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

Interim report quarter 1/2020

Verbund
Power for the Future

Contents

At a glance

- VERBUND has implemented comprehensive crisis management actions to ensure a continued supply of clean electricity despite the coronavirus crisis
- Segment reporting adjusted from quarter 1/2020 to account for expanded operations in the areas of wind and solar power, restructured sales activities and changes in company law
- Good earnings situation despite negative impacts of COVID-19 and significantly lower water supply in quarter 1/2020 (1.09) compared with quarter 1/2019 (1.21)
- VERBUND shares trend downwards in quarter 1/2020 (–26.2%), still outperforming the ATX (–37.2%) but underperforming the DJ STOXX Utilities (–12.7%)
- 2020 earnings forecast adjusted: EBITDA projected to reach between approximately €1,090m and €1,250m and the Group result to between approximately €470m and €560m based on expectations of average levels of own generation from hydropower and wind power in quarters 2–4/2020 as well as the opportunities and risks identified

KPIs

	Unit	Q1/2019	**Q1/2020**	Change
Revenue	€m	1,208.4	1,257.3	4.0%
EBITDA	€m	348.0	331.0	–4.9%
EBITDA adjusted	€m	348.0	331.0	–4.9%
Operating result	€m	258.3	236.2	–8.5%
Group result	€m	178.1	156.5	–12.1%
Group result adjusted	€m	178.1	156.6	–12.1%
Earnings per share	€	0.51	0.45	–12.1%
EBIT margin	%	21.4	18.8	–
EBITDA margin	%	28.8	26.3	–
Cash flow from operating activities	€m	379.8	298.2	–21.5%
Additions to property, plant and equipment	€m	48.1	88.2	83.4%
Free cash flow before dividends	€m	305.6	150.2	–50.9%
Free cash flow after dividends	€m	305.6	150.2	–50.9%
Average number of employees		2,749	2,819	2.5%
Electricity sales volume	GWh	15,099	15,176	0.5%
Hydro coefficient		1.21	1.09	–

	Unit	31/12/2019	**31/3/2020**	Change
Total assets	€m	11,838.6	12,124.8	2.4%
Equity	€m	6,568.0	6,844.5	4.2%
Equity ratio (adjusted)	%	57.7	58.7	–
Net debt	€m	2,256.1	2,104.2	–6.7%
Gearing	%	34.4	30.7	–

Report of the Executive Board

Dear Shareholders,

The situation in the energy market changed quite suddenly in quarter 1/2020 due to the COVID-19 crisis. Neither the real economy nor the financial economy has been able to escape the effects of COVID-19, and even the energy markets are feeling the consequences of the global pandemic. Following the outbreak of the crisis in Europe, prices for CO_2 emission rights fell due to declining electricity production and an oversupply of CO_2 emission rights. A massive drop in demand from industry and business caused prices for coal, natural gas and crude oil to drop as well, in some cases quite substantially. The decline in demand also negatively impacted wholesale prices for electricity. However, thanks to our low debt levels and strategy for hedging VERBUND's own electricity generation, the Company continues to be well positioned for 2020 despite the difficult energy landscape. In quarter 1/2020, for example, we recorded a satisfactory business trend despite the coronavirus crisis.

After the outbreak of the COVID-19 crisis, we temporarily scaled back some of our investment projects. This permitted us to focus our resources on security of supply and operation-critical projects, especially projects and actions relating to flood protection and ensuring grid security. At present, the project sites are being ramped up again insofar as possible while adhering to safety precautions.

With respect to managing the crisis, we at VERBUND responded early to safeguard security of supply – but without compromising the health of our employees as our top priority. The personnel operating our power plants have been separated in accordance with regularly practiced scenarios, and teams have been split up. To avoid unnecessary contact, autonomous "work islands" have been set up at the plants. Our decades-long experience with operating our plants remotely from a central location has paid off in this respect. Personnel are also on standby to perform repairs at any time. This is a system that has worked well for many years. To maintain operations, we immediately put measures in place to allow staff to work from home and to physically separate employees, among other things. With respect to electricity trading and sales to large-scale customers, we are still executing trades via our online customer platform while working from home. Physically distanced teams continue to control power plant operations and market own generation on a short term basis at our headquarters and at our crisis centre. All of the measures have been implemented in compliance with our strict standards for data protection and IT security. Our high level of digitalisation has also proven useful in terms of operating the power grid during the current crisis. In addition to APG's smart remote grid operation concept, which makes it possible to split up teams, nearly all non-operational processes can be handled remotely. This ensures the highest possible levels of efficiency, even while personnel are working from home.

For example, we succeeded in safeguarding an uninterrupted supply of electricity for Austria and for our customers, in using hedging strategies to make up for falling electricity prices and in maintaining our solvency via credit lines. The supply of power to our customers is guaranteed: until further notice, VERBUND will not cancel any electricity contracts with households or small businesses (up to 100,000 kWh) for non-payment. Customers will merely be sent reminders of their outstanding amounts. Our success in reducing our own debt and our solid credit rating are proving advantageous during these unusual times. We are thus well positioned for the coming months. Nonetheless, we are carefully monitoring events and reassessing the situation on an ongoing basis.

We plan to adhere to our capital expenditure programme and our strategy for the coming three years notwithstanding the crisis. In future, we will focus more heavily on expanding electricity generation from new renewable energy sources. VERBUND's streamlined strategy envisages that by 2030 a total of 20–25%

of the electricity we generate will come from new renewable sources of energy. For this reason, VERBUND established a new subsidiary at the end of financial year 2019, VERBUND Green Power GmbH. Open-field solar installations and onshore wind farms will thus grow in importance for VERBUND. The project pipeline is already well filled, and the projects included are currently in either the evaluation or processing stages. This also applies to the potential acquisition of a stake in Gas Connect Austria GmbH. We are currently carefully reviewing a possible acquisition of 51% in the Austrian operator of a long-distance natural gas pipeline grid.

The following additional projects are either still on the agenda or were completed/implemented in quarter 1/2020 during the COVID-19 crisis: we concluded the rehabilitation measures at the Altenwörth and Ottensheim-Wilhering hydropower plant despite the difficult conditions. With an output of 2 bn kWh each year, the Altenwörth plant on the Danube River is Austria’s largest run-of-river hydropower plant. The immediate availability of electricity generated from the Danube and the plant’s stable output is especially important in the current situation. In Mellach, the district heating power plant discontinued coal-fired electricity generation after 34 years of operation. This also signifies the end of electricity production from coal in Austria and represents another major milestone in VERBUND’s decarbonisation strategy. The grid support contract with Austrian Power Grid (APG) still runs until 2021. In addition, hydrogen was produced at the Mellach site using high-temperature electrolysis for the first time ever in quarter 1/2020. This marks the start of an ambitious pilot project to research how hydrogen can be produced and used in actual operations. We are testing the use of climate-neutral hydrogen to partially replace the fossil fuel of natural gas in real-world power plant operations. The research is being performed by VERBUND in cooperation with Graz University of Technology and plant manufacturer Sunfire and is set to run for three years. Afterwards, VERBUND will continue to operate the research facility in Mellach as dictated by the requirements of the control power market.

VERBUND reported good results for quarter 1/2020 despite the COVID-19-related changes in the operating environment. EBITDA fell only slightly (by 4.9%) to €331.0m. The Group result was down 12.1% on the prior-year period to €156.5m. Earnings benefitted from the rise in wholesale electricity prices on the futures markets during the relevant hedging period. By contrast, prices declined on the spot markets in quarter 1/2020, due in part to the effects of the coronavirus crisis. Water supply was at a good level in quarter 1/2020. The hydro coefficient for the run-of-river hydropower plants came to 1.09, or 9 percentage points above the long-term average, but 12 percentage points below the figure for quarter 1/2019. Generation from our annual storage power plants increased substantially in quarter 1/2020, however. In summary, the EBITDA contributions from the Hydro, New renewables and Sales segments increased, while the contributions from the Grid and All other segments decreased.

We have adjusted our earnings forecast to account for the effects of the COVID-19 crisis. Based on expectations of average levels of own generation from hydropower and wind power in quarters 2–4/2020 as well as the opportunities and risks identified, we are now projecting EBITDA of between approximately €1,090m and €1,250m and a Group result of between approximately €470m and €560m in financial year 2020.

In conclusion, we would like to thank our employees for their tireless efforts in these difficult times. It is only thanks to their quick, careful and efficient actions that it has been possible to guarantee security of supply all across Austria.

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

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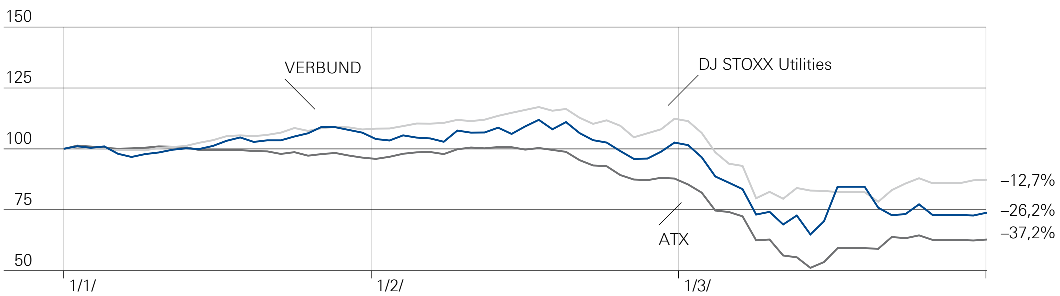
The stock markets got off to a good start in 2020. While the coronavirus was still mostly confined to China and Italy, some of the US exchanges posted record highs. Indeed, the financial markets remained unaffected by the pandemic for a surprisingly long time. However, once it was clear that the crisis would have a major impact on Europe and the US as well, stock prices began plummeting on all trading venues from the end of February 2020. At present, growth forecasts are being continually revised downward despite massive interventions on the part of central banks, a temporary halt to the trade war between the US and China and establishment of various government emergency assistance programmes. Listed companies are issuing profit warnings as a matter of course. It can currently be assumed that the economy will be in a downturn until at least the end of 2020.

The US benchmark index Dow Jones Industrial Average ended quarter 1/2020 down 23.2%. The situation on the Eurostoxx 50 was similar, with the index recording significant losses in quarter 1/2020 to end the first quarter down 25.6% compared with year-end 2019. The Japanese benchmark index Nikkei 225 ended the quarter with a loss of 20.0%, representing a slight improvement compared with 31 December 2019. Share prices in the emerging markets performed in line with the exchanges in the US and Europe. The MSCI Emerging Markets Index, for instance, saw massive price declines and ended quarter 1/2020 down 23.9%.

VERBUND share price: relative performance 2020



Next scheduled dates:
Record date for Annual General Meeting: 6 June 2020
Annual General Meeting: 16 June 2020

In quarter 1/2020, VERBUND shares continued on their ascending trajectory from the start of the year until mid-February, when the outbreak of the coronavirus in Europe put an abrupt end to the upward trend. The shares lost massive ground until mid-March 2020, after which they began easing slightly higher. By the end of quarter 1/2019, the share price had transitioned into sideways movement. VERBUND shares ended quarter 1/2020 at €33.0 as at 31 March 2020, down 26.2% compared with year-end 2019. The Group's shares thus outperformed the Austrian ATX (–37.2%), but underperformed the DJ STOXX Utilities sector index (–12.7%).

KPIs – shares

	Unit	Q1/2019	**Q1/2020**	Change
Share price high	€	45.1	50.1	11.1%
Share price low	€	38.0	29.0	–23.7%
Closing price	€	42.8	33.0	–22.8%
Performance	%	14.9	–26.2	–
Market capitalisation	€m	14,862.4	11,471.7	–22.8%
ATX weighting	%	6.4	7.0	–
Value of shares traded	€m	1,266.6	1,451.8	14.6%
Shares traded per day	Shares	473,853	549,625	16.0%

Interim Group management report

Business performance

Electricity supply and sales volume

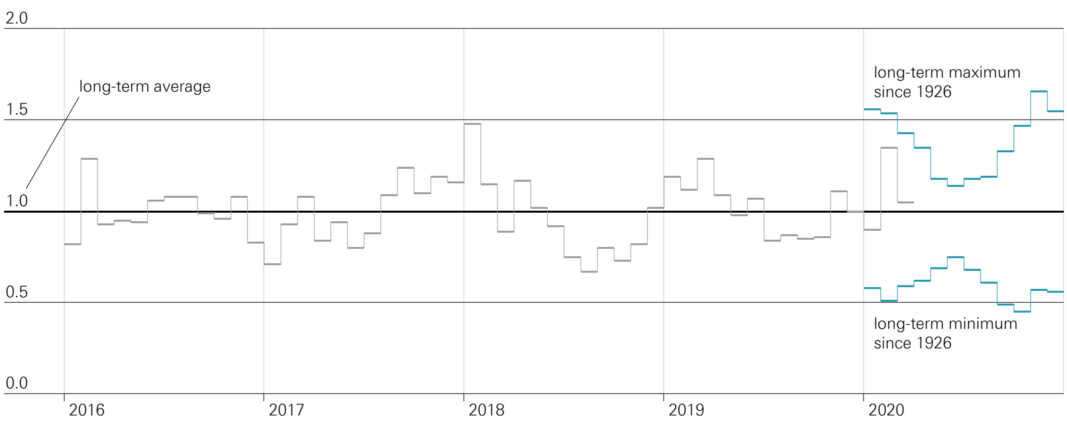
Group electricity supply

GWh	Q1/2019	Q1/2020	Change
Hydropower[1]	7,107	6,776	–4.7%
Wind power	297	315	6.2%
Thermal power	385	576	49.6%
Own generation	7,789	**7,667**	–1.6%
Electricity purchased for trading and sales	7,394	7,559	2.2%
Electricity purchased for grid loss and control power volumes	881	1,052	19.3%
Electricity supply	16,064	**16,277**	1.3%

[1] incl. purchase rights

VERBUND's own generation decreased by 122 GWh to 7,667 GWh as at the end of quarter 1/2020, a drop of 1.6% compared with quarter 1/2019. Generation from hydropower decreased by 331 GWh in comparison with the prior-year reporting period. The hydro coefficient for the run-of-river hydropower plants came to 1.09, or 12 percentage points below the prior-year figure and 9 percentage points above the long-term average. Generation from annual storage power plants increased substantially (+13.9%) in quarter 1/2020 due to increased lowering of water levels and increased turbining.

Hydro coefficient (monthly averages)



VERBUND's wind power installations generated 19 GWh more electricity in quarter 1/2020 than in the prior-year period, mainly due to windier conditions in Romania and Germany.

Generation from thermal power plants increased by 191 GWh in quarter 1/2020. The Mellach combined cycle gas turbine power plant produced 146 GWh more electricity in the reporting period due to increased use for congestion management compared with the prior year. Generation at the Mellach coal-fired power plant rose by 45 GWh. Purchases of electricity from third parties for trading and sales increased by 164 GWh in quarter 1/2020, and electricity purchased from third parties for grid losses and control power was up 170 GWh.

Group electricity sales volume and own use GWh

	Q1/2019	**Q1/2020**	Change
Consumers	3,416	3,521	3.1%
Resellers	6,539	6,850	4.8%
Traders	5,144	4,805	–6.6%
Electricity sales volume	15,099	**15,176**	0.5%
Own use	700	861	23.0%
Control power	266	240	–9.5%
Electricity sales volume and own use	16,064	**16,277**	1.3%

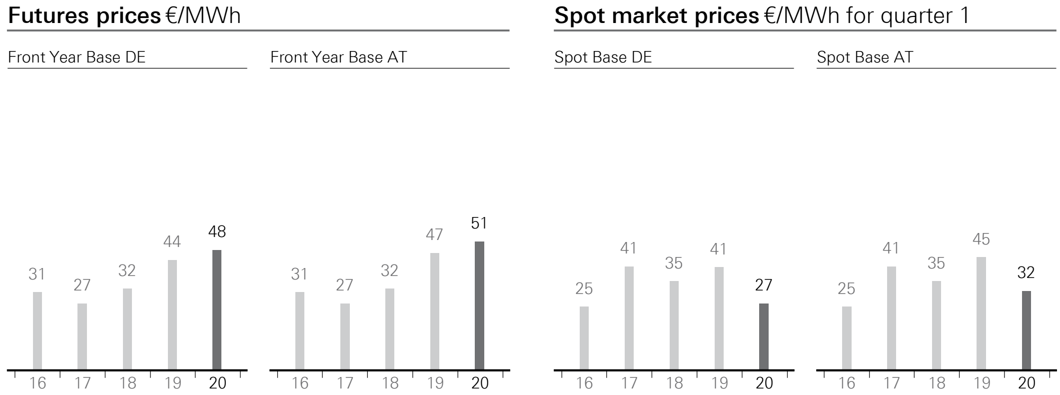
VERBUND's electricity sales volume rose by 213 GWh, or 1.3%, in quarter 1/2020. Most of the increase was attributable to higher sales to resellers (+311 GWh) and consumers. The rise in sales to resellers was due above all to increased deliveries to cover grid losses within Austria. Electricity volumes delivered to consumers rose by 106 GWh due to higher international sales. As at 31 March 2020, our residential customer base comprised approximately 515,000 electricity and gas customers. Electricity deliveries to traders declined by 339 GWh, mainly as a result of reduced spot market sales. Own use of electricity rose by 161 GWh in quarter 1/2020. The increase was attributable above all to increased operation of the Group's power plants in turbining mode.

Electricity sales by country GWh

	Q1/2019	**Q1/2020**	Change
Austria	8,030	8,078	0.6%
Germany	6,060	5,824	–3.9%
France	849	1,048	23.5%
Others	160	226	41.1%
Electricity sales volume	15,099	**15,176**	0.5%

Approximately 53% of the electricity sold by VERBUND in quarter 1/2020 went to the Austrian market. International trading and sales activities focused on the German market, which accounted for around 82% of all volumes sold abroad in the quarter now ended.

Electricity prices



Futures prices traded in the year before supply. The years stated are the respective years of supply. 2016–2018: Market area Germany/Austria. Starting 2019: Market area Germany or Austria respectively.
Spot prices 2016–2018: Market area Germany/Austria. Starting 2019: Market area Germany or Austria respectively. Average prices.

Source: EEX, EPEX Spot

VERBUND contracted for most of its own generation for 2020 on the futures market back in 2018 and 2019. Ever since the split of the joint German-Austrian price zone in October 2018, separate, higher prices have prevailed in Austria. Prices for AT 2020 front-year base load contracts (traded in 2019) averaged €51.2/MWh in 2019, and prices for DE 2019 front-year base load contracts averaged €47.8/MWh. This represents an increase in futures market prices of 9.9% (AT) and 9.0% (DE) compared with the previous year. Front-year peak load (AT) contracts averaged €62.1/MWh in 2019 and front-year peak load (DE) contracts traded at an average of €57.7/MWh, representing a year-on-year increase of 9.3% and 6.9% respectively. The increases were primarily due to the sharp rise in the price of CO_2 emission rights on the market.

On both the Austrian and German spot markets, the COVID-19 pandemic pushed down wholesale trading prices for electricity in quarter 1/2020 to well below the prior-year level. Average prices for base load electricity declined by 30.0% to €31.5/MWh in Austria and by 35.0% to €26.6/MWh in Germany. Average peak-load prices were down by 28.6% to €38.0/MWh in Austria and by 29.4% to €35.0/MWh in Germany.

Result of operations

Results €m

	Q1/2019	Q1/2020	Change
Revenue	1,208.4	1,257.3	4.0%
EBITDA	348.0	331.0	–4.9%
Operating result	258.3	236.2	–8.5%
Group result	178.1	156.5	–12.1%
Earnings per share in €	0.51	0.45	–12.1%

Electricity revenue

VERBUND's electricity revenue rose by €53.6m to €1,060.1m in quarter 1/2020. In terms of quantities, electricity sales volumes increased by 77 GWh, or 0.5%, year-on-year. Revenue also benefitted from the rise in wholesale electricity prices on the futures markets. By contrast, prices on the spot markets declined significantly in quarter 1/2020, due in part to the effects of the coronavirus crisis.

Grid revenue

Grid revenue decreased by €9.8m to €142.7m in quarter 1/2020 compared with the same period in 2019. The decline was largely attributable to lower domestic grid revenue as a result of tariff reductions. However, increases in revenues from balancing services as well as from cross-border capacity auctions had a positive impact.

Other revenue and other operating income

Other revenue rose by €5.2m to €54.5m. Higher revenue from the sale of green electricity certificates was counteracted by slightly lower revenue from the sale of emission rights. Other operating income increased by €5.3m to €15.5m, primarily due to an increase in own work capitalised.

Expenses for electricity, grid, gas and certificates purchases

Expenses for electricity, grid, gas and certificates purchases increased by €40.3m to €759.1m. A total of 335 GWh more electricity was purchased from third parties for trading and sales as well as for grid loss and control power volumes. Higher procurement prices arising from the overall rise in price levels for wholesale electricity also caused expenses to rise. Expenses for electricity purchases therefore increased by €46.1m compared with quarter 1/2019. Expenses for grid purchases decreased by €0.6m and expenses for gas purchases by €4.1m.

Fuel expenses

Fuel and other usage-/revenue-dependent expenses rose by €10.8m to €39.4m. The increase in gas consumption attributable to greater use of the Mellach combined cycle gas turbine power plant for congestion management (for details please refer to the section entitled Electricity supply and sales volumes) was partially offset by a decrease in the price of gas. Coal expenses increased as a result of greater use of the Mellach coal-fired plant. The higher fuel expenses were also due in particular to higher expenses for emission rights attributable to the increase in generation and the surge in CO_2 prices.

Personnel expenses

Personnel expenses increased by €7.1m year-on-year to €87.1m. The higher expenses resulted from the inclusion of VERBUND Trading & Sales Deutschland GmbH in the Group's consolidated financial statements, a 2.6% increase in collective wages and the hiring of additional employees to carry out strategic growth projects.

Other operating expenses

Other operating expenses rose by €13.0m to €56.2m. The increase was due to a rise in goods and services purchased from third parties, higher legal, audit and consulting expenses and higher IT and advertising expenses.

EBITDA

As a consequence of the above-mentioned factors, EBITDA decreased by 4.9% to €331.0m.

Depreciation, amortisation and write-downs

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €5.0m to €94.7m. The increase was mainly due to accelerated depreciation being charged on the Braunau and Schärding power plants based on their gradual rehabilitation as well as a usage-based increase in depreciation charged on the Mellach CCGT as a result of its increased use for congestion management.

Result from interests accounted for using the equity method

The result from interests accounted for using the equity method decreased by €2.6m to €10.1m. This line item essentially contains the earnings contributions from KELAG in the amount of €10.3m (Q1/2019: €9.8m).

Interest income and expenses

Interest income decreased by €0.6m to €7.9m compared with quarter 1/2019. Interest expenses declined by €9.2m to €21.5m, due in particular to lower interest on bonds as a result of higher repayments of principal in financial year 2019.

Other financial result

The other financial result decreased by €13.4m to €–7.2m in quarter 1/2020, mainly as a result of the measurement of securities funds through profit or loss in accordance with IFRS 9.

Group result

After taking account of an effective tax rate of 22.2% and non-controlling interests in the amount of €19.6m, the Group result amounted to €156.5m. This represents a decrease of 12.1% compared with the previous year. Earnings per share amounted to €0.45 (Q1/2019: €0.51) for 347,415,686 shares.

Net assets

Consolidated balance sheet (condensed) €m

	31/12/2019	Share	**31/3/2020**	**Share**	Change
Non-current assets	11,061.9	93%	11,067.1	91%	0.0%
Current assets	776.7	7%	1,057.7	9%	36.2%
Total assets	11,838.6	100%	**12,124.8**	**100%**	2.4%
Equity	6,568.0	55%	6,844.5	56%	4.2%
Non-current liabilities	4,107.4	35%	4,140.0	34%	0.8%
Current liabilities	1,163.2	10%	1,140.3	9%	–2.0%
Equity and liabilities	11,838.6	100%	**12,124.8**	**100%**	2.4%

Assets

VERBUND's non-current assets increased slightly from the level as at 31 December 2019. With respect to property, plant and equipment, additions of €88.2m were offset by depreciation of €83.8m. The main additions to property, plant and equipment related to investments in the Austrian transmission grid and replacement investments at Austrian and German hydropower plants. The increase in current assets resulted above all from higher positive fair values for derivative hedging transactions in electricity trading.

Equity and liabilities

The increase in equity compared with 31 December 2019 was mainly attributable to the profit for the period generated in quarter 1/2020 and the positive impact of the measurement of cash flow hedges on other comprehensive income. The changes in current and non-current liabilities was primarily the result of higher negative fair values for derivative hedging transactions in electricity trading, whereas repayments of financial liabilities had a counteracting effect.

Financial position

Cash flow statement (condensed)

€m	Q1/2019	Q1/2020	Change
Cash flow from operating activities	379.8	298.2	–21.5%
Cash flow from investing activities	–279.9	–147.9	–47.1%
Cash flow from financing activities	–31.0	–85.9	–
Change in cash and cash equivalents	68.8	64.4	–6.5%
Cash and cash equivalents as at 31/3/	108.2	**109.0**	0.8%

Cash flow from operating activities

Cash flow from operating activities amounted to €298.2m in quarter 1/2020, down €81.5m on the prior-year figure. In addition to changes in working capital, the difference was chiefly due to margining payments for hedging transactions in electricity trading provided as security for open positions held with exchange clearing houses. The hydro coefficient was 1.09 in quarter 1/2020, down from 1.21 in quarter 1/2019.

Cash flow from investing activities

Cash flow from investing activities amounted to €–147.9m in quarter 1/2020 (Q1/2019: €–279.9m). The change compared with quarter 1/2019 was mainly due to the lower net cash outflow from capital expenditure for investments (€+205.7m). The higher cash outflow from capital expenditure for intangible assets and property, plant and equipment (€–73.7m) had an offsetting effect.

Cash flow from financing activities

Cash flow from financing activities amounted to €–85.9m in quarter 1/2020, representing a difference of €54.9m. The change was mainly due to a higher cash outflow from money market transactions (€–53.9m) and a higher cash outflow from the repayments of lease liabilities (€–3.0m). A reduction in the cash outflow from the repayment of financial liabilities (€+2.1m) had a counteracting effect.

Opportunity and risk management

Operating result

Fluctuations in the operating result may be caused primarily by fluctuating levels of electricity generated from hydropower, which arise in particular because hydrological conditions cannot be controlled. Towards the end of quarter 1/2020, the oil price dispute in combination with the COVID-19 crisis led to a steep drop in electricity prices. Fluctuations in the marketing of control power and congestion management can lead to higher earnings volatility, as can any additional revenue arising from regulatory impacts on grid operations. In addition, changes in the operating environment and ongoing judicial proceedings could necessitate measurement-related adjustments to VERBUND's assets as well as changes in provisions.

COVID-19 impacts and containment measures

During the present COVID-19 crisis, the overriding goal is to maintain a secure supply of electricity in Austria with respect to both production and transmission. VERBUND's tried-and-tested crisis management organisation and the VERBUND crisis management team are working in close cooperation with state crisis and disaster management units to guarantee supply. The health of VERBUND workers is extremely important to us. All personnel deployed at our power plants and control centres have been split up into physically separate teams, and most administrative employees are now working from home. VERBUND is currently preparing an internal analysis of the risks posed by the crisis and their effects, both long- and short-term. The impact on short-term electricity prices is already clearly evident. A reduction in electricity consumption can also be seen in the transmission grid based on temporary declines in revenue from grid usage fees. The multi-year projections do not foresee any impact on earnings due to regulation. The total impact of the crisis will depend on how long specific branches of industry remain shut down and the extent of the resulting decline in demand as well as the course the imminent global recession will take. Moreover, it is possible that the COVID-19 pandemic will lead to delays and/or postponements of projects until 2021, on both the generation side and the transmission side.

Financial result

The potential extent of fluctuation in the financial result is determined by the following factors: the volatility of investment income, measurement effects on the balance sheet arising from changes in market prices and interest rates, and potential expenses from collateral provided being called in.

Sensitivities

All else remaining equal, a change in the factors shown below would be reflected in the planned Group result for full-year 2020 as follows (based on the hedging status as at 31 March 2020 for generation volumes and interest rates):

- +/–1% in generation from hydropower plants: €+/–3.7m
- +/–1% in generation from wind power: €+/–0.4m
- +/–1€/MWh in wholesale electricity prices (renewable generation): €+/–3.8m
- +/–1 percentage point in interest rates: €+/–0.2m

Segment report

Hydro segment

Generation from hydropower is reported under the Hydro segment.

KPIs – Hydro segment

	Unit	Q1/2019	**Q1/2020**	Change
Total revenue	€m	267.1	**279.8**	4.8%
EBITDA	€m	198.5	**200.4**	1.0%
Result from interests accounted for using the equity method	€m	3.2	**0.2**	–93.0%
Capital employed	€m	6,174.6	**6,052.8**	–2.0%

EBITDA for the Hydro segment increased slightly over the prior-year level, due mainly to a rise in the average prices obtained for electricity sales compared with the previous year and in spite of a decrease in generation output. The hydro coefficient was 1.09 in quarter 1/2020, down from 1.21 in quarter 1/2019. The result from interests accounted for using the equity method was largely made up of the earnings contribution from Ashta Beteiligungsverwaltung GmbH.

Capital employed declined by €121.8m to €6,052.8m, due primarily to changes in working capital.

Current information on the Hydro segment

Hydropower projects

In a few specific cases, the COVID-19 pandemic led to minor delays in ongoing new build and expansion projects in March 2020. Work on all projects has now resumed with the proper health-related protocols having been put in place (e.g. splitting up teams, taking the necessary safety precautions).

Starting in early March 2020, the Tuxbach expansion project was impacted by travel restrictions affecting workers from Italy. It was therefore necessary to temporarily halt work from 17 to 31 March. Work on the project resumed in the second week of April as mentioned above. Commissioning will be postponed by around four weeks (until quarter 3/2020) due to the delays as well as ongoing travel restrictions.

Owing to restrictions on movement, the Töging/Jettenbach expansion and renovation project experienced minor delays in certain supply chains for components as well as limitations in the availability of construction personnel in quarter 1/2020. The floodwater discharge system at weir field 3 was nonetheless approved for operation during the reporting period, and work on the Jettenbach and Fraham dams was completed. As at the end of March 2020, construction work was progressing on schedule despite the aforementioned restrictions.

Regarding the Ybbs rehabilitation project, it was possible to continue with the assembly work on schedule in quarter 1/2020, albeit under more difficult conditions. Concerning the project to build a new power plant in Graz, the planned increase in VERBUND's investment to 25.1% has now been approved by the competition authority.

New renewables segment

We report on our wind and solar power activities in the New renewables segment.

KPIs – New renewables segment

	Unit	Q1/2019	Q1/2020	Change
Total revenue	€m	27.4	38.6	40.8%
EBITDA	€m	20.2	22.4	10.8%
Result from interests accounted for using the equity method	€m	0.1	0.0	–39.3%
Capital employed	€m	410.4	421.9	2.8%

EBITDA rose by €2.2m to €22.4m. The increase was due mainly to increased production in Romania compared with the prior year and higher income from the sale of Romanian green electricity certificates. Wind supply increased from 1.00 in quarter 1/2019 to 1.07 in quarter 1/2020.

Capital employed was up €11.5m to €421.9m. The increase was due above all to additions to property, plant and equipment and changes in working capital.

VERBUND Green Power GmbH

The goal of VERBUND is to grow its wind and solar power operations and to make a significant contribution to the Austrian and European climate and energy strategy. To this end, VERBUND established a subsidiary under the name of VERBUND Green Power GmbH at the end of 2019. In the wind energy sector, VERBUND Green Power GmbH focuses on onshore installations. In the solar power sector, the primary focus is on large-scale, full feed-in installations. VERBUND Green Power is responsible for managing the Group's wind power portfolio and carrying out project development. VERBUND's long-term objective is to set up a profitable onshore wind and solar portfolio that will account for approximately 20–25% of VERBUND's overall generation by 2030.

Current renewable energy projects

Rooftop solar installations are presently being installed on a number of buildings at the Greifenstein, Altenwörth and Melk plants (Lower Danube plant group). The installations will have a capacity of around 400 kWp. In addition, a 1.3 MWp open-field solar installation is being built in the municipality of Ludmannsdorf, directly next to the Feistritz-Ludmannsdorf hydropower plant. Alongside the current construction projects, VERBUND also put together an extensive wind and solar project pipeline during the first three months of 2020. The pipeline includes projects both in Austria and abroad that are currently either being subjected to a thorough analysis or are in the processing stage.

SOLAVOLTA responsibility transferred to VERBUND Green Power

Responsibility for the Company's 50% investment in SOLAVOLTA, a VERBUND subsidiary, was transferred from VERBUND Solutions GmbH to VERBUND Green Power GmbH.

Sales segment

The Sales segment comprises VERBUND's trading and sales activities. As a result of the Downstream project, the Energy services segment, which was previously reported under All other segments, has also been integrated into the Sales segment.

KPIs – Sales segment

	Unit	Q1/2019	**Q1/2020**	Change
Total revenue	€m	997.4	1,042.5	4.5%
EBITDA	€m	19.1	20.9	9.0%
Result from interests accounted for using the equity method	€m	–0.3	–0.5	63.2%
Capital employed	€m	202.3	94.1	–53.5%

EBITDA for the Sales segment rose by €1.7m year-on-year to €20.9m. Higher earnings contributions from the consumer business were the main reason for the increase.

Capital employed was down €108.3m on the prior-year level. The decrease was mainly due to changes in working capital, which were offset by higher levels of non-interest-bearing debt.

Current information on B2B activities

To take maximum advantage of the changes occurring in the design of the electricity market, which can be summarised by the keywords of decarbonisation, decentralisation and digitalisation, VERBUND restructured its sales activities in the context of the Downstream project. The organisational restructuring of the Sales segment was completed in quarter 1/2020. The Downstream project aimed not only to hone sales skills but also to combine projects in the fields of distributed generation and storage in order to take better advantage of the benefits of an integrated value chain, to position VERBUND as a competent, full-spectrum energy manager vis-a-vis customers and to secure additional earnings contributions over the long term.

The merger of VERBUND Energy4Business GmbH (the absorbing company, formerly VERBUND Trading GmbH) with VERBUND affiliate VERBUND Sales GmbH (after the consumer business was spun off) and VERBUND Solutions GmbH was executed in connection with the realignment. As a result, all of VERBUND's trading activities, the marketing of VERBUND's own generation and the industrial customer business/B2B activities are now part of the same company, along with projects and new business models from the Solutions business area.

VERBUND Energy4Business GmbH focuses on two core areas: first, optimum marketing of VERBUND's own generation, supplemented by trading activities; and second, sales and distribution activities, including the solutions business.

The company's electricity trading activities mainly involve hedging generation on the wholesale markets, marketing flexibility options, optimising balancing energy operations, handling intraday trading and marketing balancing services and congestion management.

Sales activities continue to focus on expanding VERBUND's position as one of the leading providers of innovative green electricity and flexibility products as well as energy services and on marketing renewable energy (particularly wind, solar and small-scale hydropower). VERBUND's product portfolio, i.e. the market segment it serves, is being broadened to include industrial customers, which were previously supplied by VERBUND Sales GmbH. The focus here is on new business models for marketing and distributing solar power generating facilities for (or in cooperation with) business customers. VERBUND is working together with OMV to construct Austria's biggest open-field solar power plant at an OMV location in the Weinvertel region of Austria. The plant will have a capacity of 14 MWp. An expanded range of products and services will be supplemented by innovative projects and cooperation models involving large-scale batteries/battery storage units and hydrogen.

The VERBUND Power Pool registered a significant increase in revenue from demand response operations in quarter 1/2020 compared with quarter 1/2019. The rise in revenue was attributable to the cancellation of the mixed price system for allocating balancing energy from automatic frequency restoration reserves (aFRR) effective 31 July 2019. Compared with quarter 4/2019, however, revenue declined somewhat due to the introduction of a joint process between Austria and Germany for setting capacity prices for aFRR as well as to the fact that February and March tend to be lower-revenue months.

Regarding the EU-funded, SYNERG-E industrial-scale battery project, the second battery storage unit was put into commercial operation at the Innsbruck site at the end of quarter 1/2020. The batteries are currently being used to cap load peaks at ultra-E fast charging stations. In quarter 2/2020, the batteries will also be used in the marketing of control power. Another three units are expected to be ready for operation in Austria and Germany in quarter 2/2020.

Current information on B2C activities

VERBUND succeeded in raising gross acquisitions by 3% in quarter 1/2020 compared with quarter 1/2019. As at 31 March 2020, the Company's customer base comprised approximately 515,000 customers. VERBUND's successful autumn campaign, which ran from October 2019 until the end of January 2020, accounted for a large share of new acquisitions in January and February. Gross acquisitions declined in the second half of March, mainly due to the effects of the COVID-19 pandemic.

SMATRICS

In quarter 1/2020, SMATRICS (VERBUND share: 40%) further expanded on its position as a leading international e-mobility supplier with a focus on infrastructure, provision of services and IT.

For business customers, the company provides services along the entire e-mobility value chain. In addition to planning and project development – including rolling out around 190 locations for a major German utility – SMATRICS built out its portfolio of standard products. The portfolio includes products for charging station operators and mobility service providers alike.

SMATRICS succeeded in winning Austrian national public service broadcaster Österreichischer Rundfunk (ORF) as a customer for its new “Company Charging” product, which enables charging on site at the business location. In addition to its over 450 own charging stations, SMATRICS presently operates several thousand charging points for and on behalf of customers. It has developed a proprietary IT system (charVIS) to ensure efficient operations. Among other use cases, the system is sold to charging station operators as a software as a service product. SMATRICS has also begun developing and implementing solutions designed to comply with the requirements of calibration law. The company moreover closed a deal with renowned Austrian telecommunications company A1 in addition to forming partnerships with various leasing companies.

Grid segment

The Grid segment comprises the activities of Austrian Power Grid AG (APG).

KPIs – Grid segment

	Unit	Q1/2019	Q1/2020	Change
Total revenue	€m	211.4	210.9	–0.2%
EBITDA	€m	97.6	84.2	–13.7%
Result from interests accounted for using the equity method	€m	0.0	0.0	–
Capital employed	€m	1,394.8	1,478.4	6.0%

EBITDA declined by €13.4m to €84.2m, due above all to lower revenue from grid usage fees.

Capital employed was up €83.6m on the prior-year level to €1,478.4m. The primary cause of the increase was a rise in the net investment in property, plant and equipment, which was offset by a higher level of non-interest-bearing debt.

Current information on the Grid segment

Security of supply and congestion management

As in previous quarters, action had to be taken at Austrian power plants in quarter 1/2020 in order to manage congestion both within and outside of the APG grid.

Tariff regulation

The 2020 cost calculation process did not commence until March of the current financial year, and the initial list of requirements is currently being processed. The requirements are essentially the same as in the previous year.

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

Approximately 500 APG employees have been working from home ever since 15 March 2020, and all construction projects have been temporarily halted. However, all necessary maintenance and repairs are still being carried out.

To protect our employees while ensuring security of supply, special hygiene and safety protocols have been put in place for all employees working at the main and backup control centres and all manned network nodes, including splitting up teams at various locations, among other measures. The situation in the APG power grid can be described as stable despite the load decline all across Europe. By the start of April, the load decline in Austria had reached approximately 14%. The situation is somewhat strained due to the lower water supply at the end of March/beginning of April 2020 and low wind feed-in, given that electricity is still being transported despite everything. Although low load demand in the distribution grid causes voltage peaks at times, APG is able to use grid control techniques to manage the situation. On the market side, there were no notable developments to report.

All other segments

“All other segments” is a combined heading under which the Thermal generation segment, Services segment and Equity interests segment are brought together given that they are below the quantitative thresholds.

KPIs – All other segments

	Unit	Q1/2019	Q1/2020	Change
Total revenue	€m	63.3	68.4	8.0%
EBITDA	€m	17.6	8.9	–49.4%
Result from interests accounted for using the equity method	€m	9.8	10.3	5.8%
Capital employed	€m	487.6	493.3	1.2%

EBITDA fell by €8.7m to €8.9m in quarter 1/2020. The decline was mainly attributable to the lower EBITDA recorded in the Thermal generation segment, primarily due to the non-recurrence of positive effects in the previous year arising from changes in provisions. The result from interests accounted for using the equity method slightly exceeded the prior-year level and was generated by KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

Capital employed increased marginally to €493.3m due mainly to changes in working capital.

Current information on the Thermal generation segment

In quarter 1/2020, the Mellach combined cycle gas turbine power plant was operated for the sole purpose of guaranteeing security of supply in connection with congestion management. The Mellach district heating power plant was utilised to fulfil district heating quotas for the greater Graz area. The plant ceased coal-fired operations as at 31 March 2020.

In future, the Mellach plant will be fuelled only by gas and be operated exclusively for congestion avoidance. Establishment of the Mellach site as a centre of innovation will also continue with the development and implementation of a variety of projects (a data centre, battery storage units, high-temperature electrolysis, etc.).

Services segment activities notably impacted by COVID-19

For VERBUND Services GmbH, quarter 1/2020 was notably impacted by the outbreak of the COVID-19 crisis. VERBUND Services GmbH shares primary responsibility for crisis management within the Group and for the operation of critical infrastructure. In the face of the present crisis, the company demonstrated its resilience in the supply of services based on its high level of employee dedication and the availability of the necessary core skills and technologies as well as its many years of close cooperation with the Group.

VERBUND Services GmbH accomplished the following key achievements in this context: starting on Day 1 of the crisis, remote working was implemented on a large scale across the Group by putting an IT infrastructure in place that was robust enough to allow approximately 1,500 employees to work from home. This necessitated providing a sufficient number of mobile devices and adding capacity with respect to secure VPN tunnels and tokens – all of which had to occur in compliance with VERBUND’s strict safety guidelines. The infrastructure established permitted immediate remote access to all operation-critical applications such as SAP and the e-procurement system. A critical factor in the success of the measures was taking advantage of the existing customer help desk service hotline to actively assist employees in transitioning to their new work environment.

In facility management, the past weeks have focused on identifying the best possible methods for preventing exposure to COVID-19. Critical workplace areas at more than 50 of VERBUND's power plant and administrative office locations are disinfected regularly. In addition, a crisis response team is on call 24/7 for any necessary decontamination.

VERBUND Services GmbH's remaining service processes were operating at full capacity during the last weeks of quarter 1/2020. This especially related to compliance-critical processes such as the quarterly close and payroll accounting. Major projects such as Downstream SAP integration, and the Green Power project were likewise continued. However, a number of urgent, special crisis management projects had to be carried out on top of regular operations.

Current information on the Equity interests segment

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

KELAG's contribution to the result from interests accounted for using the equity method was €10.3m in quarter 1/2020 (Q1/2019: €9.8m). Given that numerous industrial operations had to be shut down due to the coronavirus crisis, overall electricity consumption dropped around 10% below the normal level for this time of year. Gas consumption is stable, and district heating sales have thus far seen only minor pandemic-related declines. KELAG is currently working tirelessly on various scenarios, which also involves evaluating strategies and measures for counteracting the effects of the coronavirus crisis.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 31 March 2020 and authorisation for issue on 30 April 2020.

Consolidated interim financial statements

of VERBUND

Income statement

€m

In accordance with IFRSs	Notes	Q1/2019[1]	Q1/2020
Revenue		1,208.4	**1,257.3**
Electricity revenue	1	1,006.6	1,060.1
Grid revenue	1	152.5	142.7
Other revenue	1	49.3	54.5
Other operating income		10.2	15.5
Expenses for electricity, grid, gas and certificates purchases	2	–718.8	–759.1
Fuel expenses and other usage-/revenue-dependent expenses	3	–28.6	–39.4
Personnel expenses	4	–80.0	–87.1
Other operating expenses		–43.2	–56.2
EBITDA		348.0	**331.0**
Depreciation and amortisation	5	–89.7	–94.7
Impairment losses		0.0	–0.1
Operating result		258.3	**236.2**
Result from interests accounted for using the equity method	6	12.7	10.1
Other result from equity interests		1.0	0.8
Interest income	7	8.5	7.9
Interest expenses	8	–30.7	–21.5
Other financial result	9	6.2	–7.2
Financial result		–2.2	**–9.8**
Profit before tax		256.0	**226.4**
Taxes on income		–56.8	–50.2
Profit for the period		199.2	**176.2**
Attributable to the shareholders of VERBUND AG (Group result)		178.1	156.5
Attributable to non-controlling interests		21.1	19.6
Earnings per share in €[2]		0.51	**0.45**

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8. // [2] Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

€m

In accordance with IFRSs	Notes	Q1/2019	**Q1/2020**
Profit for the period		199.2	**176.2**
Remeasurements of net defined benefit liability		2.2	–0.6
Other comprehensive income from interests accounted for using the equity method		–5.0	–5.6
Total of items that will not be reclassified subsequently to the income statement		–2.9	**–6.2**
Differences from currency translation		–3.2	–1.7
Measurements of cash flow hedges		212.8	145.4
Other comprehensive income from interests accounted for using the equity method		0.0	–0.8
Total of items that will be reclassified subsequently to the income statement		209.6	**142.8**
Other comprehensive income before tax		206.7	**136.6**
Taxes on income relating to items that will not be reclassified subsequently to the income statement		–0.5	0.1
Taxes on income relating to items that will be reclassified subsequently to the income statement		–53.2	–36.3
Other comprehensive income after tax		153.0	**100.4**
Total comprehensive income for the period		352.2	**276.6**
Attributable to the shareholders of VERBUND AG		331.0	257.0
Attributable to non-controlling interests		21.3	19.6

Balance sheet

€m

In accordance with IFRSs	Notes	31/12/2019	31/3/2020
Non-current assets		11,061.9	**11,067.1**
Intangible assets		652.0	660.3
Property, plant and equipment		9,110.8	9,113.5
Right-of-use assets		133.4	127.1
Interests accounted for using the equity method		332.2	335.4
Other equity interests	11	138.1	139.1
Investments and other receivables	11	695.4	691.8
Current assets		776.7	**1,057.7**
Inventories	10	34.3	14.7
Trade receivables, other receivables and securities	11	697.8	934.1
Cash and cash equivalents	11	44.6	109.0
Total assets		11,838.6	**12,124.8**

€m

In accordance with IFRSs	Notes	31/12/2019	31/3/2020
Equity		6,568.0	**6,844.5**
Attributable to the shareholders of VERBUND AG		5,887.8	6,144.7
Attributable to non-controlling interests		680.2	699.8
Non-current liabilities		4,107.4	**4,140.0**
Financial liabilities	11	1,256.6	1,254.8
Provisions		912.2	905.4
Deferred tax liabilities		757.3	808.9
Contributions to building costs and grants		754.1	747.5
Other liabilities	11	427.2	423.3
Current liabilities		1,163.2	**1,140.3**
Financial liabilities	11	310.8	243.2
Provisions		38.6	38.7
Current tax liabilities		106.1	123.7
Trade payables and other liabilities	11	707.7	734.8
Total equity and liabilities		11,838.6	**12,124.8**

Cash flow statement

€m

In accordance with IFRSs	Notes	Q1/2019	**Q1/2020**
Profit for the period		199.2	176.2
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		89.7	94.8
Impairment losses on investments (net of reversals of impairment losses)		–6.0	8.0
Result from interests accounted for using the equity method (net of dividends received)		–12.7	–10.1
Result from the disposal of non-current assets		–0.1	0.2
Change in non-current provisions and deferred tax liabilities		3.8	8.0
Change in contributions to building costs and grants		–4.8	–6.6
Other non-cash expenses and income		5.9	–5.4
Subtotal		275.1	**265.1**
Change in inventories		6.7	19.7
Change in trade receivables and other receivables		180.5	–66.8
Change in trade payables and other liabilities		–102.8	62.7
Change in current provisions and current tax liabilities		20.3	17.7
Cash flow from operating activities[1]		379.8	**298.2**

[1] Cash flow from operating activities includes income taxes paid of €18.3m (Q1/2019: €11.7m), interest paid of €3.0m (Q1/2019: €3.2m), interest received of €0.0m (Q1/2019: €0.0m) and dividends received of €1.0m (Q1/2019: €1.2m).

€m

In accordance with IFRSs	Notes	Q1/2019	Q1/2020
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		–74.5	–148.2
Cash inflow from the disposal of intangible assets and property, plant and equipment		0.2	0.1
Cash outflow from capital expenditure for investments		–19.0	–1.1
Cash inflow from the disposal of investments		18.3	1.2
Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method and other equity interests		0.1	0.0
Cash outflow from capital expenditure for current investments		–205.0	0.0
Cash inflow from the disposal of current investments		0.0	0.0
Cash flow from investing activities		–279.9	**–147.9**
Cash outflow from money market transactions		–11.1	–65.0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		–10.8	–8.8
Cash outflow from the repayment of lease liabilities		–9.1	–12.2
Cash flow from financing activities		–31.0	**–85.9**
Change in cash and cash equivalents		68.8	**64.4**
Cash and cash equivalents as at 1/1/		39.3	**44.6**
Change in cash and cash equivalents		68.8	64.4
Cash and cash equivalents as at 31/3/		108.2	**109.0**

Statement of changes in equity

In accordance with IFRSs	Called and paid-in share capital	Capital reserves	Retained earnings	Remeasure-ments of net defined benefit liability	
Notes					
As at 1/1/2019	347.4	954.3	4,525.4	–284.8	
Profit for the period	–	–	178.1	–	
Other comprehensive income	–	–	0.0	–3.6	
Total comprehensive income for the period	–	–	178.1	–3.6	
Other changes in equity	–	–	0.2	0.0	
As at 31/3/2019	347.4	954.3	4,703.7	–288.3	
As at 1/1/2020	347.4	954.3	4,933.7	–388.7	
Profit for the period	–	–	156.5	–	
Other comprehensive income	–	–	0.0	–6.0	
Total comprehensive income for the period	**–**	**–**	**156.5**	**–6.0**	
Other changes in equity	–	–	–0.1	0.0	
As at 31/3/2020	**347.4**	**954.3**	**5,090.1**	**–394.6**	

€m

	Difference from currency translation	Measurements of financial instruments	Measurements of cash flow hedges	Equity attributable to the shareholders of VERBUND AG	Equity attributable to non-controlling interests	Total equity
	–7.4	–1.3	–228.4	5,305.3	635.7	5,941.0
	–	–	–	178.1	21.1	199.2
	–3.2	0.0	159.6	152.9	0.1	153.0
	–3.2	0.0	159.6	331.0	21.3	352.2
	0.0	0.0	0.0	0.2	0.0	0.2
	–10.6	–1.3	–68.8	5,636.5	657.0	6,293.5
	–11.7	3.2	49.5	5,887.8	680.2	6,568.0
	–	–	–	156.5	19.6	176.2
	–1.7	0.0	108.2	100.5	–0.1	100.4
	–1.7	**0.0**	**108.2**	**257.0**	**19.6**	**276.6**
	0.0	0.0	0.0	–0.1	0.0	–0.1
	–13.4	**3.2**	**157.7**	**6,144.7**	**699.8**	**6,844.5**

Selected explanatory notes

Financial reporting principles

Basic principles

These consolidated interim financial statements of VERBUND for the period ended 31 March 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial statements as adopted by the European Union.

The condensed format of VERBUND's consolidated interim financial statements is consistent with IAS 34 "Interim Financial Reporting"; for further information and disclosures please refer to VERBUND's consolidated financial statements for the year ended 31 December 2019, which form the basis for these consolidated interim financial statements of VERBUND.

Basis of consolidation

VERBUND Solutions GmbH (VSO) and VERBUND Sales GmbH (VSA) were merged with VERBUND Trading GmbH (VTR) under merger agreements dated 2 March 2020. At the same time, the company name of VTR was changed to VERBUND Energy4Business GmbH (VEB). The merger of VSO with VEB was entered in the commercial register on 4 March 2020, and the merger of VSA with VEB was entered in the commercial register on 7 March 2020.

Accounting policies

With the exception of the IASB's new accounting standards described below, the same accounting policies were applied in these consolidated interim financial statements of VERBUND as in VERBUND's consolidated financial statements as at 31 December 2019.

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

Newly applicable or applied accounting standards

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 interim financial statements of VERBUND
IAS 1 and IAS 8	Amendments: Definition of Material	31/10/2018 (29/11/2019)	1/1/2020	None
IFRS 3	Amendments: Definition of a Business	22/10/2018 (expected Q2/2020)	1/1/2020	Depending on the structure of any future transactions, the acquisition of power plants in the form of a share deal is more likely to be classified as the acquisition of a group of assets
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	26/9/2019 (15/1/2020)	1/1/2020	see below
Various	Amendments to References to the Conceptual Framework in IFRS Standards	29/3/2018 (29/11/2019)	1/1/2020	None

The IASB published the amendments to IFRS 9, IAS 39 and IFRS 7 in September 2019, thus completing Phase 1 of the Interest Rate Benchmark Reform project. These Phase 1 amendments provide for a temporary exemption from the application of specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Owing to the exemptions, the uncertainties associated with the IBOR reform generally do not lead to the termination of hedge accounting. In this context, it can be assumed that the reference interest rates on which the underlying transaction and hedging instruments are based will not be changed by the IBOR reform. However, any ineffectiveness must still be recognised through profit or loss.

At VERBUND, future payments from variable-interest financial liabilities are hedged by means of interest rate swaps in order to reduce the cash flow risk resulting from an increase in market interest rates. The underlying variable market interest rate is the 6-month EURIBOR. The notional amount of interest rate swaps directly affected by the IBOR reform was €86.1m as at 31 March 2020. Following the completed changeover of the EURIBOR to a transaction-based calculation method as of Q4/2019, the EURIBOR as a reference interest rate is BMR-compliant and therefore does not lead to any changes to existing contracts.

In addition, there are interest rate swaps for the corresponding financial liabilities in connection with the prematurely terminated cross-border leasing transactions in order to avoid risk. The reference interest rate for the financial liability as well as the interest rate swaps is USD LIBOR. However, hedge accounting is not applied to these financial instruments.

Therefore, as things stand at present, no significant effects arising from the IBOR reform are expected.

Change in an accounting policy

The balance sheet presentation of contracts to buy or sell non-financial assets in connection with IFRS 9 was discussed at the meeting of the IFRS Interpretations Committee held in March 2019. Due to the IFRIC non-agenda decision that ensued, the presentation in the income statement of the measurement result of energy derivatives was changed. The measurement result of derivatives offset in revenue was allocated retroactively to purchase and sales contracts and presented accordingly in the income statement under revenue or in the procurement costs. The change in accounting policy was carried out retrospectively in accordance with IAS 8 by adjusting all comparative figures. The following adjustments apply for prior-year periods:

Adjustments to income statement items €m

	Q1/2019
Revenue	245.2
Expenses for electricity, grid, gas and certificates purchases	– 245.2
EBITDA	0

Segment reporting

VERBUND has reorganised its internal group management as a result of the business expansion in the fields of wind and solar power, the restructuring of sales activities as part of the Downstream project and changes in company law.

As of quarter 1/2020, the Renewable generation segment reported in the past is divided into the Hydro and New renewables segments. Generation from hydropower is reported in the Hydro segment. Business activities relating to wind and solar power are combined in the New renewables segment. As a consequence of the Downstream project, the Energy services segment, which was previously reported under All other segments, is now integrated into the Sales segment. All other segments are reported unchanged.

VERBUND classifies New renewables as a reportable segment even though it falls below the quantitative thresholds, because management believes that information on the business activities relating to new renewable energy sources is useful for the readers of the financial statements and expects to see strong growth in this segment in future.

EBITDA in the total column corresponds to EBITDA in the income statement. Therefore, the reconciliation to profit before tax can be taken from the income statement. Transactions between segments are carried out at arm’s length. All segment data are measured in accordance with IFRSs.

In the past, goodwill was allocated in the amount of €287.0m to the (former) Renewable generation segment, which was assigned in its entirety to the new Hydro segment during the reorganisation of internal group management. The reallocation of goodwill was carried out on the basis of the relative carrying amounts before the restructuring of internal group management.

Segment information from the previous year has been adjusted to reflect this revised segment structure.

€m

	Hydro	New renewables	Sales	Grid	All other segments	Recon-ciliation/ consoli-dation	Total Group
Q1/2020							
External revenue	24.2	28.6	982.7	204.6	15.0	2.2	1,257.3
Internal revenue	255.6	10.0	59.8	6.3	53.4	−385.1	0.0
Total revenue	279.8	38.6	1,042.5	210.9	68.4	−382.9	1,257.3
EBITDA	200.4	22.4	20.9	84.2	8.9	−5.8	331.0
Depreciation and amortisation	−53.4	−6.2	−0.3	−29.3	−4.9	−0.6	−94.7
Effects from impairment tests (operating result)	0.0	0.0	0.0	0.0	−0.1	0.0	−0.1
Other material non-cash items	10.9	0.0	6.2	2.7	−0.6	5.7	25.0
Result from interests accounted for using the equity method	0.2	0.0	−0.5	0.0	10.3	0.0	10.1
Capital employed	6,052.8	421.9	94.1	1,478.4	493.3	110.9	8,651.3
of which carrying amount of interests accounted for using the equity method	3.0	1.5	9.3	1.5	320.2	0.0	335.4
Additions to intangible assets and property, plant and equipment	54.4	0.2	1.8	40.9	2.8	0.1	100.3
Additions to interests accounted for using the equity method	0.0	0.0	0.0	0.0	0.0	0.0	0.0

€m

	Hydro	New renewables	Sales	Grid	All other segments	Recon-ciliation/ consoli-dation	Total Group
Q1/2019							
External revenue	23.5	18.7	945.8	204.5	14.3	1.6	1,208.4
Internal revenue	243.6	8.7	51.6	6.9	49.0	−359.8	0.0
Total revenue	267.1	27.4	997.4	211.4	63.3	−358.3	1,208.4
EBITDA	**198.5**	**20.2**	**19.1**	**97.6**	**17.6**	**−5.1**	**348.0**
Depreciation and amortisation	−51.1	−6.1	−0.3	−28.7	−3.1	−0.4	−89.7
Effects from impairment tests (operating result)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other material non-cash items	14.3	0.0	−1.2	7.7	9.0	0.0	29.8
Result from interests accounted for using the equity method	3.2	0.1	−0.3	0.0	9.8	0.0	12.7
Capital employed	**6,174.6**	**410.4**	**202.3**	**1,394.8**	**487.6**	**421.4**	**9,091.1**
of which carrying amount of interests accounted for using the equity method	2.8	1.4	10.6	1.4	311.7	0.0	327.9
Additions to intangible assets and property, plant and equipment	28.3	0.0	0.2	19.8	1.2	0.3	49.9
Additions to interests accounted for using the equity method	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Notes to the income statement

(1) Revenue

Revenue

€m

	Q1/2019 Domestic	**Q1/2020 Domestic**	Q1/2019 Foreign	**Q1/2020 Foreign**	Q1/2019 Total	**Q1/2020 Total**	Change
Electricity revenue resellers	14.5	14.8	4.7	6.8	19.1	21.6	12.9%
Electricity revenue traders	0.0	0.0	2.7	0.9	2.7	0.9	–66.3%
Electricity revenue – Hydro segment	14.5	**14.9**	7.3	**7.7**	21.9	**22.5**	3.0%
Electricity revenue resellers	0.0	0.0	10.1	0.0	10.1	0.0	–100.0%
Electricity revenue traders	5.1	4.6	0.0	–0.1	5.1	4.4	–12.4%
Electricity revenue consumers	0.0	0.0	0.0	15.4	0.0	15.4	n.a.
Electricity revenue – New renewables segment	5.1	**4.6**	10.1	**15.3**	15.2	**19.8**	30.6%
Electricity revenue resellers	293.7	183.3	87.9	186.0	381.6	369.3	–3.2%
Electricity revenue traders	92.4	93.7	249.9	308.4	342.4	402.0	17.4%
Electricity revenue consumers	136.1	93.7	59.5	92.6	195.6	186.3	–4.8%
Electricity revenue – Sales segment	522.2	**370.7**	397.4	**586.9**	919.6	**957.6**	4.1%
Electricity revenue resellers	30.0	35.6	18.3	23.0	48.3	58.6	21.5%
Electricity revenue traders	1.7	1.4	0.0	0.1	1.7	1.5	–10.3%
Electricity revenue – Grid segment	31.7	**37.1**	18.2	**23.1**	49.9	**60.1**	20.5%
Total electricity revenue	573.5	**427.2**	433.1	**632.9**	1,006.6	**1,060.1**	5.3%
Grid revenue electric utilities	99.6	89.1	6.2	5.5	105.8	94.5	–10.6%
Grid revenue industrial customers	1.9	1.0	0.0	0.0	1.9	1.0	–46.6%
Grid revenue other	10.0	12.5	34.9	34.6	44.9	47.2	5.1%
Total grid revenue – Grid segment	111.4	**102.6**	41.1	**40.1**	152.5	**142.7**	–6.4%
Other revenue – Hydro segment					1.6	**1.7**	1.3%
Other revenue – New renewables segment					3.5	**8.8**	
Other revenue – Sales segment					26.2	**25.1**	–4.2%
Other revenue – Grid segment					2.1	**1.8**	–13.9%
Other revenue – All other segments					14.3	**15.0**	4.7%
Other revenue – reconciliation					1.6	**2.2**	39.8%
Total other revenue					49.3	**54.5**	10.5%
Total revenue					1,208.4	**1,257.3**	4.0%

(2) Expenses for electricity, grid, gas and certificates purchases

Expenses for electricity, grid, gas and certificates purchases

€m

	Q1/2019	Q1/2020	Change
Expenses for electricity purchases (including control power)	689.9	736.0	6.7%
Expenses for gas purchases	17.1	13.0	–24.0%
Expenses for grid purchases (system use)	9.3	8.6	–6.9%
Purchases of emission rights (trade)	0.9	1.0	6.5%
Purchases of proof of origin and green electricity certificates	1.5	0.4	–70.7%
Expenses for electricity, grid, gas and certificates purchases	718.8	**759.1**	5.6%

(3) Fuel expenses and other usage/revenue-dependent expenses

Fuel expenses and other usage-/revenue-dependent expenses

€m

	Q1/2019	Q1/2020	Change
Fuel expenses	17.0	26.8	57.8%
Emission rights acquired in exchange for consideration	6.6	10.1	54.3%
Other revenue-dependent expenses	5.1	2.5	–50.6%
Fuel expenses and other usage-/revenue-dependent expenses	28.6	**39.4**	37.8%

(4) Personnel expenses

Personnel expenses

€m

	Q1/2019	Q1/2020	Change
Wages and salaries	62.0	67.5	8.9%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	13.8	14.9	7.9%
Other social expenses	0.9	0.9	0.0%
Subtotal	76.8	**83.4**	8.6%
Expenses for termination benefits	0.5	0.3	–44.1%
Expenses for pensions and similar obligations	2.8	3.4	24.5%
Personnel expenses	80.0	**87.1**	8.8%

(5) Depreciation and amortisation

Depreciation and amortisation

€m

	Q1/2019	Q1/2020	Change
Depreciation of property, plant and equipment	79.3	83.8	5.7%
Depreciation of right-of-use assets	8.6	8.8	1.8%
Amortisation of intangible assets	1.8	2.2	19.4%
Depreciation and amortisation	89.7	**94.7**	5.6%

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

Result from interests accounted for using the equity method

€m

	Q1/2019 Domestic	Q1/2020 Domestic	Change	Q1/2019 Foreign	Q1/2020 Foreign	Change
Income or expenses	9.6	**9.9**	3.8%	3.1	**0.2**	–94.5%

Interest income

(7) Interest income

€m	Q1/2019	Q1/2020	Change
Interest from investments under closed items on the balance sheet	7.5	7.5	–0.1%
Other interest and similar income	1.0	0.4	–58.1%
Interest income	8.5	**7.9**	–13.8%

Interest expenses

(8) Interest expenses

€m	Q1/2019	Q1/2020	Change
Interest on financial liabilities under closed items on the balance sheet	7.5	7.5	–0.1%
Interest on bonds	12.3	4.3	–65.0%
Interest on other liabilities from electricity supply commitments	3.9	3.7	–4.5%
Interest on bank loans	2.3	2.2	–6.9%
Interest on a share redemption obligation	1.2	2.1	80.0%
Net interest expense on personnel-related liabilities	3.1	1.6	–49.2%
Interest on other non-current provisions	0.5	0.3	–47.7%
Interest on leases	0.3	0.2	–3.9%
Profit or loss attributable to limited partners	0.1	0.0	–120.9%
Repayment of non-current financial liabilities from capital shares attributable to limited partners[1]	–1.0	0.0	100.0%
Borrowing costs capitalised in accordance with IAS 23	–0.7	–1.4	–93.6%
Other interest and similar expenses	8.8	8.6	–2.8%
Interest expenses	30.7	21.5	–30.0%

[1] In quarter 1/2019 VERBUND acquired interests in the ten wind farms and two infrastructure companies in the Hunsrück area of Rhineland-Palatinate previously held by the other limited partners. This reduced the capital shares attributable to limited partners presented under non-current financial liabilities

Other financial result

(9) Other financial result

€m	Q1/2019	Q1/2020	Change
Income from securities and loans	0.5	0.5	0.6%
Measurement of derivatives in the finance area	–0.2	0.4	n.a.
Foreign exchange losses	–0.1	0.1	n.a.
Change in expected credit losses	–0.1	0.0	167.1%
Income from disposal of financial instruments	0.6	0.0	–100.0%
Foreign exchange gains	0.1	–0.1	n.a.
Measurement of non-derivative financial instruments	5.3	–8.0	n.a.
Other	0.1	–0.1	–176.8%
Other financial result	6.2	**–7.2**	139.6%

Notes to the balance sheet

(10)
Inventories

Inventories €m

	31/12/2019	31/3/2020	Change
Inventories of primary energy sources held for generation	22.5	**3.3**	–85.5%
Emission rights held for trading	4.4	6.4	45.8%
Measurements of emission rights held for trading	2.8	0.3	–90.7%
Fair value of emission rights held for trading	7.2	**6.6**	–8.1%
Proof of origin and green electricity certificates	0.4	**0.2**	–42.6%
Other	4.2	**4.6**	8.9%
Inventories	34.3	**14.7**	–57.3%

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

(11) Additional disclosures regarding financial instruments

Carrying amounts and fair values by measurement category 31/3/2020 €m

Assets – balance sheet items	Measurement category in accordance with IFRS 9	Level	Carrying amount	Fair value
Interests in unconsolidated subsidiaries	FVOCI	2	12.5	12.5
Interests in unconsolidated subsidiaries	FVPL	3	0.5	0.5
Interests in unconsolidated subsidiaries	FVOCI	AC	0.5	0.5
Other equity interests	FVOCI	1	23.9	23.9
Other equity interests	FVOCI	2	93.9	93.9
Other equity interests	FVOCI	AC	7.7	7.7
Other equity interests			**139.1**	
Securities	FVPL	1	117.5	117.5
Securities	FVOCI	3	6.5	6.5
Securities	FVOCI	AC	1.0	1.0
Securities – closed items on the balance sheet	AC	2	64.3	60.6
Other loans – closed items on the balance sheet	AC	2	296.0	339.4
Derivatives in the finance area – closed items on the balance sheet	FVPL	2	95.6	95.6
Loans to investees	AC	2	74.5	75.5
Other loans	AC	2	5.3	5.9
Other	–	–	30.9	–
Investments and other receivables			**691.8**	
Trade receivables	AC	–	349.3	–
Receivables from investees	AC	–	34.3	–
Loans to investees	AC	2	4.0	4.1
Other loans	AC	2	0.1	0.1
Other loans – closed items on the balance sheet	AC	2	0.0	0.0
Derivatives in the energy area	FVPL	1	1.9	1.9
Derivatives in the energy area	FVPL	2	442.6	442.6
Securities	FVPL	1	0.0	0.0
Money market transactions	AC	2	0.0	0.0
Emission rights	–	–	26.7	–
Other	AC	–	38.6	–
Other	–	–	36.6	–
Trade receivables, other receivables and securities			**934.1**	
Cash and cash equivalents	**AC**	**–**	**109.0**	**–**
Aggregated by measurement category				
Financial assets at amortised cost	AC		975.4	
Financial assets at fair value through profit or loss	FVPL		658.3	
Financial assets at fair value through other comprehensive income	FVOCI		146.0	

Carrying amounts and fair values by measurement category 31/3/2020 €m

Liabilities – balance sheet items	Measurement category in accordance with IFRS 9	Level	Carrying amount	Fair value
Bonds	AC	2	705.3	727.9
Financial liabilities to banks and to others	AC	2	336.8	361.3
Financial liabilities to banks – closed items on the balance sheet	AC	2	112.7	155.9
Financial liabilities to banks – closed items on the balance sheet	FVPL – D	2	343.4	343.4
Capital shares attributable to limited partners	–	–	–0.1	–
Non-current and current financial liabilities			**1,498.0**	
Electricity supply commitment	–	–	145.4	–
Obligation to return an interest	AC	3	137.8	265.8
Trade payables	AC	–	1.2	–
Deferred income for grants (emission rights)	–	–	0.0	–
Lease liabilities	–	–	83.4	–
Deferred income – cross-border leasing	–	–	12.0	–
Other	AC	–	43.5	–
Non-current other liabilities			**423.3**	
Trade payables	AC	–	210.9	–
Derivatives in the energy area	FVPL	2	224.0	224.0
Derivatives in the finance area	FVPL	2	13.1	13.1
Lease liabilities	–	–	39.8	–
Other	AC	–	153.5	–
Other	–	–	93.4	–
Trade payables and current other liabilities			**734.8**	
Aggregated by measurement category				
Financial liabilities at amortised cost	AC		1,701.7	
Financial liabilities at fair value through profit or loss	FVPL		237.2	
Financial liabilities at fair value through profit or loss – designated	FVPL – D		343.4	

Carrying amounts and fair values by measurement category 31/12/2019

€m

Assets – balance sheet items	Measurement category in accordance with IFRS 9	Level	Carrying amount	Fair value
Interests in unconsolidated subsidiaries	FVOCI	2	12.5	12.5
Interests in unconsolidated subsidiaries	FVPL	3	0.5	0.5
Interests in unconsolidated subsidiaries	FVOCI	AC	0.6	0.6
Other equity interests	FVOCI	1	23.9	23.9
Other equity interests	FVOCI	2	93.9	93.9
Other equity interests	FVOCI	AC	6.6	6.6
Other equity interests			**138.1**	
Securities	FVPL	1	125.6	125.6
Securities	FVOCI	3	6.5	6.5
Securities	FVOCI	AC	1.0	1.0
Securities – closed items on the balance sheet	AC	2	65.4	63.5
Other loans – closed items on the balance sheet	AC	2	300.4	329.7
Derivatives in the finance area – closed items on the balance sheet	FVPL	2	87.1	87.1
Loans to investees	AC	2	75.2	76.3
Other loans	AC	2	5.3	5.7
Other	–	–	28.9	–
Investments and other receivables			**695.4**	
Trade receivables	AC	–	357.8	–
Receivables from investees	AC	–	34.1	–
Loans to investees	AC	2	4.3	4.5
Other loans	AC	2	0.1	0.1
Other loans – closed items on the balance sheet	AC	2	2.8	3.7
Derivatives in the energy area	FVPL	1	0.0	0.0
Derivatives in the energy area	FVPL	2	189.1	189.1
Securities	FVPL	1	0.0	0.0
Money market transactions	AC	2	0.0	0.0
Emission rights	–	–	30.9	–
Other	AC	–	46.3	–
Other	–	–	32.2	–
Trade receivables, other receivables and securities			**697.8**	
Cash and cash equivalents	**AC**	**–**	**44.6**	**–**
Aggregated by measurement category				
Financial assets at amortised cost	AC		936.4	
Financial assets at fair value through profit or loss	FVPL		402.4	
Financial assets at fair value through other comprehensive income	FVOCI		145.1	

Carrying amounts and fair values by measurement category 31/12/2019 €m

Liabilities – balance sheet items	Measurement category in accordance with IFRS 9	Level	Carrying amount	Fair value
Bonds	AC	2	700.7	742.0
Financial liabilities to banks and to others	AC	2	410.9	452.4
Financial liabilities to banks – closed items on the balance sheet	AC	2	118.4	159.6
Financial liabilities to banks – closed items on the balance sheet	FVPL – D	2	337.5	337.5
Non-current and current financial liabilities			**1,567.4**	
Electricity supply commitment	–	–	147.7	–
Obligation to return an interest	AC	3	135.7	263.2
Trade payables	AC	–	1.2	–
Deferred income – cross-border leasing	–	–	16.0	–
Lease liabilities	–	–	87.1	
Other	AC	–	39.4	–
Non-current other liabilities			**427.2**	
Trade payables	AC	–	225.8	–
Derivatives in the energy area	FVPL	2	133.1	133.1
Derivatives in the finance area	FVPL	2	13.8	13.8
Lease liabilities	–	–	46.8	
Other	AC	–	215.3	–
Other	–	–	72.9	–
Trade payables and current other liabilities			**707.7**	
Aggregated by measurement category				
Financial liabilities at amortised cost	AC		1,847.4	
Financial liabilities at fair value through profit or loss	FVPL		146.9	
Financial liabilities at fair value through profit or loss – designated	FVPL – D		337.5	

Of the derivative financial instruments in the energy area classified as FVPL in the above tables, positive fair values of €283.0m (31 December 2019: €108.3m) and negative fair values of €64.8m (31 December 2019: €35.3m) relate to hedging relationships designated as cash flow hedges. These fair values represent gross amounts; following the inter-portfolio netting carried out in accordance with VERBUND's accounting policies, cash flow hedges can no longer be isolated.

Valuation techniques and input factors for determining fair values

Level	Financial instruments	Valuation technique	Input factor
1	Energy forwards	Market approach	Settlement price published by the stock exchange
1	Securities, other equity interest in Burgenland Holding AG	Market approach	Stock exchange price
2	Securities and other loans under closed items on the balance sheet, long-term loans, liabilities to banks, bonds and other financial liabilities	Net present value approach	Payments associated with the financial instruments, yield curve, credit risk of the contracting parties (credit default swaps or credit spread curves)
2	Interests in unconsolidated subsidiaries, other equity interests in Energie AG Oberösterreich and HGRT	Market approach	Trading multiple, transaction price
2	Non-listed energy forwards	Net present value approach	Forward price curve derived from stock exchange prices, yield curve, credit risk of the contracting parties
2	Other financial assets and liabilities measured at fair value through profit or loss in the finance area	Net present value approach	Cash flows already fixed or determined via forward rates, yield curve, credit risk of the contracting parties
3	Return obligation (obligation to transfer back the 50% interest acquired in Donaukraftwerk Jochenstein AG)	Net present value approach	Price forecasts for electricity, weighted average cost of capital after taxes
3	Securities (shares of CEESEG AG)	Net present value approach	Expected distribution of profits, cost of equity
AC	Other interests in unconsolidated subsidiaries, other equity interests and other 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

Other note disclosures

Purchase commitments

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

€m

	31/3/2020	of which due in 2020	of which due 2021–2025
Total commitment	**1,143.6**	513.5	630.1

Contingent liabilities

At 31 March 2020, around 85% of the original volume of cross-border leasing transactions had been terminated. The last remaining transaction has an off-balance sheet financing structure. As at 31 March 2020, VERBUND's secondary liability amounted to €498m (31 December 2019: €519.4m) for the unpaid portion of the lease liability from this cross-border leasing transaction. Of the rights of recourse against the primary debtors, €278.9m (31 December 2019: €308.8m) is secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €294.7m (31 December 2019: €283.8m) is covered by off-balance sheet investments in zero coupons of the European Investment Bank which are also secured by a guarantee from the Financial Security Assurance Inc. (FSA).

Court proceedings pending

There were no significant developments compared with the status described as of 31 December 2019 in connection with the claims for damages asserted in the wake of the flooding of the Drau River in 2012. No disclosures have been provided in respect of any contingent liabilities or provisions because it is likely that such note disclosures would seriously prejudice VERBUND's position in the proceedings.

In connection with the amortisation of goodwill for the investment in VERBUND Innkraftwerke GmbH claimed for tax purposes for the years 2014–2023, the appeals against the 2014, 2015, 2016 and 2017 notices of assessment for the group parent remain pending. The tax benefit for these years (reduction of future tax payments in the amount of €8.2m per year) is recognised in accordance with VERBUND's accounting policies if it is reasonably likely to arise.

Transactions with related parties

Transactions with investees accounted for using the equity method €m

	Q1/2019	**Q1/2020**	Change
Income statement			
Electricity revenue	19.1	13.8	–27.7%
Grid revenue	11.1	10.2	–8.9%
Other revenue	0.1	–0.6	n.a.
Other operating income	0.5	0.5	0.5%
Expenses for electricity, grid, gas and certificates purchases	–6.1	–4.9	20.1%
Other operating expenses	–0.1	–0.1	–106.3%
Interest income	0.3	0.3	–8.9%
Interest expenses	0.0	0.0	16.7%
Other financial result	0.5	0.4	–1.3%

Transactions with investees accounted for using the equity method €m

	31/12/2019	**31/3/2020**	Change
Balance sheet			
Investments and other receivables	49.2	47.9	–2.5%
Trade receivables, other current receivables and securities	31.8	30.4	–4.6%
Contributions to building costs and grants	272.1	270.0	–0.8%
Trade payables and other current liabilities	6.3	3.3	–47.2%

Electricity revenue with equity-accounted investees was generated mainly with KELAG (€10.3m; Q1/2019: €14.6m) and with OeMAG (€3.3m; Q1/2019: €4.3m). The electricity revenue was offset by electricity purchases from KELAG in the amount of €4.7m (Q1/2019: €5.9m). Grid revenue was mainly realised with KELAG.

Electricity revenue with companies controlled or significantly influenced by the Republic of Austria amounted to a total of €17.1m (Q1/2019: €16.1m). Electricity was purchased mainly by ÖBB, OMV and Telekom Austria. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria totalled €2.1m (Q1/2019: €0.8m). 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 €2.7m in other revenue and purchased gas, respectively (Q1/2019: €5.1m).

VERBUND's expenses for monitoring by E-Control amounted to €2.2m (Q1/2019: €1.7m).

Audit and/or review

These consolidated interim financial statements of VERBUND have been neither audited nor reviewed by an auditor.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 31 March 2020 and authorisation for issue on 30 April 2020.

Vienna, 30 April 2020

The Executive Board

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

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

Dr. Peter F. Kollmann
Member of the Executive Board

Mag. Dr. Achim Kaspar
Member of the Executive Board

Responsibility statement of the legal representatives

We confirm according to the best of our knowledge that the condensed consolidated interim financial statements of VERBUND as at 31 March 2020, prepared in accordance with the accounting standards for interim financial reports under International Financial Reporting Standards (IFRSs), give a true and fair view of the assets and liabilities, financial position and profit or loss of the Group.

We also confirm that the Group interim management report of VERBUND gives a true and fair view of the assets and liabilities, financial position and profit or loss of the Group with respect to the important events during the first three months of the financial year and their effects on the condensed consolidated interim financial statements as at 31 March 2020 as well as with respect to the principal risks and uncertainties in the remaining nine months of the financial year.

Vienna, 30 April 2020

The Executive Board

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

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

Dr. Peter F. Kollmann
Member of the Executive Board

Mag. Dr. Achim Kaspar
Member of the Executive Board

EDITORIAL DETAILS

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Shareholder structure:
– Republic of Austria (51.0%)
– Syndicate (> 25.0%) consisting of
EVN AG (the shareholders of which are:
Niederösterreichische
Landes-Beteiligungsholding GmbH, 51%,
EnBW Trust e.V., 28.4%) and Wiener Stadtwerke
(the sole shareholder is the City of Vienna)
– TIWAG-Tiroler Wasserkraft AG (> 5.0%,
the sole shareholder is the province of Tyrol)
– Free float (< 20.0%): no further information is
available concerning owners of shares in free float.

Legal and statutory limitations of voting rights:
With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder in the Annual General Meeting are restricted to 5% of the share capital.

Regulatory body/trade associations:
E-Control GmbH/E-Control Kommission
Bundesministerium für Finanzen
Wirtschaftskammer Österreich
Oesterreichs Energie

Object of the Group:
The Group focus is the generation, transportation, trading with and sale of electrical energy and energy from other sources as well as the provision and performance of energy services.

Executive Board:
Wolfgang Anzengruber (Chairman),
Michael Strugl (Vice-Chairman),
Peter F. Kollmann,
Achim Kaspar

Supervisory Board:
Thomas Schmid (Chairman), Martin Ohneberg (1st Vice-Chairman), Elisabeth Engelbrechtsmüller-Strauß (2nd Vice-Chairwoman), Harald Kaszanits, Werner Muhm, Susanne Riess, Jürgen Roth, Stefan Szyszkowitz, Christa Wagner, Peter Weinelt, Doris Dangl, Isabella Hönlinger, Kurt Christof, Wolfgang Liebscher, Veronika Neugeboren

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

Specific laws applicable:
Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und organisationsgesetz, ElWOG) with associated regulations and implementation laws. 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.

Verbund

Power for the Future