	**351.9**	**6.2**	**10,063.8**
Net carrying amount as at 31/12	**4,622.8**	**2,038.0**	**1,461.0**	**703.3**	**76.5**	**408.9**	**1,361.6**	**10,672.1**
Net carrying amount as at 1/1	4,507.8	1,928.0	1,352.3	710.1	53.4	0.0	856.2	9,407.6

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
2020							
Cost as at 1/1	7,678.9	4,566.4	3,614.2	1,398.6	191.6	639.0	18,088.5
Foreign exchange differences	−0.6	−5.3	−0.1	0.0	0.0	0.0	−6.0
Change in the basis of consolidation	0.0	0.0	0.0	0.0	0.3	0.0	0.3
Additions	42.3	22.2	53.9	37.6	15.7	456.7	628.5
Disposals	−5.2	−1.2	−14.8	0.0	−5.3	−1.8	−28.4
Reclassifications	72.8	21.4	43.0	99.8	0.4	−237.4	0.1
Cost as at 31/12	**7,788.3**	**4,603.6**	**3,696.2**	**1,535.9**	**202.8**	**856.5**	**18,683.0**
Accumulated depreciation as at 1/1	3,189.2	2,608.8	2,242.0	797.5	139.3	0.9	8,977.7
Foreign exchange differences	−0.2	−3.1	−0.1	0.0	0.0	0.0	−3.4
Depreciation	91.9	87.3	112.7	27.8	14.9	0.0	334.7
Impairment losses	8.3	10.7	3.2	0.5	0.0	0.4	23.1
Reversals of impairment losses	−4.1	−27.7	−0.8	0.0	0.0	0.0	−32.5
Disposals	−4.7	−0.4	−13.2	0.0	−5.2	−1.0	−24.4
Accumulated depreciation as at 31/12	**3,280.5**	**2,675.6**	**2,343.9**	**825.8**	**149.4**	**0.3**	**9,275.4**
Net carrying amount as at 31/12	**4,507.8**	**1,928.0**	**1,352.3**	**710.1**	**53.4**	**856.2**	**9,407.6**
Net carrying amount as at 1/1	4,489.7	1,957.6	1,372.1	601.0	52.3	638.0	9,110.8

Additions

€m	2020	2021
380-kV Salzburg line	109.6	166.2
New Töging power plant	66.4	78.4
Weinviertel grid area	64.7	59.5
Kaprun-Limberg III power plant	14.4	41.8
Malta power plant: increase in efficiency	15.7	28.7
Reißeck pumping station	2.3	21.2
Reschenpass line	7.0	17.1
General line renovations	3.0	15.4
General overhaul of substations	23.2	14.3
Automation of hydropower plants	35.6	13.9
Ybbs power plant modernisation	14.0	13.0
Efficiency increase of Kaprun power plant	14.4	11.8
Ottensheim efficiency increase	2.1	9.1
General overhaul of 220-kV St. Peter-Ernsthofen line	33.8	0.0
Mayrhofen power plant: impeller modernisation, Lower Tuxbach diversion	17.8	0.0
Villach South substation: 220/110-kV grid support	13.6	0.0
Other additions each < €10.0m)	190.9	352.4
Total additions to property, plant and equipment	628.5	**842.8**

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 was €25.1m (previous year: €25.8m) in the reporting period.

Contributions to building costs and grants

4.2.2 Contributions to building costs and grants

€m	2020	2021
Contributions to building costs	719.8	744.1
Government grants	41.2	44.2
Contributions to building costs and grants	761.0	**788.4**

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, among other things, 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	Operating and office equipment	Total
As at 1/1/2021	85.9	7.8	14.0	3.0	110.7
Additions	15.6	0.4	5.5	2.0	23.5
Depreciation	–27.7	–0.5	0.0	–1.4	–29.6
Disposals	–0.7	0.0	0.0	–0.1	–0.7
As at 31/12/2021	73.1	7.7	19.5	3.6	103.8

Right-of-use assets

€m

	Land and buildings	Electrical installations	Power lines	Operating and office equipment	Total
As at 1/1/2020	115.9	8.1	6.3	3.1	133.4
Additions	5.3	0.2	7.7	1.4	14.6
Depreciation	–33.7	–0.5	0.0	–1.2	–35.5
Disposals	–1.6	0.0	0.0	–0.2	–1.9
As at 31/12/2020	85.9	7.8	14.0	3.0	110.7

Amounts from leases recognised in profit or loss

€m

	2020	**2021**
Expense from unwinding of the discount of lease liability	1.0	**1.0**
Variable lease payments that were not recognised in the lease liability	0.5	**0.1**
Expenses from underlying assets of low value	0.1	**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 31/12/2021

€m

Maturity	2022	2023	2023–2025	from 2026
Lease liabilities	9.3	8.2	17.2	78.4
Cash outflows on liabilities in accordance with IFRS 7	9.3	8.2	17.2	78.4

Expected cash outflows as at 31/12/2020

€m

Maturity	2021	2022	2022–2024	from 2025
Lease liabilities	23.9	7.0	15.2	76.3
Cash outflows on liabilities in accordance with IFRS 7	23.9	7.0	15.2	76.3

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 4.4.1 Impairment testing of goodwill).

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

	2020	**2021**
Hydro operating segment	287.0	287.0
Sales operating segment	13.0	13.0
Inn River power plant group	126.6	126.6
Grenzkraftwerke power plant group	161.1	161.1
Gas Connect Austria[1]	–	39.3
SMATRICS GmbH & Co KG[1]	–	40.5
Goodwill	587.7	**667.4**

[1] Details regarding the goodwill recognised for the first time in the 2021 reporting period can be found in the section entitled Business acquisitions.

Impairment testing of goodwill for the Hydro segment

	31/12/2020	**31/12/2021**
Group of cash generating units	All hydraulic energy power plants of VERBUND plus goodwill and deferred tax accruals	All hydraulic energy power plants of VERBUND plus goodwill and deferred tax accruals
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	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)	Internal 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 23 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: 4.00% to 8.50% depending on the location[1]	WACC: 4.00% to 8.50% depending on the location[1]
Impairment loss during the period[1]	–	–

[1] In 2021 the implicit input tax interest rate determined through a process of iteration amounted to 4.82%– 9.37% (previous year: 4.37%– 11.60%). // [2]Management believes the carrying amount of the Hydro segment's assets including goodwill will not exceed the recoverable amount as a result of potential changes in the key measurement assumptions.

Impairment testing of goodwill for the Sales segment

	31/12/2020	**31/12/2021**
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 volumes	Expected trading and distribution volumes
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 4.00%	WACC after taxes: 4.00%– 10.00%[1]
Impairment loss during the period[2]	–	–

[1] The implicit input tax interest rate determined through a process of iteration amounted to 5.60– 12.00% (previous year: 5.29%) // [2] Management believes the carrying amount of the Renewable generation segment's assets including goodwill will not exceed the recoverable amount as a result of potential changes in the key measurement assumptions.

Impairment testing of goodwill for the Inn River power plant group

	31/12/2020	**31/12/2021**
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	Value in use
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 1,855 or 1,975 GWh (after conclusion of the Töging modernisation project)	Annual output corresponding to the mean energy capability of 1,855 or 1,994 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	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
Planning period	Detailed planning phase: 6 years; rough planning phase: 24 years followed by a terminal value phase	Detailed planning phase: 6 years; rough planning phase: 23 years followed by a terminal value phase
Key measurement assumptions	Electricity price, discount rate	Electricity price, discount rate
After tax discount rate	WACC: 3.75%[2]	WACC: 4.00%[2]
Impairment losses during the period[3]	–	–

[1] The Inn River power plant group comprises the following run-of-river power plants: Aubach, Feldkirchen, Gars, Jettenbach II, Neuötting, Perach, Rosenheim, Stammham, Teufelsbruck, Töging and Wasserburg. // [2] The implicit input tax interest rate determined through a process of iteration amounted to 4.82% (previous year: 4.37%). // [3] Management believes the carrying amount of the Inn River power plant group assets including goodwill will not exceed the recoverable amount as a result of potential changes in the key measurement assumptions.

Impairment testing of goodwill for the Grenzkraftwerke run-of-river power plant group[1]

	31/12/2020	**31/12/2021**
Group of cash generating units	Run-of-river 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	Run-of-river 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	Value in use
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	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
Planning period	Detailed planning phase: 6 years; rough planning phase: 24 years followed by a terminal value phase	Detailed planning phase: 6 years; rough planning phase: 23 years followed by a terminal value phase
Key measurement assumptions	Electricity price, discount rate	Electricity price, discount rate
After tax discount rate	Austria: WACC: 4.00%[3] Germany: WACC: 3.75%	Austria: WACC: 4.25%[3] Germany: WACC: 4.00%
Impairment loss during 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 2020 the implicit input tax interest rate determined through a process of iteration amounted to 5.16%– 5.24% (previous year: 4.70%– 4.78%). // [4] According to management, the carrying amount of the Grenzkraftwerke power plant group (less deferred tax liabilities) plus goodwill does not exceed the recoverable amount as a result of possible changes in key measurement assumptions.

Impairment testing of goodwill for Gas Connect Austria

	31/12/2021[1,2]
Group of cash generating units	Gas Connect Austria GmbH (GCA), Austrian Gas Grid Management AG (AGGM), Trans Austria Gasleitung GmbH (TAG), TAG profit participation right with respect to material assets plus goodwill less deferred tax accruals
Basis for recoverable amount	Fair value (Level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)
Derivation of cash flow	Gas Connect Austria GmbH budgets (based primarily on near-market data)
Volume	Capacity bookings
Price	Tariffs published by the regulator by regulation
Planning period	Detailed planning phase: 6 years; rough planning phase: 33 years plus regulatory asset base (RAB) as exit value
Key measurement assumptions	Regulatory interest rate of the RAB
After tax discount rate	Determination of discount rate in consideration of regulatory conditions
Recoverable amount	€852.7m
Impairment losses during the period	€–8.8m

[1] Goodwill impairment test on 31 December 2021, after the acquisition of GCA effective 31 May 2021. // [2] The following notes relate to the second step of the two-step impairment test of the GCA group of cash-generating units. The recoverability of the GCA units, including AGGM, the equity interest in TAG and the TAG profit participation right with respect to material assets were tested in the first step.

Sensitivity analysis for Gas Connect Austria 31/12/2021

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
After tax discount rate	(see table above)	± 0.25 PP	€– 10.0m €+ 10.0m

Impairment testing of goodwill for SMATRICS GmbH & Co KG

	31/12/2021[1]
Cash-generating unit	SMATRICS GmbH & Co KG, full-service provider for electromobility charging solutions
Basis for recoverable amount	Value in use
Valuation technique	Net present value approach (DCF method)
Derivation of cash flow	SMATRICS GmbH & Co KG budgets (based primarily on near-market data)
Volume	Electric vehicle ramp-up
Price	Charging rates
Planning period	Detailed planning phase: 9 years plus subsequent terminal value phase
Key measurement assumptions	Electric vehicle ramp-up, discount rate
After tax discount rate	WACC: 10.00%[2]
Impairment losses during the period	–

[1] Goodwill impairment test on 31 December 2021, after increasing the stake in SMATRICS to 100% and thereby gaining control as at 30 September 2021 // [2] The implicit pre-tax interest rate determined through a process of iteration amounted to 12.0%.

Sensitivity analysis for SMATRICS GmbH & Co KG 31/12/2021

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
After tax discount rate	10.00%	± 0.25 PP	€–3.8m €+3.8m

4.4.2 Impairment testing of power plants

Impairment test – Romanian wind farm

	31/12/2020	**31/12/2021**
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, extension of the assumed useful life and updated discount rate	Updated electricity price forecasts and discount rate
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: 17 years	Detailed planning phase: 6 years Rough planning phase: 16 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: 8.00%[1]	WACC: 9.00%[1]
Recoverable amount	€162.4m	€245.1m
Reversal of impairment losses during the period	€32.9m	€58.3m

[1] The implicit input tax interest rate determined through a process of iteration amounted to 10.86% (previous year: 8.89%).

Sensitivity analysis for the Romanian wind farm 31/12/2021[1]

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
Price of electricity[2]	€71.6 per MWh	± 5%	€+ 11.6m €– 11.1m
Revenue from selling Romanian green electricity certificates[3]	€17.6 per MWh	± 5%	€+ 1.6m €– 1.5m
After tax discount rate	9.00%	± 0.25 PP	€+ 3.6m €– 3.5m

[1] In the sensitivity analysis, one key measurement assumption was changed at a time while the other factors of influence remained constant. However, in reality 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 31/12/2020[1]

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
Price of electricity[2]	€62.6 per MWh	± 5%	€+ 11.1m €– 11.1m
Revenue from selling Romanian green electricity certificates[3]	€5.8 per MWh	± 5%	€+ 2.2m €– 2.2m
After tax discount rate	8.00%	± 0.25 PP	€+ 3.0m €– 2.9m

[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.

Impairment test – Mellach combined cycle gas turbine power plant

	31/12/2020	**31/12/2021**
Cash-generating unit	Combined cycle gas turbine power plant (installed electrical capacity: 838 MW)	Combined cycle gas turbine power plant (installed electrical capacity: 838 MW)
Indications of impairment	Updated electricity and/or gas price forecasts and updated discount rate	Updated electricity and/or gas price forecasts and updated discount rate
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 Thermal Power GmbH & Co KG budgets (based mainly on near-market data)	VERBUND Thermal Power GmbH & Co KG budgets (based mainly on near-market data)
Volume	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8%)	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8%)
Price	Internal price forecasts; temporarily expected revenue from the grid reserve, congestion management, redispatch and market use, including heat extraction in the winter for one line (Q4/2021 to Q1/2023); estimate of operating, maintenance and downtime costs by the responsible managers	Internal price forecasts; temporarily expected revenue from the grid reserve, congestion management, redispatch and market use, including heat extraction in the winter for one line (Q4/2022 to Q1/2023); estimate of operating, maintenance and downtime costs by the responsible managers
Planning period	Total capacity averaging around 100,000 equivalent operating hours or until 2040 (dependent on earlier entry)	Total capacity averaging around 100,000 equivalent operating hours or until 2040 (dependent on earlier entry)
Key measurement assumptions	Discount rate, expected revenue from the grid reserve, congestion management and redispatch, development of clean spark spreads	Discount rate, expected revenue from the grid reserve, congestion management and redispatch, development of clean spark spreads
After tax discount rate	WACC: 4.00%[1]	WACC: 4.25%[1]
Recoverable amount	€87.2m	€109.9m
Impairment losses during the period[2]	€–9.3m	€+24.5m

[1] In 2021 the implicit input tax interest rate determined through a process of iteration amounted to 5.67% (previous year: 6.95%). // [2] The increase in value in the 2021 reporting period was reduced by the change in deferred government grants in the amount of €0.7m (previous year: €0.4m).

Sensitivity analysis for the Mellach combined cycle gas turbine power plant 31/12/2021[1]

	Value assigned to the key measurement assumption	Change in key measurement assumptions	Effects on the carrying amounts of assets
After-tax discount rate	4.25%	± 0.25 PP	€– 1.5m €+ 1.5m
Temporarily expected revenue from the grid reserve, congestion management and redispatch	–[2]	± 10%	€+ 33.9m €– 33.9m

[1] In the sensitivity analysis, one key measurement assumption was changed at a time while the other factors of influence 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] 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 31/12/2020[1]

	Value assigned to the key valuation assumption	Change in key measurement assumptions	Effects on the carrying amounts of assets
After-tax discount rate	4.00%	± 0.25 PP	€– 1.7m €+ 1.7m
Temporarily expected revenue from the grid reserve, congestion management and redispatch	–[2]	± 10%	€+ 26.0m €– 26.0m

[1] In the sensitivity analysis, one key measurement assumption was changed at a time while the other factors of influence 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] 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.

4.5.1 Interests accounted for using the equity method

Interests accounted for using the equity method[1]

€m	2020	2021
Amortised cost as at 1/1	286.5	294.7
Additions from business acquisitions	0.0	107.2
Additions	0.0	9.8
Dividends	–9.1	–5.4
Result using equity method accounting	28.8	34.8
Other comprehensive income from equity method accounting	–11.6	–6.1
Disposals	0.0	–17.5
Amortised cost as at 31/12	294.7	**417.5**
Accumulated value adjustments as at 1/1	–15.2	–11.8
Impairment losses	0.0	–18.3
Reversal of impairment losses	3.4	16.8
Accumulated value adjustments as at 31/12	–11.8	**–13.3**
Net carrying amount as at 31/12	282.8	**404.1**
Net carrying amount as at 1/1	271.3	282.8
Net carrying amount as at 31/12	282.8	**404.1**
of which interests accounted for using the equity method	282.8	404.1

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

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
2021			
(Amortised) cost as at 1/1	5.3	133.9	139.2
Change in the basis of consolidation	–0.3	8.6	8.3
Additions from acquisitions of interests and increased shareholdings	0.0	0.6	0.6
Disposals	–0.2	0.0	–0.2
(Amortised) cost as at 31/12	4.8	143.1	147.9
Accumulated value adjustments as at 1/1	6.5	0.1	6.6
Fair value measurement in OCI	2.8	19.8	22.6
Accumulated value adjustments as at 31/12	9.3	19.9	29.2
Net carrying amount as at 31/12	14.1	163.0	177.1
Net carrying amount as at 1/1	11.9	134.0	145.8

Other equity interests €m

	Interests in unconsolidated subsidiaries	Other equity interests	Total
2020			
(Amortised) cost as at 1/1	6.2	132.8	139.0
Change in the basis of consolidation	–0.1	0.0	–0.1
Additions from acquisitions of interests and increased shareholdings	0.6	1.1	1.7
Disposals	–1.4	0.0	–1.4
(Amortised) cost as at 31/12	5.3	133.9	139.2
Accumulated value adjustments as at 1/1	7.5	–8.4	–0.9
Fair value measurement in OCI	–1.9	8.5	6.6
Disposals	0.9	0.0	0.9
Accumulated value adjustments as at 31/12	6.5	0.1	6.6
Net carrying amount as at 31/12	11.9	134.0	145.8
Net carrying amount as at 1/1	13.8	124.4	138.1

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

	2020	2021
Investments – closed items on the balance sheet	340.0	**376.9**
Interest rate swaps – closed items on the balance sheet	87.7	**70.3**
Other investments and other receivables	242.9	**248.7**
Total	670.5	**695.8**

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
2021			
Amortised cost as at 1/1	60.7	279.3	340.0
Foreign exchange measurement	4.8	20.1	24.8
Additions	2.6	4.8	7.4
Capitalised interest	0.1	11.1	11.2
Change in expected credit losses	0.0	0.0	0.0
Disposals	–0.4	–6.1	–6.5
Amortised cost as at 31/12	67.7	309.2	376.9
of which non-current assets	67.7	309.2	376.9
of which current assets	0.0	0.0	0.0

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

	Securities (loan stock rights) under closed items on the balance sheet	Other loans under closed items on the balance sheet	Total
2020			
Amortised cost as at 1/1	65.4	303.2	368.6
Foreign exchange measurement	–5.8	–28.3	–34.1
Additions	2.6	4.0	6.5
Capitalised interest	0.0	10.9	10.9
Change in expected credit losses	0.0	0.1	0.0
Disposals	–1.4	–10.6	–12.0
Amortised cost as at 31/12	60.7	279.3	340.0
of which non-current assets	60.7	279.3	340.0
of which current assets	0.0	0.0	0.0

On 31 December 2021, the securities consisted of medium-term notes with a principal amount of $74.0m (previous year: $71.9m) and an amortised cost of €67.7m (previous year: €60.7m).

Securities in the amount of €67.7m (previous year: €60.7m) and loans in the amount of €309.2m (previous year: €279.3m) are pledged. The securities and loans all serve banks as collateral for borrowings.

Other investments and non-current other receivables €m

	Loans to investees	Securities (loan stock rights)	Other loans	Total
2021				
Cost as at 1/1	73.7	147.5	5.4	226.8
Additions from business acquisitions	0.0	7.1	0.0	7.1
Additions	0.0	0.0	0.2	0.2
Disposals	0.0	– 1.5	0.0	– 1.5
Reclassifications	– 49.1	– 4.3	0.0	– 53.4
Cost as at 31/12	**24.6**	**148.8**	**5.6**	**179.1**
Accumulated value adjustments as at 1/1	0.0	– 18.5	0.0	– 18.5
Reversals of impairment losses	0.0	5.6	0.0	5.6
Fair value measurement in OCI	0.0	0.9	0.0	0.9
Disposals	0.0	1.6	0.0	1.6
Accumulated value adjustments as at 31/12	**0.0**	**– 10.4**	**0.0**	**– 10.4**
Net carrying amount as at 31/12	**24.6**	**138.4**	**5.6**	**168.7**
Net carrying amount as at 1/1	73.7	129.0	5.4	208.2
Net carrying amount of other non-current receivables as at 31/12[1]				**150.2**
Net carrying amount of other non-current receivables as at 1/1[1]				122.3
Net carrying amount total as at 31/12				**318.9**
Net carrying amount total as at 1/1				330.5

[1] 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
2020				
Cost as at 1/1	77.2	163.9	5.3	246.6
Additions	0.0	0.3	0.1	0.4
Disposals	0.0	– 16.7	0.0	– 16.7
Reclassifications	–3.5	0.0	0.0	–3.5
Cost as at 31/12	**73.7**	**147.5**	**5.4**	**226.8**
Accumulated value adjustments as at 1/1	–2.0	–30.8	0.0	–32.8
Impairment losses	0.0	– 1.3	0.0	– 1.3
Reversals of impairment losses	0.0	0.5	0.0	0.5
Fair value measurement in OCI	0.0	–0.7	0.0	–0.7
Impairment losses on interests accounted for using the equity method	2.0	0.0	0.0	2.0
Disposals	0.0	13.8	0.0	13.8
Accumulated value adjustments as at 31/12	**0.0**	**– 18.5**	**0.0**	**– 18.5**
Net carrying amount as at 31/12	**73.7**	**129.0**	**5.4**	**208.2**
Net carrying amount as at 1/1	75.2	133.1	5.3	213.7
Net carrying amount of other non-current receivables as at 31/12[1]				**122.3**
Net carrying amount of other non-current receivables as at 1/1[1]				116.1
Total net carrying amount as at 31/12				**330.5**
Total net carrying amount as at 1/1				329.8

[1] incl. carrying amount of interest rate swaps – closed items on the balance sheet

Securities in the amount of €138.4m (previous year: €129.0m) 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 €70.3m (previous year: €87.7m) 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 category 2021

€m

Assets – balance sheet items	Measurement category in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
Interests in unconsolidated subsidiaries	FVOCI	2	13.4	13.4
Interests in unconsolidated subsidiaries	FVOCI	AC	0.6	0.6
Other equity interests	FVOCI	1	29.7	29.7
Other equity interests	FVOCI	2	117.0	117.0
Other equity interests	FVOCI	AC	16.4	16.4
Other equity interests			**177.1**	
Securities	FVPL	1	130.4	130.4
Securities	FVOCI	3	6.7	6.7
Securities	FVOCI	AC	1.3	1.3
Securities – closed items on the balance sheet	AC	2	67.7	65.4
Other loans – closed items on the balance sheet	AC	2	309.2	328.9
Derivatives in the finance area – closed items on the balance sheet	FVPL	2	70.3	70.3
Loans to investees	AC	2	24.6	23.8
Other loans	AC	2	5.6	6.0
Other	FVPL	3	43.5	43.5
Other	–	–	36.5	–
Other investments and non-current other receivables			**695.8**	
Trade receivables	AC	–	818.4	–
Receivables from investees	AC	–	57.6	–
Loans to investees	AC	2	49.1	49.6
Other loans	AC	2	0.0	0.0
Derivatives in the energy area	FVPL	1	31.3	31.3
Derivatives in the energy area	FVPL	2	2,226.5	2,226.5
Securities	FVPL	1	4.3	4.3
Emission rights	–	–	31.2	–
Other	AC	–	609.3	–
Other	–	–	38.1	–
Trade receivables, other current receivables and securities			**3,865.7**	
Cash and cash equivalents	**AC**	**–**	**318.6**	**–**
Aggregated by measurement category				
Financial assets measured at amortised cost	AC		2,260.0	
Financial assets measured at fair value through profit or loss	FVPL		2,506.2	
Financial assets measured at fair value through other comprehensive income	FVOCI		185.2	

Carrying amounts and fair values by measurement category 2021

€m

Liabilities – balance sheet items	Measurement category in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
Bonds	AC	2	990.6	1,019.8
Financial liabilities to banks and to others	AC	2	1,858.8	1,740.2
Financial liabilities to banks – closed items on the balance sheet	AC	2	117.1	150.9
Financial liabilities to banks – closed items on the balance sheet	FVPL – D	2	330.1	330.1
Capital shares attributable to limited partners	–	–	0.0	–
Non-current and current financial liabilities			**3,296.6**	
Electricity supply commitment	–	–	126.5	–
Obligation to return an interest	AC	3	140.4	243.3
Trade payables	AC	–	2.1	–
Lease liabilities	–	–	86.0	
Other	AC	–	107.2	–
Non-current other liabilities			**462.1**	
Trade payables	AC	–	293.6	–
Derivatives in the energy area	FVPL	1	117.4	117.4
Derivatives in the energy area	FVPL	2	3,755.1	3.755.1
Derivatives in the finance area	FVPL	2	5.9	5.9
Lease liabilities	–	–	8.3	
Other	AC	–	324.8	–
Other	–	–	109.8	–
Trade payables and other liabilities			**4,614.7**	
Aggregated by measurement category				
Financial liabilities measured at amortised cost	AC		3,834.5	
Financial liabilities measured at fair value through profit or loss	FVPL		3,878.3	
Financial liabilities measured at fair value through profit or loss – designated	FVPL – D		330.1	

Carrying amounts and fair values by measurement category 2020

€m

Assets – balance sheet items	Measurement category in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
Interests in unconsolidated subsidiaries	FVOCI	2	10.6	10.6
Interests in unconsolidated subsidiaries	FVPL	3	0.0	0.0
Interests in unconsolidated subsidiaries	FVOCI	AC	1.1	1.1
Other equity interests	FVOCI	1	24.9	24.9
Other equity interests	FVOCI	2	101.5	101.5
Other equity interests	FVOCI	AC	7.7	7.7
Other equity interests			**145.7**	
Securities	FVPL	1	121.8	121.8
Securities	FVOCI	3	5.8	5.8
Securities	FVOCI	AC	1.3	1.3
Securities – closed items on the balance sheet	AC	2	60.7	58.5
Other loans – closed items on the balance sheet	AC	2	279.3	309.3
Derivatives in the finance area – closed items on the balance sheet	FVPL	2	87.7	87.7
Loans to investees	AC	2	73.7	75.4
Other loans	AC	2	5.4	6.1
Other	–	–	34.7	–
Other investments and non-current other receivables			**670.4**	
Trade receivables	AC	–	342.7	–
Receivables from investees	AC	–	39.8	–
Loans to investees	AC	2	3.5	3.6
Other loans	AC	2	0.1	0.1
Derivatives in the energy area	FVPL	1	2.3	2.3
Emission rights	–	–	15.6	–
Other	AC	–	42.8	–
Other	–	–	23.5	–
Trade receivables, other current receivables and securities			**620.1**	
Cash and cash equivalents	**AC**	**–**	**49.2**	**–**
Aggregated by measurement category				
Financial assets measured at amortised cost	AC		897.1	
Financial assets measured at fair value through profit or loss	FVPL		361.7	
Financial assets measured at fair value through other comprehensive income	FVOCI		152.9	

Carrying amounts and fair values by measurement categories 2020

€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	496.8	532.5
Financial liabilities to banks and to others	AC	2	361.9	405.0
Financial liabilities to banks – closed items on the balance sheet	AC	2	106.4	148.0
Financial liabilities to banks – closed items on the balance sheet	FVPL – D	2	321.3	321.3
Capital shares attributable to limited partners	–	–	0.0	–
Non-current and current financial liabilities			**1,286.3**	
Electricity supply commitment	–	–	138.0	–
Obligation to return an interest	AC	3	110.5	209.8
Trade payables	AC	–	1.7	–
Lease liabilities			75.3	
Other	AC	–	73.5	–
Other non-current liabilities			**399.0**	
Trade payables	AC	–	224.0	–
Derivatives in the energy area	FVPL	1	5.4	5.4
Derivatives in the energy area	FVPL	2	236.0	236.0
Derivatives in the finance area	FVPL	2	10.7	10.7
Lease liabilities			22.9	
Other	AC	–	241.8	–
Other	–	–	73.0	–
Trade payables and other liabilities			**813.8**	
Aggregated by measurement categories				
Financial liabilities measured at amortised cost	AC		1,616.5	
Financial liabilities measured at fair value through profit or loss	FVPL		252.0	
Financial liabilities held for trading	FVPL – D		321.3	

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 2021 and the amount that VERBUND would have to pay upon maturity is €2.9m (previous year: €0.0m). The amount due upon maturity was translated at the rate (€1=$1) of 1.1326 on the reporting date (previous year: 1.2271). 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 €504.1m (previous year: €29.2m) and negative fair values in the amount of €2,425.8m (previous year: €129.1m) 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 2021 €m

	Fair value as at 31/12/2020	**Fair value as at 31/12/2021**	Dividend 31/12/2020	**Dividend 31/12/2021**
Energie AG Oberösterreich	101.5	117.0	2.8	3.5
Burgenland Holding Aktiengesellschaft	24.9	29.7	1.0	1.0
Verfahren Umwelt Management GmbH	7.0	9.8	0.8	0.8
Wiener Börse AG	5.8	6.7	0.5	0.7
Gestionnaires du Réseau de Transport d'Électricité (RTE)	4.8	4.8	0.5	0.6
CISMO	–	3.7	–	0.4
Other	8.9	13.3	1.0	1.2

Valuation techniques and input factors for determining fair values

Level	Financial Instruments	Valuation technique	Inputs
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 RTE	Market approach	Trading multiple, transaction price
2	Unlisted energy forwards	Net present value approach	Forward price curve derived from stock exchange prices, 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 Wiener Börse AG)	Net present value approach	Expected distribution of profits, cost of equity
3	Other non-current receivables (TAG profit participation right with respect to material assets)	Net present value approach	Expected distribution of profits, cost of equity
AC	Other shares of unconsolidated subsidiaries, other equity interests and securities	–	Cost as a 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 amounts as a best estimate of fair value

Expected cash outflows as at 31/12/2021

€m

Maturity	2022	2023	2024–2026	From 2027
Bonds	12.0	12.0	521.0	567.5
Financial liabilities to banks	29.4	29.2	68.7	182.7
Financial liabilities to others	1.3	1.3	148.3	0.0
Financial liabilities to banks – closed items on the balance sheet[1]	20.8	19.9	395.3	58.9
Capital shares attributable to limited partners	0.0	0.0	0.0	0.0
Cash outflows on financial liabilities	**63.5**	**62.5**	**1,133.3**	**809.1**
Trade payables	293.6	0.3	1.4	0.5
Derivatives in the energy area	780.3	301.5	80.1	0.0
Derivatives in the finance area[2]	3.1	1.7	1.5	0.0
Other	324.8	80.0	11.6	156.0
Cash outflows on trade payables and other payables	**1,401.8**	**383.5**	**94.6**	**156.4**
Cash outflows on liabilities in accordance with IFRS 7	**1,471.7**	**446.0**	**1,227.9**	**965.5**

[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 31/12/2020

€m

Maturity	2021	2022	2023–2025	From 2026
Bonds	7.5	7.5	515.0	0.0
Financial liabilities to banks	84.8	29.4	82.1	198.5
Financial liabilities to others	0.0	0.0	0.0	0.0
Financial liabilities to banks – closed items on the balance sheet[1]	16.9	19.2	117.2	320.4
Capital shares attributable to limited partners	0.0	0.0	0.0	0.0
Cash outflows on financial liabilities	**109.3**	**56.1**	**714.3**	**518.9**
Trade payables	224.0	0.2	1.4	0.3
Derivatives in the energy area	567.5	166.2	60.9	0.0
Derivatives in the finance area[2]	4.3	3.1	3.8	0.1
Other	241.8	25.8	12.3	145.9
Cash outflows on trade payables and other payables	**1,037.7**	**195.3**	**78.4**	**146.2**
Cash outflows on liabilities in accordance with IFRS 7	**1,146.9**	**251.4**	**792.7**	**665.1**

[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.

Results by measurement categories

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 €m

	2020	2021
Financial assets and liabilities measured at fair value through profit or loss	8.4	–41.8
Financial assets and liabilities measured at fair value through profit or loss – designated	21.6	20.6
Financial liabilities measured at amortised cost	45.0	–21.1
Financial assets measured at amortised cost	–36.8	–11.3
Financial assets measured at fair value through other comprehensive income	5.9	23.5
Total interest expenses from financial liabilities measured at amortised cost	–64.1	–62.1
Total interest income from financial assets measured at amortised cost	33.9	40.0

Components of the net results

Measurement category	Notes
Financial assets and liabilities measured at fair value through profit or loss	The 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 results arose from the measurement of financial liabilities to banks (closed items on the balance sheet). These results have to be seen alongside an equal amount of opposing 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 well as options as derivatives within the meaning of IFRS 9 as part of cash flow hedges in the energy area. Since the 2020 financial year, options have been used as part of a collar strategy in which a certain price band is to be hedged for future electricity purchases. 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 and marketing of electricity from renewable energy plants not owned by VERBUND;
(2) reinsurance for electricity deliveries to customers; and
(3) reinsurance for gas 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, forwards and options 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 have been used since 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. 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.

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 and a reduced volume of the expected electricity delivery.

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. When using options, only the internal value of the options will be designated within the framework of the hedging relationship and the change in fair value will be recognised separately as costs of hedging in other comprehensive income.

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 six-month EURIBOR. The future interest payments hedged by the interest rate swaps occur in the following five years (2022 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 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 31/12/2021

€m

	Carrying amount	Balance sheet item	Notional amount	Change in the fair value for the measurement of ineffectiveness	Hedging costs recognised in other comprehensive income
Electricity futures, forwards and options – sales	16.1	Other receivables	2,388 GWh	52.4	–2.7
Electricity futures, forwards and options – sales	–2,419.8	Other liabilities	23,573 GWh	–2,418.0	–2.2
Electricity futures and forwards – purchasing	468.7	Other receivables	–4,756 GWh	460.2	0.0
Electricity futures and forwards – purchasing	–6.1	Other liabilities	–302 GWh	–6.1	0.0
Gas forwards – purchasing	18.9	Other receivables	–343 GWh	18.5	0.0
Gas forwards – purchasing	0.0	Other liabilities	0.0 GWh	0.0	0.0
Interest rate swaps	–3.6	Other liabilities	56.8	2.4	0.0

Cash flow hedges – Hedged items 31/12/2021

€m

	Change in the fair value for the measurement of ineffectiveness	Carrying amount of the reserve for measurements of cash flow hedges	Reserve for hedging costs included therein
Future electricity sales volume	2,365.3	–2,404.0	–4.9
Future electricity purchases	–454.0	462.6	0.0
Future gas purchases	–18.5	18.9	0.0
Variable-rate financial liabilities	–2.4	–3.6	0.0

Cash flow hedges – effects on the statement of comprehensive income and balance sheet 2021

€m

	Gains/losses recognised in other comprehensive income	Hedging costs 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, forwards and options – sales	–2,365.6	–4.9	0.3	Revenue	–91.7	Revenue
Electricity futures and forwards – purchasing	454.0	0.0	–0.1	Electricity purchases	15.1	Electricity purchases
Gas forwards – purchasing	18.5	0.0	0.0	Gas purchases	1.0	Gas purchases
Interest rate swaps	–0.5	0.0	0.0	Other financial result	–2.0	Interest expenses

Notional amount and average price and/or interest rate as at 31/12/2021

€m

	2022	2023	2024	2025	>2025
Electricity futures, forwards and options – sales					
Notional amount	15,167 GWh	5,712 GWh, 1,752 GWh by means of collar options	543 GWh, 1,757 GWh by means of collar options	130 GWh	900 GWh
Average hedged price	€67.7/MWh	€63.2/MWh, Collar €38–€60/MWh	€79.1/MWh, Collar €60–€140/MWh	€39.3/MWh	€39.3/MWh
Electricity futures and forwards – purchasing					
Notional amount	–2,792 GWh	–1,550 GWh	–613 GWh	–103 GWh	–
Average hedged price	€77.0/MWh	€67.1/MWh	€69.8/MWh	€68.7/MWh	–
Gas forwards – purchasing					
Notional amount	–235 GWh	–109 GWh	–	–	–
Average hedged price	€15.6/MWh	€16.3/MWh	–	–	–
Interest rate swaps					
Average notional amount	49.5	34.9	20.3	7.9	1.4
Average fixed interest rate	2.6%	2.6%	2.8%	3.1%	3.6%

Cash flow hedges – hedging instruments 31/12/2020 €m

	Carrying amount	Balance sheet item	Notional amount	Change in the fair value for the measurement of ineffectiveness	Hedging costs recognised in other comprehensive income
Electricity futures, forwards and options – sales	3.5	Other receivables	3,384 GWh	0.0	– 1.157
Electricity futures, forwards and options – sales	– 128.4	Other liabilities	15,845 GWh	– 117.3	– 1.692
Electricity futures and forwards – purchasing	24.3	Other receivables	– 3,795 GWh	26.5	0.0
Electricity futures and forwards – purchasing	– 0.7	Other liabilities	– 1,063 GWh	0.0	0.0
Gas forwards – purchasing	1.5	Other receivables	– 625 GWh	1.5	0.0
Gas forwards – purchasing	0.0	Other liabilities	– 0.4 GWh	0.0	0.0
Interest rate swaps	– 6.0	Other liabilities	71.4	1.6	0.0

Cash flow hedges – Hedged items 31/12/2020 €m

	Change in the fair value for the measurement of ineffectiveness	Carrying amount of the reserve for measurements of cash flow hedges	Reserve for hedging costs included therein
Future electricity sales volume	117.3	– 124.9	– 2.8
Future electricity purchases	– 26.5	23.6	0.0
Future gas purchases	– 1.5	1.5	0.0
Variable-rate financial liabilities	1.6	– 6.0	0.0

Cash flow hedges – effects on the statement of comprehensive income and balance sheet 2020

€m

	Gains/ losses recognised in other comprehen- sive income	Hedging costs recognised in other comprehen- sive income	Ineffective portion of the hedge recognised in profit or loss	Line items of the statement of comprehen- sive income in which the ineffective portion was recognised	Reclassifica- tions from reserves to profit or loss	Line items of the statement of compre- hensive income in which the reclassifica- tion was recognised
Electricity futures, forwards and options – sales	– 117.3	– 2.8	0.0	Revenue	88.8	Revenue
Electricity futures and forwards – purchasing	26.5	0.0	0.0	Electricity purchases	– 8.0	Electricity purchases
Gas forwards – purchasing	1.5	0.0	0.0	Gas purchases	0.0	Gas purchases
Interest rate swaps	– 0.5	0.0	0.0	Other financial result	– 2.1	Interest expenses

Notional amount and average price and/or interest rate as at 31/12/2020

€m

	2021	2022	2023	2024	>2024
Electricity futures, forwards and options – sales					
Notional amount	14,038 GWh	3,439 GWh	1,752 GWh	–	–
Average hedged price	€41.8/MWh	€41.5/MWh	Collar 38-60	–	–
Electricity futures and forwards – purchasing					
Notional amount	– 2,748 GWh	– 1,399 GWh	– 637 GWh	– 74 GWh	–
Average hedged price	€43.7/MWh	€46.7/MWh	€48.1/MWh	€49.8/MWh	–
Gas forwards – purchasing					
Notional amount	– 282 GWh	– 235 GWh	– 109 GWh	–	–
Average hedged price	€14.2/MWh	€15.6/MWh	€16.3/MWh	–	–
Interest rate swaps					
Average notional amount	64.1	49.5	34.9	20.3	5.8
Average fixed interest rate	2.6%	2.6%	2.6%	2.8%	2.9%

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, current other receivables and securities;
- cash and cash equivalents; and
- 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

	2020	**2021**
Natural gas	2.6	23.1
Coal	0.8	0.0
Inventories of primary energy sources held for generation	3.4	**23.1**
Emission rights held for trading	14.8	4.8
Measurements of emission rights held for trading	7.8	8.6
Fair value of emission rights held for trading	22.5	**13.3**
Proof of origin and green electricity certificates	0.3	**1.7**
Additives and consumables	6.5	**11.0**
Other	0.3	**0.9**
Inventories	33.0	**49.9**

6.2 Trade receivables, other current 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 current receivables and securities

Trade receivables, other current receivables and securities €m

	2020 Non-current	**2021 Non-current**	2020 Current	**2021 Current**
Trade receivables	0.0	0.0	342.7	818.4
Receivables from investees	0.0	0.0	39.8	57.6
Other loans	–	–	0.1	0.0
Loans to investees	–	–	3.5	49.1
Other receivables and assets	122.3	150.2	234.0	2,940.5
Trade receivables, other current receivables and securities	122.3	**150.2**	620.1	**3,865.7**

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

	2020 Non-current	**2021 Non-current**	2020 Current	**2021 Current**
Derivatives in the energy area	0.0	0.0	152.2	2,257.8
Derivatives in the finance area	87.7	70.3	0.0	0.0
Securities	0.0	0.0	0.0	4.3
Guarantees in electricity trading	0.0	0.0	32.9	597.2
Money market transactions	0.0	0.0	0.0	0.0
Emission rights	–	–	15.6	31.2
Receivables from tax clearing	0.0	0.0	10.2	22.9
Receivables from accrued interest	0.0	0.0	0.3	0.3
Other	34.7	80.0	22.8	26.8
Other receivables and assets	122.3	**150.2**	234.0	**2,940.5**

6.3 Cash and cash equivalents

6.3.1 Cash and cash equivalents

Cash and cash equivalents €m

	2020	2021
Cash at banks	49.2	318.5
Cash in hand	0.0	0.0
Cash and cash equivalents	49.2	**318.6**

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 other liabilities €m

	2020	2021
Derivatives in the energy area	241.3	3,872.5
Trade payables	224.0	293.6
Outstanding receipts for investments	127.3	137.5
Other liabilities from electricity and grid deliveries	37.0	76.8
Other liabilities for maintenance expenses	45.5	48.6
Other personnel-related liabilities	37.5	41.2
Liabilities to tax authorities	4.7	35.4
Liabilities to the emissions registry	15.6	26.5
Liabilities to unconsolidated subsidiaries and investees	5.3	21.6
Electricity supply commitment	9.7	11.6
Lease liabilities	22.9	8.3
Derivatives in the finance area	10.7	5.9
Liabilities from social security (including social insurance institutions)	5.0	5.8
Other liabilities for legal, audit and consulting expenses	4.0	4.1
Other	23.1	25.4
Trade payables and other liabilities	813.8	**4,614.7**

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 the 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 2021 that are prepared in accordance with the Austrian Commercial Code (Unternehmensgesetzbuch, UGB). Profit for the 2021 financial year that had not yet been approved amounted to €364.8m (previous year: €260.6m). A dividend of €1.05 per share (previous year: €0.75 per share) will be recommended to the Annual General Meeting.

Reserve for differences from currency translation

The reserve for differences from currency translation includes primarily the currency translation of the consolidated Romanian subsidiary VERBUND Wind Power Romania SRL.

Non-controlling interests

Non-controlling interests[1] in %

	2020	2021
Gas Connect Austria GmbH	–	49.00
Austrian Gas Grid Management AG	–	74.00
VERBUND Innkraftwerke GmbH	29.73	29.73
VERBUND Hydro Power GmbH	15.94	15.94
VERBUND Wind Power Austria GmbH	19.46	19.46

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

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 section 11 Risk management and section 13 Other).

8.1.1 Non-current and current financial liabilities

Non-current and current financial liabilities €m

	2020 Non-current	**2021 Non-current**	2020 Current	**2021 Current**
Bonds	496.0	986.5	0.8	4.1
Financial liabilities to banks	278.6	253.4	83.3	1,458.3
Financial liabilities to others	0.0	147.0	0.0	0.0
Capital shares attributable to limited partners	0.0	0.0	0.0	0.0
Subtotal	774.5	**1,386.9**	84.1	**1,462.5**
Financial liabilities to banks – closed items on the balance sheet	427.7	447.2	0.0	0.0
Non-current and current financial liabilities	1,202.2	1,834.1	84.1	1,462.5

Non-current and current financial liabilities[1] €m

	2020	**2021**
Carrying amount as at 1/1	1,111.5	858.5
Borrowings	0.0	489.1
Additions from business acquisitions	0.0	147.6
Net change in money market transactions	– 15.0	1,380.2
Changes in capital shares attributable to limited partners	0.0	0.1
Changes in interest accruals	– 4.1	4.0
Scheduled repayments	– 233.9	– 30.1
Carrying amount as at 31/12	858.5	**2,849.4**
of which non-current liabilities	774.5	1,386.9
of which current liabilities	84.1	1,462.5

[1] excl. financial liabilities from closed items on the balance sheet

Financial liabilities – closed items on the balance sheet

€m	2020	2021
Carrying amount as at 1/1	455.9	427.7
Foreign exchange gains or losses	–35.1	22.9
Capitalisation	30.3	30.9
Repayments and/or disposals	–23.8	–16.9
Market value changes	0.5	–17.4
Carrying amount as at 31/12	427.7	**447.2**
of which non-current liabilities	427.7	447.2

VERBUND had no mortgage-backed liabilities as at 31 December 2021 or in the previous year.

Non-current and current financial liabilities 2021

	Longest maturity	Issue volume	Carrying amount as at 31/12	1 year or less
Bonds				
Euro currency	2041	1,000.0	990.6	4.3
Total bonds			990.6	4.3
of which at a fixed interest rate	2041	1,000.0	990.6	4.3
Financial liabilities to banks				
Euro currency	2037	1,970.0	1,711.8	1,458.3
Total financial liabilities to banks		1,970.0	1,711.8	1,458.3
of which at a fixed interest rate	2037	490.0	260.5	25.8
of which at a variable interest rate	2030	1,480.0	1,451.3	1,432.5
Financial liabilities to others				
Euro currency	2024	147.0	147.0	0.0
Total financial liabilities to others		147.0	147.0	0.0
of which at a variable interest rate	2024	147.0	147.0	0.0
Financial liabilities to banks – closed items on the balance sheet[1]				
Foreign currencies ($)	2030		447.2	
Total financial liabilities to banks – closed items on the balance sheet			447.2	
of which at a fixed interest rate	2030		447.2	
Capital shares attributable to limited partners			0.0	
Total financial liabilities			3,296.6	1,462.6

[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
	0.0	496.9	0.0	0.0	489.4	1.20%	1.28%	1,019.8
	0.0	**496.9**	**0.0**	**0.0**	**489.4**	**1.20%**	**1.28%**	**1,019.8**
	0.0	496.9	0.0	0.0	489.4	1.20%	1.28%	1,019.8
	25.1	25.1	20.1	12.3	170.8	0.11%	2.21%	1,740.2
	25.1	**25.1**	**20.1**	**12.3**	**170.8**	**0.11%**	**2.21%**	**1,740.2**
	22.6	22.6	17.6	9.8	162.0	2.29%	2.51%	289.2
	2.5	2.5	2.5	2.5	8.8	–0.28%	0.36%	1,451.0
	0.0	147.0	0.0	0.0	0.0	0.90%	0.96%	151.2
	0.0	**147.0**	**0.0**	**0.0**	**0.0**	**0.90%**	**0.96%**	**151.2**
	0.0	147.0	0.0	0.0	0.0	0.90%	0.96%	151.2
				399.0	48.2			481.0
				399.0	**48.2**			**481.0**
				399.0	48.2			481.0
	0.0							
	25.1	**669.0**	**20.1**	**411.3**	**708.4**			

Non-current and current financial liabilities 2020

	Longest maturity	Issue volume	Carrying amount as at 31/12	1 year or less
Bonds				
Euro currency	2024	500.0	496.8	0.9
Total bonds		500.0	496.8	0.9
of which at a fixed interest rate	2024	500.0	496.8	0.9
Financial liabilities to banks				
Euro currency	2037	595.0	361.8	83.3
Total financial liabilities to banks		595.0	361.8	83.3
of which at a fixed interest rate	2037	495.0	288.1	30.8
of which at a variable interest rate	2030	100.0	73.8	52.5
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	0.0	427.7	0.0
Total financial liabilities to banks – closed items on the balance sheet		0.0	427.7	0.0
of which at a fixed interest rate	2030	0.0	427.7	0.0
Capital shares attributable to limited partners		–	0.0	0.0
Total financial liabilities			1,286.3	84.2

[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	495.9	0.0	0.0	1.50%	1.72%	532.5
	0.0	**0.0**	**495.9**	**0.0**	**0.0**	**1.50%**	**1.72%**	**532.5**
	0.0	0.0	495.9	0.0	0.0	1.50%	1.72%	532.5
	25.1	25.1	25.1	20.1	183.1	1.94%	2.37%	405.0
	25.1	**25.1**	**25.1**	**20.1**	**183.1**	**1.94%**	**2.37%**	**405.0**
	22.6	22.6	22.6	17.6	171.8	2.43%	2.54%	331.0
	2.5	2.5	2.5	2.5	11.3	0.04%	0.75%	74.0
	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	0.0	3.00%	3.02%	0.0
	0.0	0.0	0.0	95.4	332.3	–	–	469.3
	0.0	**0.0**	**0.0**	**95.4**	**332.3**	**–**	**–**	**469.3**
	0.0	0.0	0.0	95.4	332.3	–	–	469.3
	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**–**	**–**	
	25.1	**25.1**	**521.0**	**115.5**	**515.4**			

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.
- Lease liabilities reported as liabilities in accordance with IFRS 16 (see section 4.3 Leases).

8.2.1 Non-current other liabilities

Other non-current liabilities €m

	2020	**2021**
Electricity supply commitment	138.0	126.5
Obligation to return an interest	110.5	140.4
Lease liabilities	75.3	86.0
Trade payables	1.7	2.1
Other	73.5	107.2
Other non-current liabilities	399.0	**462.1**

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

	2020 Non-current	**2021 Non-current**	2020 Current	**2021 Current**
Provisions for pensions	455.5	429.7	–	–
Provisions for obligations similar to pensions	170.6	143.9	–	–
Provisions for termination benefits	125.1	120.1	–	–
Provisions for partial retirement	3.5	3.4	1.5	1.5
Other personnel-related provisions	22.0	25.2	21.5	26.9
Other provisions	109.5	110.7	16.6	16.3
Non-current and current provisions	886.2	**832.9**	39.6	**44.7**

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 as well as statutory termination benefits

Existing provisions for pensions and similar obligations as well as obligations from termination benefits (carrying amount as at 31 December 2021: €693.6m; previous year: €751.2m) 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

	2020	**2021**
Discount rate or expected rate of return from plan assets	0.75%	1.00%
Pension increases	1–2%	1–2%
Salary increases	2.75%/2.75%	2.75%/2.75%
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

	2020	**2021**
Discount rate	0.75%	1.25%
Employee turnover (depending on duration of employment)	0.0%–4.1%	0%–4.1%
Trend of contributions based on hospital cost index for new contracts (with participation)/old contracts (without participation)	2.75%–6.0%	2.75%–5.5%
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

	2020	**2021**
Discount rate	0.50%	0.75%
Salary increases	2.75%/2.75%	2.75%/2.75%
Employee turnover (depending on duration of employment)	0.0%–1.3%	0.0%–1.3%
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 PUC method in accordance with IAS 19.

Sensitivity analysis for net pension liability 2021

	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%	–3.10%	3.27%
Pension increases	0.50%	6.65%	–6.01%
Longevity based on mortality table	1 year	5.65%	–5.54%

Sensitivity analysis for obligations similar to pensions 2021

	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%	–3.94%	4.20%
Trend of contributions based on hospital cost index	0.50%	8.35%	–7.46%
Longevity based on mortality table	1 year	7.00%	–6.66%

Sensitivity analysis for termination benefit obligations 2021

	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%	–1.91%	1.97%
Salary increases	0.50%	3.87%	–3.68%
Longevity based on mortality table	1 year	0.03%	–0.04%

Sensitivity analysis for net pension liability 2020

	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	–3.27%	3.46%
Pension increases	± 0.50	7.01%	–6.31%
Longevity based on mortality table	± 1 year	5.83%	–5.70%

Sensitivity analysis for obligations similar to pensions 2020

	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	–4.27%	4.56%
Trend of contributions based on hospital cost index	± 0.50	9.01%	–8.00%
Longevity based on mortality table	± 1 year	7.51%	–7.09%

Sensitivity analysis for termination benefit obligations 2020

	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	–2.01%	2.08%
Salary increases	± 0.50	4.07%	–3.86%
Longevity based on mortality table	± 1 year	0.11%	–0.12%

9.2.2 Provisions for pensions and similar obligations

Reconciliation from defined benefit obligation to provisions

€m

	2020 Pension obligations	**2021 Pension obligations**	2020 Obligations similar to pensions	**2021 Obligations similar to pensions**
Defined benefit obligation covered by plan assets	275.2	298.9	–	–
Fair value of plan assets	–157.1	–190.9	–	–
Net value of obligations covered by plan assets	118.1	**108.0**	–	**–**
Defined benefit obligation not covered by plan assets	337.4	321.6	170.6	143.8
Carrying amount of provisions as at 31/12	455.5	**429.6**	170.6	**143.8**

Pension expenses

€m

	2020 Pension obligations	**2021 Pension obligations**	2020 Obligations similar to pensions	**2021 Obligations similar to pensions**
Service costs (vested claims)	4.9	4.3	2.9	2.7
Net interest expense	3.5	3.6	1.7	1.3
Pension expenses (recognised in profit for the period)	8.4	**7.9**	4.6	**4.0**
Remeasurements of the net liability	–16.3	–56.5	–0.5	–26.3
Pension expenses (recognised in total comprehensive income for the period)	–7.9	**–48.6**	4.1	**–22.3**

Reconciliation of defined benefit obligation

€m

	2020 Pension obligations	**2021 Pension obligations**	2020 Obligations similar to pensions	**2021 Obligations similar to pensions**
Defined benefit obligation as at 1/1	643.2	612.6	170.9	170.6
Additions from business acquisitions	0.0	75.3	0.0	0.0
Service costs (vested claims)	4.9	4.3	2.9	2.7
Pension payments or contributions to supplementary health insurance (benefit payments)	–32.5	–36.0	–4.4	–4.5
Interest expenses	4.7	4.9	1.7	1.3
Remeasurements based on experience adjustments	–4.2	–12.0	–7.1	–8.3
Remeasurements arising from changes in demographic assumptions	0.0	0.0	0.0	0.0
Remeasurements arising from changes in financial assumptions	–3.5	–28.6	6.6	–18.0
Defined benefit obligation as at 31/12	612.6	**620.4**	170.6	**143.8**

On 31 December 2021, the weighted average duration of the pension obligation was 13 years (previous year: 14 years) and that of the obligations similar to pensions was 17 years (previous year: 18 years).

Reconciliation of plan assets

€m

	2020 Pension obligations	**2021 Pension obligations**	2020 Obligations similar to pensions	**2021 Obligations similar to pensions**
Fair value of plan assets as at 1/1	158.7	157.1	–	–
Additions from business acquisitions	0.0	30.4	–	–
Contributions by VERBUND	0.0	0.2	–	–
Payouts (benefit payments)	–11.4	–14.1	–	–
Interest income	1.2	1.4	–	–
Other gains (+) or losses (–)	8.6	15.9	–	–
Fair value of plan assets as at 31/12	157.1	**190.9**	–	**–**

The investment and risk association in the pension fund attributable to VERBUND realised a gain of €17.3m in the 2021 reporting period (previous year: loss of €9.8m). The deficit represents the portion of pension obligations not covered by plan assets; these relate primarily to direct commitments to pension recipients. In the 2021 reporting period, current contributions to the pension fund for coverage of defined contribution plans are expected in the amount of €0.0m (previous year: €0.0m).

Plan assets

%

	Active market 2020	Unquoted 2020	Total 2020	Active market 2021	Unquoted 2021	Total 2021
Shares	41.5	0.0	41.5	41.7	0.0	41.7
Bonds	34.9	0.0	34.9	33.6	0.0	33.6
Money market	11.6	0.0	11.6	7.0	0.0	7.0
Other investments	12.0	0.0	12.0	17.7	0.0	17.7
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 (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 2021 (previous year: 8 years).

Analysis of the provisions for termination benefits

€m

	2020	**2021**
Provisions for statutory termination benefits	123.8	119.1
Provisions for termination benefits from special agreements in accordance with social plan	1.3	0.9
Carrying amount of provisions as at 31/12	125.1	**120.0**

Expenses for termination benefit costs

€m

	2020	**2021**
Service costs	0.8	1.0
Net interest expense	1.0	0.6
Expenses for termination benefit costs (recognised in profit for the period)	1.8	**1.6**
Remeasurements of termination benefits	2.8	–3.3
Expenses for termination benefit costs (recognised in total comprehensive income for the period)	4.6	**–1.7**

Reconciliation of defined benefit obligation for statutory termination benefits €m

	2020	2021
Defined benefit obligation as at 1/1	136.3	123.8
Change in the basis of consolidation	0.0	10.5
Service costs (vested claims)	0.8	1.0
Interest expenses	1.0	0.6
Termination benefits (benefit payments)	–17.1	–13.5
Remeasurements based on experience adjustments	0.0	–1.0
Remeasurements arising from changes in demographic assumptions	0.5	0.0
Remeasurements arising from changes in financial assumptions	2.3	–2.3
Defined benefit obligation as at 31/12	123.8	**119.1**

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 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

	2020	2021
Defined benefit obligation covered by plan assets	7.8	7.9
Fair value of plan assets	–2.7	–3.1
Carrying amount of provisions as at 31/12	5.1	**4.8**

Expenses for partial retirement €m

	2020	2021
Service costs	0.8	1.5
Net interest expense	0.0	0.0
Remeasurements	0.4	0.2
Expenses for partial retirement (recognised in profit for the period)	1.2	**1.7**

Reconciliation of defined benefit obligation €m

	2020	2021
Defined benefit obligation as at 1/1	10.2	7.8
Change in the basis of consolidation	0.0	0.3
Service costs (vested claims)	0.8	1.5
Net interest expense	0.0	0.0
Payments for early retirement	–3.7	–2.3
Remeasurements	0.5	0.6
Defined benefit obligation as at 31/12	7.8	7.9

Reconciliation of plan assets €m

	2020	2021
Fair value of plan assets as at 1/1	2.6	2.7
Other gains (+) or losses (–)	0.1	0.4
Fair value of plan assets as at 31/12	2.7	**3.1**

Plan assets in %

	2020	2021
Bonds	100.0	100.0
Total	100.0	**100.0**

9.2.5 Other personnel-related provisions

Analysis of other personnel-related provisions €m

	2020 Non-current	2021 Non-current	2020 Current	2021 Current
Provision for bonuses from the performance-based remuneration system	–	–	21.3	26.4
Provision for anniversary bonuses	16.5	20.0	–	–
Other	5.5	5.2	0.2	0.5
Other personnel-related provisions	22.0	**25.2**	21.5	**26.9**

Reconciliation of other personnel-related provisions €m

	2020	2021
Carrying amount as at 1/1	42.2	**43.5**
of which non-current	21.3	22.0
of which current	20.9	21.5
Change in the basis of consolidation	0.0	5.9
New provisions	19.2	20.6
Interest accrued	0.2	0.2
Appropriation	– 17.6	– 17.6
Reversal	– 0.4	– 0.5
Carrying amount as at 31/12	43.5	**52.1**
of which non-current	22.0	25.2
of which current	21.5	26.9

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 0.25–5.43% (previous year: 0.50–3.73%).

9.3.1 Other provisions

Reconciliation of other provisions 2021 €m

	Dismantling and decontamination costs	Other	Total
Carrying amount as at 1/1/2021	35.9	90.2	126.1
of which non-current	33.3	76.2	109.5
of which current	2.6	14.0	16.6
Change in the basis of consolidation	4.0	2.7	6.6
New provisions	1.3	7.2	8.4
Interest accrued	−0.3	0.4	0.1
Appropriation	−0.9	−7.6	−8.5
Reversal	−3.5	−2.1	−5.6
Currency translation	−0.1	0.0	−0.1
Carrying amount as at 31/12/2021	**36.3**	**90.7**	**127.0**
of which non-current	34.4	76.3	110.7
of which current	1.9	14.4	16.3

Reconciliation of other provisions 2020 €m

	Dismantling and decontamination costs	Other	Total
Carrying amount as at 1/1/2020	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
New provisions	5.0	20.3	25.3
Interest accrued	0.4	0.7	1.1
Appropriation	−0.1	−5.8	−5.9
Reversal	−0.2	−1.9	−2.1
Currency translation	−0.1	0.0	−0.1
Carrying amount as at 31/12/2020	**35.9**	**90.2**	**126.1**
of which non-current	33.3	76.2	109.5
of which current	2.6	14.0	16.6

10. Taxes

Current tax liabilities in the 2021 reporting period can be broken down as follows:

Current tax liabilities

		€m
	2020	**2021**
Taxes on income	196.1	219.5
Other taxes	1.3	2.9
Current tax liabilities	197.4	**222.4**

Deferred taxes were netted against the same tax authority as follows:

Net deferred tax assets and liabilities

				€m
		2020		**2021**
	Assets	Equity and liabilities	Assets	Equity and liabilities
Property, plant and equipment	1.2	835.3	0.3	936.5
Tax-deductible goodwill	0.0	68.7	0.0	82.0
Financial instruments	25.5	1.8	492.4	7.0
Special depreciation for tax purposes	0.0	89.1	0.0	87.9
Provisions for employee benefits relating to pensions and termination benefits (Sozialkapital)	135.6	0.3	121.0	0.8
Regulatory obligations	0.0	91.7	0.0	98.4
Tax loss carryforwards	120.0	0.0	136.2	0.0
Other line items	36.7	29.2	46.1	34.4
Deferred tax assets/liabilities	319.0	1.116.1	**795.9**	**1.247.0**
Netting of deferred tax assets and liabilities against the same tax authority	–319.0	–319.0	**–760.1**	**–760.1**
Net deferred tax assets and liabilities	0.0	797.1	**35.8**	**486.9**

Outside basis differences

At 31 December 2021 (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 2021 for temporary differences in the amount of €5,189.5m (previous year: €4,783.2m) in connection with these equity interests.

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 risk 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; and
- 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 31/12/2020	**Positive fair values 31/12/2021**
Interest rate swaps – closed items on the balance sheet (fixed interest recipient)	$276.7m (previous year: $269.6m)	87.7	**70.3**
Forward exchange transactions	$0.0m (previous year: $0.0m)	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 31/12/2020	**Negative fair values 31/12/2021**
Interest rate swaps – hedges (fixed interest payment)	€56.8m (previous year: €71.4m)	6.0	3.6
Interest rate swap relating to financial liabilities (freestanding)	€90.8m (previous year: €106.8m)	4.7	2.3

[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 section entitled 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 order to further increase the liquidity reserve as a precautionary measure in light of the higher volatilities in electricity prices, an agreement was entered into in December 2021 regarding a short-term revolving credit facility that can be drawn against in the maximum amount of €300.0m. This line of credit was fully drawn down at the end of the year. 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 2021 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 2021, €114.1m of the trade receivables (previous year: €34.2m) 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 2021 €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	247.9	0.0	0.0	20.9	1,034.9	2.4
B	up to A3	199.2	7.1	26.6	372.4	428.1	299.2
C1–C3	up to Baa3	0.0	0.0	43.5	203.3	757.2	17.0
D1–D5	below Baa3	0.0	0.0	0.0	20.6	37.6	0.0
Not rated		0.0	135.7	719.6	201.2	0.0	0.0
Total		447.2	142.8	789.6	818.4	2,257.8	318.6

[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.

Financial instruments with credit risk by assigned rating group 2020 €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	223.8	0.0	0.0	16.8	4.0	0.0
B	up to A3	203.9	0.0	26.6	109.7	47.3	33.3
C1–C3	up to Baa3	0.0	0.0	0.0	120.6	91.6	21.2
D1–D5	below Baa3	0.0	0.0	0.0	4.3	9.3	0.0
Not rated		0.0	129.0	133.2	91.2	0.0	0.2
Total		427.6	129.0	159.8	342.7	152.2	54.7

[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.

- 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 (< €0.2m). 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 twelve-month expected credit loss, because there is a low risk of default.

Expected credit losses 2021

€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%	247.9	0.0	248.0
B	up to A3	0.06%	0.70%	155.6	0.1	155.6
C1–C3	up to Baa3	0.10%–0.26%	0.80%	0.0	0.0	0.0
Loans portion of a net investment[1]	–	–	–	47.1	0.0	47.1
No recognition of expected credit losses[2]	–	–	–	–	–	939.7
Total						1,390.4

[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 €597.2m 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 2020 €m

	Equiva-lent Moody's-rating	Proba-bility of default	Loss ratio	Gross carrying amount	Valuation allowance	Net carrying amount
A	up to Aa3	0.02%	0.60%	223.8	0.0	223.8
B	up to A3	0.07%	0.70%	142.8	0.1	142.8
C1–C3	up to Baa3	0.12%–0.26%	0.80%	0.0	0.0	0.0
Loans portion of a net investment[1]	–	–	–	50.6	0.0	50.6
No recognition of expected credit losses[2]	–	–	–	–	–	97.3
Total						514.6

[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 €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.

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 2021 €m

	Loss ratio	Gross carrying amount	Valuation allowance	Net carrying amount
Not past due	0%	837.7	0.0	837.7
1–30 days past due	0%	4.2	0.0	4.2
31–120 days past due	10–50%	4.4	–0.3	4.1
> 120 days past due	90%	35.7	–5.8	29.9
Total		882.0	–6.1	876.0

Expected credit losses 2020 €m

	Loss ratio	Gross carrying amount	Valuation allowance	Net carrying amount
Not past due	0%	375.3	0.0	375.3
1–30 days past due	0%	4.0	0.0	4.0
31–120 days past due	10-–50%	1.4	–0.3	1.1
> 120 days past due	90%	5.6	–3.4	2.2
Total		386.2	–3.7	382.5

Interest rate risk

VERBUND regards fluctuations in interest rates as a significant cash flow risk. The portion of financial liabilities (taking interest rate swaps into account) for which VERBUND was exposed to a corresponding interest rate risk was 56.0% as at 31 December 2021 (previous year: 9.0%). The increase compared with the previous year can be attributed to a larger amount of collateral (margin payments) in connection with electricity trading activities due to increased electricity prices that were financed by way of short-term, variable-rate money market credit lines.

A 1.0% increase in the interest rate would result in a decrease of €16.0m p.a. (previous year: €0.8m 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 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 2021, there were interest rate swaps (notional amount: $276.7m; previous year: $269.6m) 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 2021, there were additional interest rate swaps in a total notional amount of €56.8m (previous year: €71.4m). 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 €90.8m (previous year: €106.8m) 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 4.7 years (previous year: 4.3 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. With respect to the last remaining transaction (Freudenau) that had an off-balance-sheet structure, the lessee purchase option was exercised in accordance with Section 19 of the lease agreement (Early Buy-out Option) in 2019. All necessary contractual termination agreements in connection with this were finally signed on 11 December 2020. The transaction was terminated on 4 January 2021 and finally settled on 15 December 2021.

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 $276.7m (previous year: $269.6m).

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 (€70.3m; previous year: €87.7m) can be netted against the financial liabilities to banks recognised at fair value (€330.1m; previous year: €321.3m). The net liability from both of these items therefore amounted to €259.8m as at 31 December 2021 (previous year: €233.6m).

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 2021. 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 2021, derivative financial instruments in the energy area (electricity futures and electricity forwards as well as gas futures and gas forwards, CO_2 futures and CO_2 forwards) comprised the following:

Sales and procurement (cash flow hedges) as at 31/12/2021 €m

	Positive fair values	Negative fair values	Net
Futures	267.6	1,334.8	– 1,067.2
Forwards	229.1	973.7	– 744.5
Options	7.3	117.4	– 110.1
Swaps	0.0	0.0	0.0
Total before netting	**504.1**	**2,425.8**	**– 1,921.8**
of which current	450.9	2,243.2	– 1,792.3
of which non-current	53.2	182.7	– 129.5
of which in other comprehensive income	0.0	0.0	– 1.921.8

Wholesale as at 31/12/2021

€m	Positive fair values	Negative fair values	Net
Futures	1,489.9	595.6	894.3
Forwards	2,435.8	3,209.9	– 774.1
Swaps	7.4	0.0	7.4
Total before netting	**3,933.1**	**3,805.5**	**127.6**
of which current	3,464.1	3,174.3	289.8
of which non-current	469.0	631.3	– 162.3
Futures already realised	914.8	1,093.7	– 178.8
Total	**0.0**	**0.0**	**– 51.3**

Trading as at 31/12/2021

€m	Positive fair values	Negative fair values	Net
Futures	222.7	207.6	15.1
Forwards	4,019.8	4,037.1	– 17.3
Total before netting	**4,242.5**	**4,244.7**	**– 2.2**
of which current	3,824.0	3,824.6	– 0.6
of which non-current	418.5	420.1	– 1.6

Total as at 31/12/2021

€m	Positive fair values	Negative fair values	Net
Futures	1,980.2	2,138.0	– 157.8
Forwards	6,684.8	8,220.7	– 1,535.9
Options	7.3	117.4	– 110.1
Swaps	7.4	0.0	7.4
Total before netting	**8,679.6**	**10,476.1**	**– 1,796.4**
Including netting agreements	– 6.421.8	– 6,421.8	0.0
Total after netting	**2,257.8**	**4,054.2**	**– 1,796.4**
EEX/ECX clearing variation margins of futures	0.0	– 181.8	181.8
Recognised under other receivables or other liabilities	**2,257.8**	**3,872.5**	**– 1,614.6**

At 31 December 2020, 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 31/12/2020

€m

	Positive fair values	Negative fair values	Net
Futures	18.1	77.2	–59.1
Forwards	8.9	46.9	–38.0
Options	2.3	5.0	–2.8
Total before netting	**29.2**	**129.1**	**–99.9**
of which current	23.8	114.2	–90.4
of which non-current	5.4	14.9	–9.5
of which in other comprehensive income	0.0	0.0	–99.9

Wholesale as at 31/12/2020

€m

	Positive fair values	Negative fair values	Net
Futures	75.0	33.7	41.3
Forwards	129.9	177.3	–47.4
Swaps	0.1	0.1	–0.1
Total before netting	**205.0**	**211.2**	**–6.1**
of which current	159.2	145.1	14.1
of which non-current	45.9	66.1	–20.2
Futures already realised	31.6	22.7	9.0
Total			**2.8**

Trading as at 31/12/2020

€m

	Positive fair values	Negative fair values	Net
Futures	38.1	39.4	–1.3
Forwards	478.8	479.4	–0.6
Total before netting	**516.9**	**518.9**	**–1.9**
of which current	475.6	477.2	–1.6
of which non-current	41.3	41.6	–0.3

Total as at 31/12/2020 €m

	Positive fair values	Negative fair values	Net
Futures	131.2	150.4	– 19.1
Forwards	617.7	703.6	– 86.0
Options	2.3	5.0	– 2.8
Swaps	0.1	0.1	– 0.1
Total before netting	**751.2**	**859.1**	**– 107.9**
Including netting agreements	– 599.0	– 599.0	0.0
Total after netting	**152.2**	**260.1**	**– 107.9**
EEX/ECX clearing variation margins of futures	0,.0	– 18.8	18.8
Recognised under other receivables or other liabilities	**152.2**	**241.3**	**– 89.1**

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

	2020	**2021**
Effect on operating result (wholesale and trading portfolio)	3.6	**– 40.6**
Effect on equity (revaluation reserve from cash flow hedges)	– 60.9	**– 294.3**

Sensitivity: market price fluctuation of – 10% €m

	2020	**2021**
Effect on operating result (wholesale and trading portfolio)	– 3.6	**40.6**
Effect on equity (revaluation reserve from cash flow hedges)	60.9	**294.3**

The future sales and procurement transactions hedged by cash flow hedges will occur over the next ten years (2022 to 2032) 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:

- safeguarding liquidity and ensuring suitable liquidity reserves;
- optimising the capital structure; and
- 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 > €0.0m and a ROCE of the unregulated business activities of > 9.0% in order to support the rating. These targets are based on the existing asset and value chain structure.

Net debt/EBITDA[1] €m

	2020	**2021**
Net debt	1,881.2	3,510.8
EBITDA	1,292.8	1,579.0
Net debt/EBITDA	1.5	**2.2**

Free cash flow after dividends[1] €m

	2020	**2021**
Cash flow from operating activities	1,182.1	98.2
Cash flow from investing activities excluding cash inflows and outflows from investments and/or disposals in investments	–600.1	–1,108.3
Free cash flow before dividends	582.1	**–1,010.1**
Dividends	–282.5	–319.3
Free cash flow after dividends	299.5	**–1,329.5**

Return on capital employed (ROCE) of non-regulated business segments[1] €m

	2020	**2021**
NOPAT	665.9	870.0
Average capital employed	6,936.4	7,624.1
Return on capital employed (ROCE) of non-regulated business segments	9.6%	**11.4%**

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

At 31 March 2021, 100% of the original volume of cross-border leasing transactions had been terminated. The last remaining transaction at the beginning of the year had an off-balance-sheet financing structure. This transaction was terminated on 4 January 2021 and finally settled on 15 December 2021. As a result, VERBUND no longer has any liabilities at the Group level.

Court proceedings pending

Pending court proceedings relate mainly to the following matters:

- Flooding of the Drau River in 2012: Claims for damages under civil law amount to €109.3m (previous year: €109.5m). 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.
- Arbitration proceedings GCA: In January 2020, GCA was informed of the initiation of arbitration proceedings by a transportation customer under Article 4 of the International Chamber of Commerce (ICC) Rules of Arbitration. The subject of the proceedings is contracts for the provision of capacities for the transportation of natural gas. The amount in dispute is approximately €194.0m. 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 GCA's position in these 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 tax payments in the amount of €7.9m per year) is recognised in accordance with VERBUND's accounting policies if it is reasonably likely.

Contracts and purchase commitments

Purchase commitments for property, plant and equipment and intangible assets as well as other commitments €m

	1 year or less	› 1 to 5 years	› 5 years
Total commitment	867.2	405.3	0.0

In addition, there are further customary purchase contracts for business activities that primarily include 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).

13.2 Other disclosures

Average number of employees

Average number of employees

	2020	2021	Change
Salaried employees	2,715	3,018	303
Apprentices	155	166	11
Average number of employees[1]	2,870	**3,184**	314

[1] Part-time employees were taken into account proportionately based on their working hours.

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 2021 and 2020 was Deloitte Audit Wirtschaftsprüfungs GmbH.

Expenses for services provided by the Group auditor

€k

	Deloitte[1] 2020	**Deloitte[1]** 2021
Audit services relating to consolidated and separate financial statements	327.3	391.2
Other assurance services	186.1	285.9
Tax consulting services	0.0	0.0
Other advisory services	69.0	44.0
Total expenses	582.4	**721.1**

[1] Deloitte Audit Wirtschaftsprüfungs GmbH

Additional fees were incurred through the Deloitte network in the amount of €185.6k (previous year: €164.5k) for audit services relating to the consolidated and separate financial statements.

The following expenses for services by the Group auditor (via the Group auditor's network) were incurred by VERBUND's joint ventures: €27.2k (previous year: €26.8k) for audit services relating to the consolidated and separate financial statements (of which to Deloitte Audit Wirtschaftsprüfungs GmbH: €27.2k; previous year: €26.8k).

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 subsidiaries, joint ventures or associates not included in the basis of consolidation due to a lack of materiality are not presented owing to their immateriality.

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

	2020	**2021**
Income statement		
Electricity revenue	0.6	0.1
Other revenue	0.9	0.7
Other operating income	0.8	0.2
Expenses for electricity, grid, gas and certificate purchases	–0.4	–0.5
Fuel expenses and other usage-/revenue-dependent expenses	–0.7	–1.3
Other operating expenses	–0.3	–1.5
Interest income	1.1	1.1
Other financial result	1.8	1.6

Transactions with joint ventures €m

	31/12/2020	**31/12/2021**
Balance sheet		
Investments and non-current other receivables	47.1	5.7
Trade receivables, other receivables and securities	7.3	41.8
Contributions to building costs	0.9	0.9
Trade payables and other liabilities	4.0	7.2

Investments at 31 December 2021 included a non-current loan to Energji Ashta Shpk in the amount of €5.7m (previous year: €47.1m) as well as a current other receivable in the amount of €41.5m (previous year: €3.5m). Both mainly served the financing of construction services relating to an Albanian hydropower plant concession.

KELAG 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 in exchange for reimbursement of the contractually-stipulated recognised expenses (excluding depreciation, amortisation and interest).

Transactions with associates

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

	2020	**2021**
Income statement		
Electricity revenue	60.6	59.5
Grid revenue	32.3	36.2
Other revenue	3.3	5.9
Other operating income	10.8	8.9
Expenses for electricity, grid, gas and certificate purchases	–25.3	–24.5
Other operating expenses	–0.9	–7.7
Interest income	0.2	0.2

Transactions with associates €m

	31/12/2020	**31/12/2021**
Balance sheet		
Trade receivables, other receivables and securities	28.9	24.9
Contributions to building costs	270.0	260.0
Trade payables and other liabilities	0.1	0.6

Details regarding the material transactions:

- Electricity revenue was realised with KELAG (€53.4m; previous year: €45.4m) and OeMAG Abwicklungsstelle für Ökostrom AG (€6.1m; previous year: €15.2m).
- There was €23.6m in electricity purchases (previous year: €24.4m) primarily from KELAG.
- Grid revenue was only realised with KNG-Kärnten Netz GmbH.
- A total of €8.7m (previous year: €10.2m) of the contributions to building costs were provided by KELAG in financial year 2021.

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 €80.0m (previous year: €66.2m) in the 2021 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 €11.5m in the 2021 reporting period (previous year: €4.9m). 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 €69.1m in other revenue and purchased gas, respectively (previous year: €9.6m).

VERBUND's expense for monitoring by E-Control amounted to a total of €14.1m (previous year: €11.7m) in the 2021 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) in €

	2020 Fixed remuneration	2020 Variable remuneration	**2021 Fixed remuneration**	**2021 Variable remuneration**
Dr. Michael Strugl	685,000	444,935	750,000	480,910
Dr. Peter F. Kollmann	620,000	403,233	620,000	435,813
Dr. Achim Kaspar	475,000	307,563	475,000	332,500

Remuneration of the active Executive Board members amounted to a total of €3,128,810 in the 2021 reporting period (previous year: €4,231,454), including €34,587 (previous year: €51,387) in remuneration in kind.

Furthermore, €525,000 (previous year: €494,336) in in short-term variable remuneration, €412,500 (previous year: €0) in long-term variable remuneration (LTIP; two year assessment period) as well as €318,069 (previous year: €0) in compensation in lieu of holiday was paid out in 2021 for a retired member of the Executive Board. This relates to claims for active service on the Executive Board that were not finally settled until 2021.

Because it is only possible to ascertain at the end of the year whether targets have been achieved, short-term variable remuneration components are paid out in the following year. Therefore, the total amount includes the short-term variable remuneration components granted to the active members of the Executive Board in the 2021 reporting period for the 2020 reporting period.

The system of variable remuneration was revised beginning with the 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 in the 2020 financial year is a standard 70% of the relevant fixed remuneration. In the 2020 reporting period, 60% of the agreement on targets is based on the achievement of the Group result and 40% on non-financial goals (one-year): expansion of renewable generation (15%), reduction of specific GHG emissions (5%), strategic human resources planning and the advancement of women as well as employee satisfaction (10%) and availability of hydropower plants (10%). The total achievement of targets for 2020 was determined to be 100%.

For the one-year goals, the percentage rate for total achievement of the targets beginning in financial year 2021 is a standard 60% of the relevant fixed remuneration. In the 2021 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): expansion of renewable generation (20%) and conclusion of a culture audit (10%).

With respect to the long-term incentive plans (LTIP) for 2019–2021 and 2020–2022, a maximum of 55% of the respective fixed salaries (maximum target achievement 100%, variable component 55%) can be paid out in the form of long-term remuneration based on medium-term performance criteria. The concrete amount depends not only on the achievement of the objectives, but also on VERBUND's share price performance. 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 targets and the share price at the end of the three-year assessment period (average daily price of the VERBUND share for the first quarter following the end of the plan).

The following performance criteria were defined for LTIP 2019 (assessment period ending 2021): total shareholder return (25%), EBITDA from growth projects (25%), Free Cashflow (FCF) before dividends (25%), productivity increase (25%); for LTIP 2020 (assessment period ending 2022), application of total shareholder return (30%), FCF before dividends (35%) and net debt/EBITDA (35%). In contrast, the LTI plans for the Executive Board member retiring at the end of 2020 were each concluded with a two-year assessment period.

Beginning with the 2021 reporting period, a maximum of 78% of the respective fixed salaries (maximum target achievement 120%, variable component 65%) can be paid out in the form of long-term remuneration based on medium-term performance criteria. The concrete amount depends not only on the achievement of the objectives, but also on VERBUND's share price performance. 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 targets and the share price at the end of the three-year assessment period (average price of the VERBUND share with regard to the three-year assessment period for the respective LTI plan). The following performance criteria were defined for the LTIP 2021 (assessment period ending 2023): total shareholder return (30%), FCF before dividends (35%), overhead costs (35%).

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 2021 reporting period, contributions to the pension fund were paid for the Executive Board in the amount of €184,500 (previous year: €253,000).

In the 2021 reporting period, €391,533 (previous year: €389,323) in pensions was paid out to beneficiaries. 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 €28,897 (previous year: €33,108). In addition, remeasurement expenses in the amount of €3,914 (previous year: €107,516) 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 €391,778 (previous year: €320,010). 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

	2020 VERBUND Hydro Power GmbH	2020 Gas Connect Austria GmbH[1]	2020 VERBUND Innkraft-werke GmbH	2021 VERBUND Hydro Power GmbH	2021 Gas Connect Austria GmbH[1]	2021 VERBUND Innkraft-werke GmbH
Revenue	954.9	–	94.1	1,137.9	141.3	81.0
Profit after tax from continuing operations	435.4	–	23.9	**584.3**	**13.3**	**18.3**
Profit for the period	435.4	–	23.9	**584.3**	**13.3**	**18.3**
Ownership interest of non-controlling interests	15.94%	–	29.73%	15.94%	49.00%	29.73%
Profit for the period attributable to non-controlling interests	69.4	–	7.1	**93.1**	**6.5**	**5.5**
Other comprehensive income	6.7	–	2.1	32.5	4.3	2.1
Total comprehensive income for the period	442.2	–	25.9	**616.8**	**17.5**	**20.4**
Ownership interest of non-controlling interests	15.94%	–	29.73%	15.94%	49.00%	29.73%
Total profit or loss for the period attributable to non-controlling interests	70.5	–	7.7	**98.3**	**8.6**	**6.1**

[1] Gas Connect Austria GmbH was recognised for the first time on 31 May 2021 in the course of a business acquisition.

Subsidiaries with significant, non-controlling interests: Balance sheet €m

	31/12/2020 VERBUND Hydro Power GmbH	31/12/2020 Gas Connect Austria GmbH[1]	31/12/2020 VERBUND Innkraft-werke GmbH	31/12/2021 VERBUND Hydro Power GmbH	31/12/2021 Gas Connect Austria GmbH[1]	31/12/2021 VERBUND Innkraft-werke GmbH
Non-current assets	4,669.2	–	846.6	4,804.4	856.0	915.8
Current assets	63.2	–	20.4	251.9	44.1	2.8
Non-current liabilities	–2,096.1	–	–56.4	–2,089.2	–428.0	–62.7
Current liabilities	–92.4	–	–20.7	–156.6	–80.2	–55.6
Net assets	2,543.8	–	789.9	**2,810.6**	**391.8**	**800.3**
Ownership interest of non-controlling interests	15.94%	–	29.73%	15.94%	49.00%	29.73%
Net assets attributable to non-controlling interests	405.5	–	234.9	**448.0**	**192.0**	**238.0**

[1] Gas Connect Austria GmbH was recognised for the first time on 31 May 2021 in the course of a business acquisition.

Subsidiaries with significant, non-controlling interests: Cash flows €m

	31/12/2020 VERBUND Hydro Power GmbH	31/12/2020 Gas Connect Austria GmbH[1]	31/12/2020 VERBUND Innkraft-werke GmbH	31/12/2021 VERBUND Hydro Power GmbH	31/12/2021 Gas Connect Austria GmbH[1]	31/12/2021 VERBUND Innkraft-werke GmbH
Cash flow from operating activities	466.7	–	59.5	738.0	68.0	49.0
Cash flow from investing activities	–146.7	–	–70.5	–188.8	–28.4	–80.0
Cash flow from financing activities	–320.0	–	11.0	–549.2	–39.6	31.0
Change in cash and cash equivalents	0.0	–	0.0	**0.0**	**0.0**	**0.0**
Dividends paid to non-controlling interests	48.7	–	3.0	**55.8**	**0.0**	**3.0**

[1] Gas Connect Austria GmbH was recognised for the first time on 31 May 2021 in the course of a business acquisition.

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 balance sheet data is 30 September 2021 (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

	2020 Ashta Beteiligungs-verwaltung GmbH	2020 SMATRICS GmbH & Co KG	2021 Ashta Beteiligungs-verwaltung GmbH	2021 SMATRICS GmbH & Co KG[1]
Revenue	0.2	6.3	0.1	8.9
Depreciation and amortisation	–0.1	–1.1	–0.1	0.2
Interest income	9.3	0.0	8.8	0.0
Interest expense	–5.9	0.0	–5.5	0.0
Taxes on income	–0.5	0.0	–0.7	0.0
Profit after tax from continuing operations	1.2	5.6	**0.3**	**–3.5**
Ownership interest of VERBUND	50.01%	40.00%	50.01%	40–60%
Profit or loss for the period attributable to VERBUND	0.6	2.2	**0.2**	**–2.0**
Differences due to the application of the equity method of accounting	0.0	–2.4	0.0	0.0
Result from joint ventures accounted for using the equity method	0.6	–0.2	**0.2**	**–2.0**
Profit after tax from continuing operations	1.2	5.6	**0.3**	**–3.5**
Other comprehensive income	0.0	0.0	0.0	0.0
Total comprehensive income for the period	1.2	5.6	**0.3**	**–3.5**
Ownership interest of VERBUND	50.01%	40.00%	50.01%	40–60%
Total comprehensive income for the period attributable to VERBUND	0.6	2.2	**0.2**	**–2.0**
Differences due to the application of the equity method of accounting	0.0	–2.4	0.0	0.0
Total comprehensive income for the period from joint ventures accounted for using the equity method	0.6	–0.2	**0.2**	**–2.0**
Dividends received from joint ventures	0.0	0.0	**0.0**	**0.0**

[1] SMATRICS GmbH & Co KG has been consolidated since the increase in equity interest on 30 September 2021.

At Ashta Beteiligungsverwaltung GmbH, resolutions on the distribution of dividends are to be unanimously approved with the joint venture partners.

Individually immaterial joint ventures: Balance sheet €m

	31/12/2020 Ashta Beteiligungs-verwaltung GmbH	31/12/2020 SMATRICS GmbH & Co KG	31/12/2021 Ashta Beteiligungs-verwaltung GmbH	31/12/2021 SMATRICS GmbH & Co KG[1]
Non-current assets	116.6	12.9	107.2	–
Current assets	7.1	5.1	10.4	–
Non-current liabilities	–87.9	–0.1	–4.0	–
Current liabilities	–7.9	–6.7	–85.2	–
Net assets	27.9	11.2	**28.4**	**–**
Ownership interest of VERBUND	50.01%	40.00%	50.01%	–
Net assets attributable to VERBUND	14.0	4.5	**14.2**	**–**
Differences due to the application of the equity method of accounting	–12.0	5.2	4.8	–
Carrying amount of joint ventures accounted for using the equity method	2.0	9.7	**19.0**	**–**

[1] SMATRICS GmbH & Co KG has been consolidated since the increase in equity interest on 30 September 2021.

Individually material joint ventures: Details regarding net assets €m

	31/12/2020 Ashta Beteiligungs-verwaltung GmbH	31/12/2020 SMATRICS GmbH & Co KG	31/12/2021 Ashta Beteiligungs-verwaltung GmbH	31/12/2021 SMATRICS GmbH & Co KG[1]
Cash and cash equivalents	0.5	1.6	0.4	–
Non-current financial liabilities	96.0	0.0	–11.5	–
Current financial liabilities	7.6	0.0	–85.0	–

[1] SMATRICS GmbH & Co KG has been consolidated since the increase in equity interest on 30 September 2021.

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 2021, VERBUND shows a liability to Energji Ashta Shpk in the amount of €5.2m (previous year: liability of €2.7m).

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 2021 (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

	2020		2021	
	Trans Austria Gasleitung GmbH[1]	KELAG-Kärntner Elektrizitäts-Aktien-gesellschaft[2]	Trans Austria Gasleitung GmbH[1]	KELAG-Kärntner Elektrizitäts-Aktien-gesellschaft[2]
Revenue	–	1,144.1	98.6	1,043.5
Profit after tax from continuing operations	–	121.1	**12.9**	**154.7**
Ownership interest of VERBUND	–	35.17%	10.78%	35.17%
Profit or loss for the period attributable to VERBUND	–	42.6	**1.4**	**54.4**
Differences due to the application of the equity method of accounting	–	–14.5	–1.3	–18.4
Share of profit or loss from associates accounted for using the equity method	–	28.1	**0.1**	**36.0**
Profit after tax from continuing operations	–	121.1	**12.9**	**154.7**
Other comprehensive income	–	–27.6	0.2	–16.2
Total comprehensive income for the period	–	93.5	**13.0**	**138.5**
Ownership interest of VERBUND	–	35.17%	10.78%	35.17%
Total comprehensive income for the period attributable to VERBUND	–	32.9	**1.4**	**48.7**
Differences due to the application of the equity method of accounting	–	–14.5	0.0	–18.9
Total comprehensive income for the period from associates accounted for using the equity method	–	18.4	**1.4**	**29.8**
Dividends received from associates	–	8.8	**0.0**	**5.2**

[1] Trans Austria Gasleitung GmbH was recognised for the first time in the course of a business acquisition on 31 May 2021. // [2] The comparative figures were adjusted retrospectively in accordance with IAS 8.

KELAG'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 and therefore determines their distribution policy.

Individually material associates: Balance sheet

€m

	31/12/2020 Trans Austria Gasleitung GmbH[1]	31/12/2020 KELAG-Kärntner Elektrizitäts-Aktien-gesellschaft[2]	31/12/2021 Trans Austria Gasleitung GmbH[1]	31/12/2021 KELAG-Kärntner Elektrizitäts-Aktien-gesellschaft[2]
Non-current assets	–	1,802.6	612.3	1,947.7
Current assets	–	396.3	68.6	940.3
Non-current liabilities	–	–954.3	–307.6	–1,108.4
Current liabilities	–	–293.8	–119.2	–739.6
Equity attributable to non-controlling interests	–	–7.7	0.0	–8.4
Net assets	–	943.0	**254.2**	**1,031.6**
Ownership interest of VERBUND	–	35.17%	10.78%	35.17%
Net assets attributable to VERBUND	–	331.6	**1.4**	**362.8**
Differences due to the application of the equity method of accounting	–	–66.3	75.1	–72.8
Carrying amount of associates accounted for using the equity method	–	265.4	**76.6**	**289.9**

[1] Trans Austria Gasleitung GmbH was recognised for the first time on 31 May 2021 in the course of a business acquisition. // [2] The comparative figures were adjusted retrospectively in accordance with IAS 8.

List of Group companies

The following list of Group companies prepared in accordance with Section 245a(1) in conjunction with Section 265(2) 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: Hydro

Company	2020 Head-quarters	2020 Consoli-dation method	2020 Parent company	2020 Parent company's share of equity	2021 Head-quarters	2021 Consoli-dation method	2021 Parent company	2021 Parent company's share of equity
VERBUND AG (VH) – Hydro activities	Vienna	CS	–	–	Vienna	CS	–	–
Innwerk AG (VHP-IW)	Stamm-ham	CS	VH	100.00%	Stamm-ham	CS	VH	100.00%
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%

Segment: Hydro

Company	Head-quarters	Consoli-dation method	Parent company	2020 Parent company's share of equity	Head-quarters	Consoli-dation method	Parent company	**2021** Parent company's share of equity
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%
Österreichisch-Bayrische Kraftwerke Aktiengesellschaft	Simbach	CS	VH VHP-IW	50.00% 50.00%	Simbach	CS	VH VHP-IW	50.00% 50.00%
Ennskraftwerke Aktiengesellschaft	Steyr	JO	VH	50.00%	Steyr	JO	VH	50.00%
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%
Ashta Beteiligungsverwaltung 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%
Lestin & Co Tauch-, Bergungs- und Sprengunternehmen 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%
Murkraftwerk Graz Errichtungs- und Betriebsg.m.b.H	Graz	UC	VHP	25.10%	Graz	UC	VHP	25.10%
VERBUND Tourismus GmbH	Vienna	UC	VHP LESTIN	99.90% 0.10%	Vienna	UC	VHP LESTIN	99.90% 0.10%

Segment: New renewables

Company	2020 Head-quarters	2020 Consoli-dation method	2020 Parent company	2020 Parent company's share of equity	2021 Head-quarters	2021 Consoli-dation method	2021 Parent company	2021 Parent company's share of equity
VERBUND Wind Power Austria GmbH (VRP-AT)	Vienna	CS	VHP	100.00%	Vienna	CS	VHP	100.00%
VERBUND Green Power Deutschland GmbH (VGP-DE)	Wörr-stadt	CS	VH	100.00%	Wörr-stadt	CS	VH	100.00%
VERBUND Green Power GmbH (VGP)	Vienna	CS	VH	100.00%	Vienna	CS	VH	100.00%
VERBUND Wind Power Romania SRL	Bucha-rest	CS	VH	100.00%	Bucha-rest	CS	VGP	100.00%
VERBUND Green Power Hunsrück GmbH & Co. KG	Wörr-stadt	CS	VH	100.00%	Wörr-stadt	CS	VH	100.00%
Infrastruktur Oberheimbach I GmbH & Co. KG	Wörr-stadt	CS	VH	85.00%	Wörr-stadt	CS	VH	85.00%
Infrastrukturgesell-schaft Bischheim GmbH & Co. KG	Wörr-stadt	CS	VH	65.29%	Wörr-stadt	CS	VH	65.29%
VERBUND Green Power Deutschland Photovoltaik GmbH (VGP-DE-PV)	Unter-föhring	UC	VGP	100.00%	Schöne-feld	CS	VGP	100.00%
Watt Development SPV 5 S.L.U. (VGP-ES-IL1)	–	–	–	–	Pinos Puente	CS	VH	100.00%
Watt Development SPV 6 S.L.U. (VGP-ES-IL2)	–	–	–	–	Pinos Puente	CS	VH	100.00%
Watt Development SPV 7 S.L.U. (VGP-ES-IL3)	–	–	–	–	Valencia	CS	VH	100.00%
Infraestructuras Comunes de Illora S.L.	–	–	–	–	Barce-lona	UC	VGP-IL1 VGP-IL2 VGP-IL3	20.00% 20.00% 20.00%
SOLAVOLTA Energie- und Umwelttechnik GmbH	Sankt Marga-rethen im Bgld.	EM[1]	VGP	50.00%	Sankt Marga-rethen im Bgld.	EM[1]	VGP	50.00%

Segment: Sales

Company	2020 Head-quarters	2020 Consoli-dation method	2020 Parent company	2020 Parent company's share of equity	2021 Head-quarters	2021 Consoli-dation method	2021 Parent company	2021 Parent company's share of equity
VERBUND AG (VH) – Sales activities	Vienna	CS	–	–	Vienna	CS	–	–
VERBUND Energy4Business Germany GmbH	Munich	CS	VEB	100.00%	Munich	CS	VEB	100.00%
VERBUND Energy4Business GmbH (VEB)	Vienna	CS	VH	100.00%	Vienna	CS	VH	100.00%
VERBUND Trading Romania S.R.L.	Bucha-rest	CS	VEB VH	99.00% 1.00%	Bucha-rest	UC	VEB VH	99.00% 1.00%
VERBUND Energy4Customers GmbH (VEC)	Vienna	CS	VH	100.00%	Vienna	CS	VH	100.00%
VERBUND Energy4Flex GmbH (VEF)	Vienna	CS	VEB	100.00%	Vienna	CS	VEB	100.00%
VERBUND Energy4Future GmbH (VEE)	Vienna	CS	VEB	100.00%	Vienna	CS	VEB	100.00%
SMATRICS GmbH & Co KG	Vienna	EM[1]	VEB	40.00%	Vienna	CS	VEB	100.00%
SMATRICS EnBW GmbH	–	–	–	–	Vienna	EQ	SMA-TRICS	49.00%
VERBUND Trading Czech Republic s.r.o., v likvidaci	Prague	UC	VEB	100.00%	–	–	–	–
VERBUND Trading Serbia d.o.o. – u likvidaciji	Belgrade	UC	VEB	100.00%	Belgrade	UC	VEB	100.00%
E-Mobility Provider Austria GmbH	Vienna	UC	VEB	40.00%	Vienna	UC	VEB	100.00%
smart Energy Services GmbH	Vienna	UC	VEC	50.00%	Vienna	UC	VEC	50.00%

Segment: Grid

Company	Head-quarters (2020)	Consoli-dation method (2020)	Parent company (2020)	Parent company's share of equity (2020)	Head-quarters (2021)	Consoli-dation method (2021)	Parent company (2021)	Parent company's share of equity (2021)
Austrian Power Grid AG (APG)	Vienna	CS	VH	100.00%	Vienna	CS	VH	100.00%
Gas Connect Austria GmbH (GCA)	–	–	–	–	Vienna	CS	VH	51.00%
Austrian Gas Grid Management AG (AGGM)	–	–	–	–	Vienna	CS	GCA	51.00%
Trans Austria Gasleitung GmbH (TAG)	–	–	–	–	Vienna	EM	GCA	15.53%
AGCS Gas Clearing and Settlement AG	–	–	–	–	Vienna	UC	GCA	23.13%
OeMAG Abwicklungsstelle für Ökostrom AG	Vienna	EM	APG	24.40%	Vienna	EM	APG	24.40%
VUM Verfahren Umwelt Manage-ment GmbH	Klagen-furt	UC	APG	100.00%	Klagen-furt	UC	APG	100.00%

All other segments: Thermal generation

Company	Head-quarters (2020)	Consoli-dation method (2020)	Parent company (2020)	Parent company's share of equity (2020)	Head-quarters (2021)	Consoli-dation method (2021)	Parent company (2021)	Parent company's share of equity (2021)
VERBUND Thermal Power GmbH & Co KG	Neudorf ob Wildon	CS	VH VTP GmbH	100.00% 0.00%[2]	Neudorf ob Wildon	CS	VH VTP GmbH	100.00% 0.00%[2]
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	2020 Head-quarters	2020 Consoli-dation method	2020 Parent company	2020 Parent company's share of equity	**2021** Head-quarters	2021 Consoli-dation method	2021 Parent company	2021 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	2020 Head-quarters	2020 Consoli-dation method	2020 Parent company	2020 Parent company's share of equity	**2021** Head-quarters	2021 Consoli-dation method	2021 Parent company	2021 Parent company's share of equity
VERBUND AG (VH) – Equity interests	Vienna	CS	–	–	Vienna	CS	–	–
KELAG-Kärntner Elektrizitäts-Aktiengesellschaft	Klagen-furt	EM	VH	35.17%	Klagen-furt	EM	VH	35.17%

Other Group companies

Company	2020 Head-quarters	2020 Consoli-dation method	2020 Parent company	2020 Parent company's share of equity	**2021** Head-quarters	2021 Consoli-dation method	2021 Parent company	2021 Parent company's share of equity
VERBUND AG (VH) – All other activities	Vienna	CS	–	–	Vienna	CS	–	–
VERBUND Finanzierungs-service GmbH	Vienna	CS	VH	100.00%	Vienna	CS	VH	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 // [2] VERBUND Thermal Power GmbH holds an interest of < 0.01% as a limited partner of VERBUND Thermal Power GmbH & Co KG.

13.5 Events after the reporting date

The National Council approved the Eco-Social Tax Reform in its third reading on 20 January 2022. The corporate income tax rate will be decreased from the current 25% to 24% in 2023 and to 23% beginning in 2024. This is expected to result in around €60.0m in income from the necessary remeasurement of deferred taxes, which is not reflected in these financial statements.

Vienna, 17 February 2022

Executive Board

Michael Strugl
Chairman of the Executive Board of VERBUND AG

Peter F. Kollmann
CFO, member of the Executive Board of VERBUND AG

Achim Kaspar
Member of the Executive Board of VERBUND AG

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, 17 February 2022

Executive Board

Michael Strugl
Chairman of the Executive Board of VERBUND AG

Peter F. Kollmann
CFO, member of the Executive Board of VERBUND AG

Achim Kaspar
Member of the Executive Board of VERBUND AG

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 balance sheet as at 31 December 2021 as well as the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2021, 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 of the Austrian Commercial Code (Unternehmensgesetzbuch, 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 obtained by the date of the auditor's report 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.
The following matters were most important for our audit:
- change in presentation in the income statement for energy derivatives;
- acquisition of Gas Connect Austria GmbH – purchase price allocation and subsequent measurement; and
- reversals of impairment losses on non-current assets.

Change in presentation of energy derivatives in the income statement

Description and issue

Valuation effects from energy derivatives were previously shown either in revenue or in expenses for electricity, grid, gas and certificate purchases depending on their economic assignment. On the one hand, the high volatilities on the energy markets in 2021 were responsible for significant distortions in the aforementioned items, while on the other hand this presentation resulted in significantly limited comparability with the IFRS financial statements of other major energy groups.

The Company therefore decided to change the accounting method with respect to the presentation of energy derivatives in the income statement in the consolidated financial statements for the period ended 31 December 2021. IFRS permits such a change if it results in reliable and more relevant information regarding the Group's financial performance.

The measurement effects from energy derivatives are now stated under the separate line item Measurement and realisation of energy derivatives in the net amount of €269.6m, whereby revenue increased by €3,879.8m and expenses for electricity, grid, gas and certificate purchases by €4,149.4m compared with the previous method of presentation. The prior-year amounts were adjusted accordingly.

Please refer to the disclosures in the income statement as well as to the detailed notes in the section entitled Change in accounting policies – valuation effects of energy derivatives in the consolidated financial statements.

We have determined this to be a key audit matter due to the significance of the adjustments, the associated influence on the presentation of the Group's financial performance and the effects on important key figures associated with the adjusted items in the income statement.

Audit approach

We have evaluated the conditions set out in IFRS for the change in presentation, in particular the following areas:

- the significance for the presentation of the financial performance in the context of the income statement;
- the reliability of the information presented in connection with the amended statement;
- the increase in the relevance of the presented information;
- the adjustment of prior-year amounts; and
- the related disclosures in the notes to the consolidated financial statements.

Acquisition of Gas Connect Austria GmbH – purchase price allocation and subsequent measurement

Description and issue

VERBUND AG acquired 51% of the interest in Gas Connect Austria GmbH for EUR 238.7million on 31 May 2021. Gas Connect Austria operates a long-distance natural gas pipeline and gas distribution network within Austria and holds long-term equity investments in other natural gas infrastructure and system companies.

A purchase price allocation was carried out on the acquisition date, whereby goodwill was recognised in the amount of EUR 48.1million. This goodwill and the non-current assets recognised in connection with the purchase price allocation were to be subsequently tested for any impairment. Further details are presented in the notes to the consolidated financial statements in the section entitled Business acquisitions – acquisition of 51% stake in Gas Connect Austria GmbH.

The valuation models used to carry out the purchase price allocation as well as those used to assess any impairment losses in connection with subsequent measurement are based on numerous input factors and assumptions. This is a particularly important key audit matter as a result of the complexity of the valuation models and the dependency of the results on the estimation of market developments by the legal representatives.

Audit approach

We have evaluated the purchase price allocation and the subsequent measurement, in particular in the following areas:

- methodical appraisal of the calculations performed in connection with the purchase price allocation and the subsequent measurement;
- accuracy of the data transfers and the mathematical correctness of the valuations;
- corroboration of the operational budget, including the underlying assumptions and relevant market data from the Group's external as well as internal sources that flowed into the valuations; and
- assessment of the parameters used in determining the discount rate.

Reversals of impairment losses on non-current assets

Description and issue

The Group presents €10,672.0m in property, plant and equipment as at 31 December 2021 that includes, among other things, hydraulic, thermal and wind power plants. Due to the sharply increased prices for electricity in 2021, there are indications that impairment losses recognised in the past no longer apply or have been reduced.

Based on conditions in the financial and energy industry environment, the Group estimated on the reporting date whether there were any indications for a reversal of impairment losses and consequently estimated the recoverable amount of individual asset groups and recognised reversals of impairment in the total amount of €115.0m in 2021. Details regarding this are presented in the consolidated financial statements in Sections 3.2.10 Impairment losses and reversals of impairment losses and 4.4.2 Impairment testing of power plants.

Numerous inputs flow into the valuation model based on net present value methods applied in the test for impairment. These include in particular the future development of electricity and primary energy prices, assumptions regarding developments in the regulatory environment and the effects of the expansion of renewable energy. This is a particularly important key audit matter as a result of the complexity of the valuation models and the dependency of the results on the estimation of market developments by the legal representatives.

Audit approach

We have evaluated the valuations carried out and reversals of impairment losses identified in particular in the following areas:

- the Company's assessment for the identification of potential reversals of impairment losses ("triggering events");
- corroboration of the cash flows used in connection with the valuation models with company-specific information, contractual framework as well as the Group's relevant market data from external as well as internal sources;
- the mathematical accuracy of the valuation models; and
- assessment of the parameters used in determining the discount rate.

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 independent auditor's report and the report on the independent audit of the report on non-financial information. 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 regarding the consolidated financial statements does not extend to the other information, for which we do not provide any assurance. 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, it is our responsibility to read the above-mentioned other information and thereby to evaluate whether it exhibits any significant discrepancies with respect to the consolidated financial statements or with respect to what we have learned during the audit or whether the presentation otherwise appears to be materially misstated.

If we arrive at the conclusion that this other information is materially misstated on the basis of 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 Austrian Commercial Code (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 accompanying Group management report is prepared in accordance with the applicable legal requirements, includes appropriate disclosures according to Section 243a Austrian Commercial Code (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 20 April 2021 as the auditor for the financial year ended 31 December 2021 and engaged by the Supervisory Board on 25 May 2021 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 Article 5(1) of the EU Audit Regulation and that we maintained our independence from the Group while conducting our audit.

Engagement Partner

The engagement partner responsible for the audit is Mag. Walter Müller.

Vienna, 18 February 2022

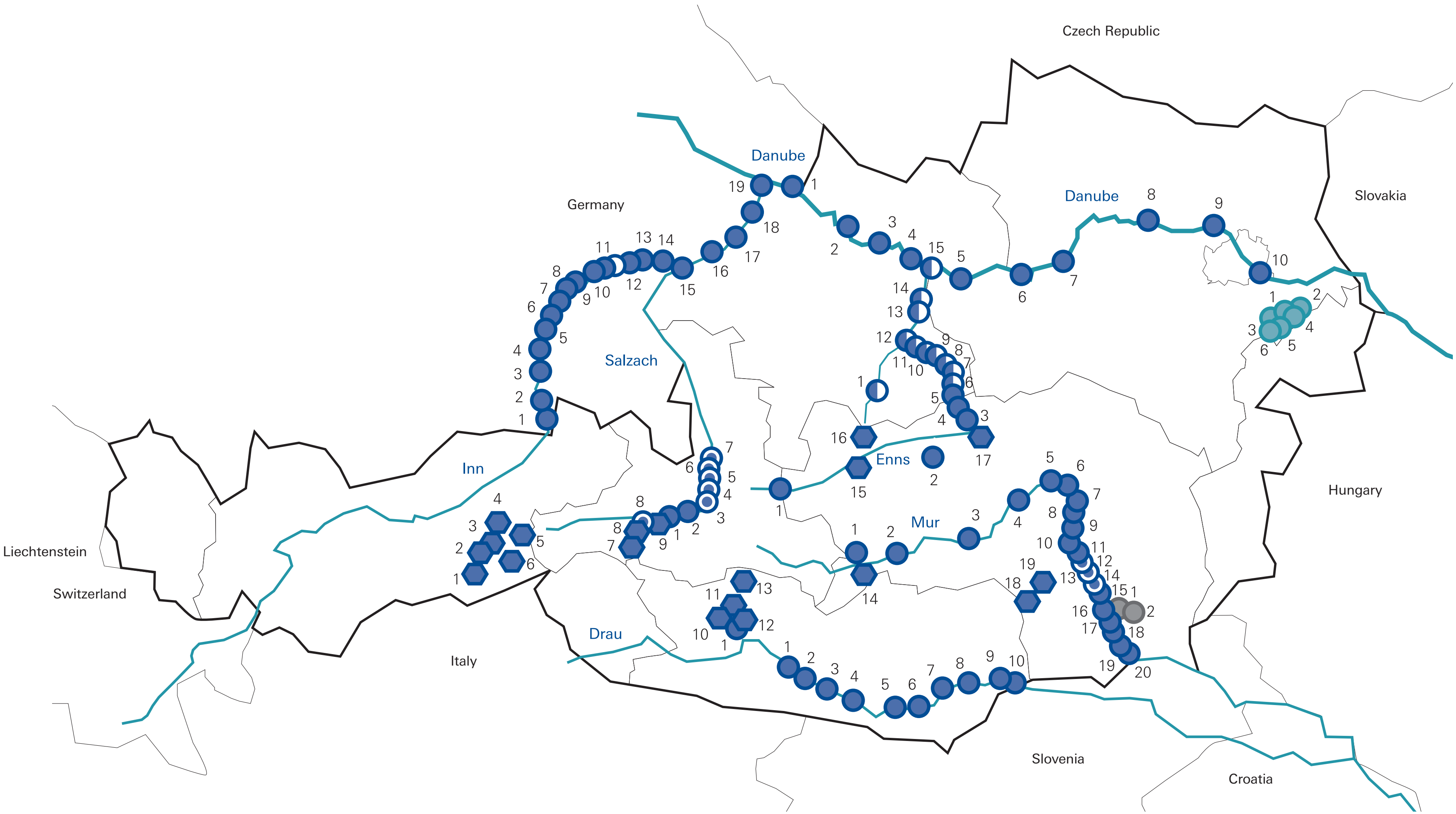
Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Walter Müller
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,
APG grid facilities and
GCA pipeline 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):

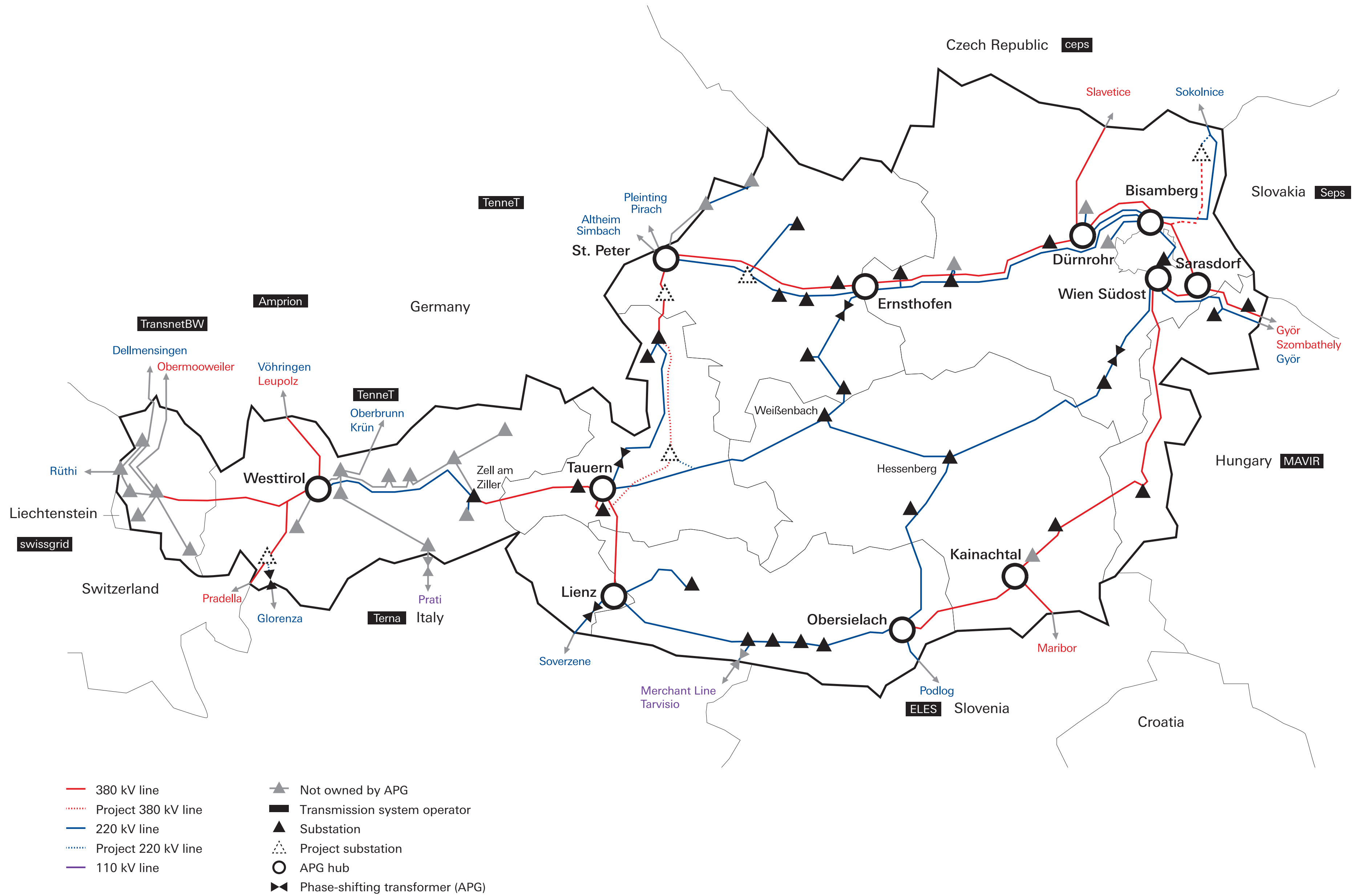
Germany

Ellern
Stetten

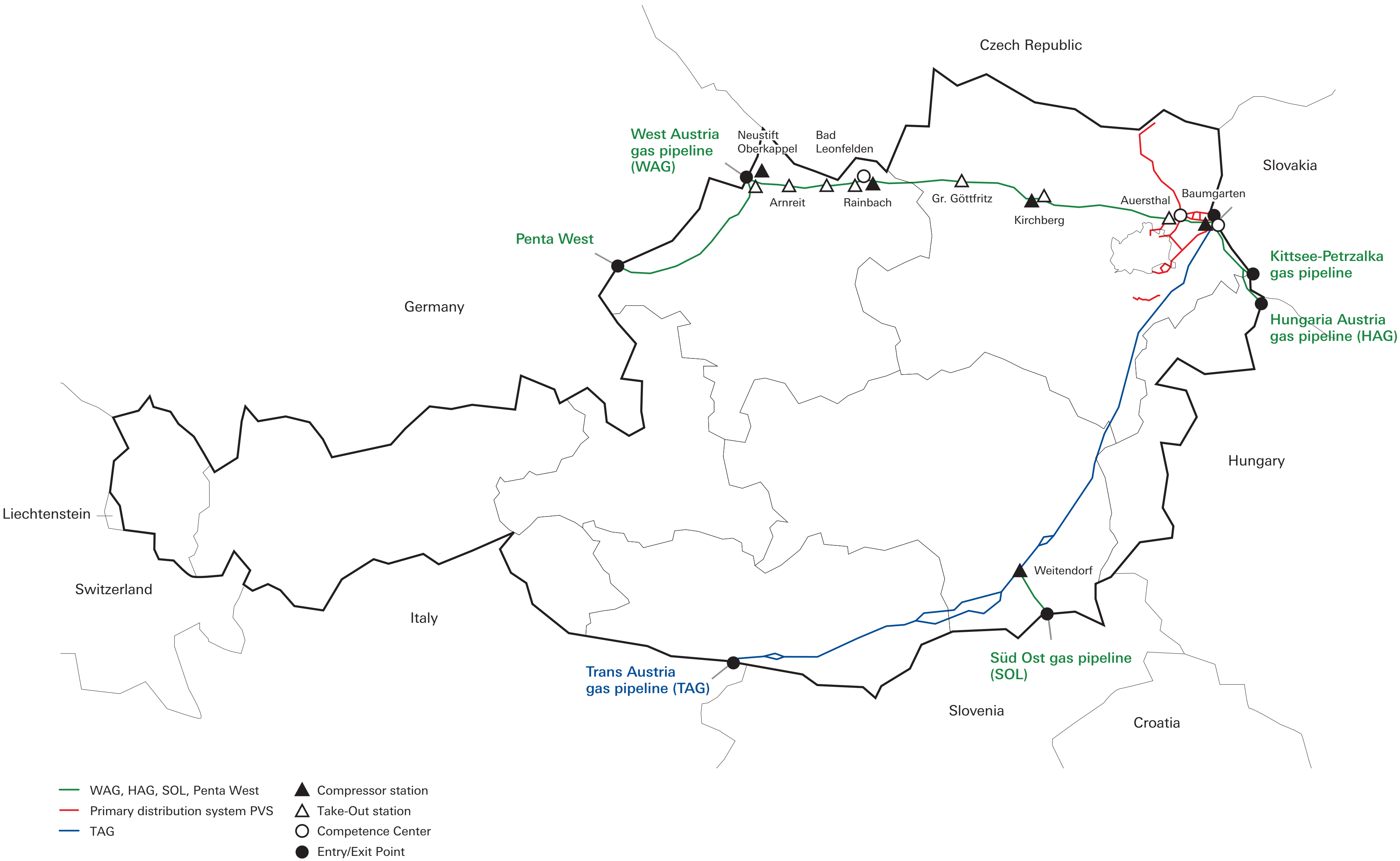
Romania

Alpha Nord 1+3
Casimcea Süd 2
Ventus Nord 2

APG grid facilities



GCA pipeline facilities



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 performance and commercialisation processes (mainly advance payments, plants under construction (excluding those in the Grid segment), cash and cash equivalents, derivative financial instruments in the energy area, investments and derivative financial instruments in the energy area under closed items on the balance sheet), and less contributions to building costs as well as other 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 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 allowances.

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.

CO_2 equivalent (CO_2e)

To facilitate comparisons of the impact of different greenhouse gases (e.g. methane, nitrous oxide) on climate change, these are converted to CO_2 (carbon dioxide) equivalents (CO_2e) using the Global Warming Potential (GWP) factor. Carbon dioxide is the reference unit for global warming potential and has a value of 1 CO_2e. Methane (CH_4) has a CO_2 equivalent of 28; it contributes 28 times more to global warming than carbon dioxide over a period of 100 years.

Congestion management

The term "congestion management" comprises all steps that a transmission system operator can take to prevent or eliminate overload caused by congestion in its grid. These range from grid measures such as regulating phase-shifting transformers to market measures such as redispatch.

Corporate carbon footprint (CCF)

Transparent presentation of an organisation's direct and indirect greenhouse gas emissions generated as a result of its business activities.

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.

Disclosures on Management Approach (DMA)

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 aspects.

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)

EBITDA plus interest income less interest expenses and current taxes on income.

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 funds from operations (FFO) to interest expenses (adjusted for capitalised borrowing costs, interest expenses on financial liabilities in connection with closed items on the balance sheet and profit or loss attributable to limited partners).

Hydro coefficient

The hydro coefficient is the quotient of the actual electricity generation of one (or a series of) hydropower plant(s) in a period and the average (calculated based on historical water supply) generation potential of the (series of) hydropower plant(s) in the same period. 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.

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.

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.

Primary distribution system

The primary distribution system connects the distribution network with the transmission pipelines and the storage systems and is used to supply natural gas around Austria (length: approximately 300 kilometres).

RCF/net debt

Retained cash flow (RCF): funds from operations (FFO) less dividends distributed.

Redispatch

Redispatching means changing the operating schedule of power plants in the short term to prevent or eliminate grid congestion.

Return on capital employed (ROCE)

Ratio of net operating profit after tax (NOPAT) (profit or loss for the period plus interest from investments under closed items on the balance sheet and 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 to average equity.

Sustainable Development Goals (SDGs)

The 17 goals and 169 sub-goals for sustainable development set by the UN member nations, applicable since 2016 for all nations worldwide. Among other things, 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.

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

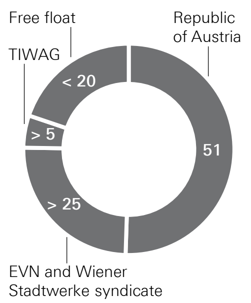
The variation margin represents the cash amounts to be paid daily to or from the futures exchange resulting from the measurement of open positions held on the stock exchange. Gains and losses on the open positions resulting from price fluctuations versus the previous day can therefore be offset on a daily basis. The variation margin thus corresponds to the unrealised gains or losses on the portfolio that would be due if the positions were closed out. The variation margin and initial margin eliminate the credit risk for trading participants on the exchange.

VERBUND Group structure

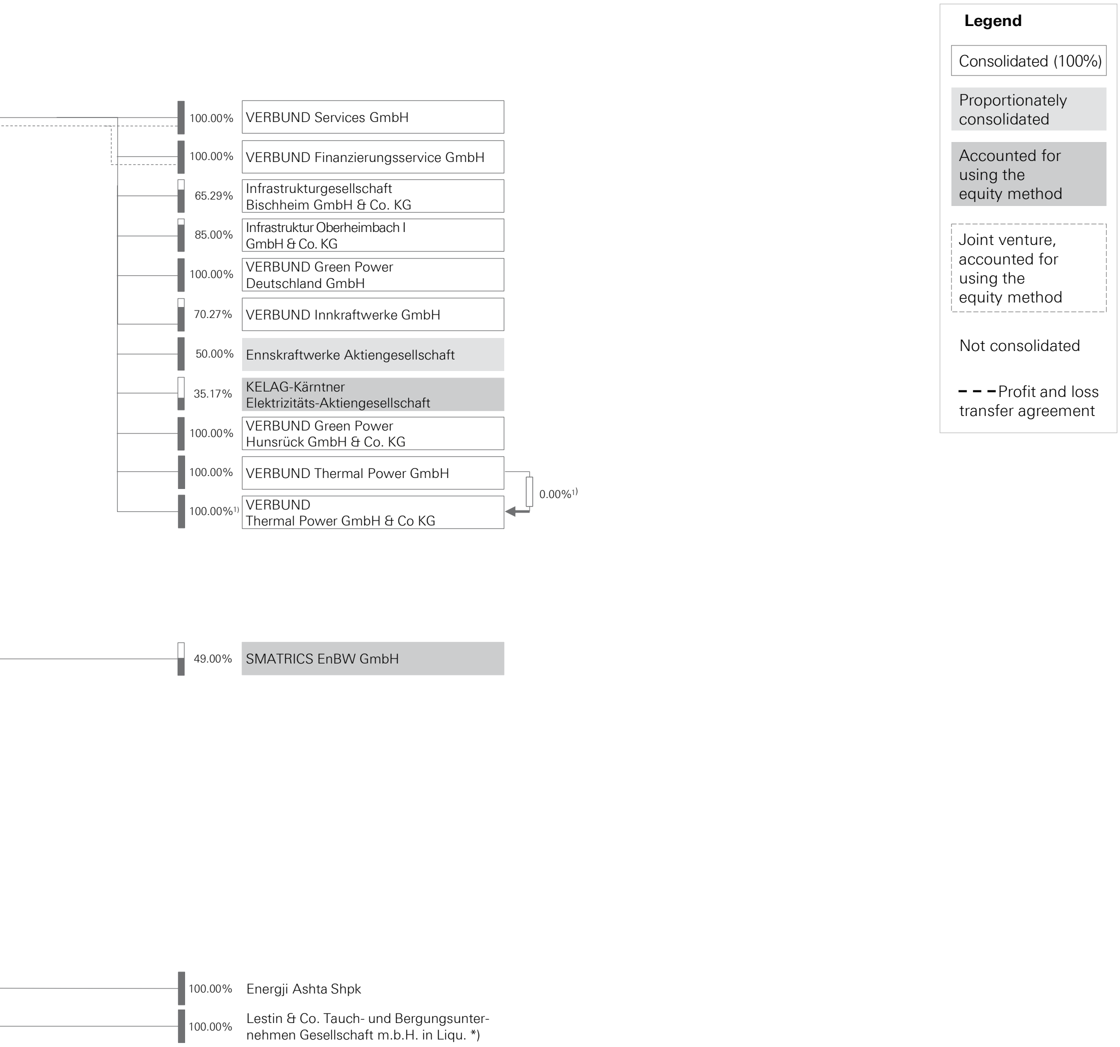
as at 31 December 2021 GRI 102-45

VERBUND AG

Shareholder structure %



- 100.00% VERBUND Green Power GmbH
  - 100.00% VERBUND Green Power Deutschland Photovoltaik GmbH
  - 100.00% VERBUND Wind Power Romania S.R.L.
  - 50.00% SOLAVOLTA Energie- und Umwelttechnik GmbH
- 100.00% Innwerk AG
  - 50.00% Grenzkraftwerke GmbH (50.00%)
  - 50.00% Donaukraftwerk Jochenstein Aktiengesellschaft (50.00%)
  - 50.00% Österreichisch-Bayerische Kraftwerke Aktiengesellschaft (50.00%)
- 100.00% VERBUND Energy4Business GmbH
  - 100.00% VERBUND Energy4Business Germany GmbH
  - 100.00% VERBUND Energy4Flex GmbH
  - 100.00% VERBUND Energy4Future GmbH
  - 100.00% E-Mobility Provider Austria GmbH
  - 100.00% SMATRICS GmbH & Co KG
  - 100.00% VERBUND Trading Serbia d.o.o. - u likvidaciji *)
  - 25.00% C2PAT GmbH & Co KG
  - 25.00% C2PAT GmbH
  - 99.00% VERBUND Trading Romania S.R.L. (1.00%)
- 80.54% VERBUND Hydro Power GmbH
  - 33.33% Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH
  - 33.33% Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH & Co KG
  - 50.01% Ashta Beteiligungsverwaltung GmbH **)
  - 100.00% Lestin & Co. Tauch-, Bergungs- und Sprengunternehmen Gesellschaft m.b.H.
  - 99.90% VERBUND Tourismus GmbH (0.10%)
  - 25.10% Murkraftwerk Graz Errichtungs- und BetriebsgmbH
  - 100.00% VERBUND Wind Power Austria GmbH
- 100.00% Austrian Power Grid AG
  - 24.40% OeMAG Abwicklungsstelle für Ökostrom AG
  - 100.00% VUM Verfahren Umwelt Management GmbH
  - 20.00% Equigy B.V.
- 100.00% VERBUND Energy4Customers GmbH
  - 50.00% smart Energy Services GmbH
- 51.00% Gas Connect Austria GmbH
  - 51.00% AGGM Austrian Gas Grid Management AG
  - 15.53% Trans Austria Gasleitung GmbH
  - 23.13% AGCS Gas Clearing and Settlement AG
- 100.00% Watt Development SPV5 S.L.U.
  - 20.00% Infraestructuras Comunes de Illora S.L.
- 100.00% Watt Development SPV6 S.L.U.
  - 20.00% Infraestructuras Comunes de Illora S.L.
- 100.00% Watt Development SPV7 S.L.U.
  - 20.00% Infraestructuras Comunes de Illora S.L.



*) in liquidation

**) the company has entered into a proportionate loss absorption agreement with its shareholder(s)

1) VERBUND AG holds a share of approx. 99.9972 % in VERBUND Thermal Power GmbH & Co KG and VERBUND Thermal Power GmbH holds a share of approx. 0.0028 %.

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%, and Wiener Stadtwerke GmbH, 28.4%) and Wiener Stadtwerke GmbH (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 at the Annual General Meeting are restricted to 5% of the share capital.

Regulatory body/trade associations:
E-Control GmbH/E-Control Kommission
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:
Michael Strugl (Chairman),
Peter F. Kollmann,
Achim Kaspar

Supervisory Board:
Martin Ohneberg (Chairman), Christine Catasta (Vice-Chairwoman), Christa Schlager (Vice-Chairwoman), Susan Hennersdorf, Barbara Praetorius, Jürgen Roth, Eckhardt Rümmler, Stefan Szyszkowitz, Peter Weinelt, Kurt Christof, Doris Dangl, Isabella Hönlinger, Wolfgang Liebscher, 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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