Creating sustainable value.
Renewable energy powered by VERBUND.

Integrated Annual Report 2020

Verbund
Power for the Future

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

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

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

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

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

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

UN GLOBAL COMPACT
COMMUNICATION ON PROGRESS

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

We welcome feedback on its contents.

Design concept for charts and tables

Column/bar width

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

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

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

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

Colours

Current year

Neutral

Previous years

Budgeted figures

VERBUND

Emphasis

Five-year comparison

Economic performance

	Unit	2016	2017	2018	2019	**2020**
Revenue[1]	€m	2,795.9	2,913.2	2,671.1	3,895.0	**3,234.6**
EBITDA	€m	1,044.2	922.3	864.2	1,183.5	**1,292.8**
Adjusted EBITDA[2]	€m	894.5	899.7	863.5	1,183.5	**1,292.8**
Operating result (EBIT)	€m	615.1	400.1	655.1	865.9	**921.9**
Operating result before effects from impairment tests	€m	704.9	581.0	536.9	819.3	**914.0**
Group result	€m	424.4	301.4	433.2	554.8	**631.4**
Adjusted Group result[2]	€m	325.9	354.5	342.2	549.0	**610.4**
Total assets	€m	11,538.2	11,283.6	11,704.8	11,838.6	**12,054.2**
Equity	€m	5,529.5	5,690.8	5,941.0	6,568.0	**6,873.9**
Net debt	€m	3,221.7	2,843.8	2,560.7	2,256.1	**1,881.2**
Additions to property, plant and equipment	€m	255.3	231.0	292.5	438.9	**628.5**
Cash flow from operating activities	€m	804.3	640.6	664.1	1,204.3	**1,191.0**
Free cash flow before dividends	€m	580.7	416.1	415.3	817.4	**590.9**
Free cash flow after dividends	€m	415.7	293.5	237.2	639.3	**299.5**
EBITDA margin[1]	%	37.3	31.7	32.4	30.4	**40.0**
EBIT margin[1]	%	22.0	13.7	24.5	22.2	**28.5**
Return on capital employed (ROCE)[1]	%	5.7	4.2	5.6	7.8	**9.7**
Return on equity (ROE)	%	8.4	5.4	8.2	10.2	**10.8**
Equity ratio (adjusted)	%	50.0	52.4	52.7	57.7	**59.1**
Gearing	%	58.3	50.0	43.1	34.4	**27.4**
Net debt/EBITDA	X	3.1	3.1	3.0	1.9	**1.5**
FFO/Net debt (net debt coverage)	%	32.1	30.0	28.7	44.3	**57.7**
Gross debt coverage (FFO)	%	30.4	28.1	25.7	41.0	**52.6**
Gross interest cover (FFO)	X	8.7	8.1	7.3	11.9	**19.4**
Closing price	€	15.18	20.15	37.24	44.74	**69.85**
Market capitalisation	€m	5,272.0	6,998.7	12,937.8	15,543.4	**24,267.0**
Earnings per share	€	1.22	0.87	1.25	1.60	**1.82**
Cash flow per share	€	2.32	1.84	1.91	3.47	**3.43**
Carrying amount per share[3]	€	14.05	14.58	15.27	16.95	**17.71**
Price/earnings ratio (last trading day)	X	12.42	23.22	29.87	28.02	**38.43**
Price/cash flow ratio	X	6.55	10.93	19.48	12.91	**20.38**
Price/book value ratio[3]	X	1.08	1.38	2.44	2.64	**3.95**
(Proposed) dividend per share	€	0.29	0.42	0.42	0.69	**0.75**
Dividend yield	%	1.9	2.1	1.1	1.5	**1.1**
Payout ratio from Group result	%	23.7	48.4	33.7	43.2	**41.3**
Entity value/EBITDA	X	8.1	10.7	17.9	15.0	**20.2**
Average number of employees		2,923	2,819	2,742	2,772	**2,870**
Electricity sales volume	GWh	55,189	58,518	58,908	62,179	**62,741**
Hydro coefficient		1.00	0.99	0.94	1.01	**1.01**
New renewables coefficient		0.85	1.03	0.90	1.01	**1.00**

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

Environmental performance

	Unit	2016	2017	2018	2019	**2020**
Hydropower generation[1]	GWh	29,809	29,687	28,684	30,660	**31,525**
Wind power generation	GWh	835[2]	952	834	929	**924**
Solar power generation	GWh	–	–	–	–	**1**
Thermal power generation	GWh	1,351	2,227	1,611	1,596	**1,033**
Share of generation from renewables	%	96	93	95	95	**97**
Specific GHG emissions (Scope 1/total electricity generated)[3]	g CO_2e/kWh	31	41	34	32	**19**
Emissions avoided through renewable generation[4]	kt CO_2	25,457	23,666	22,411	24,071	**24,726**
Percentage of sites certified to ISO 14001 and EMAS[5]	%	93	100	100	100	**100**

Social performance

	Unit	2016	2017	2018	2019	**2020**
Number of employees under labour law[6]	Number	2,952	2,819	2,784	2,843	**2,980**
Training per employee[7]	Hours	35.2	36.0	33.6	40.0	**20.0**
Lost time injury frequency (LTIF)[8]	Number	8.9	10.1	5.4	6.4	**5.6**
Proportion of women	%	17.5	17.5	17.6	17.8	**18.3**
Average duration of employment[9]	Years	18.9	18.8	18.1	17.6	**16.1**
Employee turnover rate[10]	%	2.7	2.8	2.1	2.0	**1.5**

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

GRI 102-7

Basic information

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

Capital market calendar 2021

Event	Date
Annual result 2020	17 March 2021
Publication of integrated annual report	17 March 2021
Record date for Annual General Meeting	10 April 2021
Annual General Meeting	20 April 2021
Ex-dividend date	27 April 2021
Record date for dividends	28 April 2021
Dividend payment date	10 May 2021
Interim report quarter 1/2021	12 May 2021
Interim report quarters 1–2/2021	29 July 2021
Interim report quarters 1–3/2021	4 November 2021

VERBUND
Integrated Annual Report 2020

Contents

Information about the integrated report

This integrated annual report contains the Group management report published by VERBUND for financial year 2020, the Group report on non-financial information (NFI Report) and the Group's consolidated financial statements, including the notes to the consolidated financial statements. The principles of fair enterprise management followed by VERBUND are laid out in the Corporate Governance Report. This integrated annual report thus not only presents the Group's financial and legal information but also deals with further aspects of sustainability and proper conduct of business operations.

GRI 102-46
GRI 102-48

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

The reporting period comprises the 2020 calendar year. The most recent preceding integrated annual report (for financial year 2019) was published on 18 March 2020. 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 2020 and authorisation of the annual report for issue on 11 February 2021. 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.

The materiality analysis is presented in the Materiality section

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

VERBUND's NFI Report prepared in accordance with Section 267a of the Austrian Commercial Code (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.

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

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

GRI 102-32

Standards and guidelines

GRI 102-54
GRI 102-55

All data and calculations taken for this integrated annual report are based on national and international standards as well as on guidelines for financial reporting (including the International Financial Reporting Standards (IFRSs)) and sustainability reporting (the Global Reporting Initiative Standards, 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.

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 Wirtschaftsprüfungs GmbH.

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

VERBUND's power plant app

Visit the virtual world of VERBUND using your mobile device. You can find the app for Android and iOS devices at www.verbund.com/app. We invite you to gain an exciting virtual insight into the world of VERBUND that will open up fresh perspectives for you. 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

Financial year 2020 was one of the most successful years in VERBUND's corporate history – in spite of the COVID-19 crisis. This is demonstrated not only by our excellent results, but also by the solid performance of VERBUND shares, whose value jumped 56.1 % in the financial year now ended. VERBUND reported a market capitalisation in excess of €24bn at the end of 2020, which makes it the most valuable company listed on the Vienna Stock Exchange by a large margin. VERBUND's sustainable business model therefore showed itself to be crisis-proof. Thanks to the measures implemented in recent years and developments in the energy market, the Group has considerable strategic flexibility and resilience to external influences.

2020 dominated by COVID-19 – early crisis management ensured security of supply and safeguarded business performance. The COVID-19 crisis led to a rapid deterioration of the overall energy market in which VERBUND operates. Following the onset of the crisis in Europe, wholesale electricity prices fell due to lower electricity demand, an excess supply of CO_2 emission rights and a drop in prices for coal, gas and oil. In the wake of this downturn in the first half of 2020, the energy market environment started to improve again mid-year. Wholesale prices for electricity recovered, as did prices for coal, gas and CO_2 emission rights.

With regard to managing the crisis, we at VERBUND took action early on so as to ensure security of supply and grid security in Austria at all times, with our employees' health having top priority. Activities at a number of construction sites were temporarily suspended, but were quickly resumed when the general situation began to improve. What is more, we have not had any need for state support in the form of short-time work or similar funding schemes, nor have we had to make any redundancies. VERBUND was able to pay its dividend for financial year 2019 as planned.

Focus on further expansion of renewable hydropower. To strengthen our core business and further expand the supply of electricity from renewable energy sources, we pressed ahead with our planned investments in hydropower in 2020. Here we focused on rehabilitation projects such as those at the Oberaudorf-Ebbs, Ottensheim-Wilhering and Häusling power plants and began the construction of Lower Austria's longest fish pass at the Altenwörth power plant. In the Töging/Jettenbach expansion and renovation project that is scheduled to come on stream in 2022 and entails total capital expenditure of approximately €250m, minor delays occurred during the year that were largely made up for again. The construction decision for the Gratkorn power plant on the Mur River, a new joint power plant that will be built by VERBUND and Energie Steiermark, was taken at the end of 2020. The green energy produced by this power plant, whose construction will start in 2021 and which is slated to be put into operation in 2024, will meet the needs of 15,000 households in the Graz metropolitan area.

Extensive investment in the high-voltage grid for integration of new renewables. In an environment overshadowed by COVID-19, VERBUND has also been able to continue with its original investment projects for grid expansion as envisaged. Structural measures for the construction of the 380-kV Salzburg line began in 2020, and commissioning of this line is planned for early summer 2025. The final decision from a legal standpoint issued by the Austrian Supreme Administrative Court provides legal certainty.

New renewable energy powered by VERBUND. VERBUND's strategy envisages that by 2030 a total of 20–25% of the electricity we generate will come from new renewable sources of energy. Project highlights in the wind and solar power sectors in 2020 included the commissioning of VERBUND's first open-field solar installation at the Feistritz-Ludmannsdorf power plant at the Drau River (Bistrica v Rožu/Bilčovs) and initial operation of Austria's largest open-field solar installation in Schönkirchen with a capacity of 11.4 kWp in the first expansion stage completed in December 2020.

Downstream project to secure additional earnings contributions. The changes in the market design brought about by decarbonisation, decentralisation and digitalisation present us with opportunities. So that we can derive maximum benefit from these, the realignment of VERBUND's sales activities was prepared in the Downstream project, which aims to position VERBUND vis-à-vis customers as a competent, full-spectrum energy manager and secure additional earnings contributions over the long term through an integrated value chain.

Strategic milestone: acquisition of a 51% stake in Gas Connect Austria GmbH. A strategic milestone of immense importance for VERBUND in 2020 was the agreement reached with OMV on the acquisition of a 51% stake in the Austrian gas transmission grid operator Gas Connect Austria GmbH. Contracts were signed on 23 September 2020 and the transaction is expected to close in the first half of 2021, pending regulatory approvals. The role of gas as a bridge technology to a renewable energy system is vital. The highly sophisticated transport infrastructure of Gas Connect Austria GmbH combined with VERBUND's renewable generation portfolio has the potential to make an important and valuable contribution to the achievement of climate targets and will ensure that we can benefit from the future development of a green hydrogen system in Europe.

Security of supply: decarbonisation, Climate Report and social commitment. Coal-fired generation at the Mellach district heating power plant was discontinued in 2020 after 34 years of operation – a big step in VERBUND's decarbonisation strategy and a major step for Austria. CO_2 emissions from thermal power plants have been reduced by around 70% since 2005. 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. In October 2020, VERBUND also published its first-ever Climate Report outlining the risks and opportunities from climate change for the Group. In addition to the Group's ongoing social commitment to the VERBUND Electricity Relief Fund run by Caritas and the Empowerment Fund run by Diakonie – particularly needed in a COVID-ravaged 2020 – the "Ein Funken Wärme" (A Spark of Heat) relief project run by Caritas and the Kronen Zeitung, was supported with another €90,000 including donations from VERBUND employees.

Our forward-looking areas of green hydrogen, digitalisation and storage. Implementing VERBUND's hydrogen strategy was another focus of our activities in financial year 2020. Alongside numerous ongoing activities, the partners Lafarge, Borealis, OMV and VERBUND announced the initial idea for a joint project at the end of June 2020. The aim of the collaboration is to use the CO_2 emissions captured from cement production in a circular economy to produce fuels and plastics by means of green hydrogen. The innovation project Hy²Power was also launched at the Mellach site. VERBUND is developing the Green Hydrogen @ Blue Danube project in conjunction with technology partners and buyers of green hydrogen within the framework of the European Commission's Important Projects of Common European Interest initiative (IPCEI initiative), with the goal of establishing a European value chain for green hydrogen. Furthermore, in late November 2020 VERBUND and Google made a commitment to a greener energy future in a Memorandum of Understanding that underscores the intention of the multi-year partnership to collaborate on innovative applications.

VERBUND's very encouraging business and share price performance in 2020. The results posted by VERBUND for financial year 2020 were up despite the negative impact of the COVID-19 pandemic. EBITDA increased by 9.2 % to €1,292.8m. The Group result rose by 13.8 % to €631.4m compared with 2019. The reasons for the exceedingly encouraging income trend were higher levels of electricity generation from environmentally friendly hydropower and the increase in average sales prices for electricity, which follow the trend in wholesale electricity prices in Europe. The Group result for financial years 2019 and 2020 was also influenced by non-recurring effects. Adjusted for these non-recurring effects, the Group result rose by 11.2 % to €610.4m. Over and above this, all of the Group's management KPIs exhibited improvements. The Group's debt level was reduced substantially once more, margins were sizeably expanded and the return on capital employed was significantly increased. VERBUND shares turned in a very encouraging performance in financial year 2020. With gains of 56.1 %, the shares significantly outperformed the ATX (–12.8 %) and the STOXX Europe 600 Utilities (+7.8 %).

Dividend. We plan to propose a dividend of €0.75 per share for financial year 2020 at the Annual General Meeting to be held on 20 April 2021. The payout ratio calculated on the basis of the adjusted Group result thus amounts to 42.7 % for 2020 (or 41.3 % based on the reported Group result).

Changes in the Executive Board and a future-proof organisation. Michael Strugl succeeded Wolfgang Anzengruber as CEO and Chairman of the Executive Board at the beginning of 2021. This reduces the size of the Executive Board from four to three members. Internally, the organisation is being made "future-proof" with a focus on diversity and gender balance as well as on safeguarding know-how through succession planning. Together we power renewable energy.

We would like to express our gratitude to all of our employees as well as to all of our customers, investors, suppliers and business partners.

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

Report of the Supervisory Board

VERBUND, Austria's leading energy utility, took advantage of the improvement in the energy market climate in the course of the year and generated very good results once again in financial year 2020 in spite of negative impacts caused by the COVID-19 pandemic. The Group succeeded in strengthening its profitability and successfully continuing its sustainable development. The Supervisory Board actively monitored and supported this strong performance.

Performance of duties

GRI 102-26

In financial year 2020, the Supervisory Board discharged the responsibilities and exercised the powers incumbent upon it by virtue of the law and the Articles of Association at six 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 93 %. 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 (here, the acquisition of the stake in Gas Connect Austria GmbH deserves particular mention). 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 2020 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.

Changes in the Executive and Supervisory Boards.

The contractual period of office of Dipl.-Ing. Wolfgang Anzengruber, CEO, who had headed up the VERBUND Group as Chairman of the Executive Board for twelve years, ended on 31 December 2020. The Supervisory Board would like to thank Dipl.-Ing. Wolfgang Anzengruber for his many years of successful service for the Company.

The Supervisory Board appointed the former Vice-Chairman Mag. Dr. Michael Strugl MBA as Chairman of the Executive Board with effect from 1 January 2021.

The following changes were made to the composition of the Supervisory Board in the reporting year: in the course of the election of the new Supervisory Board at the Annual General Meeting on 16 June 2020, Mag. Dr. Christine Catasta, Dr. Susan Hennersdorf, Prof. Dr. Barbara Praetorius, DI Eckhardt Rümmler and Mag. Christa Schlager were elected to replace Mag. Elisabeth Engelbrechtsmüller-Strauß, Mag. Harald Kaszanits, Mag. Werner Muhm, Dr. Susanne Riess and Christa Wagner as capital representatives.

The criteria set out in the diversity concept were taken into account to a considerable extent in the election of the new Supervisory Board. In particular, the Supervisory Board has succeeded in becoming more international, increasing the representation of women and attracting a broad range of experts in their respective fields.

The Supervisory Board would like to thank the departing members for their many years of service on the Supervisory Board and its committees.

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. 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.

Pursuant to the requirements of the Code (Rule 36), the Supervisory Board again conducted a self-evaluation of its activities, particularly of its organisation and work procedures. The evaluation was carried out in the reporting period by means of qualitative and quantitative interviews with all Supervisory Board members and Executive Board members conducted by an external consultant. The results of the evaluation and the suggestions for measures derived on this basis were discussed in detail at the Supervisory Board meeting in December 2020. 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.

With the amendment to its rules of procedure resolved on 16 June 2020, the Supervisory Board permanently established its own Sustainability Committee for the first time. This 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 new Sustainability Committee held one meeting during financial year 2020.

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

The Strategy Committee of the Supervisory Board is responsible above all for coordinating corporate strategy with the Executive Board, conducting the annual strategy review and supervising any modifications to be made. During the reporting period, the Strategy Committee held three meetings for the purpose of 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 number of members in the Strategy Committee was increased from six to eight in the rules of procedure.

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 2020. The Remuneration Committee held two meetings, which dealt in particular with the agreements on targets and the Executive Board's variable remuneration components as well as the termination agreement with Dipl.-Ing. Wolfgang Anzengruber and an amendment of the Executive Board contract of Mag. Dr. Michael Strugl MBA. The Nomination Committee also held two meetings, at which it dealt with preparations for election of the new Supervisory Board as well as with the appointment of the Chairman of the Executive Board and the extension of the Board contracts. The Emergencies Committee did not meet during 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 2020. 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 2021 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 2020 were audited by Deloitte Audit Wirtschafts-prüfungs 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 2020 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 2020. 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 2021

MMag. Thomas Schmid
Chairman of the Supervisory Board

VERBUND at a glance

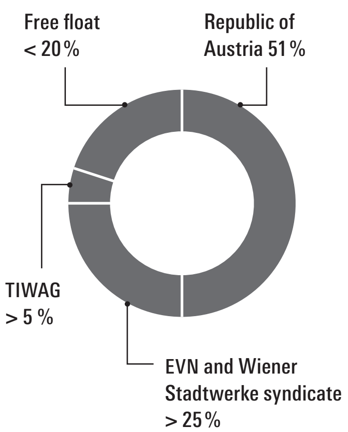
POWERING RENEWABLE ENERGY

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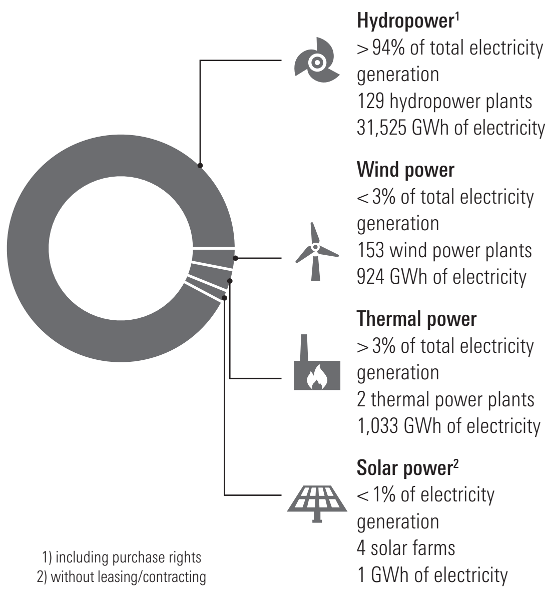
GRI 102-1, GRI 102-2, GRI 102-3,
GRI 102-4, GRI 102-5, GRI 102-6

Our mission is to energise the future with clean electricity from our renewable energy plants and with innovative solutions. VERBUND is Austria's largest power company. Our value chain comprises the generation, transportation, trading and sale of electrical energy and other energy sources as well as the provision of energy services. In 2020, the Group generated annual revenue of around €3.2bn with 2,870 employees. VERBUND has been listed on the Vienna Stock Exchange since 1988, with 51% of the share capital held by the Republic of Austria.

GENERATION

All amounts are for 2020

VERBUND is Austria's leading utility and one of the largest producers of hydroelectricity in Europe. We create security of supply with hydro, wind and thermal power. The Mellach site acts as a bridge to a lower-carbon energy future. Generation of 100% carbon-free electricity will be achieved in the long term.



1) including purchase rights
2) without leasing/contracting

VERBUND's **129**
hydropower plants together have a capacity of over 8,200 MW.

In **March 2020**
coal-fired electricity generation at the Mellach district heating plant was discontinued.

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 2020.

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. This integrates electricity from renewable sources, ensures security of supply in Austria and forms a key basis for a liberalised electricity market throughout the EU.

All other segments
"All other segments" brings together the Thermal generation, Services and Equity interests segments because they are below the quantitative thresholds. The combined cycle gas turbine power plant and the district heating plant in Mellach in Styria are being used in gas operation as needed.

VERBUND's 2030 strategy

Against the backdrop of the COVID-19 pandemic, VERBUND has continuously reviewed its corporate strategy to determine whether the challenging conditions necessitate any adjustments. No material, long-term effects were anticipated at the reporting date, however. This review confirmed the Group's long-term orientation.

TCFD

VERBUND's strategy continues to be based on five strategic pillars: efficient generation of electricity from hydropower; expansion of electricity generation from renewable energy sources such as wind and solar power; sustainable expansion and safe operation of the Austrian high-voltage grid; use of the flexible power plants to maintain security of supply in Austria; and the Sales segment, with provision of customer-centric, innovative products and services. In implementing its strategy VERBUND supports the following SDGs: Affordable and clean energy (SDG 7), Industry, innovation and infrastructure (SDG 9), Responsible consumption and production (SDG 12) and Climate action (SDG 13).

Efficient generation of electricity from hydropower is and will remain the core business of VERBUND as one of Europe's biggest producers of hydroelectricity. VERBUND's strategy is twofold: maintaining the value of its 129 existing hydropower plants while continuously improving its flexible generation facilities so that the Group can continue to ensure carbon-free base-load and peak-load energy generation in its core markets of Austria and Germany. By implementing initiatives such as the Digital Hydro Power Plant pilot project, VERBUND is setting new standards in the digitalisation of hydropower. In addition to maintaining value and optimising the existing generation portfolio, VERBUND focuses its activities on harnessing existing hydropower potential in an environmentally compatible manner.

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

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

The use of VERBUND's flexible thermal power plants is instrumental in maintaining security of supply in Austria. The Mellach site with its power plants acts as a bridge to a low-carbon energy future. To advance decarbonisation efforts, the Mellach district heating plant was switched over to gas operation in 2020. Further down the line, promising technologies for the future of energy such as hydrogen will also be researched and tested at the Mellach site. VERBUND sees itself as a partner to its customers in the energy sector, especially in relation to the development of innovative, sustainable solutions. The electricity trading activities serve to optimise the marketing of VERBUND's own generation, with innovative green electricity and flexible products enhancing the value of its electricity. However, VERBUND is also continuously expanding its portfolio with customer-focused commercial products and new services. In the sales area VERBUND offers consumers clean electricity and climate-neutral gas, along with other energy-related products and innovative solutions to promote the efficient use of energy. Particularly in the case of cross-sectoral projects involving alternative energy sources and new storage technologies, VERBUND is positioning itself as a leading enterprise in the field of sector coupling together with its partners from business and society.

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

Strategic pillars of VERBUND's 2030 strategy

Efficient hydropower generation

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

New renewables generation

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

Safe grid operation

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

Security of supply

Use of existing flexible gas-fired power plants to maintain security of supply in Austria as a bridge to a low-carbon energy future

Customer-centric solutions

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

The acquisition of OMV's 51% stake in Gas Connect Austria GmbH (GCA) at the end of September 2020 was a major step in the strategic further development of VERBUND – in particular to put VERBUND in an ideal position for sector coupling in the long term with the potential to participate in a future hydrogen economy. The highly sophisticated transport infrastructure of GCA combined with VERBUND's renewable generation portfolio has the potential to make an important and valuable contribution to the achievement of climate targets and will ensure that we can benefit from the future development of a green hydrogen system in Europe.

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

Corporate objectives

GRI 102-14

TCFD

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

Material topics	Corporate objectives
Increasing enterprise value[1]	Financial stability: Net debt/EBITDA < 3.0
	Return on capital: ROCE > 7.0 %
	Target/ensure an A-level rating
Security of supply	Maintain value and expand further in the field of hydropower generation
	Provide flexible generation units
Safe grid operation	Implement network development plan
New renewables generation	20–25 % of the total electricity generated by 2030 will come from wind and solar power
Customer relations	Customer Loyalty Index: ⩾ 75 points
Innovation	Develop and implement a VERBUND start-up engagement programme
	Conclude an international innovation partnership
	Develop and launch new flagship projects throughout the strategic innovation areas
	(Further) develop a VERBUND innovation index
Digitalisation, information security and data protection	Implement projects focused on rolling out digital solutions throughout the Group's value chain
	Set up a technology radar for proactive identification and evaluation of innovative digital solutions
	Reach all relevant employees in relation to awareness of data and information security
	Implement the planned information security projects
Climate protection	Reduce specific emissions to < 10g CO_2e/kWh (Scope 1) by 2021[2]
Use of energy and resources	Reduce energy intensity by 25 % (2015–2021)
	Reduce water intensity by 50 % (2015–2021)
	Reduce material intensity in thermal power plants by 80 % (2015–2021)
	Implement economic efficiency measures from energy audits
Environmental protection and conservation	Invest around €280m by 2027 in environmental measures at rivers such as fish passes and restoration
	Increase number of fish passes by 50 % (2015–2021)
	Reduce NO_x emissions by 80 % (2015–2021)
	Reduce SO_2 emissions by 100 % (2015–2021)
	Reduce dust emissions by 90 % (2015–2021)
Occupational health and safety	Lost time injury frequency (LTIF) ⩽ 5
	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 disabled persons (currently 4 % in Austria and 5 % in Germany)
Compliance	100 % participation rate in mandatory compliance training

[1] based on existing asset and value chain structure // [2] emission targets to be reviewed in financial year 2021 based on the acquisition of a stake in Gas Connect Austria GmbH and the contribution of the Mellach site to security of supply

Investor relations

Upcoming dates:

Record date for Annual General Meeting: 10 April 2021
Annual General Meeting: 20 April 2021
Ex-dividend date: 27 April 2021
Record date for dividends: 28 April 2021
Dividend payment date: 10 May 2021
Results for quarter 1/2021: 12 May 2021

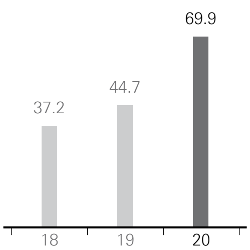
International capital market environment in 2020

2020 was a year on the stock markets that investors are unlikely to forget in a hurry. After a good solid start to the year, the global outbreak of the COVID-19 pandemic caused share prices to plunge in March 2020. This was followed by a surprisingly strong recovery in subsequent months, due in no small measure to the extensive and unprecedented monetary and fiscal policy measures taken by central banks and governments. However, the considerable volatility on the stock markets continued throughout 2020, the main drivers of which included the tug-of-war over the outcome of the US presidential election, the trade dispute between the USA and China, Brexit in Europe and the in some cases far-reaching restrictions imposed in response to further waves of COVID-19. The tension in many of these areas of conflict eased towards the end of 2020, aided by approval of the initial vaccines against COVID-19.

Despite all these factors of influence, some new all-time highs were recorded on the stock markets in the United States amid one of the worst crises the real economy has seen since World War II. The US Dow Jones Industrial stock index ended 2020 up 7.2 %. The Euro Stoxx 50, on the other hand, delivered a significantly poorer performance, posting losses of 5.1 % compared with year-end 2019. Japan's Nikkei 225 index turned in a better performance by comparison because Asia largely managed to get a handle on the COVID-19 pandemic faster than other regions in 2020. The index ended the year up 16.0 %. The emerging markets also saw positive trends. The MSCI Emerging Markets Index closed 2020 up 15.8 % on the 2019 year-end figure. By contrast, the COVID-19 pandemic hit the ATX particularly hard in 2020, but even Vienna's leading index recouped some of its losses after reaching its low in March 2020. All the same, it ended 2020 down 12.8 % and finished 2020 trading at 2,780.4 points.

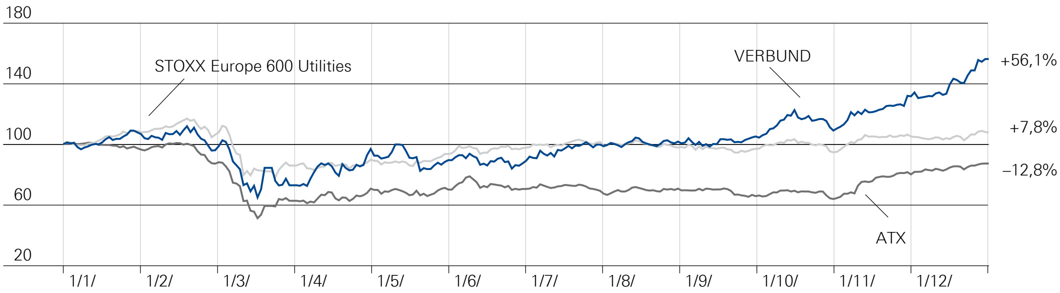
VERBUND shares

Closing prices VERBUND shares €/share



VERBUND shares performed very encouragingly in 2020 in spite of the drastic market distortions caused by the global COVID-19 pandemic and continued the growth trend seen in 2019. Following the COVID-19-induced slump in March, the price of VERBUND shares climbed steadily to reach a new all-time high at the end of 2020. VERBUND shares thus closed financial year 2020 trading at €69.9, an increase of 56.1 % on the figure for 31 December 2019. This significant increase was caused by the improvement in the energy market climate for renewable energy producers from mid-2020 onwards and by the Group's sustainable positioning. As a result, VERBUND shares substantially outperformed the Austrian ATX in a year in which the ATX posted losses of 12.8 % as a whole, but also the European STOXX Europe 600 Utilities sector index, which was up 7.8 % in 2020. Moreover, with a market capitalisation of €24.3bn VERBUND was Austria's largest listed company at the end of 2020 by a large margin.

VERBUND share price: relative performance 2020



KPIs – shares

	Unit	2019	**2020**	Change
Share price high	€	55.3	69.9	26.4 %
Share price low	€	38.0	29.0	–23.7 %
Closing price	€	44.7	69.9	56.1 %
Performance	%	20.1	56.1	–
Market capitalisation	€m	15,543.4	24,267.0	56.1 %
ATX weighting	%	6.2	10.7	–
Value of shares traded	€m	4,399.9	4,742.1	7.8 %
Shares traded per day	Shares	379,239	417,949	10.2 %

Investor relations team activities in 2020

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 outbreak of the COVID-19 crisis required increased communications activities, nearly all of which took place in virtual formats. The IR team participated in several virtual road shows in Europe and the United States in 2020, 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 15 renowned Austrian and international investment banks, thus ensuring their visibility in the capital market. The following investment banks covered VERBUND as at 31 December 2020:

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

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

Current ratings

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

As at 31 December 2020, VERBUND's ratings were as follows:
- Standard & Poor's: A/stable outlook
- Moody's: A3/stable outlook

VERBUND in sustainability indices and sustainability rankings

Sustainable investments in the capital markets remained popular in 2020. Both customers and European Commission initiatives on sustainable finance prompted investors to focus more on ecological, ethical and social criteria. This trend has been further reinforced by the current health and economic crisis, because it is assumed that sustainable companies are more resilient and survive crises better. VERBUND's systematic pursuit of a sustainable business model also had a positive effect on its sustainability ratings.

The rating VERBUND was given by Sustainalytics improved to 18.1/100 points (2019: 20.2; note: the lower, the better), which increased the Group's position in the "low risk" category. This respectable rating underpins VERBUND's solid management of sustainability risks. Sustainalytics particularly emphasised the goal of expanding new renewables (keywords: wind and solar power) and the further improvement of occupational health and safety management.

ISS-oekom also updated its ratings of VERBUND in 2020 and again attested to the high standard of sustainability management. ISS-oekom gave VERBUND a further rating of "B", making special mention of the Group's robust environmental management and VERBUND's efforts to mitigate climate change.

In its ESG rating, US financial services provider MSCI again gave VERBUND an excellent overall rating of "AA" in 2020, underlining the Group's firm biodiversity measures aimed at reducing the effects on fauna and flora.

In the Carbon Disclosure Project (CDP) rating VERBUND achieved an A–, placing it among the top Austrian companies and above the global and European average (C) and the energy sector average of B. CDP attested VERBUND particularly strong performance in relation to its reduction targets, its risk management approach and its governance.

VERBUND was the top performer in Vienna's leading index, the ATX, in 2020 and had the largest market capitalisation.

VERBUND was included in the following sustainability indices as at 31 December 2020:

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

Please refer to:
www.voenix.at

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 2020 as amended in January 2020 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 2021. 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 2020 are the same as those applied in the previous year. From a total of 83 rules in the Code, there are slight deviations in the application of only two C Rules which are to some extent the result of legislative circumstances. In accordance with the "comply or explain" principle, these deviations are explained below:

C Rule 2:

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

C Rule 45:

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

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

Executive Board

Composition of the Executive Board

In financial year 2020, the Executive Board was composed of four members. GRI 102-18

The term of office of Dipl.-Ing. Wolfgang Anzengruber, who served as Chairman of the Executive Board of the VERBUND Group for twelve years, ended on 31 December 2020. Since 1 January 2021, GRI 405-1 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 Dipl.-Ing. Wolfgang Anzengruber Chairman	1956	1/1/2009	31/12/2020
Vice-Chairman Mag. Dr. Michael Strugl MBA Member of the Executive Board	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
Dipl.-Ing. Wolfgang Anzengruber	VERBUND Hydro Power GmbH	Supervisory Board, Annual General Meeting	Chairman Chairman
	VERBUND Thermal Power GmbH	Supervisory Board	Chairman
	VERBUND Green Power GmbH	Annual General Meeting	Vice-Chairman
	Ennskraftwerke AG	Supervisory Board	1st Vice-Chairman
Mag. Dr. Michael Strugl MBA	VERBUND Energy4Business GmbH	Supervisory Board, Annual General Meeting	Chairman Chairman
	Austrian Power Grid AG	Supervisory Board	Member
	VERBUND Hydro Power GmbH	Supervisory Board	Member
	VERBUND Green Power GmbH	Annual General Meeting	Chairman
	VERBUND Energy4Customers GmbH	Annual General Meeting	Chairman
	E-Mobility Provider Austria GmbH	Annual General Meeting	Chairman
	SMATRICS GmbH & Co KG	Shareholders' Meeting	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	1st Vice-Chairman
	VERBUND Green Power GmbH	Annual General Meeting	Member

Mag. Dr. Achim Kaspar	Ennskraftwerke AG	Supervisory Board	Member
	VERBUND Hydro Power GmbH	Supervisory Board	1st Vice-Chairman
	VERBUND Innkraftwerke GmbH	Supervisory Board, Shareholders' Meeting	Chairman Chairman
	Grenzkraftwerke GmbH	Supervisory Board, Annual General Meeting	Chairman Chairman
	Innwerk AG	Supervisory Board	Chairman
	Donaukraftwerke Jochenstein AG	Supervisory Board	Chairman
	Österreichisch-Bayerische Kraftwerke AG	Supervisory Board	Chairman
	VERBUND Thermal Power GmbH	Supervisory Board	1st Vice-Chairman
	VERBUND Green Power GmbH	Annual General Meeting	Member

Supervisory Board appointments of Executive Board members outside the Group

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

[1] as at 31 December 2020, VERBUND held a 35.17 % 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 must work together. In addition, they lay down the Executive Board's duties to notify and report, and contain a list of measures that require approval by the Supervisory Board. The measures requiring approval also include material transactions proposed by the Group's main subsidiaries. At the meeting of the Supervisory Board on 2 December 2020, 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 (applicable from 1 January 2021).

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 (until 31 December 2020)

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

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 2020, the Supervisory Board has a total of 15 members. Ten shareholder representatives elected by the Annual General Meeting and five employee representatives appointed by the Works Council.

During the reporting period, the following changes occurred in the composition of the Supervisory Board as a result of the expiry of terms of office:

At the AGM held on 16 June 2020, Mag. Dr. Christine Catasta, Dr. Susan Hennersdorf, Prof. Dr. Barbara Praetorius, DI Eckhardt Rümmler and Mag. Christa Schlager were elected to the Supervisory Board as shareholder representatives in the place of Mag. Elisabeth Engelbrechtsmüller-Strauß, Mag. Harald Kaszanits, Mag. Werner Muhm, Dr. Susanne Riess and Christa Wagner. There were no changes in the employee representatives in the reporting period.

Name	Year of birth	Date of initial appointment	End of current term of office
MMag. Thomas Schmid Chairman Member of the board of directors of Österreichische Beteiligungs AG; Member of the supervisory boards of OMV AG (vice-chairman), Telekom Austria AG (member), Bundesimmobiliengesellschaft m.b.H. (chairman), ARE Austrian Real Estate GmbH (chairman) and Österreichische Lotterien GmbH (member)	1975	30/4/2019	AGM 2024
Mag. Martin Ohneberg 1st Vice-Chairman Managing partner of HENN Industrial Group GmbH & Co KG, HENN GmbH and HENN GmbH & Co KG; Member of the supervisory boards of Aluflexpack AG, Switzerland (president) and ASTA Energy Transmission Components GmbH (member)	1971	30/4/2019	AGM 2024
Mag. Dr. Christine Catasta 2nd Vice-Chairwoman (from 16/6/2020) Director (authorised representative) of Österreichische Beteiligungs AG; Member of the supervisory boards of Erste Bank der oesterreichischen Sparkassen AG (member), Austrian Airlines AG (member), ÖLH Österreichische Luftverkehrs-Holding-GmbH (member) and Casinos Austria AG (member)	1958	16/6/2020	AGM 2024
Mag. Elisabeth Engelbrechtsmüller-Strauß 2nd Vice-Chairwoman (until 16/6/2020)	1970	22/4/2015	16/6/2020
Dr. Susan Hennersdorf (from 16/6/2020) CEO cresc. gmbH; Member of the supervisory board of Tele Columbus AG (member)	1967	16/6/2020	AGM 2022
Mag. Harald Kaszanits (until 16/6/2020)	1963	7/4/2010	16/6/2020
Mag. Werner Muhm (until 16/6/2020)	1950	22/4/2015	16/6/2020
Prof. Dr. Barbara Praetorius (from 16/6/2020) Professor at HTW Berlin	1964	16/6/2020	AGM 2022
Dr. Susanne Riess (until 16/6/2020)	1961	22/4/2015	16/6/2020
Mag. Jürgen Roth Managing partner at Tank Roth GmbH; Member of the supervisory boards of ICS Internationalisierungscenter Steiermark GmbH (chairman) and ELG (Erdöl-Lagergesellschaft m.b.H.)	1973	22/4/2015	AGM 2023
Dipl.-Ing. Eckhardt Rümmler (from 16/6/2020) 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. Christa Schlager (from 16/6/2020) 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
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/CEESEG AG (member)	1964	23/4/2018	AGM 2023
Christa Wagner (until 16/6/2020)	1960	7/4/2010	16/6/2020
Dipl.-Ing. Peter Weinelt Managing director of Wiener Stadtwerke GmbH and Wiener Stadtwerke Planvermögen GmbH; Member of the supervisory boards of Wien Energie GmbH (chairman), Wiener Netze GmbH (chairman) and Burgenland Holding Aktiengesellschaft (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 representative

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, 27 % are between the ages of 30 and 50 and 73 % are over 50.

Independence

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

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

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

In addition, the following shareholder representatives in the Supervisory Board meet the criteria for independence contained in C Rule 54 (not representing the interests of a shareholder with a stake exceeding 10 %): Ohneberg, 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

Six plenary meetings of the Supervisory Board were held during financial year 2020. 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 93 %. 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 2019;
- 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;
- principles for Executive Board and Supervisory Board member remuneration (remuneration policy);
- appointment of managing directors in subsidiaries;
- changes to rules of procedure relating to the formation of a Sustainability Committee;
- Kuchalm wind project;
- acquisition of a 51 % stake in Gas Connect Austria GmbH;
- acquisition of a battery storage project;
- transfer of gas boiler plant to Energy Steiermark Wärme GmbH;
- approval of agreements with entities that are related parties of Supervisory Board members;
- cooperation on project development for solar power in Germany;
- VERBUND AG borrowings in 2021; and
- approval of the Group budget for 2021.
- (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 73rd Annual General Meeting on 16 June 2020, the actions of all Supervisory Board members were formally approved.

As required by the Austrian Code of Corporate Governance (Rule 36), the Supervisory Board also evaluates its activities, in particular its organisation and work procedures, itself. In the reporting period, this self-evaluation was conducted on the basis of qualitative and quantitative interviews carried out by an external consultant with all Supervisory Board members and Executive Board members. The results of this evaluation and the suggestions for measures derived from them were discussed in detail at the Supervisory Board meeting in December 2020.

Composition and work procedures of the committees

In June 2020, the Supervisory Board adopted an amendment to its rules of procedure and accordingly established its own permanent Sustainability Committee. In addition, the number of elected members of the Strategy Committee was increased.

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. 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
MMag. Thomas Schmid	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 2020. The activities of the Audit Committee focused on:

- preparing the resolution on the consolidated financial statements for 2019 and the annual financial statements of VERBUND AG for 2019 including appropriation of profit;
- proposal for the election of the auditor;
- risk management incl. areas of emphasis and strategic risks;
- acknowledgement of the semi-annual financial statements for 2020;
- audit process and 2020 audit areas of emphasis (auditor);
- financial reporting process;
- SAP status report;
- audit and non-audit services performed by the auditor;
- acknowledgement of the reports of the Executive Board;
- 2021 budget and financial report; and
- acknowledgement of the audit programme and audit reports of the Internal Audit department.

Strategy Committee

A Strategy Committee has been established in accordance with the applicable rules of procedure. Since the amendment of the rules of procedure in June 2020, it is comprised of five (previously four) members of the Supervisory Board elected by the shareholders and three (previously two) employee representatives in accordance with Section 92(4) AktG. The chairperson and vice-chairperson of the committee are elected from among its members.

The Strategy Committee is responsible for developing a corporate strategy in collaboration with the Executive Board and for the annual review of strategy and support of any adaptive measures 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
Dr. Susan Hennersdorf	Member
Prof. Dr. Barbara Praetorius	Member
MMag. Thomas Schmid	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) is a committee for decision-making in urgent situations. The chairperson is required to make the necessary preparations for rapid decision-making on matters that fall within the remit of the Emergencies Committee or are referred to that committee for a decision (convening a meeting at short notice, video conferences). The grounds for urgency must be stated. The Emergencies Committee makes decisions on all matters where an immediate Supervisory Board decision is needed to gain economic advantages or fend off the threat of financial damage.

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

The committee did not meet during the reporting period.

Members of the Emergencies Committee

Name	Function
MMag. Thomas Schmid	Chairman
Mag. Martin Ohneberg	Vice-Chairman
Mag. Dr. Christine Catasta	Member
Dipl.-Ing. Eckhardt Rümmler	Member
Doris Dangl	Employee representative
Kurt Christof	Employee representative

Remuneration Committee

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

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

Members of the Remuneration Committee

Name	Function
MMag. Thomas Schmid	Chairman
Mag. Martin Ohneberg	Vice-Chairman
Mag. Dr. Christine Catasta	Member

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

The Remuneration Committee met two times during 2020. The meetings dealt with the agreements on targets and level of target achievement for the Executive Board's variable remuneration components, in addition to the conclusion of a termination agreement with Dipl.-Ing. Wolfgang Anzengruber and amendment of the contract with Executive Board member Mag. Dr. Michael Strugl MBA.

Nomination Committee

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

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

Members of the Nomination Committee

Name	Function
MMag. Thomas Schmid	Chairman
Mag. Martin Ohneberg	Vice-Chairman
Mag. Dr. Christine Catasta	Member
Mag. Jürgen Roth	Member
Doris Dangl	Employee representative
Ing. Wolfgang Liebscher	Employee representative

The Nomination Committee met two times during financial year 2020. The meetings dealt with Executive Board matters (appointment of the Chairman of the Executive Board, exercise of the option to extend Executive Board contracts) and preparations for the election of the new Supervisory Board.

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 once in financial year 2020. The meeting dealt with fundamental objectives, particularly the organisation and reporting of sustainability topics and ESG ratings.

Contracts requiring consent – conflicts of interest

GRI 102-25

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.

In financial year 2020, 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. Elisabeth Engelbrechtsmüller-Strauß (until 16 June 2020)
The general authorisation issued by the Supervisory Board in 2015 for the supply of inverters by the Fronius Group in the amount of €600k per year and for the supply of small devices to VERBUND companies in the amount of €60k per year was only partially utilised in financial year 2020. Mag. Elisabeth Engelbrechtsmüller-Strauß is CEO of the Fronius Group. She stepped down from the Supervisory Board of VERBUND AG on 16 June 2020.

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 2020, an order volume totalling €531k was processed on the basis of the existing contracts (excluding transactions with grid subsidiary APG). These primarily involved electricity, gas or grid purchases and usage fees for various VERBUND companies. In addition, there are agreements concerning VERBUND Innkraftwerke GmbH and contractual relationships for the supply of electricity with ENERGIEALLIANZ Austria GmbH, in which EVN holds a 45% interest.

Supervisory Board member Dipl.-Ing. Peter Weinelt
A number of contractual relationships, some of many years standing, exist between VERBUND and the Wiener Stadtwerke Group, of which Dipl.-Ing. Peter Weinelt is managing director. Most of these had already been entered into before Dipl.-Ing. Peter Weinelt became a member of the Supervisory Board. The business transacted under these contracts and their volume are reported to the Supervisory Board on an annual basis. In financial year 2020, an order volume totalling €977k was processed on the basis of the existing contracts (excluding transactions with grid subsidiary APG). This primarily involved invoices for electricity and grid fees and operational management for VERBUND companies. In addition, there are agreements concerning VERBUND Innkraftwerke GmbH and contractual relationships for the supply of electricity with ENERGIEALLIANZ Austria GmbH, in which Wiener Stadtwerke holds a 45% interest.

In financial year 2020, 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.

The Chairman of the Supervisory Board, who is also a member of the Supervisory Board of OMV, was not involved in the transaction to acquire the stake in Gas Connect Austria GmbH from OMV.

Annual 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

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 73rd Annual General Meeting of VERBUND AG was held on 16 June 2020 as a virtual annual general meeting for the first time 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.

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 almost 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.

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

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 nearly 50%.

As at 31 December 2020, eight women held management positions within the Group (first and second levels of management). The percentage of women in management positions is therefore 9%. The percentage of women among employees throughout the Group is 18.3%. 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. The Gender Balance project was launched in 2020 to achieve a sustainably balanced distribution of genders.
- Since 2017, executives from the top level of management have also been measured against targets set to promote the equal treatment of women.
- The VERBUND women's network addresses the ongoing development of a sustainable strategy for the advancement of women within VERBUND.
- Each year, VERBUND awards a scholarship to highly qualified women studying technical subjects.
- VERBUND takes part in Take Your Daughter to Work Day to promote technical careers to girls while they are still at school and awaken their interest in the fascinating technical professions.
- In 2018, VERBUND received the Work and Family Audit certificate for the fourth time.
- On a regular basis, VERBUND prepares an income report comparing the salaries of men and women.

Vienna, 11 February 2021

The 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 after the management report.

General conditions

In 2020, commodity prices for oil, gas and coal decreased year-on-year, mainly due to the gloomy economic prospects produced by COVID-19. The tightening of EU climate targets led to a jump in prices for CO_2 emission rights again following the sharp slump in spring 2020. Prices for electrical energy fell on both the spot and the futures markets as a consequence of the COVID-19 crisis.

Overall demand for electricity in Austria decreased significantly in 2020 due to weaker economic output. In spite of higher generation volumes from hydropower, overall generation of electricity in Austria in 2020 was also lower than in the preceding year.

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

General economic environment

A subdued global economy in 2020

The global economy experienced a severe downturn in 2020 as a result of the COVID-19 pandemic. Reports by the International Monetary Fund (IMF) show that all major economies with the exception of China exhibited negative growth rates. The IMF projects a decline of 3.4 % in economic output in the United States and of as much as 7.2 % in the euro area in 2020. According to IMF forecasts, France, Italy and Spain have been hit particularly hard by the economic crisis, with economic output falling by 10 %. For Germany the IMF anticipates a contraction of 5.4 % in 2020. Worldwide, the IMF estimates that economic output will be down by 3.5 %. China was the only economy to record positive growth rates (+2.3 %), recovering significantly at the end of 2020. The rapid upswing in China in late 2020 also remains largely unaffected by the restrictions imposed by the US government on many Chinese companies.

The IMF expects global growth rates to rise again in the coming years, though the forecasts for next year are lower than those made in autumn 2020. The weaker prognosis stems from the continuing rise in infections due in part to mutations of the original virus and high intensive care use, which could lead to further, longer lockdowns in Europe.

The development of vaccines and drugs to contain COVID-19 provides hope that the economic situation will improve. Until the use of vaccines and medicines has a corresponding effect, economic activities will continue to be impacted for a few more quarters by the reduction in direct contact and partially closed borders. This is why the OECD also predicted at the end of 2020 that the global economy would have to live with the pandemic for another six to nine months at least.

Besides the effects of the pandemic, the ongoing trade disputes between the USA and China and the still incalculable effects of Brexit are causing uncertainty.

The COVID-19 pandemic also caused sharply negative economic growth in Austria, though in summer 2020 it was possible to recoup some of the losses caused by the COVID-19 crisis. Overall, the Austrian Institute of Economic Research (Österreichisches Institut für Wirtschaftsforschung, WIFO) expects the economy to contract by 7.3 % in 2020 versus the previous year. Growth of 4.5 % is expected for 2021, though the third lockdown could push growth down to 2.5 %. The financial measures introduced to prop up the domestic economy caused the Austrian federal government to fall short of its original projection of a balanced budget by a large margin. A balanced national budget is also not expected for another couple of years.

Energy market environment

Decrease in electricity consumption due to COVID-19

Austria's electricity consumption (less pumped storage consumption) in 2020 amounted to 68.7 TWh, down substantially on the prior-year figure. The decrease of around 2.5 TWh (approximately 3.5 %) is due in particular to the negative economic impact of the COVID-19 pandemic. Even in January 2020, i.e. before the onset of the crisis, demand for electricity was below the January 2019 level (–3.3 %). The biggest month-on-month drop was in April 2020, when consumption fell by 13 %. In October 2020, consumption was up slightly on the same month in 2019.

Generation of electricity from hydropower was up 2.0 % on the prior-year figure. The significant drop in generation volumes due to lower precipitation in the first half of 2020 (down 2.3 TWh on the first six months of 2019) was more than compensated for in the second half of the year (an increase of 3.1 TWh compared with the same period in 2019).

Generation from thermal power plants in Austria in 2020 was a substantial 12.5 % (2.3 TWh) lower than in 2019. Generation volumes only exceeded 2019 levels in the months of January and March and in December 2020.

Electricity generation from wind power plants likewise registered a marked decrease owing to lower wind supply. In 2020, generation volumes were 8.5 % lower. By contrast, other generation rose by as much as 8.6 % (0.5 TWh) in 2020. 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. Among other things, this was attributable to the expansion of photovoltaic installations in 2020. Overall, at 71.3 TWh, electricity production in Austria in 2020 was down 2.2 % on the prior-year figure.

Impacted by the low electricity consumption, net imports improved in 2020 compared with the previous year. Compared with 2019, electricity imports fell by 5.9 % and electricity exports by 2.6 %, giving net imports of –2.2 TWh.

Oil prices down compared with 2019

The price for one barrel of Brent crude oil (front month) was around $43/bbl in 2020 compared with approximately $64/bbl in 2019. This represents a decrease of 33 %.

The oil market in 2020 was heavily impacted by the COVID-19 crisis and the resulting decline in demand caused by the economic disruption. This weighed on oil prices in the first half of 2020 in particular. Oil prices virtually collapsed in March and April 2020 owing to a dispute between Saudi Arabia and Russia about production cuts, whereupon the two countries stepped up production – and this at a time when global demand for oil began to collapse in response to the COVID-19 pandemic. From trading at well over $60/bbl at the beginning of the year, oil prices fell to a low for the year of slightly below $20/bbl in April 2020. A recovery then set in, and from June 2020 onwards oil was trading at $40/bbl or higher once more. Until October, there was not very much movement to report in the oil market, which only began to see some momentum again in November. The economic recovery in parts of Asia and good news on the COVID vaccine development front pushed oil prices up to marginally above $50/bbl by year-end 2020.

Decrease in gas prices

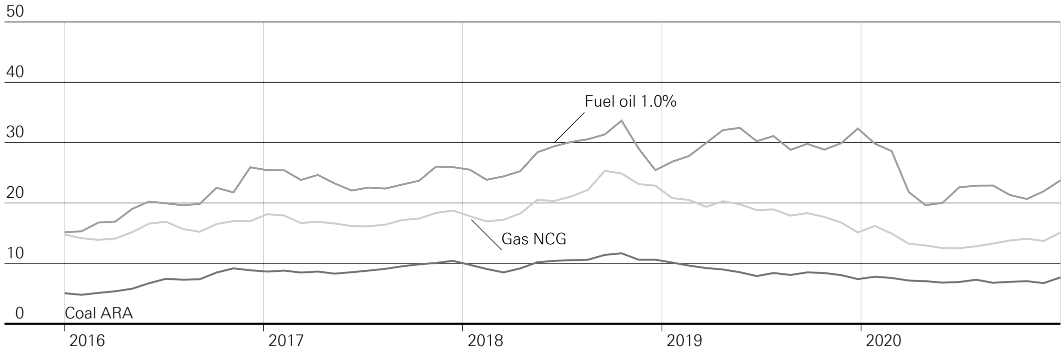
Prices on the well-supplied spot market at the European NCG trading point decreased by over €4/MWh (32 %) year-on-year to significantly below €10/MWh on average in 2020. In futures trading, invoiced amounts for supplier contracts for the coming year (NCG front year) were around €14/MWh in 2020. This is nearly €5/MWh or 26 % lower than prices for NCG front year in 2019. In particular, the gloomy economic prospects as a consequence of the COVID-19 crisis put pressure on gas prices in Europe and worldwide in 2020.

Decrease in steam coal prices

Steam coal prices also witnessed a decline in 2020 compared with the previous year. Coal prices on the futures market (ARA front year) were down $12/t (17 %) on the prior year at an average of $58/t.

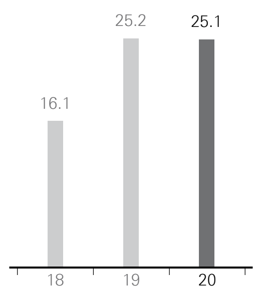
Coal prices on the spot market likewise took a nosedive. Averaging $50/t in 2020, these were 18 % lower than the average listing in the previous year. Coal-fired electricity generation in Europe declined for a number of reasons, starting with weak demand for electricity as a consequence of the COVID-19 crisis. However, higher generation from renewables and the relatively cheaper electricity generation from gas due to more expensive CO_2 emission rights also had an adverse effect on coal-fired generation. No stimulus for the coal market came from other parts of the world either. The COVID-19 crisis curbed demand worldwide and filled coal stores. Commodities across the board suffered from oversupply in 2020.

Coal, oil and gas price performance €/MWh thermal



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

CO_2-emission rights prices €/t CO_2



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

Stagnating carbon prices

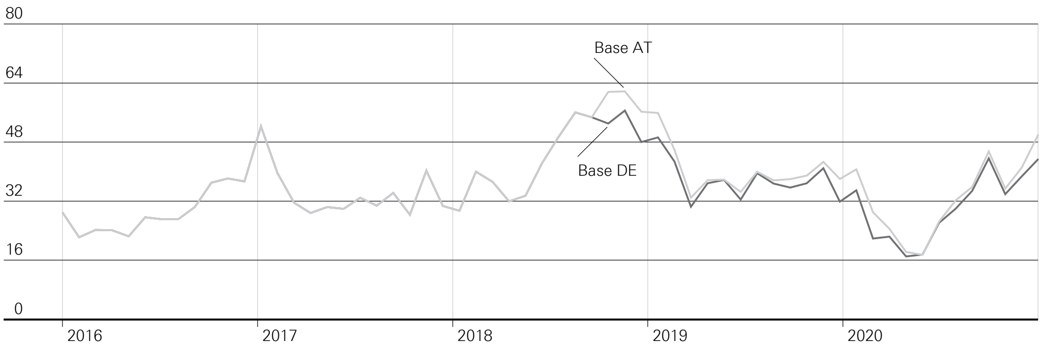
The COVID-19 crisis also impacted negatively on the carbon market: after a period of relatively stable prices of around €25/t (futures market front year) early on in 2020, a short but sharp crash came in mid-March. During this period of weakness, carbon prices slipped below €16/t. However, prices recovered rapidly to top €20/t at the beginning of April and were back trading above €25/t around mid-year. The €30/t mark was also exceeded at the end of financial year 2020. Factors behind this price increase were the EU's tightening of climate targets and the positive signals regarding the approval of COVID-19 vaccines. Averaging €25.1/t, carbon prices in 2020 were therefore only marginally below the 2019 average of €25.2/t.

Falling prices on the market for wholesale electricity

In 2020, the market for wholesale electricity was shaped by a significant decline in prices, both on the spot market and on the futures market. These two markets were impacted by the COVID-19 crisis, with falling prices for primary energy and the lockdown in most countries in Europe plus the associated drop in demand for electricity having a negative effect.

The average price for base load electricity deliveries in the Austrian bidding zone on EPEX Spot, the European electricity exchange spot market, decreased by 17% year-on-year to €33.1/MWh in 2020. At €39.9/MWh, peak-load prices were 14% lower than average prices for 2019. The average price for immediate base load electricity deliveries in the German market area in 2020 was €30.5/MWh (down 19% on the previous year), and the price for peak-load energy was €37.5/MWh (down 16%). In the months of April and May 2020, the average base spot price in the German market area fell to below €18/MWh. This constituted a historic low. Prices in Austria during this period were not much higher.

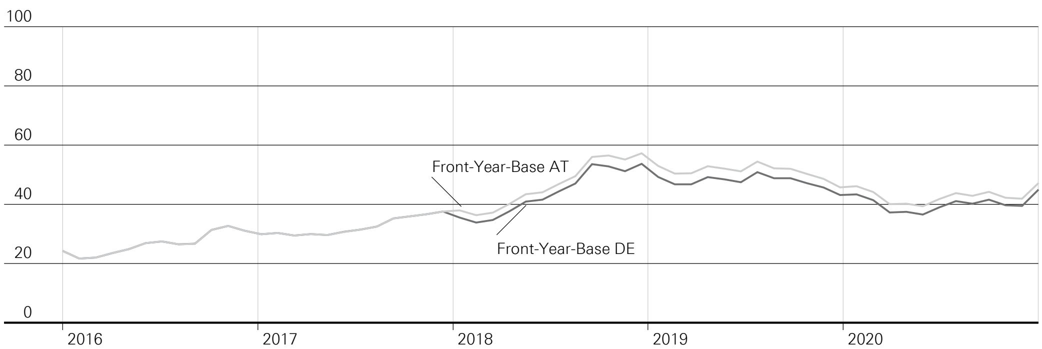
Spot market electricity price performance (Base) in €/MWh



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 2021 (front year base) was traded at an average price of €42.8/MWh in 2020 in the Austrian market area and peak load (front year peak) was traded at €52.0/MWh. This constitutes a decrease of 16% year-on-year. In the German market area, front year base traded at an average of €40.2/MWh and front year peak at €49.0/MWh in 2020. This corresponds to a decrease of 16% and 15%, respectively.

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



2016-2017 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 2020 had only a minor influence on revenue in the reporting period.

Political and regulatory framework

The Austrian federal government under Chancellor Kurz (ÖVP) and Vice Chancellor Kogler (Green Party) was sworn in at the beginning of January 2020. The basis for the government's work is the Government Programme, which comprises numerous energy and climate policy objectives, notably the goal of achieving climate neutrality by 2040, as well as initiatives and measures related to carbon pricing. For example, Austria aims to meet 100% of its electricity demand (annual balance) from renewable sources by 2030. As a consequence of the global spread of COVID-19, from quarter 2/2020 onwards the federal government's work was focused on COVID-19 pandemic response activities.

EU energy policy

European Green Deal

TCFD

European energy policy in 2020 was shaped to a significant degree by the European Green Deal that had been presented in December 2019. The Green Deal is a comprehensive strategy document that coherently consolidates the European Commission's measures in relation to climate action, the energy transition, the circular economy and protection of biodiversity. One of the core points of the Green Deal was possibly raising climate change targets for 2050, and for 2030, as proposed during the year now ended in the form of the European Climate Law.

European Climate Law

The European Commission published the European Climate Law in March 2020 in connection with the European Green Deal. The Climate Law proposes to strengthen the European greenhouse gas reduction target for 2050 from the current 80–95% compared with 1990 levels to a (net) 100% in order to achieve climate neutrality. Accordingly, the Commission also proposed an increase in the 2030 climate target to reduce greenhouse gas emissions by at least 55% compared with 1990 levels. The current target is 40%. The final targets will be determined in the course of the trilogue negotiations between the Council and the Parliament that had not been concluded at the time this report was being prepared. However, the Commission assumes that the targets will be raised and has started to adapt sectoral legislation accordingly, e.g. in relation to the EU Emissions Trading System (ETS) and the Renewable Energy Directive.

EU recovery plan

EU member states took a serious economic hit in 2020 as a consequence of the COVID-19 pandemic. To support the reconstruction and initiate the necessary economic reforms at the same time in an effort to achieve greater climate compatibility and digitalisation, the Commission adopted the EU recovery plan in May 2020. Comprising the regular EU budget plus an extraordinary economic stimulus package, the recovery plan has a total volume of around €1.8tn. If approved by the European Council and the European Parliament, the extraordinary funds will be earmarked in particular for government measures to combat climate change, advance digitalisation and promote biodiversity in 2021 and 2022.

Sustainable finance

After the Taxonomy Regulation entered into force in June 2020, the Commission published the draft delegated act setting out technical screening criteria for the environmental objectives of climate change mitigation and adaptation in November 2020. The fundamental classification of hydropower as a transitional technology ultimately did not find its way into the Commission's draft, which means that hydropower is now considered sustainable subject to specific limits. Until 18 December 2020, there was an opportunity for stakeholders to participate in a consultation on the draft, in which VERBUND also participated.

Hydrogen, IPCEIs & Clean Hydrogen Alliance

In summer 2020, the European Commission adopted the European Hydrogen Strategy as well as the EU Energy Systems Integration Strategy, which addresses sector coupling and sector integration. The core objective of the EU hydrogen strategy, which focuses on renewable hydrogen, is to implement 6 GW of electrolysis capacity in Europe by 2024. These two strategic projects are complemented by the European Commission's industrial policy IPCEI (Important Projects of Common European Interest) initiative, which provides for preferential treatment under state aid law for projects with IPCEI status. On the corporate side, implementation of the strategy will be supported and advanced by the Clean Hydrogen Alliance.

New legal framework for the energy sector in Austria

TCFD

2021 legislative package on renewable energy expansion – 2020 grid reserve

The Austrian Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK) submitted the legislative package on renewable energy expansion for review on 16 September 2020. This legislative package will transpose large sections of the EU's Renewable Energy Directive (REDII) and initial sections of the EU's Internal Electricity Market Directive into national law. The BMK's primary goals are to fundamentally update the Austrian support system for green electricity, to meet 100 % (national balance) of domestic electricity demand from renewable energy sources by 2030 and to create new opportunities for participation in renewable energy projects through energy communities. The topics of renewable hydrogen and renewable gases have been largely excluded for the time being, though talks are continuing in parallel. A parliamentary decision on the overall package will not be possible until the beginning of 2021 at the earliest.

A decision on the revision of the grid reserve was urgently needed, firstly for reasons of EU law and secondly to ensure planning security for the control area manager APG and the grid reserve providers (especially thermal power plant operators in Austria). This aspect was therefore removed from the overall package and unanimously adopted by means of a parliamentary decision on 10 December 2020.

New Energy Efficiency Act from 2021

A new Energy Efficiency Act (Energieeffizienzgesetz, EEffG), which will serve in particular to implement the requirements of the EU Energy Efficiency Directive for the years 2021 to 2030, was not presented in 2020 and is now expected for 2021. While the original assumption was 500 PJ (1 PJ = 0.28 TWh) of cumulative final energy savings for Austria, it seems that the national targets will actually exceed this already ambitious European target. Currently, it looks as if the targets will be achieved with a mix of strategic measures and a supplier obligation in combination with an energy efficiency fund.

Reform of grid usage fees – E-Control's "Tarife 2.1" paper

At the beginning of 2016, E-Control (ECA) published a consultation document in German entitled "Tarife 2.0" on the further development of the grid charge structure. The ECA thoroughly revised its position paper again in June 2020. Entitled "Tarife 2.1", this document was open for consultation in summer 2020. A central point in the paper is that with a nationwide smart meter roll-out, the capacity component of the grid tariffs should also be increased at the lowest grid level 7. The ECA's position is expected to be taken into account within the framework of the major amendment to the Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) planned for 2021 to implement the requirements set forth in the EU's Internal Electricity Market Directive and Regulation.

Important projects of common European interest (IPCEIs): call for expressions of interest

In quarter 4/2020, the Austrian Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK) launched a call for expressions of interest in participation in IPCEI projects. Interested project applicants had the opportunity to submit projects to obtain IPCEI status, which grants preferential treatment under state aid law. VERBUND participated in the call for expression of interest with four projects.

New legal framework for the energy sector in Germany

Amendment to the Renewable Energy Sources Act (EEG)

TCFD

The German Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz, EEG) of 2017 is being replaced by a substantially amended EEG that came into force on 1 January 2021. EEG 2021 sets the path for making all electricity in Germany greenhouse gas neutral by 2050. This applies both to electricity produced domestically and to imports. The Act does not specify that 100 % of the electricity must be generated from renewable energy sources. The interim goal, to be achieved by 2030, is to meet 65 % of electricity demand from renewable energy. Expansion paths are envisaged for the individual technologies. Onshore wind energy is to grow from currently 54 GW to 71 GW in 2030, installed photovoltaic capacity from 52 GW to 100 GW. Due to the agreement of the European Council in mid-December 2020 to reduce greenhouse gas emissions by 55 % by the end of 2030 compared with 1990 levels instead of 40 %, a significantly higher expansion path for renewable electricity generation is needed than that laid out in EEG 2021. The governing parties therefore agreed on higher expansion targets for renewables. Detailed regulations on this matter were excluded from the EEG process, however. Instead, the federal government will make a proposal on the precise expansion paths during quarter 1/2021.

Germany's hydrogen strategy

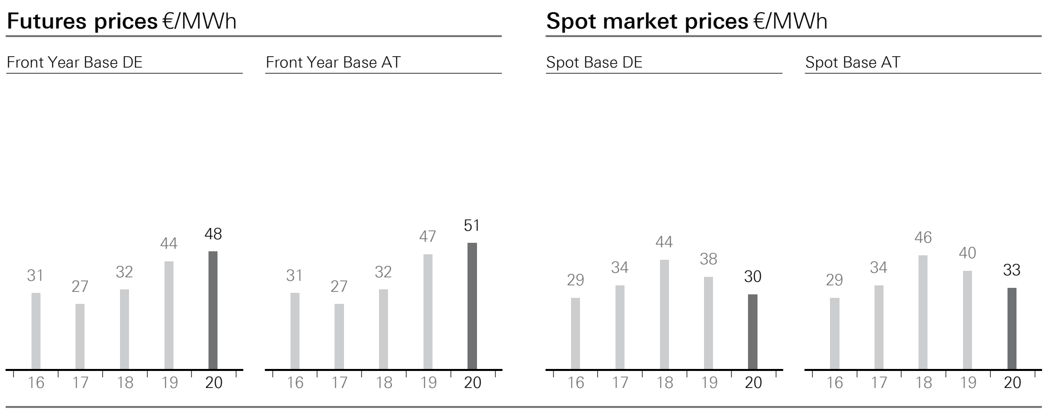
The German government unveiled its hydrogen strategy in June 2020. This provides for the creation of a hydrogen economy and focuses primarily on green hydrogen. By 2030, 5 GW of electrolysis capacity with annual capacity of 14 TWh is to be established throughout Germany (to be doubled by 2040). Demand for hydrogen is forecast to reach 90–110 TWh by 2030. The steel industry and refineries as well as transportation with a focus on heavy goods, shipping and air transport have been identified as customers. The gap is to be closed with imports. The gas infrastructure in particular has an important role to play in hydrogen transportation. Other possibilities, such as transportation using a transport medium, are mentioned in the strategy.

Finance

Factors affecting the result

Wholesale electricity prices

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, and prices for DE 2020 front-year base load contracts averaged €47.8/MWh. Futures market prices thus increased year-on-year by 9.9 % (AT) and 9.0 % (DE), respectively. Front-year peak load (AT) contracts traded at an average of €62.1/MWh and front-year peak load (DE) contracts traded at an average of €57.7/MWh. This represents a year-on-year increase of 9.3 % and 6.9 %, respectively. These increases were primarily due to the sharp rise in the price of CO_2 emission rights on the market. The COVID-19 pandemic pushed down wholesale trading prices for electricity on both the Austrian and German spot markets in quarters 1–4/2020 to well below the prior-year level. Prices for base load electricity decreased by an average of 17.3 % to €33.1/MWh in Austria and by 19.1 % to €30.5/MWh in Germany. Prices for peak load fell by 13.9 % to €39.9/MWh in Austria and by 15.7 % to €37.5/MWh in Germany.



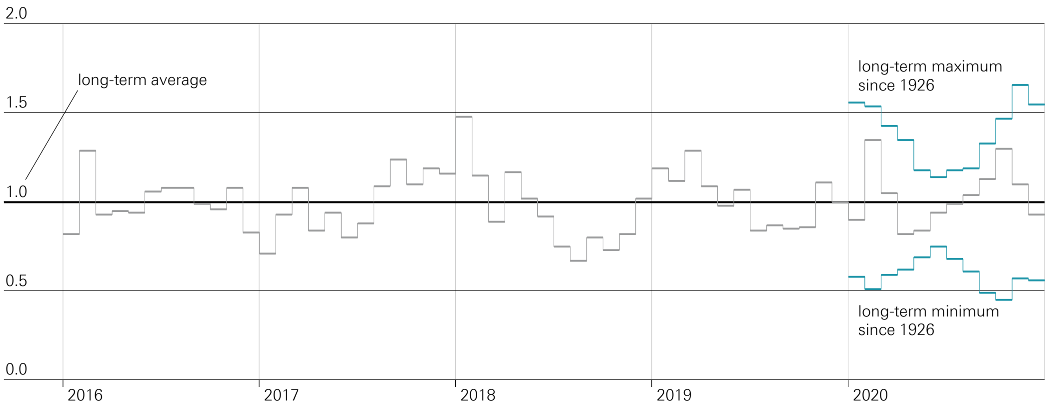
Futures prices traded in the year before supply. The years stated are the respective years of supply. 2016-2018: Market area Germany/Austria. Starting 2019: Market area Germany or Austria respectively.
Spot prices: 1/1/2016 - 30/9/2018 Market area Germany/Austria, starting 1/10/2018 Market area Germany or Austria respectively. Average prices.

Source: EEX, EPEX Spot

Water supply

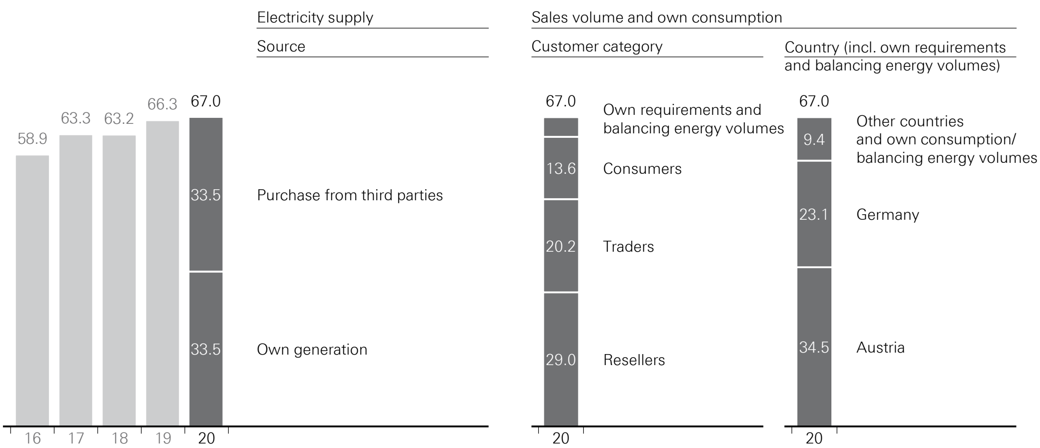
The water supply in rivers is of particular significance for VERBUND since around 94 % of its electricity is produced using hydropower. Water supply is measured by means of a hydro coefficient, with the value of 1.00 representing the long-term average. In the 2020 reporting period, the hydro coefficient for run-of-river and pondage power plants was 1.01, which is slightly above the long-term average and on a level with the previous year. The hydro coefficients for the individual quarters differed substantially as follows: quarter 1: 1.09 (previous year: 1.21); quarter 2: 0.86 (1.05), quarter 3: 1.05 (0.85) and quarter 4: 1.11 (0.99).

Hydro coefficient (monthly averages)



Electricity supply and sales volumes

Electricity supply and sales volumes TWh



VERBUND's own generation rose by 323 GWh to 33,482 GWh in quarters 1–4/2020. This represents an increase of 1.0% compared with 2019. Generation from hydropower increased by 864 GWh compared with the previous reporting period. The hydro coefficient for the run-of-river power plants came to 1.01, matching the prior-year level and exceeding the long-term average by 1 percentage point. Generation from VERBUND's annual storage power plants increased substantially by 14.8% year-on-year in quarters 1–4/2020 due to greater water inflows, increased generation from turbining and lowering of reservoir levels.

The volume of electricity generated by VERBUND's wind power installations in quarters 1–4/2020 was 5 GWh lower than the comparative prior-year figure, with increased volumes in Germany and Romania and reduced volumes in Austria. Electricity generated by PV installations stood at 0.6 GWh in 2020.

Generation from thermal power plants decreased by 536 GWh in quarters 1–4/2020. The Mellach combined cycle gas turbine power plant produced 201 GWh less electricity in the reporting period due to reduced use for congestion management compared with the prior year. The Mellach district heating power plant, which since the end of quarter 1/2020 has been used solely in gas operation, generated 335 GWh less electricity.

Purchases of electricity from third parties for trading and sales rose by 862 GWh. By contrast, electricity purchased from third parties for grid losses and control power decreased by 488 GWh.

Group electricity supply

GWh

	2019	**2020**	Change
Hydropower[1]	30,660	31,525	2.8 %
Wind power	929	924	–0.6 %
Photovoltaics	–	1	–
Thermal power	1,570	1,033	–34.2 %
Own generation	33,159	**33,482**	1.0 %
Electricity purchased for trading and sales	29,056	29,918	3.0 %
Electricity purchased for grid loss and control power volumes	4,077	3,588	–12.0 %
Electricity supply	66,292	66,989	1.1 %

[1] incl. purchase rights

VERBUND's electricity sales volume increased by 563 GWh in quarters 1–4/2020. Electricity volumes delivered to consumers declined by 910 GWh. The decrease, which is mainly due to COVID-19, can be seen among Austrian and international customers alike. As at 31 December 2020, our residential customer base comprised approximately 519,000 electricity and gas customers. By contrast, sales to resellers rose by 1,203 GWh year-on-year, an increase mainly attributable to higher delivery volumes to international customers. Electricity deliveries to trading firms increased by 270 GWh due to higher spot trading volumes. Own use of electricity rose by 149 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

	2019	**2020**	Change
Consumers	14,478	13,568	–6.3 %
Resellers	27,806	29,009	4.3 %
Traders	19,894	20,164	1.4 %
Electricity sales volume	62,179	**62,741**	0.9 %
Own use	3,178	3,327	4.7 %
Control power volume	935	921	–1.5 %
Total electricity sales volume and own use	66,292	**66,989**	1.1 %

Approximately 55 % of the electricity sold by VERBUND in quarters 1–4/2020 went to the Austrian market, which corresponds to the level of the previous year. International trading and sales activities focused on the German market, which accounted for around 82 % of all volumes sold abroad in 2020.

Electricity sales by country GWh

	2019	2020	Change
Austria	34,475	34,469	0.0 %
Germany	23,511	23,098	–1.8 %
France	3,301	4,284	29.8 %
Romania	865	875	1.2 %
Other	26	15	–39.9 %
Electricity sales volume	62,179	**62,741**	0.9 %

Financial performance

Result €m

	2019	2020	Change
EBITDA	1,183.5	1,292.8	9.2 %
Adjusted EBITDA	1,183.5	1,292.8	9.2 %
Operating result	865.9	921.9	6.5 %
Group result	554.8	631.4	13.8 %
Adjusted Group result	549.0	610.4	11.2 %
Earnings per share in €	1.60	1.82	13.8 %
(Proposed) dividend per share in €	0.69	0.75	8.7 %

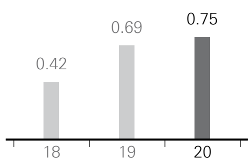
Income trend

The results posted by VERBUND for financial year 2020 were up despite the negative impact of COVID-19. EBITDA increased by 9.2 % to €1,292.8m. The Group result rose by 13.8 % to €631.4m compared with the same period of the previous year. The hydro coefficient for the run-of-river power plants came to 1.01, matching the prior-year level and exceeding the long-term average by 1 percentage point. Generation from our annual storage power plants increased by as much as 14.8 % in quarters 1–4/2020. Generation from hydropower thus increased by 864 GWh compared with the previous reporting period. The rise in wholesale electricity prices on the futures markets during the relevant hedging period also had a positive effect on earnings. By contrast, prices on the spot markets in 2020 declined significantly, due in particular to the effects of the COVID-19 crisis. As a consequence of these developments, the average sales prices obtained for VERBUND's own generation from hydropower increased by €5.6/MWh to €44.6/MWh. The EBITDA contribution from the Hydro segment thus rose significantly. The EBITDA contribution from the Sales segment also increased, while the contributions from the New renewables, Grid and all other segments decreased. The development of the financial result was very encouraging, due among other things to a significant reduction in interest expenses attributable to high principal repayments in financial years 2019 and 2020. The Group result for financial years 2019 and 2020 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. In financial year 2020, a negative non-recurring effect in income taxes arose as a result of the change in the tax classification of an electricity purchase right. Overall, non-recurring income of €21.0m was recorded in the Group result in financial year 2020 (2019: €5.8m). Adjusted for these non-recurring effects, the Group result rose by 11.2 % to €610.4m.

Dividend

A dividend of €0.75 per share for financial year 2020 will be proposed to the Annual General Meeting on 20 April 2021. The payout ratio calculated on the basis of the reported Group result amounts to 41.3 % for 2020 and the payout ratio calculated on the basis of the Group result after adjusting for non-recurring effects is 42.7 %. In 2019, a dividend of €0.69 per share was paid out to shareholders; the payout ratio amounted to 43.2 % of the reported Group result or 43.7 % of the adjusted Group result.

Dividend per share €



Revenue €m

	2019	2020	Change
Electricity revenue	3,190.8	2,599.3	– 18.5 %
Grid revenue	566.6	497.3	– 12.2 %
Other revenue	137.6	137.9	0.2 %
Revenue	3,895.0	3,234.6	– 17.0 %

Electricity revenue

VERBUND's electricity revenue decreased by €591.5m to €2,599.3m in 2020. In terms of quantities, electricity sales volumes increased by 563 GWh, or 0.9 %, year-on-year. The average sales prices obtained for our own generation from hydropower rose by €5.6/MWh to €44.6/MWh. This increase was attributable to higher prices on the futures market in the wholesale market for electricity; by contrast, spot market prices fell in 2020. The measurement of electricity derivatives through profit or loss in accordance with IFRS 9 had a material adverse effect on electricity revenue. Offsetting effects related to the measurement are also reflected in the procurement costs.

Grid revenue

Grid revenue decreased by €69.3m year-on-year to €497.3m in 2020. This decline is largely attributable to lower domestic grid revenue as a result of tariff reductions compared with 2019 and volume reductions due to COVID-19. Another major factor in this decline is lower proceeds from international auctions for cross-border capacity, owing to reduced demand for energy.

Other revenue and other operating income

Other revenue rose by €0.3m to €137.9m. The payments made by OMV in connection with the construction of the open-field solar installation in Schönkirchen in Lower Austria had a positive effect. By contrast, district heating revenue – due to the termination of the agreement to supply district heating to the city of Graz with effect from 30 June 2020 – and revenue from emission rights were down. Other operating income rose by €3.5m to €77.5m. This increase mainly stems from an increase in own work capitalised.

Expenses

€m

	2019	**2020**	Change
Expenses for electricity, grid, gas and certificates purchases	2,086.3	1,316.6	–36.9%
Fuel expenses and other usage-/revenue-dependent expenses	116.9	78.8	–32.6%
Personnel expenses	332.4	347.6	4.6%
Other operating expenses	250.0	276.3	10.5%

Expenses for electricity, grid, gas and certificates purchases

Expenses for electricity, grid, gas and certificates purchases decreased by €769.7m to €1,316.6m. A total of 374 GWh more electricity was purchased from third parties for trading and sales as well as for grid loss and control power volumes. Higher procurement prices arising from higher price levels for wholesale electricity on the whole also caused expenses to rise. The measurement of electricity derivatives in accordance with IFRS 9, on the other hand, reduced expenses. Offsetting measurement effects are presented under revenue. Expenses for electricity purchases thus decreased by €744.0m compared with the previous year. Expenses for grid purchases fell by €3.4m and expenses for gas purchases by €18.6m.

Fuel expenses

Fuel and other usage-/revenue-dependent expenses decreased by €38.1m to €78.8m. Gas consumption fell due to the reduced 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) and a simultaneous drop in the price of gas. The discontinuation of coal-fired generation at the Mellach district heating power plant with effect from 31 March 2020 also reduced coal expenses. The lower fuel expenses were also due to lower expenses for emission rights attributable to the overall decrease in generation.

Personnel expenses

Personnel expenses increased by €15.2m year-on-year to €347.6m. The rise in expenses for current employees (€–11.2m) resulted primarily from the increase of 2.6% in pay rates under the collective bargaining agreement and expenses for new hires. Additional employees were hired to carry out strategic growth projects. VERBUND Energy for Business Germany GmbH was also consolidated in full for the first time, adding 17 employees to the Group. Under the 2021 collective bargaining agreement that due to the coronavirus pandemic was signed in December 2020, all employees received a one-time payment. This payment increased personnel expenses for 2020. With respect to employee benefits relating to pensions and termination benefits ("Sozialkapital"; €–4.0m), the absence of a positive effect from 2019 in connection with the provisions of the current collective bargaining agreement for utilities relating to "Abfertigung Neu" (new severance payments) increased personnel expenses in particular. The change in the development of provisions resulting from the updating of actuarial reports also increased expenses.

Other operating expenses

Other operating expenses rose by €26.3m to €276.3m. This increase is attributable to higher legal, auditing and consulting expenses in connection with growth projects, the increase in expenses for third-party maintenance of power plants and higher expenses for information technology services in connection with digitalisation activities. Lower travel expenses and expenses for training had an offsetting effect.

EBITDA

As a result of the above-mentioned factors, EBITDA increased by 9.2% to €1,292.8m.

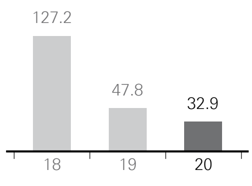
Depreciation and amortisation

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €14.5m to €378.8m. This increase is mainly attributable to accelerated depreciation of existing plants based on the progressive rehabilitation of the Braunau and Schärding power plants.

Impairment losses

The impairment losses of €25.0m mainly related to the Mellach combined cycle gas turbine power plant (€14.9m) and the Gries run-of-river power plant (€5.6m). These impairment losses were charged as a result of changes in electricity and gas price forecasts among other things. Only minor impairment losses of €1.2m were recorded in financial year 2019. Further details on impairment testing are presented in the notes to the consolidated financial statements.

Reversal of impairment losses €m



Reversal of impairment losses

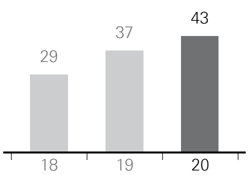
Reversals of impairment losses amounted to €32.9m and resulted from the reversal of the impairment loss recognised on the wind farms in Romania, due among other things to the extension of the expected useful life of wind power plants. Reversals of impairment losses in financial year 2019 had amounted to €47.8m and resulted from the reversal of impairment losses recognised on the Gössendorf and

Kalsdorf run-of-river power plants (€9.6m), the Gries run-of-river power plant (€9.7m) and the wind farms in Romania (€28.6m). Further details on impairment testing are presented in the notes to the consolidated financial statements.

Financial result €m

	2019	**2020**	Change
Result from interests accounted for using the equity method	40.8	43.3	6.1 %
Other result from equity interests	6.1	10.3	68.2 %
Interest income	32.8	32.1	–1.9 %
Interest expenses	–110.4	–81.0	–26.6 %
Other financial result	–39.1	32.8	–
Impairment losses	0.0	0.0	–
Reversals of impairment losses	16.4	3.4	–79.3 %
Financial result	–53.4	40.9	–

Equity result - domestic €m



Result from interests accounted for using the equity method

The result from interests accounted for using the equity method rose by €2.5m to €43.3m. The increase was mainly due to the higher earnings contributions from KELAG in the amount of €42.6m (2019: €38.5m).

Interest income and expenses

Interest income decreased by €0.6m to €32.1m compared with 2019. Interest expenses fell by €29.4m to €81.0m. This is due in particular to the decrease in interest payments on bonds as a result of high repayments of principal in financial years 2019 and 2020.

Other financial result

The other financial result improved by €71.9m to €32.8m. This increase was mainly due to the measurement of an obligation to return an interest (€+88.4m) relating to the Jochenstein power plant on the Danube River. By contrast, the measurement of securities funds through profit or loss in accordance with IFRS 9 in conjunction with the non-recurrence of dividend income from the previous year had a negative effect (€–17.0m).

Reversals of impairment losses in the financial result

Reversals of impairment losses amounted to €3.4m (2019: €16.4m) and, as in the previous year, 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 improved by €94.3m, increasing from €–53.4m to €40.9m.

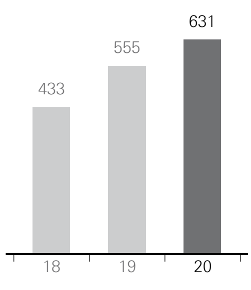
Taxes on income

Taxes on income increased by €67.1m to €238.9m as a result of the higher profit. In financial year 2020, a negative non-recurring effect of €21.2m also arose as a result of the change in the tax classification of an electricity purchase right.

Group result

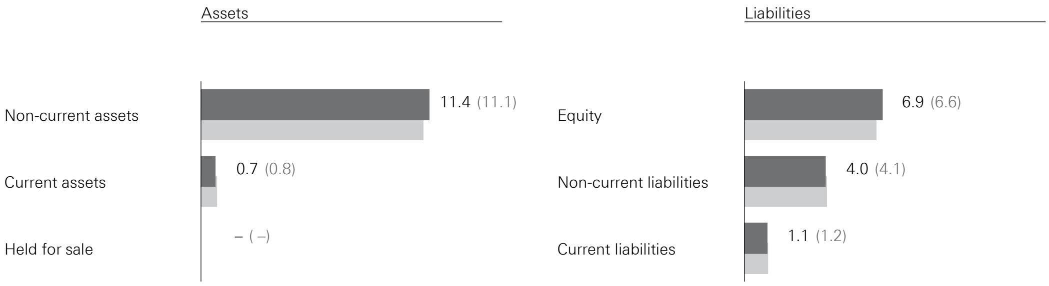
After taking account of an effective tax rate of 24.8% and non-controlling interests in the amount of €92.5m, the Group result amounted to €631.4m. This represents an increase of 13.8% compared with the previous year. Earnings per share amounted to €1.82 (2019: €1.60) for 347,415,686 shares. The Group result after adjustment for non-recurring effects was €610.4m, corresponding to an increase of 11.2% on the prior-year period.

Group result €m



Financial position

Balance sheet €bn



Figures in brackets are previous year's figures.

Consolidated balance sheet (condensed) €m

	2019	Percent	**2020**	**Percent**	Change
Non-current assets	11,061.9	93%	11,351.9	94%	2.6%
Current assets	776.7	7%	702.3	6%	–9.6%
Total assets	11,838.6	100%	**12,054.2**	**100%**	1.8%
Equity	6,568.0	55%	6,873.9	57%	4.7%
Non-current liabilities	4,107.4	35%	4,045.4	34%	–1.5%
Current liabilities	1,163.2	10%	1,134.8	9%	–2.4%
Total liabilities	11,838.6	100%	**12,054.2**	**100%**	1.8%

Assets

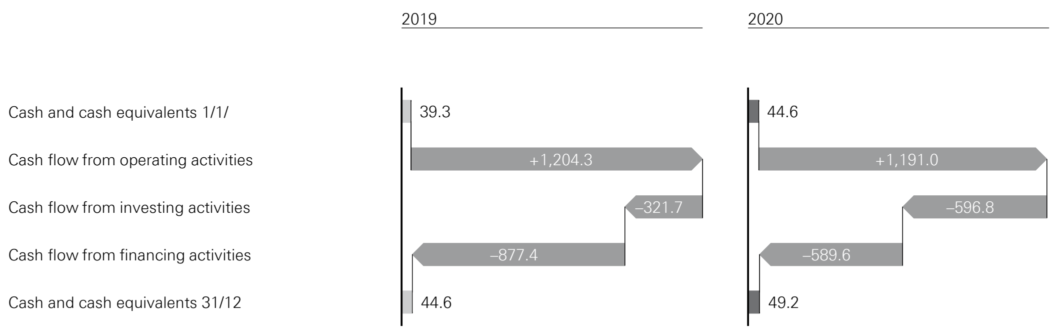
VERBUND's non-current assets increased slightly from the level as at 31 December 2019. Under property, plant and equipment, additions of €628.5m were offset by depreciation of €334.7m. Impairment testing of property, plant and equipment revealed a need for a write-down of €5.6m on an Austrian run-of-river SDG 8 power plant, after deduction of any directly attributable contributions to building costs. Impairment testing of the Mellach combined cycle gas turbine power plant resulted in a need for a write-down of €14.9m, after deduction of related government grants. Impairment tests performed on Romanian wind farms led to reversals of impairment losses in the amount of €32.9m. The main additions to property, plant and equipment related to capital expenditure for the Austrian transmission grid and replacement investments at Austrian and German hydropower plants. The decrease in current assets resulted mainly from lower positive fair values of derivative hedging transactions in the electricity business and from lower trade receivables.

Equity and liabilities

The increase in equity compared with 31 December 2019 is mainly attributable to the profit for the period generated in quarters 1–4/2020, which is offset by the dividend payment by VERBUND AG as well as negative effects from the measurements of cash flow hedges recognised in other comprehensive income that reduce equity. The decrease in non-current and current liabilities was primarily the result of the scheduled repayments on a bond and repayments of borrowings at banks, as well as lower provisions for employee benefits relating to pensions and termination benefits (Sozialkapital). Higher provisions for taxes on income and higher negative fair values of derivative hedging transactions from the electricity business had an offsetting effect.

Cash flows

Cash flow statement €m



Cash flow statement (condensed) €m

	2019	**2020**	Change
Cash flow from operating activities	1,204.3	**1,191.0**	–1.1 %
Cash flow from investing activities	–321.7	**–596.8**	85.5 %
Cash flow from financing activities	–877.4	**–589.6**	–32.8 %
Change in cash and cash equivalents	5.3	**4.6**	**–13.6 %**
Cash and cash equivalents at the end of the period	44.6	**49.2**	10.2 %

Cash flow from operating activities

Cash flow from operating activities amounted to €1,191.0m in the 2020 reporting period, down €13.3m on the prior-year figure. This decrease was mainly due to higher income tax payments. The lower interest payments had an offsetting effect.

Cash flow from investing activities

Cash flow from investing activities amounted to €–596.8m in the 2020 reporting period (2019: €–321.7m). The change compared with the previous year is mainly due to a higher cash outflow from capital expenditure for intangible assets and property, plant and equipment (€–211.2m), a lower cash inflow from the disposal of intangible assets and property, plant and equipment (€–2.5m) and a lower net cash inflow from investments (€–61.9m).

Cash flow from financing activities

Cash flow from financing activities amounted to €–589.6m in the 2020 reporting period, a change of €+287.8m. The improvement was primarily attributable to lower repayments of financial liabilities (€+487.0m), a lower cash inflow from money market transactions (€–68.9m) and a higher cash outflow from the repayment of lease liabilities (€–17.0m). At €291.4m, dividends paid were also up €113.3m on the prior-year level.

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.

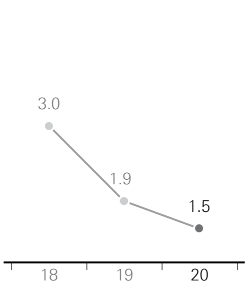
Net debt/EBITDA and free cash flow

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

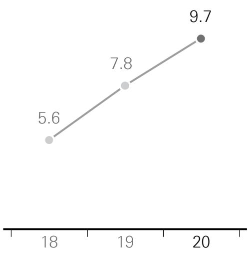
The ratio of net debt to EBITDA was 1.5 at 31 December 2020 (2019: 1.9). This improvement was attributable to the increase in EBITDA as well as to a decrease in net debt. Information on the change in EBITDA is presented in the Financial performance section. The reduction in net debt resulted primarily from a decrease in liabilities due to the positive free cash flow.

Free cash flow after dividends amounted to €299.5m at the end of the reporting period (2019: €639.3m). The change is mainly due to higher capital expenditure on property, plant and equipment and higher dividend payments compared with 2019, with cash flow from operating activities remaining virtually unchanged.

Net Debt/EBITDA



ROCE



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 2020 was 9.7% (2019: 7.8%). The objective is for this figure to exceed 7.0% in the long term. ROCE is calculated by dividing net operating profit after tax (NOPAT) by average capital employed.

NOPAT equates to operating profit before financing costs, including the result from equity interests net of income tax. At the end of financial year 2020, NOPAT for VERBUND's unregulated business activities was €680.4m (2019: €565.7m). The increase is mainly due to the change in profit before tax and is explained in the Financial performance section.

Capital employed corresponds to average total assets, net of those assets that do not contribute to performance or commercialisation, and less non-interest-bearing debt. Average capital employed for VERBUND's unregulated business activities amounted to €7,000.1m at the end of 2020 (2019: €7,243.4m). The Group return exceeded the weighted average cost of capital (WACC) of the Group's unregulated business activities in 2020 (31 December 2020: 4.00%).

Gearing

Gearing is determined as follows:

Interest-bearing net debt (condensed) €m

	2019	2020	Change
Financial liabilities	1,111.5	858.5	–22.8%
Interest-bearing provisions	908.0	880.1	–3.1%
Other interest-bearing liabilities	400.7	322.3	–19.6%
Cross-border leasing	16.1	0.1	–99.6%
Cash and cash equivalents	–44.5	–49.1	–
Securities	–133.1	–129.0	–
Other liquid financial assets	–2.6	–1.7	–
Interest-bearing net debt	2,256.1	**1,881.2**	–16.6%
Equity	6,568.0	**6,873.9**	4.7%
Gearing ratio	34.4%	**27.4%**	–

Financing

Financing strategy

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

Safeguarding liquidity and ensuring suitable liquidity reserves

TCFD

For VERBUND, ensuring that liquidity is available at all times has the highest priority. As at 31 December 2020, VERBUND had an ESG-linked syndicated loan in the amount of €500.0m at its disposal that had not been drawn down. The loan, which was taken out with twelve domestic and international banks with good credit ratings, matures in 2023 with two additional extension options of one year in each case. VERBUND also had access to uncommitted lines of credit amounting to approximately €600.0m at the end of 2020. At 31 December 2020, €50m 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 31/12/2020:
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, including those in the capital market. As at 31 December 2020, 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. S&P last reconfirmed its rating in December 2020. Moody's most recently raised its rating in January 2020 from Baa1/positive outlook to A3/stable outlook and confirmed the rating in January 2021. 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.

Financing measures

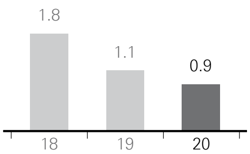
In 2020, VERBUND was again able to take advantage of its strong internal financing capability to finance its ongoing investment programme and to continue to reduce Group debt. As at 31 December 2020, cash flow from operating activities amounted to €1,191.0m and free cash flow before dividends amounted to €590.9m. As part of active liquidity management, VERBUND subjects its financial liabilities to ongoing monitoring to ensure that opportunities to optimise interest expenses are taken advantage of (e.g. by making early principal repayments).

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

TCFD

VERBUND will continue to pursue green finance activities in the future. Following a number of innovative transactions in recent years such as the issuance of the first green bond in the German-speaking region, the world's first green Schuldschein over a digital platform and the first green syndicated loan whose margin structure is linked exclusively to VERBUND's ESG rating (sustainability rating) over the term of the loan, no new funds were raised in the capital market in 2020 due to VERBUND's outstanding liquidity situation.

Financial liabilities €bn



Carrying amounts

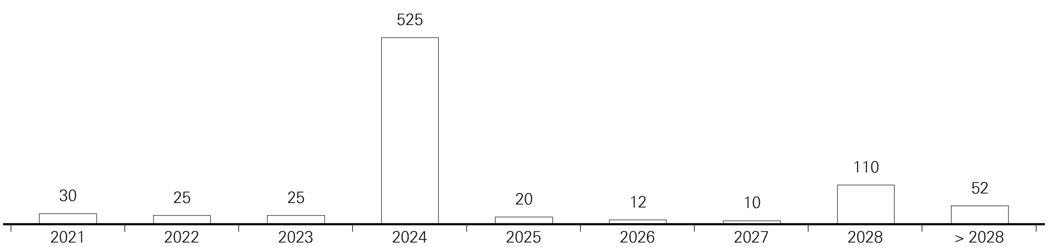
As at 31 December 2020, VERBUND's borrowing portfolio was composed as follows: 58 % bonds and 42 % loans.

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 €858.6m as at 31 December 2020. The entire amount was financed in euros. A total of 91 % of these financial liabilities had fixed interest rates and 9 % had variable interest rates. As at 31 December 2020, the duration of all liabilities was 4.3 years and the average term to maturity was 4.3 years. The effective interest rate was 2.31 %.

Repayments of principal and repayment structure

In financial year 2020, principal payments of €234m were made on long-term borrowings. A total of €30m will fall due in 2021 and €25m is scheduled to be repaid in 2022.

Repayments €m



Segment report

Hydro

Generation of electricity from hydropower is reported in the Hydro segment. VERBUND is one of the largest producers of hydroelectricity in Europe and over 94% of the total electricity VERBUND generated in 2020 came from hydropower. Especially in Austria, hydropower is the basis for generating electricity from renewable energy sources. It has many advantages: it is cost-effective, renewable, clean, reliable and flexible and delivers high-value peak load and base load power. VERBUND's strong hydropower base – with a very extensive portfolio of base load and peak load electricity, flexibility and storage capacity – provides an outstanding competitive basis to meet the needs of the energy market of the future in a cost-effective manner.

VERBUND is working towards a climate-neutral energy future with courage, leadership and the will to change.

Business performance

KPIs – Hydro segment

	Unit	2019	**2020**	Change
Total revenue	€m	1,114.7	**1,267.4**	13.7%
EBITDA	€m	797.5	**926.8**	16.2%
Result from interests accounted for using the equity method	€m	3.7	**0.7**	–
Capital employed	€m	6,137.9	**5,985.3**	–2.5%

The increase in total revenue and the higher EBITDA, with largely unchanged output, are mainly due to the higher average prices obtained for electricity compared with the previous year. The hydro coefficient for the run-of-river power plants came to 1.01, as in the previous year. The result from interests accounted for using the equity method was chiefly made up of the earnings contribution from Ashta Beteiligungsverwaltung GmbH.

The reduction in capital employed was mainly due to the decrease in property, plant and equipment and financial assets.

GRI EU1
GRI EU2

SDG 7

Energy supply

Energy generation overview

Electricity generation

	Number[1]	Maximum electrical capacity in MW[1]	Mean energy capability in GWh	2018 Generation in GWh	2019 Generation in GWh	**2020 Generation in GWh**
Hydropower[2]	129	8,267	29,130	28,684	30,660	**31,525**

[1] as at 31 December 2020 // [2] incl. purchase rights

As at the end of 2020, 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 29,130 GWh.

In 2020, the hydro coefficient for run-of-river and pondage power plants was 1.01, which is slightly above the long-term average and on a level with the previous year. The hydro coefficients for the individual quarters differed substantially as follows: quarter 1: 1.09; quarter 2: 0.86; quarter 3: 1.05; quarter 4: 1.11.

VERBUND's hydropower plants generated 31,525 GWh of electricity in financial year 2020, which was almost 0.9 TWh (+2.8 %) above the previous year's level of 30,660 GWh. Generation from VERBUND's annual storage power plants increased by 14.8 % year-on-year in quarters 1–4/2020 due to greater water inflows, increased generation from turbining and lowering of reservoir levels.

VERBUND's hydropower plants had a capacity of 8,267 MW (maximum electrical capacity = maximum capacity for sustained operations) as at 31 December 2020.

GRI EU10
GRI EU1

SDG 7

Capacity changes 2019–2022[1]

MW

	2019	2020	2021	2022
Hydropower[2]	8,222	8,267	8,358	8,411

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

The capacity changes in the hydropower segment in 2020 are attributable to the commissioning of the Stillup small-scale hydropower plant and the decommissioning of the Tuxbach power plant in connection with the commissioning of the Tuxbach diversion tunnel, as well as to the rehabilitation of the Häusling and Krippau power plants. In addition, the exercise of the option to top up the stake in the Graz power plant from 12.5 % to 25.1 % became effective. The Jettenbach 1 power plant was also decommissioned and the Steinfeld small-scale hydropower plant was sold. Additional increases in mean energy capability and capacity are expected for the coming years based on new construction projects and rehabilitations.

Availability of hydropower plants

GRI EU30

SDG 7

The Austrian power plants of VERBUND Hydro Power GmbH (run-of-river and storage power plants) had an average overall availability of 92.6 % in 2020. This availability level is lower than the mean for the years 2015 to 2019 (93.9 %), but at the same level as in 2019 (92.7 %). At 93.8 %, the overall availability of the run-of-river power plants was precisely the average for the last five years. The availability of the storage power plants, at 91.5 %, was down substantially on the five-year mean of 94.0 % as a result of the long, scheduled downtimes of powerful machinery and power plants. The complete draining of the Stillup reservoir, for example, resulted in the Roßhag, Häusling and Mayrhofen power plants being shut down for around one month. Other noteworthy downtimes for rehabilitation projects took place at the Häusling, Malta-Oberstufe and Kaprun-Oberstufe power plants, among others.

The Grenzkraftwerke power plants on the Inn and Danube rivers (Bavaria/Austria) achieved overall availability of 94.4 % in 2020, significantly exceeding the average for the last five years of 93.2 %.

The Bavarian run-of-river power plants operated by VERBUND Innkraftwerke GmbH achieved an overall availability level of 92.9 %, which was also above the average of 90.7 % for the last five years (project for the accelerated renewal of control systems).

Managing operations in times of COVID-19

Addressing the COVID-19 pandemic dominated operations in financial year 2020. VERBUND Hydropower initiated crisis management activities at an early stage by preparing suitable preventive measures. This made it possible to ensure reliable operations at the hydropower plants at all times and hence make an important contribution to safeguarding a secure supply of electricity.

Special work instructions with regard to employee and health protection (including rules of conduct, personal protective equipment) and the physical and temporal separation of the operating teams not only enabled continuous operation, but also performance of all necessary maintenance work as well as completion of inspections and construction measures that had already commenced.

For example, in spite of COVID-19, initial synchronisation of the Krippau renovation project in Styria was completed on 15 April 2020 – at a time when the most stringent official restrictions were still in place. The complete renovation of the stilling basin at the Rosegg-St. Jakob power plant was also finished just in time, as immediately after its completion on 15 May 2020 heavy precipitation put its functional capability to the test. In both measures, the deployment of highly qualified plant personnel played an essential role, preventing delays and cost increases caused by personnel capacity not being available in the market. The importance of having a flexible in-house team of expert fitters became especially apparent in these times of crisis.

Other organisational measures implemented to cope with the crisis situation included tighter access restrictions to all power plant and administrative sites, cancellation of events as well as plant visits and tours, and the switch to working from home (where possible).

In parallel to the official relaxation measures and the tightening of measures once more, the crisis management team at VERBUND Hydropower continuously evaluated the applicable regulations and adapted the measures in place.

Power plant projects for expansion and rehabilitation being implemented

In a small number of cases, the COVID-19 pandemic led to interruptions or delays in ongoing new construction and expansion projects in March 2020.

However, work on ongoing new construction, expansion and rehabilitation projects was soon resumed in compliance with the health and safety precautions in place and the delays were largely made up during the course of 2020.

August 2020 also marked the completion of the assembly hall of VERBUND Hydro Power GmbH at the Schwarzach power plant. This made it possible to keep plant components available for inspections and repairs, which, in addition to the deployment of highly qualified company fitters, helped to avoid longer delays as a consequence of the pandemic. VERBUND Hydropower was able to continue, complete or commence the following key projects in 2020.

New power plant projects

New construction of the Graz power plant on the Mur River

GRI EU10

Further information is available at www.murkraftwerkgraz.at

In December 2019, it was decided to increase VERBUND Hydro Power GmbH's share in the Graz power plant on the Mur River project from 12.5% to 25.1%. Once this had been approved by the Austrian Federal Competition Authority, the increase in the investment was implemented in the first half of 2020.

Besides VERBUND Hydro Power GmbH (now 25.1%), Energie Steiermark Green Power GmbH (62.4%) and Energie Graz GmbH & Co KG (12.5%) each have stakes in the Graz power plant, with a maximum electrical capacity of 17.7 MW and a mean energy capability of 78.9 GWh. Energie Steiermark Green Power GmbH was responsible for end-to-end project execution. The power plant came on stream in September 2019; any remaining work to be done, mainly on the reservoir and the central storage channel in the tail water area, was continued in 2020. Obstacles caused by the COVID-19 situation led to delays in carrying out the remaining work and to additional costs being incurred.

As the power plant is located in an urban area, special emphasis was placed on appropriate design of the river landscape in cooperation with the City of Graz. Experience to date shows that the measures have been very well received by local residents.

New construction of the Gratkorn power plant on the Mur River

The Gratkorn power plant on the Mur River is a further partner project between VERBUND (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.

The investment decision for the project that had already been approved in 2016 was taken in December 2020. Initial operation is scheduled for the beginning of 2024. Applications have been submitted for an investment grant for the project under the Green Electricity Act as well as for a COVID-19 investment premium.

GRI EU10
GRI 413-1

Now that the construction decision has been taken, the public briefings on the project will resume along with the construction measures that had been planned prior to the start of construction and will continue until the plant comes on stream. While the power plant is being built, a number of measures will be implemented in the region's best interests (improvement of flood protection, enhancement of the cycle path network and a new crossing of the Mur River for pedestrians and cyclists).

Other new construction projects

In addition to the new construction projects described above, VERBUND is planning other power plant projects. The public will be engaged in accordance with the principles of stakeholder management described below.

GRI 413-1
GRI EU10

Preparations for an investment decision in 2021 were begun in 2020 to secure legally binding approval for the Limberg III project. Two pump-turbines with a total capacity of 480 MW will be built in another power plant cavern between the two existing reservoirs, Mooserboden (upper reservoir) and Wasserfallboden (lower reservoir). This is a “twin project” to the existing Limberg II pumped storage power plant. To increase storage capacity in addition to flexibility, efforts are also being made to obtain approval for the raising of the Limberg Dam, to be carried out at the same time as the construction of Limberg III.

With regard to the planned Stegenwald power plant on the central Salzach River – a project that is being implemented in collaboration with Salzburg AG für Energie, Verkehr und Telekommunikation – work in 2020 focused on advancing the approval procedure. In addition to the notification of water rights approval, approval under forestry legislation has now also been obtained. The project has a planned capacity of 14.5 MW and a mean energy capability of 72 GWh.

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). The preparatory work is focusing 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. As part of a preliminary project, a two-state approval procedure will be prepared under the leadership of VERBUND Hydropower (Österreichisch-Bayerische Kraftwerke AG) with the involvement of the water boards from Upper Austria, Salzburg and Bavaria.

Expansion and rehabilitation projects

Expansion of the Lower Tuxbach diversion

In September 2016, an investment decision was taken to implement a diversion at the Lower Tuxbach and build a small-scale power plant in Stillup, together with a project for the redimensioning and re-issuance of water rights for the Bösdornau power plant. The planned measures, which will increase mean energy capability by around 40 GWh, represent an energy upgrade of the Group’s existing power plant portfolio in the Zillertal Valley.

GRI EU10

Following the two excavations towards the Tuxertal Valley in July 2018 and in the direction of Stillup in May 2019, injection work was carried out and the tunnel lining made. A major focus in the winter months of 2019/20 was the construction of the culvert structure under the Zemmbach tributary. This very time-critical work was completed just in time before the onset of the COVID-19 pandemic. Despite a three-week interruption of the construction work, the diversion was put into operation on 1 August 2020. Work on the commissioning of the Stillup small-scale power plant was then continued and was able to be completed before the end of 2020.

SDG 15

GRI 413-1

The supporting ecological measures for the Lower Tuxbach project were carried out as planned. A further ecological milestone for the creation of habitats was also completed in 2020 with the structuring measures at the Zemm-Ziller development.

Public relations activities were stepped up on the signing of the second Zillertal agreement and the partnership agreements with the communities and the tourist board as well as on the signing of a partnership agreement between VERBUND Hydro Power GmbH and Stadtwerke Schwaz (which receives an annual electricity purchase right). As part of the project, informational events were held, press releases issued and project consultations held.

With regard to the Bösdornau power plant, the restoration measures initiated in 2019 and the shutdowns of the Stillup and Tuxbach diversions were completed in 2020. Modernisation work at the Bösdornau power plant is scheduled to begin in quarter 2/2021 and commissioning is expected before the end of 2021. Further restoration and compensatory measures will then be completed by the end of 2022.

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

GRI EU10

The overall 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 2020.

In 2020, with the onset of the COVID-19 pandemic, construction and installation activities in all site sections took place under heightened safety measures. The restrictions in almost all EU countries had an impact on supply chains for components and for construction personnel in the spring, but these effects were eliminated for the most part over the course of 2020.

At the Jettenbach weir site, concrete construction work was completed in June 2020 for weir fields 3 and 4 and then begun for weir fields 1 and 2. Work on the Fraham impounding reservoir and on the Jettenbach impounding reservoir also took place in 2020 and the new Fraham pumping station was built.

At the Töging power plant site, the excavation pit was backfilled in April on schedule. Concrete construction work was continued in parallel in 2020 and the first generator set components were installed. In addition, the contracts for the remaining mechanical and steel hydraulic structure as well as for the electrical and control technology components for the power plant were awarded in 2020.

GRI 304-1

Further information on the topic of ecological measures is available on the Environment website at www.verbund.com > About VERBUND > Responsibility > Environment

SDG 15

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. The planning of measures to permanently maintain the environmental function at the Jettenbach reservoir was optimised in terms of soil protection and advanced.

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. Hydromorphological surveys were performed in the diversion channel for this purpose and modelling was carried out.

The monthly project information events being held alternately in Jettenbach and Töging since the start of construction had to be discontinued from March 2020 for safety reasons in compliance with the COVID-19 restrictions. However, the public hotline was available year-round and the observation deck at the Töging construction site also remained open in 2020. In addition, meetings with residents were held whenever a new construction phase began, with residents receiving personal invitations to these meetings. GRI 413-1

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.

Rehabilitation projects

Ybbs-Persenbeug rehabilitation

Austria's oldest Danube power plant at Ybbs-Persenbeug has been undergoing progressive modernisation since 2012. Work on the North power plant was finished in spring 2017 after overhaul of three of the six main generators; work on the high voltage lines was completed at the end of 2018. GRI EU 10

Autumn 2019 saw the start of modernisation of the three remaining generator sets of the South power plant, and commissioning of the second main generator was completed in July 2020. Renovation of the third main generator started in September 2020.

Once the rehabilitation measures have been completed for all six vertical generator sets 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, modernisation of the first generator set had to be pushed back a month to October 2020 as a consequence of COVID-19. 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. GRI EU10

Häusling and Kaprun-Oberstufe rehabilitation projects

In the Häusling rehabilitation project, work was completed in 2020. An additional 60 MW of turbining capacity and 70 MW of pumping capacity is now available. GRI EU10

In the Kaprun-Oberstufe rehabilitation project, renovation of the first of two generator sets began in summer 2020. On completion of the work in 2021, 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. GRI EU10

The modernisation of the first of two generator sets in the Malta-Oberstufe sub-project was essentially completed in the second half of 2020. Wet commissioning is scheduled for January 2021.

Construction of the new Reißeck pumping station began in November 2020 and commissioning trials are scheduled to start in quarter 3/2021. In the Malta-Hauptstufe sub-project, renovation work on the first of two pumps is slated to begin in January 2021.

Expansion of the Reißeck II+ pumped storage power plant

GRI EU10

When the Reißeck II pumped storage power plant was being built, the possibilities of optimising the entire power plant system in the Reißeck group were evaluated. As a result, the design for additional expansion through the construction of a 45 MW pumped storage power plant (Reißeck II+) was developed to facilitate the transfer of the stored contents from Great Mühldorf Lake to the upper reservoirs and thereby optimise the system.

The required permits have already been obtained for the Reißeck II+ project, leading to the adoption of the investment decision in December 2020. Commissioning is scheduled for November 2023.

Additional rehabilitation projects in the planning stages

GRI EU10

In the other ongoing rehabilitation projects, including those in the Gerlos I, Roßhag, Salza, Arnstein and Ering-Frauenstein power plants, planning and design work continued and preparations for implementation began. Work on the Häusling and Spiegelwald small-scale power plants in the Zillertal Valley also continued.

Environmental measures: excellent track record in restoration maintained

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

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

The most extensive individual projects carried out in 2020 included the completion of the work on establishing fish passability in connection with the LIFE+ Danube Network initiative at the Abwinden-Asten power plant on the Danube and the start of construction for the LIFE project entitled “Passability and habitat enhancement at the Altenwörth power plant”.

On the Drau River, the fish pass at the Annabrücke power plant was also completed and opened. The main technical construction work to create passability began at the Ferlach-Maria Rain power plant. On the Mur River, work to create passability at the Lebring power plant was continued, which means that fish passability on the Mur will be almost completely achieved.

Work has also focused on planning additional fish ladders on the Danube and Drau rivers, the Inn River to the German border and the Inn River in Bavaria, as well as on monitoring the fish ladders already constructed.

Multiple research projects focused on extensively investigating outstanding issues relating to EU Water Framework Directive specifications. For example, the Vienna University of Natural Resources and Life Sciences is systematically reviewing options for improving river sedimentation along the bodies of water impacted by power plants in Austria as part of the Christian Doppler Laboratory for Sediment Research and Management. The project will continue for several years.

GRI 413-1

On certain occasions, such as the opening of the fish pass in Annabrücke, public events were held – to the extent that this was possible due to COVID-19. The EU-funded LIFE projects each have their own project web page with relevant information for the public.

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 transportation infrastructure).

GRI 102-43
GRI 103-2

GRI 413-1

The community is updated regularly and local council information sessions are held, as are meetings with mayors and tourism associations.

Regrettably, many scheduled events had to be cancelled in 2020 owing to COVID-19 safety restrictions. This included the open days, which VERBUND Hydropower considers important opportunities for companies and local residents to come in contact largely outside of projects. Where possible (such as in the case of the major project to modernise the Jettenbach-Töging power plant), the need for information was met proactively in writing or through video conferencing. Information on the major projects is also provided on the VERBUND website, and there are separate web pages for the LIFE projects.

Compliance with the most stringent environmental standards is reviewed regularly 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 currently in the first-instance evidentiary stage.

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

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

GRI 102-44
GRI 413-1

Through the implementation of technical measures, the disturbing noise emissions have now been reduced to such an extent that possible health hazards have been ruled out. This has also been confirmed through measurements by residents and in expert reports.

Nevertheless, 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. The components for these have been manufactured in the current year and their assembly prepared. Renovation of the first pump will take place in the first half of 2021, followed by the second in the first half of 2022.

Hydro Consulting

Since 2017, VERBUND has been progressively developing and setting up its Hydro Consulting operating segment based on the comprehensive experience of its 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 building up knowledge and gaining positive insights that will benefit the Group's own installations.

Moreover, the specific expertise of VERBUND Hydro Power GmbH 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. In 2020, which was a very successful year, a total of 19 service contracts were processed, generating revenue of around €3m.

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 and the operation management contract for a 1,285 MW large-scale power plant on the Mekong River in Xayaburi, Laos, for which VERBUND Hydropower is supplying the power plant manager and maintenance manager.

In Laos, further contracts were acquired in 2020 for the 1,400 MW Luang Prabang project on the Mekong River, upstream of the Xayaburi Dam. An examination of the technical design and a review of the construction costs will be performed for the Laos energy ministry, and throughout the entire construction period and for the initial years of operation VERBUND Hydro Power GmbH will be available as a technical expert ("lender's engineer") for the banking syndicate providing the finance.

In addition, contracts were won from hydropower operators in New Zealand, Australia and Iceland to supervise factory acceptance tests of major components at suppliers in Austria. Thanks to the expertise of VERBUND Hydro Power GmbH, it was possible to carry out the necessary quality assurance for the power plant owners concerned despite COVID-related travel restrictions.

By the end of the year, 16 projects with a total volume of approximately €15m were being marketed (preliminary agreements, quotations or pre-qualifications).

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.

This was the idea behind the establishment of the subsidiary VERBUND Green Power GmbH (VGP) at the end of 2019. VGP's focus in the wind power sector is on onshore plants and in the solar power sector on large-scale installations as well as on rooftop installations through its 50 % stake in SOLAVOLTA. VGP installs photovoltaic systems for generation of own electricity as well as for household, commercial and industrial customers, acting as a project developer, manager and buyer, but also as an asset owner for generation facilities that use wind and solar power. Marketing to consumers (household, commercial, industrial) is carried out by the affiliated companies VERBUND Energy4Business GmbH (VEB) and VERBUND Energy4Customers GmbH (VEC).

The existing wind power portfolio was allocated to the new segment named New renewables, with effect from 1 January 2020. By 2030, the portfolio is expected to account for around 20–25 % of VERBUND's total generation (currently around 3 %).

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

Business performance

KPIs – New renewables segment

	Unit	2019	2020	Change
Total revenue	€m	120.2	110.6	–8.0 %
EBITDA	€m	62.2	58.9	–5.3 %
Result from interests accounted for using the equity method	€m	0.2	0.1	–
Capital employed	€m	429.0	419.5	–2.2 %

The decrease in total revenue is mainly attributable to a decline in sales volumes in Romania. The change in EBITDA is primarily due to the sharpened focus on the expansion of renewable wind and solar energy, which initially leads to higher expenses. The hydro coefficient was 1.00 (2019: 1.01).

The decrease in capital employed is largely due to lower current receivables and higher provisions for deferred taxes, offset by an increase in property, plant and equipment.

Energy supply

GRI EU1
GRI EU2

SDG 7

Energy generation overview

Electricity generation

	Number[1]	Maximum electrical capacity in MW[1]	2018 Generation in GWh	2019 Generation in GWh	**2020 Generation in GWh**
Wind power	153[2]	418	834	929	924
Solar power[4]	4[3]	2	–	–	1
Total		420	834	929	**925**

[1] as at 31 December 2020 // [2] refers to the number of wind farms // [3] refers to the number of photovoltaic farms // [4] excluding leased/contracted installations

VERBUND generated 925 GWh from the renewable energy sources of wind and solar power in financial year 2020, just shy of the previous year's level of 929 GWh. This represents a decline of 0.6 % on 2019. The decrease in generation (–5 GWh) is attributable to a lower wind supply in Austria.

Commissioning of the first photovoltaic installations in 2020 generated 0.6 GWh of electricity. The electrical capacity of VERBUND's wind power installations as at 31 December 2020 was 418 MW, while the capacity of its solar power installations was 1.7 MWp.

GRI EU10
GRI EU1

SDG 7

Capacity changes 2019–2022[1]

MW/MWp

	2019	**2020**	2021	2022
Wind power	418	418	437	503
Solar power	–	2	32	61
Total	418	**420**	469	564

[1] as at 31/12 of each year

Capacity changes in VERBUND's wind and solar power projects are shown based on the current investment plan and include all existing installations that had been put into operation by 31 December 2020.

Solar and wind power

GRI EU30
GRI EU1
SDG 7

With wind power plants in Austria, Germany and Romania, VERBUND has 418 MW of installed capacity from wind power at its disposal. The Group's wind power plants had an average availability of 98.1 % in 2020.

In addition to the current construction projects (see below), at the beginning of August 2020 a project development partnership in the wind sector was entered into in West Germany with EFI/Felix Nova GmbH to develop twelve wind farms with a potential of up to 180 MW.

In the field of solar power, a cooperation agreement for joint project development in the Brandenburg region is currently being reviewed. Due diligence is also being performed for project partnerships in Spain.

Moreover, the first spaces in Austria were secured in quarter 2/2020 and quarter 3/2020. In terms of project development and asset acquisition, work is continuing on the implementation of the extensive wind power and solar power project pipeline in and outside Austria.

Despite constraints in distribution and installation due to COVID-19, installed photovoltaic capacity increased by 20 % in 2020 as compared with the same period in 2019.

Selected investment projects

Lower Danube rooftop solar installation

A rooftop solar installation with a capacity of around 400 kWp mounted on several buildings at the Greifenstein, Altenwörth and Melk power plants was successfully put into operation on 7 May 2020.

GRI EU10

Ludmannsdorf

Construction of an open-field solar installation, with an installed capacity of 1.3 MWp, was completed in Feistritz-Ludmannsdorf in Carinthia in quarter 3/2020. Trial operation was conducted in the period from mid-August to mid-September 2020. Final acceptance of the plant took place in early December 2020.

GRI EU10

Environmental measures

At the Petronell-Carnuntum, Hollern II and Bruck-Göttlesbrunn wind farms, an expert conducts ornithological monitoring either annually or biennially in order to examine the effects on the habitat and the breeding behaviour of various bird species. 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.

SDG 15
GRI 304-1

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

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.

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

Stakeholder management

GRI 413-1 VERBUND also places strong emphasis on engaging with the local population in its wind power operations. At the Bruck/Leitha wind farm, guided tours of a wind turbine with an observation platform are offered. This gives interested individuals a unique opportunity to gain an alternate perspective on wind power.

Sales

The Sales segment combines all of VERBUND's trading and sales activities. Through its trading in electricity, gas, guarantees of origin, CO_2 emission rights and transport capacity as well as in innovative green electricity and flexibility products, VERBUND has 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.

The focus of VERBUND's electricity trading is on the following areas: optimising utilisation of its own power plants; achieving the best possible results from marketing the Group's own generation; optimising electricity purchasing; and securing sales. In addition, VERBUND makes use of the opportunities for growth resulting from the energy transition. 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 participating in the energy transition. TCFD

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

Business performance

KPIs – Sales segment

	Unit	2019	**2020**	Change
Total revenue	€m	3,151.7	**2,523.3**	–19.9%
EBITDA	€m	49.4	**75.5**	52.9%
Result from interests accounted for using the equity method	€m	–1.7	**–0.2**	–
Capital employed	€m	113.2	**168.2**	48.6%

The change in total revenue is mainly attributable to the result from the measurement of energy derivatives, which led to lower electricity revenue and hence to lower electricity purchases in quarters 1–4/2020, while electricity revenue and electricity purchases had increased in quarters 1–4/2019. The improvement in EBITDA is due, among other things, to higher transfer price margins in quarters 1–4/2020 as well as revisions of the charging of electricity deliveries and the absence of negative measurement effects from the previous year.

The rise in capital employed is primarily attributable to lower provisions for deferred taxes and higher inventory of emission rights.

Energy trading and sales – three become one

In 2019, a decision to restructure the Sales segment was taken as part of a strategic project so that VERBUND is ideally positioned to unlock the many different opportunities and challenges of the energy transition. This affected VERBUND Trading GmbH (VTR), VERBUND Sales GmbH (VSA) and VERBUND Solutions GmbH – companies that have been operating under a new company law and organisational structure since the beginning of 2020.

Trading, marketing of own generation, flexibility and green electricity products, wholesale, sales to large customers and new products and services (including solar power, batteries, electromobility and hydrogen) have been bundled in VERBUND Energy4Business GmbH (VEB), while small customers have been concentrated in the company VERBUND Energy4Customers GmbH (VEC). This has made it possible to hone sales-related skills, which have been combined with the trading and marketing activities in VEB. This approach allows VERBUND to position itself vis-a-vis customers as a highly competent, full-spectrum energy manager with sustainable and innovative products and services for large customers and to safeguard additional earnings contributions over the long term.

Projects and new business models, particularly from the field of distributed generation and storage (e.g. solar power, industrial-scale batteries and hydrogen) will supplement the activities to date.

Electricity trading

Economic hub for the Group

Changes and trends in the European electricity markets, market design and the areas of decarbonisation, decentralisation and digitalisation as well as surrounding the expansion of renewable energy present multiple challenges for electricity trading. The complexity of marketing the power plant portfolio is increasing along with rising demands for flexibility and the requirements for optimal management and the long-term marketing of generation facilities.

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

VEB – an established partner in the European energy market and partner for all customers

VERBUND Energy4Business GmbH (VEB) is an established player in the European energy markets and is considered a dependable trading partner with considerable expertise in asset marketing, flexibility management and green electricity products. Under the restructuring, the trading and sales activities were pooled with the sales-related skills of the large customer segment. This enables VERBUND to position itself as a highly capable energy manager with sustainable and innovative products and services for all large customers and also to secure additional earnings contributions.

VERBUND's customers primarily include European wholesale partners, other energy trading companies, resellers and municipal utilities, as well as major consumers. VEB's customer portfolio also comprises grid and power plant operators and producers of electricity from renewable sources, particularly in the areas of wind, solar power and small-scale hydropower.

Optimal marketing of VERBUND's own generation

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

The proximity to the market allows VERBUND to continuously analyse changes in the underlying data and in the climate on the energy market. This makes it possible to identify market signals early, and VERBUND can react quickly to market trends.

VERBUND Energy4Business GmbH (VEB) also ensures market-driven management and optimisation of the utilisation of all VERBUND power plants, as before. The precise inflow and weather forecasts required for this are prepared using models – some of which are developed within the Group – for which highly qualified staff contribute their knowledge of the energy market and of meteorology. Optimisation calculations using the appropriate electricity pricing models round off the system landscape to enable the best possible marketing of assets.

All trading activities take place within the framework of a comprehensive, strict 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. This campaign, which is based on attractive pricing, targeted marketing activities and active customer management for the Renewable energy customer business, was also continued in financial year 2020. The campaign focused in particular on wind power and small-scale hydropower, solar power and biomass. VERBUND is actively expanding these successful products as part of its marketing activities for third-party plants in line with the needs of customers. The operators of the plants have benefited from VERBUND's expertise in the energy market. VERBUND's market share in Austria has grown and its market share in Germany has been maintained in recent years in spite of strong price pressure and intense competition. In Luxembourg, VERBUND is still the market leader in marketing electricity from wind power.

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

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

In Austria and Germany, VERBUND is one of the leading providers of certified renewable generation (hydropower from Austria and Germany) and supplies more than 160 municipal utilities and resellers in these markets with its premium product – H2Ö electricity. Diversification and expansion of the sales channels and the expansion of the product portfolio drove an increase in sales volumes among other things in financial year 2020.

Dynamic markets call for flexibility products

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

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

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

Innovative services and products

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

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. VISION not only allows VERBUND customers to market electricity and gas products online as limit orders and track their order status in real time up to fulfilment. The digital platform also provides access to "clickable" prices in the demand response module, a customer-specific document centre and information on the market. In addition, the platform facilitates comprehensive management of energy data both for producers (including wind, solar power, small-scale hydropower) and for consumers (resellers, industrial customers, etc.). In this way, a supply of electricity is transacted from the enquiry to pricing and trade to reporting and billing online in a highly automated manner.

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

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

VERBUND Energy4Business GmbH (VEB) works with industrial customers to develop and construct photovoltaic installations – both rooftop and open-field installations – whose power customers can use directly for their own purposes. On the basis of this concept, approximately 20 MWp are already being implemented or are in operation.

As part of a strategic cooperation with OMV, the first phase of Austria's largest open-field solar installation with a capacity of over 11 MWp was constructed in Schönkirchen/Lower Austria, and commissioned at the end of 2020. Construction on the second phase is scheduled for the end of 2021. Once both construction phases have been completed, the photovoltaic plant will have an installed capacity of 14.85 MWp and generate approximately 14.25 GWh, equivalent to the annual consumption of around 4,400 households. In parallel, photovoltaic operator model contracts are being entered into with several industrial customers. Significant expansion is planned for subsequent years.

VERBUND supports industrial companies in new markets

Industrial flexibility assets are marketed on the control power and intraday market through the VERBUND-Power-Pool, which concentrates the largest portfolio of industrial loads and producers as well as green electricity plants in Austria across all industries. VERBUND supports industrial companies in generating added revenue while retaining full operational autonomy.

In addition, VERBUND Energy4Business GmbH (VEB) markets own batteries as well as batteries under the SYNERG-E project in Germany and Austria. All participants in the VERBUND-Power-Pool and the power grid benefit from this unique constellation. VERBUND's involvement in research and development products such as SYNERG-E and H2FUTURE opens up new applications and business models as well as new energy market processes in regard to the future of energy. The flexibility platform Volery supports the marketing of battery storage units and Power2X installations (such as electrolysis facilities under the H2FUTURE project), among other things. Small flexibility units are networked and marketed together, creating a link between renewable production and industrial flexibility and storage capabilities.

Battery storage – part of the renewable expansion strategy

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, industrial-scale battery storage units have been put into operation at ultra-fast charging stations in Austria and Germany. The batteries are used to cap peak loads at fast EV charging stations and to market control power. Further battery storage units will follow in 2021 under the project and in cooperation with industrial customers. In autumn 2020, VERBUND acquired a battery storage project in Germany with a capacity of 10 MW which will be commissioned in early 2021.

Green hydrogen – fuel for the future of energy

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

Under the project with voestalpine, one of the world's currently largest proton exchange membrane (PEM) electrolysers (6 MW) began operating at full capacity at the site in Linz in early March 2020. The objectives of the H2FUTURE project, sponsored by the EU with a grant of €12m, are to produce green hydrogen for use in the steelmaking process and to provide power for primary, secondary and tertiary control.

The cooperation project between Lafarge, OMV, Borealis and VERBUND launched in early 2020 for synthesising green hydrogen (H_2) and carbon dioxide (CO_2) captured from cement production to create renewable plastics (CCU) reached the next milestone. University partners assisted in determining the technical feasibility, drawing up a project implementation schedule and the business plan, and calculating the savings in greenhouse gases emitted. The project partners submitted a request for funding in late 2020, which will bring the project into the next project development phase.

Mobility becomes electric

In 2020, VERBUND Energy4Business GmbH (VEB) worked with existing and potential customers to advance the development of electromobility solutions under the banner of "charging as a service".

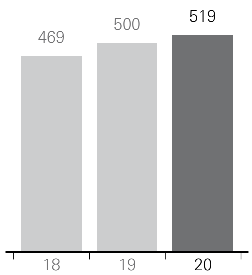
E-mobility provider SMATRICS, a joint venture of OMV, VERBUND and Siemens, has positioned itself in recent years as a technology and service partner in EU projects, in large-scale customer projects and as a pace-setter for electromobility and the related digital business models. SMATRICS is continually expanding its portfolio by adding well-known customers and petrol station operators.

Along with German utility EnBW (Energie Baden-Württemberg), SMATRICS founded the joint venture SMATRICS mobility+ GmbH, which operates the largest Austria-wide network of charging stations and is pushing ahead with the expansion of the existing SMATRICS ultra-fast charging network in Austria. The focus is on high-speed charging infrastructure with charging capacity of up to 350 kW. SMATRICS will act as the technical service provider for the joint subsidiary. SMATRICS is also participating in several tenders, including in the automotive industry.

Electricity sales

Further expansion of the customer base

End customers k



Household/agriculture and commercial

In its household/agriculture and commercial segments, VERBUND achieved "Gold" status in the 2020 "Service Champions" study. Approximately 122,000 opinions were obtained in a broad-based survey of customer experience, with 18 companies tested in a comparison of electricity suppliers. As in 2017, 2018 and 2019, VERBUND took first place and was named "industry winner". VERBUND also shone in the "Industry Monitor 2020" study and added to its series of successes from 2018 and 2019. More than 320,000 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 2020 industry champion. These awards confirm the quality of VERBUND's services. Our goal for the future is to safeguard these excellent results and to improve even more.

GRI EU3

VERBUND also felt the effects of the COVID-19 crisis in new customer acquisition. Cuts were evident in direct sales in particular. And yet VERBUND still increased its customer base in financial year 2020. At the end of the year, around 440,000 customers in the household/agriculture and commercial segments were already receiving VERBUND electricity generated from 100% Austrian hydropower. Market share in the household segment amounted to around 8% in 2020. Climate-neutral natural gas from VERBUND was supplied to approximately 79,000 customers in the household/agriculture and commercial segments in 2020. This represents an increase of 4% in the overall customer base compared with financial year 2019.

The advertising campaigns conducted in spring and autumn 2020 were partly responsible for this success, as was the further expansion of direct sales through the addition of attractive offers for new customers. VERBUND also placed greater emphasis on acquiring more cooperation partners. Increased customer loyalty likewise played a role in the success achieved.

Guarantees of origin for electricity from VERBUND power plants

GRI 417-1

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, commercial and household customers), resellers (municipal utilities and energy providers) and traders.

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

In 2019, VERBUND's entire electricity generation from hydropower certified by TÜV SÜD was 21,627 GWh. The figures for 2020 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 from Austria and Germany certified by TÜV SÜD, VERBUND is one of the region's largest suppliers of green electricity. Customers' interest in buying directly from local producers has increased considerably in the electricity sector, as has the desire to create added value by choosing the electricity supplier. In the latter case, this primarily involves investing the revenues from green electricity in new green electricity projects. VERBUND's main focus in this regard is not only on constructing new facilities. Rather, in the interest of using domestic resources in the best possible and most sustainable way, the emphasis is on escalating efficiency improvements and ecological measures at existing plants, without which an energy transition would not be possible.

Electricity labelling in Austria

GRI 417-1

SDG 12

In Austria, the electricity label is displayed on the consumer's electricity bill. The electricity VERBUND supplies in its household/agriculture and commercial segments has always come exclusively from hydropower. In 2019, VERBUND also began supplying electricity generated from photovoltaic installations owned by other VERBUND customers to its customers in these segments. However, this comprises less than 0.01 % of all sales (rounded) and is therefore not disclosed in the electricity label.

A total of 52.87 % of the electricity VERBUND supplied in its business and industrial segments in 2019 came from renewable energy sources. Of the guarantees of origin issued, 24.34 % related to electricity from hydropower, 18.51 % to electricity from wind power, 6.79 % to electricity from solid or liquid biomass, 1.79 % to electricity from solar energy and 1.44 % to electricity from biogas or other renewable energy sources. The remaining 47.13 % related to natural gas.

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

Electricity labelling in Germany

GRI 417-1

SDG 12

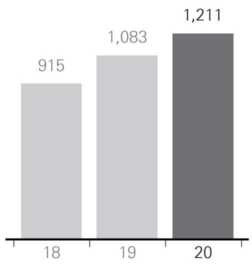
The origin of the electricity volumes supplied by VERBUND to business and industrial customers in Germany in 2019 breaks down as follows: 17.9 % renewable energy (subsidised in accordance with the Renewable Energy Sources Act), 9.6 % other renewable energy sources, 3.0 % other fossil fuels, 13.7 % natural gas, 37.9 % coal and 17.9 % nuclear energy. That particular mix reflects the fact that demand for certified electricity is low among the majority of Germany's industrial customers. Therefore, the electricity supplied to those customers reflects the overall German generation mix, which includes electricity from coal-fired and nuclear power plants in addition to electricity from wind and solar power.

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

Climate-neutral natural gas

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

Gas sold in GWh



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 1,211 GWh of natural gas was sold in the reporting period. Carbon offsets for these sales amounted to 221 kt CO_2e.

The Energy Efficiency Act and its successful implementation

GRI EU DMA formerly EU7

The existing Energy Efficiency Act expired on 31 December 2020. Under this Act, VERBUND had an obligation as an energy supplier to reduce its sales by 0.6 % of its prior-year energy sales to its consumers each year. Thus, more than 250 GWh of savings had to be achieved over the course of the legislative period.

The targets were just as significantly outperformed in the area of household measures as in the area of industrial measures.

As a model company in the field of energy efficiency, VERBUND exceeded the legal requirements by over 20 %. This was achieved through long-term collaborations in the household segment and intense cooperation with our industrial customers. The costs for the energy efficiency measures were once again reduced compared with financial year 2019.

Customer satisfaction and customer relationships

Customer satisfaction and loyalty increased further in parallel

GRI 102-44

The satisfaction of our customers is our utmost priority. This is why VERBUND conducts a survey of residential and commercial customers every year. The results help us understand which measures are effective and where there is a need for further improvement. These measures are implemented in a targeted manner and extend beyond just new services and offerings to include a series of activities aimed at meeting the needs of VERBUND customers. Together with the reputable market research institute marketmind, VERBUND contacts over 1,000 customers and asks them questions on a wide variety of issues. The study continues to be based on the Customer Loyalty Index (CLI), which examines the key components of a successful relationship between VERBUND and its existing customers. VERBUND uses this indicator to direct its actions to allow both sides – VERBUND and its customers – to benefit. Numerous other additional indicators are also referenced in order to complete the overall picture.

Although the results of the 2019 survey were very good, the results from 2020 were even better. In the 2020 Customer Experience Management study, VERBUND achieved an overall satisfaction rating of nearly 1.7 among residential customers, and the rating from commercial customers was nearly 1.7 (on a scale ranging from 1 (highly satisfied) to 5 (not at all satisfied)). The now established Net Promotion Score (NPS) was also significantly higher in 2020 than in the previous year. Residential customers achieved a value of 28 and commercial customers a value of 22. In light of the positive trend for both customer groups, the CLI also showed improvement. Both segments reached a total value of 76 (on a scale of 0 to 100). More and more, VERBUND customers perceive the Company as modern and innovative. Customers also increasingly associate characteristics like kindness, sustainability, success and reliability with VERBUND's image. VERBUND therefore holds its top ranking for hydropower in Austria and advances innovative solutions in the energy sector.

Customer relationships

VERBUND focuses on sustainability. It goes without saying that this also applies to the relationship with its customers. A broad range of communication offerings allows existing VERBUND customers to experience this positioning. During the spring 2020 campaign (as in previous years), €1 was donated to the VERBUND Electricity Relief Fund run by Caritas (a Catholic charity) for each existing customer who completed an online form. The focus of the autumn 2020 campaign was on recruitment efforts by the customer club with its attractive range of benefits and VERBUND's online services. Customers were invited to the VERBUND Christmas campaign in December. Turnout was strong thanks to the wide range of interesting content on the topic of energy, contests with attractive prices and a Christmas bonus for every customer. The campaigns aimed to strengthen customers' emotional ties to VERBUND.

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 between 7:00 a.m. and 8:00 p.m. Monday to Friday 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, optimally rounding off VERBUND's range of services. Around the clock and without waiting, customers can conduct simple service tasks like changing their instalment payment amounts or updating their personal data. Around half of VERBUND's customers use this service in order to take advantage of the convenience.

The VERBUND website at www.verbund.at presents many facets of VERBUND as a company and 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. Customers can also find easily understandable explanatory videos on the site.

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 agreement is terminated due to late payment. The supply continues if the customer meets any of the three payment demands.

Under a voluntary industry solution of the Austrian electric utilities, VERBUND agreed to a higher number of instalment agreements and deferrals between March and June 2020. During this time period, contract terminations and disconnections were waived altogether. Upon expiry of this reminder and termination waiver period, the receivables management system once again took effect.

In 2020, the electricity or natural gas supply contracts of around 9,200 household and commercial customers had to be terminated. This equates to an increase of 6% in contract terminations compared with 2019 (~8,700 disconnections). The increase in contract terminations was attributable to the financial effects of the COVID-19 pandemic.

Grid

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

Business performance

KPIs – Grid segment

	Unit	2019	**2020**	Change
Total revenue	€m	811.8	730.4	–10.0%
EBITDA	€m	257.8	232.4	–9.8%
Result from interests accounted for using the equity method	€m	0.1	0.1	–
Capital employed	€m	1,459.6	1,651.6	13.2%

Total revenue declined as a result of COVID-19, due in particular to lower revenue from grid usage fees and lower revenue from auctioning off of cross-border capacity and from congestion management; lower expenses for congestion management associated with the latter resulted in a smaller decrease in EBITDA.

The increase in capital employed mainly resulted from the rise in the net investment in property, plant and equipment, which was offset by the higher non-interest-bearing debt.

Technical developments

GRI EU4

Power grid data APG

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

Operational developments

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

TCFD

The dynamic developments in the energy market in Europe – especially in connection with the expansion of wind and solar power generation – are giving rise to volatile load flows. Since the required grid expansion is not keeping pace with these developments due to long 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.

In 2020, less redispatching was required in the APG grid compared with the previous year, particularly during the second half of the year, due to very good run-of-river generation in Austria and the lower load in Europe as a result of the COVID-19 pandemic.

In 2020, power plants in Austria were also frequently used for managing grid congestion outside of Austria (mainly in Germany).

Redispatch quantities

	2018	2019	**2020**
Redispatch quantities (in GWh)[1]	3,461.7	2,417.4	**1,455.2**

[1] only volumes from increased production

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

After the Austrian federal government presented radical measures to combat the COVID-19 pandemic, APG's crisis management team was activated on 10 March 2020. The focus of crisis management activities was on ensuring the sustainable operating ability of APG.

Approximately 500 APG employees began working remotely on 15 March 2020. Since then, in order to protect our staff at all APG sites and to ensure security of supply, all employees are subject to special hygiene and safety protocols at work, and teams are split up at various sites in the control centres and other sensitive areas.

All construction projects were temporarily suspended during the first lockdown in mid-March; in early April, construction activities were allowed to resume subject to precautionary measures stipulated in the guidelines of the employer and employee representatives. Corresponding action and hygiene plans helped to adequately maintain construction site operations more or less on schedule despite COVID-19. Thus, underutilisation involving considerable capital expenditure did not occur in 2020 because of COVID-19.

During the first lockdown, a significant load decline was evident in Austria which topped out at approximately 14 % in early April. The lower load demand caused voltage peaks at times, which remained manageable with grid control techniques.

Interruptions to supply

GRI EU28
GRI EU29

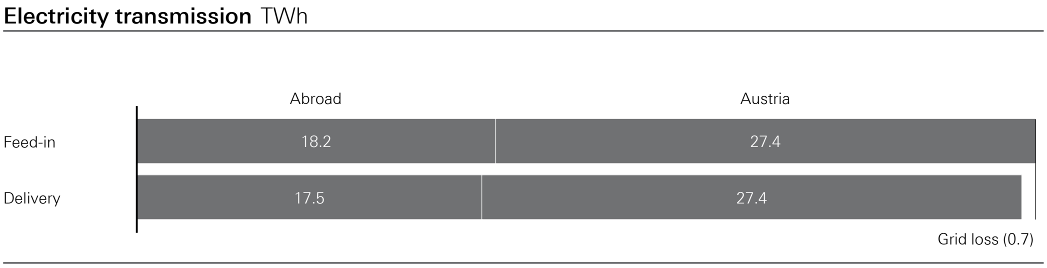
One interruption to supply occurred in the APG grid in 2020, affecting 80,000 consumers in the vicinity of Zell am See for 14 minutes. The effects on consumers of a component failure in APG's transmission grid are quantified using the "megawatt hours (MWh) not supplied" indicator. Counting of the supply interruption duration starts from the time supply to consumers is interrupted if this can be clearly attributed to a preceding fault in the transmission grid.

In 2020, APG transmitted around 44,863 GWh at grid level 1 (380-kV and 220-kV). A total of 13.5 MWh, i.e. 0.00003 % of the volume transmitted, was not supplied. Two interruptions occurred in 2019 and one each in 2018 and 2017.

Electricity transmission and grid loss

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

In financial year 2020, the transmission volume at grid level 1 (380-kV and 220-kV grid) decreased by 4.0 % over the previous year. Domestic delivery came to 27,367 GWh. Based on the reported transmission schedules of the Austrian and international market participants, the APG control area imported 28,835.3 GWh and exported 24,426.1 GWh in 2020. This results in an import surplus of 4,409.2 GWh.



Compared with the previous year, grid losses decreased by 3.6 %. Grid loss as a percentage of electricity transmitted came to 1.6 %.

GRI EU12

Transmission losses

	Unit	2018	2019	**2020**
Electricity transmitted[1]	GWh	47,149	46,731	**44,863**
Grid loss[1]	GWh	677	758	**731**
Grid loss as a percentage of electricity transmitted	%	1.44	1.62	**1.63**

[1] grid level 1

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 in eastern Austria. However, due to the difficult market situation this availability is diminishing rapidly and must be contractually safeguarded to ensure that it can be used for necessary redispatch activation. To ensure the necessary redispatch capacity in the medium term, the availability of the required power plants has been contractually safeguarded from October 2018 to September 2021 by APG in close consultation with E-Control. During redispatching, recourse was taken to this contracted reserve capacity on a regular basis in 2020. 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) apply for the period beginning in October 2021.

Projects and stakeholder management

GRI 413-1

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

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

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

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

APG's 2020 Network Development Plan provides for gross investments of around €3.1bn in the next ten years. These investments will serve to develop the grid infrastructure such that it will provide a secure supply of electricity in Austria going forward.

In 2020, a total of €379.7m (gross) was invested in intangible assets and property, plant and equipment (2019: €249.1m). The largest investments were:

SDG 8

Investments in grid expansion	€m
380-kV Salzburg line St. Peter–Tauern grid hub	110.3
Weinviertel grid area	65.9
Villach South substation: 220-/110-kV grid support for KNG-Kärnten Netz	13.6

Maintenance CAPEX	€m
General overhaul of the 220-kV St. Peter–Ernsthofen line	32.8
New construction of substation replacements	22.3
Modernisation of secondary technology (control system/protection/counting)	7.5

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

380-kV Salzburg line

Commissioning of the 114-kilometre-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. In addition, this project, in combination with the Germany line project through the St. Peter grid hub, is creating a high-efficiency connection to Germany. The Salzburg line makes it possible for plants in eastern Austria feeding in renewable energy (e.g. wind power) 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 federal government with regard to 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. Final approval of the project submitted to the Austrian Supreme Administrative Court was ultimately granted 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 partially 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 measures.

One of these emergency measures was the short-term construction of a third 380-/110-kV transformer in the Tauern substation (NEP project 18-1), which was commissioned in December 2019. In addition, the conductors will be 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 by at least five years.

Germany line

The 380-kV Germany line between St. Peter and the Austrian national border will entail an increase in interconnection capacity to Germany. An efficient connection of the renewable energy sources in Germany and Northern Europe to the Austrian load centres and the pumped storage power plants in the Alps will make an important contribution to the (European) energy transition implementation. Furthermore, linking the markets will benefit the Austrian electricity consumers and expand the marketing options for the Austrian producers.

APG has already started construction of the nearly 3-kilometre-long 380-kV line to the national border. Due to the complex project for the 380-kV GIS facility at the St. Peter substation and particularly due to the comprehensive expansion measures required on the German side of the border with APG's partner TSO TenneT, commissioning is planned for 2024/25. Both of the old 220-kV lines on the Austrian side of the border will be dismantled as part of the project, alleviating the burden on local residential areas for the long term.

Weinviertel line

GRI 413-1
GRI 304-1

Grid integration of wind power in the Weinviertel region necessitates replacement of the 220-kV line originally built in the 1950s towards the areas with strong wind conditions in the northern Weinviertel region. This is a key project to integrate wind power in eastern Austria. To address this, APG has planned a highly efficient 380-kV line on an optimised route from the Seyring junction to the new Zaya substation and a 220-kV connection to the Austrian national border. The old 220-kV line, which was in need of renovation, will then be dismantled, easing the burden on the residential areas as well as on important nature reserves and bird sanctuaries in the long term. Project implementation began in the spring of 2019 after an environmental impact assessment (EIA) process in the first instance and the confirmation of this notice by Austrian Federal Administrative Court ruling. Since that time, construction measures on the line and the substation have progressed on schedule. Commissioning is planned for quarter 2/2022.

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

Constructed in 1941, the line was in dire need of renovation after an operating lifetime of nearly 80 years, and large sections no longer met current specifications for modern lines. A general overhaul including installation of new conductors along the existing 111-kilometre-long route was necessary. After completion of the approval process in 2017, implementation began in several construction phases in April 2018. The project progressed as scheduled and, after a 30-month construction period, the line was successfully put back into operation in late October 2020.

Central Upper Austria project

GRI 413-1

The current 110-kV grid structure for supplying Upper Austria's central region (UACR) cannot support the capacities and electricity volumes that will be needed for this grid area's dynamic growth in the future. Current trends such as decarbonisation – primarily in the industrial sector – and the expansion of renewable energy along with future demands for grid safety and security of supply require comprehensive restructuring of the electricity supply for UACR from APG's Ernsthofen and Kronstorf substations. APG is working hard and together with its partners Netz Oberösterreich and Linz Netz on developing expansion plans and preparing the environmental impact statement (EIS) for submission in order to kick off the EIA process beginning in autumn 2021.

Construction of a 220-kV supply ring is planned to replace the 110-kV supply lines. The local 220-kV ring will link the Ernsthofen, Pichling, Hütte Süd, Wegscheid and Kronstorf substations. The grid operators coordinated an overall concept calling for new construction to replace sections of existing lines and voltage conversions on the sections of lines already designed for 220-kV. The higher voltage level will make it possible to transmit more electric power and energy, creating a secure, efficient and powerful electricity supply for the UACR in the future. Implementation of this major project is scheduled to take place from 2024 until 2029/30, with individual construction phases to be put into operation beginning in 2026.

Reschenpass project

APG's connecting line currently in place between Austria (Lienz) and Italy (Soverzene) dates back to 1952 and is no longer able to handle today's requirements. Increasing hydropower generation in Austria's western Alpine region (mainly pumped storage power plants), the European expansion of renewable energy and the market developments as well as the developments in the energy market in Italy (including massive expansion of renewable energy also occurring in Italy) require greater interconnection capacities. In the Reschenpass project, a new, second 220-kV line to Italy will be built starting from the Nauders substation, which will be incorporated into the 380-kV line from West Tyrol to Pradella (Switzerland) in the immediate vicinity of the three national borders, and the transmission grids of APG and TERNA S.p.A. will be linked more closely. Following extensive coordination efforts with TERNA since 2009, preliminary work in the area of the Nauders substation began in early summer 2020. In autumn 2020, the construction decision was taken and construction began. Commissioning of the project is scheduled for the end of 2023.

Other projects and maintenance CAPEX

APG has also earmarked extensive maintenance CAPEX for the modernisation and reinforcement of substations and line systems at the 220- and 110-kV grid level (see also APG's Network Development Plan 2020). Considerations on the reinforcement of existing switching stations (e.g. short-circuit stability) lead to extensive maintenance measures, particularly for old systems, or, in the case of technical and economic improvements, increasingly to new construction of replacement switching stations. Extensive maintenance measures and general overhauls (including cable replacement) of old 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 route management

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

GRI 102-43

Additional information on conservation is available at www.apg.at

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

GRI 304-2

Please refer to the DMA for details on sustainable route management

Green energy clearing and settlement and wind marketing

To reduce imbalances in wind power generation and in the entire APG control area, APG has been marketing volumes arising from deviations in the forecast of green electricity generation on the European intraday market around the clock (24/7) since 2015. As a result, the OeMAG balancing group (Abwicklungsstelle für Ökostrom AG, OeMAG) achieved savings of around €8.7m in 2020. In addition, marketing electricity from wind power generated further indirect savings of €10.9m in 2020 due to lower activation of balancing services. Marketing electricity from wind power generated total savings of around €19.6m in the financial year now ended, confirming the added value of efficient, market-based solutions.

Developments in the European electricity market

After intensive preparations, platform-based intraday capacity allocation was implemented at the border with Switzerland in September 2020. This replaced the system of allocation by telephone which had been in place for many years. Since Switzerland is excluded from European round-the-clock intraday trading, there are bilateral processes between APG and Swissgrid at this border. The new allocation process is significantly more efficient both for market participants and for APG.

In 2020, APG continued to work on implementing market coupling at the borders with Hungary and the Czech Republic. This will allow the available border capacities to be used more efficiently by the market. Positive effects on liquidity are expected for Austria. Market coupling is already in place at Austria's borders with Germany, Italy and Slovenia.

In order to further stabilise costs for balancing services, APG also worked hard to further improve international balancing services collaborations in 2020. After joint, optimised activation of automatic frequency restoration reserves (aFRR) had been in place since 2016, joint procurement of aFRR with Germany was successfully put into operation in February 2020. Depending on which country bids lower aFRR prices, up to a maximum of 80 MW can be procured across borders and later secured to be used for activation in Austria or in Germany. For manual frequency restoration reserves (mFRR), a cooperation with Germany for coordinated activation of mFRR was also implemented in 2020. These pioneer projects helped to reduce costs for balancing services by around 20 % compared with the previous year and keep them stable them at a low level. In addition, under the collaborations with Germany, intraday tenders for balancing energy have been successfully implemented in regard to automatic frequency restoration reserves (aFRR) and manual frequency restoration reserves (mFRR). Balancing services providers can now submit intraday energy bids without award in the tender process (free bids). Germany and Austria thus continue to take a pioneering role in Europe with regard to balancing services markets, and the two countries are setting benchmarks in terms of product requirements, process design, harmonisation and market integration.

Within the international frequency containment reserve cooperation, which includes ten other European transmission system operators (TSOs) in addition to APG, the market design was also successfully converted to four-hour products and daily tendering periods in the summer. This further improved the competitive conditions in order to better integrate flexible resources, especially those available in the short term.

Market transparency and publication requirements

Compliance with Regulation (EU) No 1227/2011 (REMIT Regulation), Regulation (EU) No 1348/2014 (REMIT Implementing Regulation) and Regulation (EU) No 543/2013 (Transparency Regulation – EMFIP) is ensured by embedding the topic of transparency and REMIT (the EU Regulation on Wholesale Energy Market Integrity and Transparency) in APG's existing compliance structure (including the accompanying REMIT guideline and staff training). In 2020, APG also fulfilled its monitoring and reporting obligations in terms of market monitoring arising from Article 15 of REMIT Regulation. Discussions surrounding the introduction of REMIT fees were the main topic in 2020. Following a European Commission consultation procedure, this fee – contrary to the position of APG and other TSOs – must be paid by all data reporters, including APG, to ACER (Agency for the Cooperation of Energy Regulators) beginning in 2021.

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 coal (until 31 March 2020) and gas are reported under the Thermal generation segment. The primarily intra-Group business activities of VERBUND Services GmbH are reported under the Services segment. Interests accounted for using the equity method which have not been allocated to any other segment are reported under the Equity interests segment. As at the reporting date of 31 December 2020, this only comprised the equity interest in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

Business performance

KPIs – All other segments

	Unit	2019	2020	Change
Total revenue	€m	224.0	184.8	–17.5%
EBITDA	€m	51.0	37.9	–25.7%
Result from interests accounted for using the equity method	€m	38.5	42.6	10.6%
Capital employed	€m	519.4	479.2	–7.8%

The lower total revenue is mainly attributable to the reduced use of the Mellach combined cycle gas turbine power plant for congestion management, as well as to lower generation by the Mellach district heating plant due to the discontinuation of coal-fired generation. The decline in EBITDA also stems primarily from the Thermal generation segment, due in particular to the reduced power plant utilisation and to the absence of positive effects of changes in provisions from the previous year. The result from interests accounted for using the equity method was generated by KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

The decline in capital employed is chiefly attributable to lower property, plant and equipment, particularly due to the impairment of the Mellach combined cycle gas turbine power plant, and to lower hard coal stocks and a smaller portfolio of emission rights, while the increased equity interest in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft had a counteracting effect due to the positive result from interests accounted for using the equity method.

Thermal generation

VERBUND has been faced with very challenging conditions in the markets and its industry for a number of years. This is the reason why VERBUND initiated the rapid restructuring of its thermal segment early on, selling and closing thermal power plants. At the end of 2020, VERBUND operated two thermal power plants and one boiler unit at the Mellach/Werndorf site. Since 2005, CO_2 emissions from thermal power plants have been cut by around 70%. 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]	2018 Generation in GWh	2019 Generation in GWh	**2020 Generation in GWh**
Mellach CCGT (natural gas)	1	848	915	888	687
Mellach district heating power plant (hard coal/natural gas)[2]	1	165	696	681	346
Total	2	1,013	1,611	1,569	**1,033**

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

Generation from thermal power (net) fell by 34.2% to 1,033.5 GWh in the 2020 reporting period. The decrease is due to a reduction in generation at the Mellach combined cycle gas turbine power plant (–22.6%). Generation at the Mellach district heating plant decreased by 49.2%. At 485.2 GWh in 2020, generation of district heating was 38.5% lower than in the prior-year reporting period. These declines are attributable to the end of coal-fired electricity generation at the Mellach district heating plant and the expiry of the agreement to supply district heating to the city of Graz.

Capacity changes

The maximum electrical capacity of VERBUND's thermal power plants – the Mellach combined cycle gas turbine power plant (Mellach CCGT) and the Mellach district heating power plant – totalled 1,013 MW as at 31 December 2020. The two generators of the Mellach CCGT were operated exclusively for congestion management purposes, underscoring the necessity of the thermal power plants for grid support. APG has contracted the Mellach CCGT and the Mellach district heating plant for a period of three years (1 October 2018 until 30 September 2021) as part of its efforts to prevent congestion (grid reserve). Since April 2020, the Mellach district heating plant operates with natural gas. GRI EU1

Restructuring of the thermal segment

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

The dismantling work of the former power plant site in Werndorf began in March 2020 and is scheduled for completion in December 2021.

At the Dürnrohr site, the award of work contracts for evaluating potential synergies with EVN Wärmekraftwerke GmbH was delayed in 2020 until quarter 1/2021. Partial dismantling is planned.

Extensive adaptations of the office space took place at the Mellach and Werndorf sites in 2020.

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, Mellach district heating power plant) was 92.7 % in financial year 2020. This is slightly higher than the prior-year figure of 87.3 %. The level of reliability averaged 98.1 % and thus was significantly higher than the prior-year figure (2019: 87.8 %).

Other project topics

In the project for the Werndorf gas boiler plant, full operation resumed in quarter 4/2020 after the boiler was replaced in September 2020. Problems occurred again during the retrial runs. An analysis of the failure and its cause is currently underway.

The ambitious research project HOTFLEX kicked off at the Mellach power plant site in 2019 continued in financial year 2020. A pilot plant for high-temperature electrolysis and fuel cell operations was constructed on the premises of the gas turbine power plant. This research plant will cover both operating modes, electrolysis and in reverse mode as a fuel cell within a single cell. This research project is a cooperation between the manufacturer, the Thermal Power Institute at the Graz University of Technology, and VERBUND. Hydrogen was produced in the pilot plant for the first time in 2020. Once the acceptance trial run has been completed, the pilot plant will begin research operation.

After the Werndorf power plant site has been dismantled and coal-fired generation has been discontinued, the Mellach/Werndorf power plant site will be developed and established as a technology and innovation centre using the existing infrastructure and the operational expertise. The fields of green hydrogen and electrification, OT cybersecurity and new energy storage have been analysed as part of this process, and the resulting focus areas will be evaluated by the end of quarter 1/2021. In addition, cooperation partners and research tools will be identified and a basis for decisions regarding implementation will be developed.

The projects Hy²Power, 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 started in 2020, each with external project partners.

All by-products accumulated at the site (fly ash, coarse ash, gypsum) as well as the calcareous mud from the cooling tower makeup water treatment system at the Mellach combined cycle gas turbine power plant, generator 20, will continue to be fully recycled. A final exemption procedure was conducted for the filter press cake from the effluent treatment plant at the Mellach district heating power plant.

For the share of district heating, applications for allocation of free CO_2 emission rights for the fourth emission trading period from 2021 to 2030 were also submitted to the Austrian Federal Ministry for Sustainability and Tourism on time in 2020.

Achievement of the targets defined for VERBUND Thermal Power GmbH & Co KG (VTP) was confirmed in the last external sustainability audit. A positive external monitoring audit was completed for the environmental management system (in line with ISO 14001:2015 and in accordance with the EMAS Directive) in October 2020.

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

Allocation and purchase of CO_2 emission rights

Direct CO_2 emissions from VERBUND's thermal power plants are subject to European emissions trading (EU ETS). In other words, a valid emission allowance must be acquired for every tonne of CO_2 emitted. Free emission rights allocations amounted to just 41.9 kt CO_2 in 2020, as only a small portion of the free allocations went to combined cycle power plants in the third phase of ETS. For VERBUND, this amounted to just 6.5% of the quantity needed for its emissions totalling 648.2 kt CO_2. Emission rights 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 rights needed is attributable to the discontinuation of coal-fired electricity generation in the Mellach district heating plant and the expiry of the agreement to supply district heating.

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

KPIs – direct CO_2 emissions from thermal power plants

	Unit	2018	2019	2020
CO_2 emissions from thermal power plants[1]	kt CO_2	1,065	1,068	648
Free allocations of emission rights	kt CO_2	64	53	42

[1] preliminary figures before ETS audit

Services

As a shared service organisation of VERBUND, VERBUND Services GmbH (VSE) provided essential services in the following fields of activity in 2020:

- 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 backup, licence provision, help desk, 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;
- Human resources services and payroll.

VERBUND Services GmbH was impacted by the COVID-19 pandemic in quarters 1–4/2020. VERBUND Services GmbH shares primary co-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 IT technologies as well as its many years of close cooperation with the Group.

From day one of the crisis that unfolded in March 2020, remote working was implemented on a large scale and expanded across the Group by putting an IT infrastructure in place that was robust enough to gradually grow to allow approximately 1,500 employees to work from home with secure remote access using VPN GlobalProtect. 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 the expansion of the existing customer help desk service hotline to actively assist employees in transitioning to their new work environment.

Particularly with regard to digitalisation, the expansion of the digital signature for electronic sealing of documents, provision of the qualified mobile phone signature and holding of virtual conferences using webinar platforms were realised in cooperation with the Information Security and Digitalisation division at the holding company. Using this technology, VERBUND's 73rd Annual General Meeting was also successfully held as a virtual general meeting for the first time on 16 June 2020, owing to the COVID-19 pandemic. All of this had to take place within VERBUND's strict safety guidelines and in accordance with the COVID-19 regulations prescribed by law.

In facility management, quarters 1–4/2020 focused on identifying the best possible methods for preventing exposure to COVID-19. Critical workspaces at more than 50 of VERBUND's power plant and administrative office locations were disinfected regularly and furnished with protective equipment. In addition, a crisis response team is on call 24/7 for any necessary decontamination.

A future-proof site and occupancy concept for Vienna was also drafted and renovation work began at company headquarters. The objectives of this are to apply the principles of VERBUND's mission statement and corporate philosophy, to optimise costs per workplace and promote synergies and to create more favourable conditions for remote working.

VERBUND Services GmbH's remaining service processes were operating at full capacity during quarters 1–4/2020. This especially related to compliance-critical processes. A small number of projects suffered minor delays due to the COVID-19 pandemic. Work is now continuing on all projects in compliance with the applicable health-related protocols. The infrastructure project involving modernising the company radio system across Austria to a digital wireless system with a company-specific frequency was executed on schedule with the rollout of a total of 115 mobile communication base stations and 600 mobile end-user devices at the end of December 2020.

Work was successfully completed on the SAP integration projects related to the adjusted Group structure and the e-procurement solution MyProcurement online shop.

The Employee Self-Service (ESS) and Manager Self-Service (MSS) modules of the SAP operating system have also implemented the COVID-19 regulations under labour law and the government's tax reform to manage the social and economic impact of the COVID-19 pandemic.

The SAP Excellence project launched in November 2018 follows the project vision "Designing commercial processes – effective, efficient, user-oriented and high performance". The aim is to achieve this by switching to the new SAP HANA product generation.

The project is led by VSE and supported by numerous employees from the entire Group taking on different project roles. In 2020, the project involved working on the draft concepts for the SAP-supported commercial processes, data management as well as the SAP-centred system architecture and an implementation roadmap. The draft concept phase will continue and conclude in 2021.

The shared services strategy was revised in 2020. The objective was to identify additional ways to increase efficiency, optimise processes and improve quality in shared services. The shared services strategy was last revised in 2015. Becoming more competitive, taking customer requirements into account, ensuring safety in operations and meeting compliance requirements were defined as primary objectives.

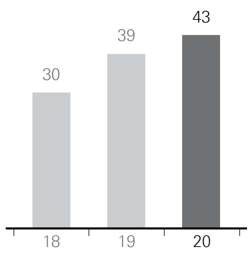
Equity interests

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

At €42.6m, the contribution from KELAG to the result from interests accounted for using the equity method was up in 2020 compared with the prior-year figure (2019: €38.5m). Thanks to the early implementation of measures in connection with COVID-19 and the gradual recovery of sales volumes as well as the listing of wholesale forward prices for electricity, the forecast result was achieved. An improved water supply, which was above the long-term average during the reporting period, also had a positive effect on the development of the result. The dividend attributable to VERBUND for 2020 was €17.6m. As at 31 December 2020, VERBUND held a 35.17 % equity interest in KELAG.

KELAG generates electricity from 100 % renewable energy and along with VERBUND is among the major Austrian producers of hydroelectricity. It also operates in the area of wind power and implements selected solar power projects. KELAG generates district heating mostly from industrial waste heat and biomass and the remainder from natural gas. Around 65 % of the required heat is already being provided on the basis of renewable raw materials and waste heat. KELAG's strategic goal is to further reduce CO_2 emissions by promoting the expansion of renewable energy and increasing the use of bioenergy and waste heat for district heating.

Equity result - KELAG €m



Further information is available at www.kelag.at

Opportunity and risk management

GRI 102-11

VERBUND pursues proactive, timely and transparent risk management based on existing international norms (primarily 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 also reviews and confirms the effectiveness of the Enterprise Risk Management based on the recommendations contained in the ISO 31000 reference model.

Further development

In financial year 2020, VERBUND's risk management activities focused in particular 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. The 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 Measures: - Pricing-in strategy - Conclusion of long-term supply agreements - Options transactions	X	X

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

Category	Description/measures	Impact on earnings	
	- Strict scoring of business partners based on a conservative system for evaluating credit ratings - Regular monitoring		
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

COVID-19 opportunity and risk position

In addition to the opportunities and risks arising from normal business operations, the year 2020 was characterised mainly by the global COVID-19 pandemic. The risks resulting from this pandemic and their impacts (both short- and long-term) on VERBUND have been evaluated continually since the lockdown in March 2020, with COVID-19 effects being primarily reflected in the following risk categories.

Operational risk

Maintaining a secure supply of electricity in Austria – with respect to both production and transmission – has been VERBUND's overriding objective during the COVID-19 crisis. Within the framework of VERBUND's tried-and-tested crisis management organisation, crisis units at the Group and company levels were continually at work in order to safeguard this objective. Elaborated emergency response strategies and contingency plans ensured unrestricted operations even in an emergency situation.

Beginning in March 2020, VERBUND employees mostly worked from home (where possible). This protective measure was implemented on a large scale, especially during the first, second and third lockdown periods. Extensive on-site protective and hygiene measures were put in place for employees whose jobs required their presence in plants and office buildings (for more information, please refer to the sections entitled Occupational health and safety and Human resources).

Price risk

Especially at the beginning of the lockdown in March 2020, a sharp decline in short-term electricity prices was particularly apparent, reducing electricity revenue. However, VERBUND's hedging strategy kept the negative effects in check. In addition, the long-term electricity prices, which had also fallen at the beginning of the crisis, largely recovered and stabilised in the second half of 2020.

Volume risk

A reduction in electricity consumption caused by COVID-19 was also reflected in the transmission grid, with a decline in revenue from grid usage fees.

Financial risk

Particularly at the onset of the COVID-19 crisis, uncertainty about the further progression of the pandemic generated volatility in the capital market environment, causing – among other things – price losses during the year on securities held, which were recouped to some extent by the end of the year.

Over the course of 2020, default rates of business partners (counterparty risk) did not rise as a result of the economic downturn precipitated by COVID-19. It is not yet possible to gauge other potential negative economic effects of the stricter measures introduced in November 2020 to contain the renewed rise in infection rates. Furthermore, the government aid packages aimed at supporting the economy (e.g. fixed cost subsidies, short-time work, loan guarantees) can potentially postpone insolvencies to later years. Therefore, a subsequent increase in default rates for 2021–2022 cannot be ruled out. Measures introduced by VERBUND – such as a clearly defined system of limits with centrally assigned and monitored counterparty limits, along with an intensive audit of business partners receiving deliveries on credit – serve to minimise the likelihood that payment defaults will occur and any negative financial consequences for VERBUND.

Current opportunities and risks arising from normal business operations

Opportunities and risks arising from the business model

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

The future energy world requires electric utilities to radically change their business models and modify investment decisions. These could give rise to significant value adjustments (i.e. erratic changes in the assets and liabilities on the balance sheet). While the business model of energy-related services is opening up new opportunities for VERBUND, it also presents new risks.

Weather- and climate-related opportunities and risks

GRI 201-2

SDG 13

TCFD

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

Climate change can impact different operating segments of VERBUND. It is possible that geological conditions may change significantly, and natural events such as floods, storms, avalanches and mudslides may cause an unscheduled outage of electricity generation or transmission in the future along with consequential damage.

Over the long term, changes in the climate can affect water and wind supply, which may cause greater seasonal or annual fluctuations in generation to occur in the future at both run-of-river plants and storage power plants. In 2019, VERBUND worked with the University of Natural Resources and Life Sciences in Vienna (BOKU) to conduct a study of the long-term development (until 2100) of generation potential from hydropower as impacted by climate change in areas of Austria relevant for VERBUND. VERBUND relies on maintaining the value of and expanding hydropower plants in conjunction with increasing generation from wind farms and photovoltaic installations, for the purpose of diversification and to contribute to the goal set by the Republic of Austria of covering 100 % of the electricity supply with renewable energy by 2030. Successful realisation of new investments is necessary to drive this expansion forward. In order to take full advantage of the opportunity potential of new projects and to minimise possible risks, it is essential that all stakeholders are involved at an early stage, regulatory conditions are met and project management is effective.

Coverage of short-term electricity requirements due to volatile wind and solar power generation is also providing new revenue opportunities for VERBUND. In other words, excess energy amounts can be "parked" in pumped storage power plants and the grids stabilised with flexible power plant output. These flexible earnings contributions depend largely on the frequency and absolute extent of short-term price fluctuations in the electricity markets. Yet the expansion of wind farms and photovoltaic installations still faces great challenges, mainly those concerning grid stability at an international level.

GRI 201-2

TCFD

Opportunities and risks arising from economic and regulatory developments

In addition to the risks of fluctuations in output, economic performance and electricity price trends 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.

The European Union's Emissions Trading System (ETS) is opening up new possibilities, but also creating impediments. Among other things, this is giving rise to a transformation of the European energy system and is therefore bringing about a major change in the risk factors arising from politics, the economy, the energy market and the larger society that cannot be directly influenced.

Around 97% of VERBUND's output is generated from carbon-free renewable energy sources which are thus not part of the ETS. As the ETS prices have an enormous impact on electricity prices, rising/falling ETS prices also have a positive/negative impact on VERBUND's financial performance. In addition to expanding its generation capacity from renewable energy sources, VERBUND is also relying on increased collaboration and the exchange with national and international interest groups, associations and authorities in order to benefit from the opportunities this presents.

Opportunities and risks arising from technological development

The very dynamic developments in the fields of technology and innovation affect VERBUND's business environment in both the short and long term. Digitalisation is proving to be a particular challenge but also an opportunity for VERBUND. State-of-the-art information and communication systems increasingly support the Company's business activities. VERBUND addresses the growing risks from cyber space for critical infrastructure by implementing preventive security strategies, internal projects to increase the security of IT systems and IT infrastructure, as well as internal guidelines and correspondingly defined and secured processes. In doing so, VERBUND pays particular attention to the safety of the control technology in its power plants and in APG's ultra-high voltage grid.

Technological developments and innovations also influence customers' behaviour and needs. VERBUND therefore endeavours to unlock the potential opportunities this creates through agile adaptation to technological advancement, by investing in its own research and development and, in the long term, by adapting the business model to these new demands.

VERBUND contributes to reaching Austria's climate targets.

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 2021 (sensitivity)

All else remaining equal, a change in the factors shown below would be reflected in the projected Group result for 2021 as follows (based on the hedging status as at 31 December 2020 for generation and interest rate):

+/– 1 % in generation from hydropower plants: €+/– 7.9m
+/– 1 % in generation from wind power: €+/– 0.5m
+/– 1 €/MWh in wholesale electricity prices (renewable generation): €+/– 5.8m
+/– 1 percentage point in interest rates: €+/– 0.6m

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 integrated annual report 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 the updated process manual. VERBUND's organisational structure is continually adapted to address changing internal and external conditions.

Reporting in compliance with unbundling provisions

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

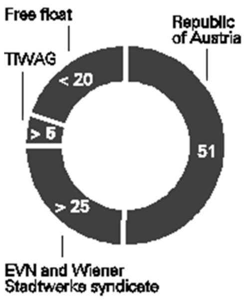
Periodic monitoring

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

Shareholder structure and capital information

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

Shareholder structure %



1. At the reporting date of 31 December 2020, 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, 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 this 2020 Integrated Annual Report, is available on the VERBUND website.

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

Innovation, research and development

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

	Unit	2018	2019	**2020**
Number of IR&D projects	Number	74	80	**91**
Total project volume[1]	€m	177.9	192.6	**257.0**
of which EU projects[1]	€m	104.5	118.2	**152.2**
Total VERBUND share[1]	€m	61.6	58.7	**77.6**
Annual VERBUND expenses[2]	€m	8.5	10.7	**9.5**
Annual VERBUND investment[2]	€m	2.0	6.8	**4.1**

[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 12
SDG 17

International climate protection agreements, the European Commission's Green Deal, national strategies and programmes and the commitment of civil society are indications that the energy transition away from fossil fuels to renewable energy sources is gaining momentum – even in spite of the COVID-19 crisis. Research, development and innovation contribute significantly to reducing climate-damaging emissions and limiting the impact of climate change. With its commitment to innovative technologies and business models, VERBUND assumes responsibility for the decarbonisation of various sectors and, in doing so, relies on cooperation with universities, businesses and start-up companies in Austria and the international arena. VERBUND's innovation strategy provides the direction in terms of content and organisation for working with partners on innovative solutions that contribute to the long-term success of the Group.

Focus on electromobility: electrification of the transportation sector

SDG 11

Together with its subsidiary SMATRICS and European partners, VERBUND is working on implementing high-performance charging infrastructure for the latest generation of electric cars. This will enable electric mobility over long distances. In conjunction with partners from Italy and Germany, interoperable charging networks are being built to be able to provide cross-border mobility solutions. At the same time, work on analysing charging procedures is continuing in order to improve both the technical implementation and services for the customers. These projects are co-sponsored by the European Commission using funds from the Connecting Europe Facility. In the field of research and development, VERBUND is a partner in a European consortium formed with the goal of advancing developments in relation to charging solutions. The eCharge4Drivers project is subsidised with funds from the European research programme Horizon 2020. Under the Megawatt Logistics project sponsored by the Austrian Climate and Energy Fund, VERBUND is working with Austrian research and business partners to convert fleets of heavy-duty commercial vehicles from diesel to electric fleets, along with the accompanying infrastructure solutions.

Focus on new storage systems: use of batteries in various applications

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 users and to combine different generation and storage technologies at a local level.

In 2020, the Blue Battery project was implemented at the VERBUND site in Wallsee-Mitterkirchen where Austria's largest battery storage unit with a Frequency Containment Reserve (FCR) of 8 MW and 2 MW for charge management as well as a storage capacity of 14.2 MWh was built and put into operation. Prequalification regarding the supply of FCR was concluded at APG in September 2020 with positive results after extensive testing, which means that the power system now has 16 MW of grid support available as a combination of industrial-scale battery (8 MW) and hydropower (8 MW).

In the Blue Battery research project, an industrial-scale battery storage unit was integrated into an existing hydropower plant with the objective of being able to create an 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.

The SYNERG-E innovation project is focused on a cross-sector approach between mobility and energy: sites with high-performance charging infrastructure for electric vehicles require high charging output power of up to 1 MW, representing a challenge for the power grid infrastructure. Implementing local battery storage systems and smart management of batteries and infrastructure at the site make it possible to balance out the load peaks generated by the charging process for electric cars. In addition, the local storage batteries are bundled virtually in order to provide grid services. Seven local storage batteries with capacity from 0.3 to 0.5 MW have been set up since the project began. Three others are planned in Austria and Germany. The SYNERG-E project is co-funded from the Connecting Europe Facility.

In the ABS4TSO project subsidised by the Austrian Climate and Energy Fund, VERBUND and APG are working together with partners from research institutes and universities in a field trial to implement the provision of highly dynamic system services.

In the VERBUND X Accelerator programme, VERBUND is working with a start-up company to develop solutions in the field of a flexible, combined electrolyser battery system for storing green hydrogen at the Mellach site.

VERBUND is the technology leader in future-oriented projects such as green hydrogen, energy storage and green technology.

Focus on green hydrogen: decarbonisation of the industrial sector

Green hydrogen, generated from renewable electricity, is a key driver in decarbonising the industrial and mobility sector. Working together with partners from research and industry, VERBUND is involved in several research and innovation projects representing a step towards lengthening the value chain to extend from green electricity to green hydrogen.

The aim of the H2FUTURE project that was launched in 2017 and is supported by the Fuel Cells and Hydrogen Joint Undertaking (FCH JU) is to construct a proton exchange membrane electrolyser with a capacity of 6 MW at the voestalpine site in Linz in cooperation with European partners from industry and research. Currently one of the largest proton exchange membrane electrolysers, this has been in operation and generating green hydrogen since late 2019. The main focus of the work in 2020 was on converting various applications to assess the performance of the plant. Green hydrogen is produced primarily for use in steelmaking. The plant will also be used for services to support the grid. H2FUTURE, a research project co-financed by the European Commission, is also looking into other options for using green hydrogen in additional sectors such as the chemical industry.

At a national level, VERBUND is a partner of WIVA Power & Gas, the hydrogen initiative of the Austrian model region, subsidised by the Austrian Climate and Energy Fund. Working together with Austrian partners from industry and research, this initiative is implementing hydrogen projects and thus reinforcing Austria's reputation as a centre of research and innovation.

VERBUND is involved in two WIVA projects, and additional projects are planned with partners from industry and research. The focus of the WIVA projects is on production and use of green hydrogen in various industrial companies or for storage in storage facilities. In the Carbon to Product Austria (C2PAT) project developed in 2020, VERBUND is collaborating with partners from the industrial sector – Lafarge, Borealis and OMV – to identify uses of green hydrogen in industrial processes.

VERBUND is setting a milestone in new hydrogen technologies with the HOTFLEX 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. These research findings will serve to determine the potential of this technology for power to gas (to power) applications, such as its use as emergency power supply units in power plants and in other industrial facilities.

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

In the Green Hydrogen @ Blue Danube innovation project launched in 2020, 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.

Focus on biodiversity: fish protection and flow at low-pressure hydropower plants

As part of the research project FINI – Fish Protection and Flow at Low-Pressure Hydropower Plants, completed in 2020, VERBUND developed effective fish protection designs for hydropower plants with low heads using numerical and experimental methods and researched an optimised flow into the turbines. The central aspects were fish protection and fish bypasses. The two-year project was implemented as part of the energy research of the Austrian Climate and Energy Fund.

VERBUND relies on innovation – especially now: with topics focused on climate change.

Focus on new renewables: preventive maintenance of photovoltaic installations

As part of the strategic restructuring and focus on solar power, VERBUND is researching new opportunities to increase and secure the long-term return and profitability of photovoltaic installations under the OptPV4.0 research project, sponsored by the Austrian Climate and Energy Fund. The project's central objective is optimised operation achieved through research into and application of system-wide data analysis and modelling concepts for early identification of errors and gradual degradation. For this, VERBUND built a 1.3 MWp photovoltaic installation at the Feistritz-Ludmannsdorf hydropower plant site in Carinthia and equipped it with extensive sensor technology in order to verify the model. An innovative sensor upgrade kit was also developed which reliably records additional operating data from existing installations and subsequently sends it to a central operating database. This additional data subsequently serves as input variables for the algorithms developed and makes it possible to detect abnormal operating conditions at the photovoltaic installations early on. An automated notification system then sends all necessary information on the operating status directly and without delay to the responsible service technicians who can begin planning countermeasures. In the future, the models developed will be used in other solar farms and will contribute to more efficient operations.

In the field of floating solar, VERBUND is working on a proof of concept with a start-up company. The focus is on a feasibility analysis and planning of a potential testing site to develop additional potential areas in Austria.

Focus on digitalisation: digital hydropower – 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 is broad, extending 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.

Electricity trading: SNOWPOWER improves inflow forecasting

The snow conditions and annual melt water inflows to the Alpine reservoirs and rivers are of great significance in planning and managing energy production in VERBUND's hydropower plants. Drones and digital cameras are an efficient method of evaluating snow cover in high Alpine regions and for determining the potential for run-off. The snow cover in spring varies each year due to the meteorological conditions in the preceding winter. Using new methods such as drone technology, the snow cover in Alpine regions can be recorded in order to forecast the potential for run-off and the melt water inflow as precisely as possible and further optimise the use of reservoirs. The SNOWPOWER project is being implemented with the University of Natural Resources and Life Sciences in Vienna (BOKU). Measurements are being taken in the trial catchment area at the Kölnbrein Dam which will then be used to develop a model. The objective is to expand the method to other areas.

Innovations in the power grid: FlexHub – vertical market integration

By 2030 at the latest, 100% of Austria's electricity is to be generated from renewable resources. As the control area manager, APG is responsible for ensuring Austria's security of supply and simultaneously managing the energy transition. Integration of flexible resources into Austria's electricity grid is one of the critical factors for its success. One of the ways in which this will be achieved is through vertical integration of the electricity markets. APG therefore takes innovative measures to implement a standardised interface (FlexHub) for transparent and non-discriminatory inclusion of flexibility options and small-scale providers for the provision of aFRR. In a collaborative effort with interested stakeholders, APG is working to establish standards for how industrial, commercial, household and small-scale producers, among others, can participate in the electricity market. For this to be successful, intensive coordination between the transmission system operators (TSOs) and distribution system operators (DSOs) is necessary. New digital technologies form the basis for this vertical market integration.

In 2020, APG drafted the initial prototype of a FlexHub and successfully tested it during a public demonstration (Demo Day). New technologies such as blockchain and other decentralised IT approaches are being analysed to determine to what extent they are suited to such applications. An improved version of the prototype – the minimal viable product (MVP) – is expected to be put into operation as early as 2021. For this, initial activation of aFRR from decentralised plants will take place with selected partners from the industrial sector, with distribution system operators and, if applicable, with decentralised generation facilities. This would constitute an absolute trailblazing achievement in Europe and would underscore APG's position as one of Europe's most innovative transmission system operators (TSOs).

ABS for the power grid (ABS4TSO)

The European power grid is a very sensitive system influenced by many factors. Due to the massive expansion of renewable energy sources, the entire energy system needs to be restructured to be able to address the new requirements. New grid elements and new mechanisms with stabilising properties are urgently needed in our power grid. One thing is already clear: systems that can be regulated rapidly will become significantly more attractive in the future. Under the leadership of APG, VERBUND has been collaborating with the Austrian Institute of Technology (AIT) and the Vienna University of Technology on a project entitled ABS for the Power Grid (ABS4TSO) since May 2018. The core element of the project is a battery storage system with a capacity of 1 MW/500 kWh. The battery cell technology consists of conventional lithium-ion batteries. For trials in the highly dynamic area, however, the inverter must provide sufficient flexibility for conducting research with specific parameterisation options and is therefore a custom design. The storage system was first thoroughly tested in the AIT laboratory. Next, the experimental system was installed in APG's Southeast Vienna substation, where it is currently in the final stages of being set up for field testing to begin. ABS4TSO is a national project of European significance.

BVLOS drone flights for rapid outage inspections

Time and time again, disruptions occur on high and ultra-high voltage lines which cannot be clearly attributed to a specific cause. Rapid outage inspection using drones can be helpful here as, after power is interrupted briefly, it is often only a matter of ruling out disruptive factors such as damage or foreign objects in the line before the line can be put back into service again.

After an intensive preparation phase and extensive risk analysis, APG received a green light from Austro Control for the first long-distance drone flight beyond visual line of sight (BVLOS). The first civil long-distance drone flight was subsequently conducted in October 2020 over a 100-kilometre-long line route.

In the future, this will mean that predefined flight routes can be fully automated in accordance with the legal framework for long-distance drones set out by Austro Control. The data collected will be provided to APG immediately and for the long term so that experts can assess the condition of the line. In the near future, APG aims to build up further expertise and use the latest technical options for routine inspections as well.

Outlook

The International Monetary Fund (IMF) expects the global economy to contract by 3.5 % in 2020 due to the COVID-19 pandemic. With the exception of China, all of the leading economies exhibit negative growth rates. Growth rates around the world are expected to rise again in 2021. The economic recovery depends to some extent on infection rates and vaccination coverage rates, though the IMF forecasts at least another six to nine months of severe restrictions in 2021 as a consequence of the COVID-19 pandemic. Continuing trade disputes between the US and China and the implications of Brexit are also causing uncertainty.

The COVID-19 pandemic likewise cast a long shadow over Austria's economic performance in 2020. The Austrian Institute of Economic Research (Österreichisches Institut für Wirtschaftsforschung, WIFO) expects economic output to improve again in 2021, although not yet to pre-crisis levels.

The negative economic performance is also reflected in commodity price trends. Prices for oil, natural gas and steam coal fell significantly. As an exception, the price of CO_2 emission rights in 2020 remained at a similar level to the previous year, even though prices had dropped sharply at the beginning of the crisis. Prices for CO_2 emission rights recovered to near the prior-year level as the EU climate targets were tightened and COVID-19 vaccines approved.

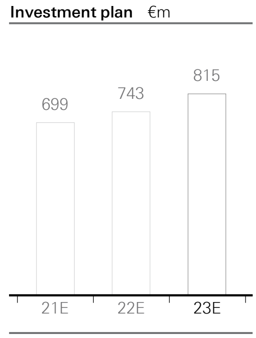
The planned expansion of volatile, new renewables generation is making VERBUND's generation portfolio more significant. VERBUND's generation portfolio is rounded off by base load power plants (run-of-river hydropower), flexibly accessible storage and pumped storage power plants and a highly efficient combined cycle gas turbine power plant (Mellach CCGT), which serves as a bridge technology for maintaining domestic security of supply in a lower-carbon energy future. In addition, VERBUND plans to expand new renewable energy sources both with its own plants and together with its customers and partners. APG, VERBUND's wholly owned subsidiary, owns and operates the transmission grid in Austria and therefore plays a major role in connection with grid security in Austria and in the European electricity network. VERBUND's innovative products and services for consumers provide solutions for the future of energy today.

Given the still precarious COVID-19 situation in many countries with continuing waves of infection and the cautious vaccine rollout, the outlook remains highly uncertain.

Investment plan 2021–2023

VERBUND's updated investment plan for the period 2021–2023 provides for capital expenditure in the amount of €2,257m. Of that total, around €1,373m will be spent on growth CAPEX and around €884m on maintenance CAPEX. Most of the growth CAPEX (approximately €728m) 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 involve VERBUND's domestic markets of Austria and Germany. In financial year 2021, VERBUND plans to invest a total of approximately €699m, around €397m of which will be invested in growth and around €301m in maintenance.

SDG 8



Dividend

VERBUND plans to distribute a dividend of €0.75 per share for financial year 2020. The payout ratio for 2020 will thus amount to 42.7 % based on the adjusted Group result.

Earnings projection for 2021

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 66 % of the planned own generation for 2021 was already contracted as at 31 December 2020. The price obtained for this was approximately €0.5/MWh below the sales price achieved in 2020. For those volumes not yet hedged, VERBUND has based its calculations on current market prices.

Hereafter, the acquisition of the 51 % stake in Gas Connect Austria GmbH will also influence the earnings projection. Contracts were signed on 23 September 2020 and the transaction is expected to close in the first six months of 2021, subject to regulatory approvals.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 31 December 2020 and authorisation for issue on 11 February 2021.

Vienna, 11 February 2021

The 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)

GRI 102-52

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

GRI 102-54

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

GRI 102-45
GRI 102-50

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 2020 calendar year.

GRI 102-56

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

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.

VERBUND's business model

GRI 102-2

VERBUND is one of the largest producers of hydroelectricity in Europe and contributes significantly to maintaining security of supply in Austria. Its value chain comprises the generation, transportation, trading and sales of electrical energy and other energy sources as well as the provision of energy services. VERBUND's sustainable business model revolves around the generation of carbon-free electricity from hydropower, wind power and solar power, as well as the 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 2020 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 102-4
GRI 102-6

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.

Materiality

Materiality analysis

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. GRI 102-46 GRI 102-49

A number of workshops were held in 2020 based on the results of the 2019 stakeholder survey, to define objectives and measures for the individual material topics with the sustainability team. The findings will firstly be used to close the gaps between current performance and future need for action. Secondly, the results will form the basis for the development of non-financial reporting on the most important objectives and key performance indicators in the form of a corporate responsibility dashboard for the Executive Board and Supervisory Board.

The starting point for the 2019 stakeholder survey was the survey previously conducted in 2013 and the annual review and in-depth analysis by members of the sustainability team, who maintain close contact with different stakeholder groups. For this repetition of the survey, special attention was given to the key developments and trends (decarbonisation, digitalisation, decentralisation) in the energy market in recent years. Similarly, international and national frameworks were taken into consideration, in particular the Paris Agreement on climate change and the political objectives arising from it, such as the EU's and Austria's 2030 targets.

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

GRI 102-47

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

The analysis took place from September to December 2019 and was conducted in two stages (a quantitative survey and qualitative interviews). The 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 "materiality" and "impact", as they are based on different assessment criteria. The added value is greater with separate reporting of the material topics 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.

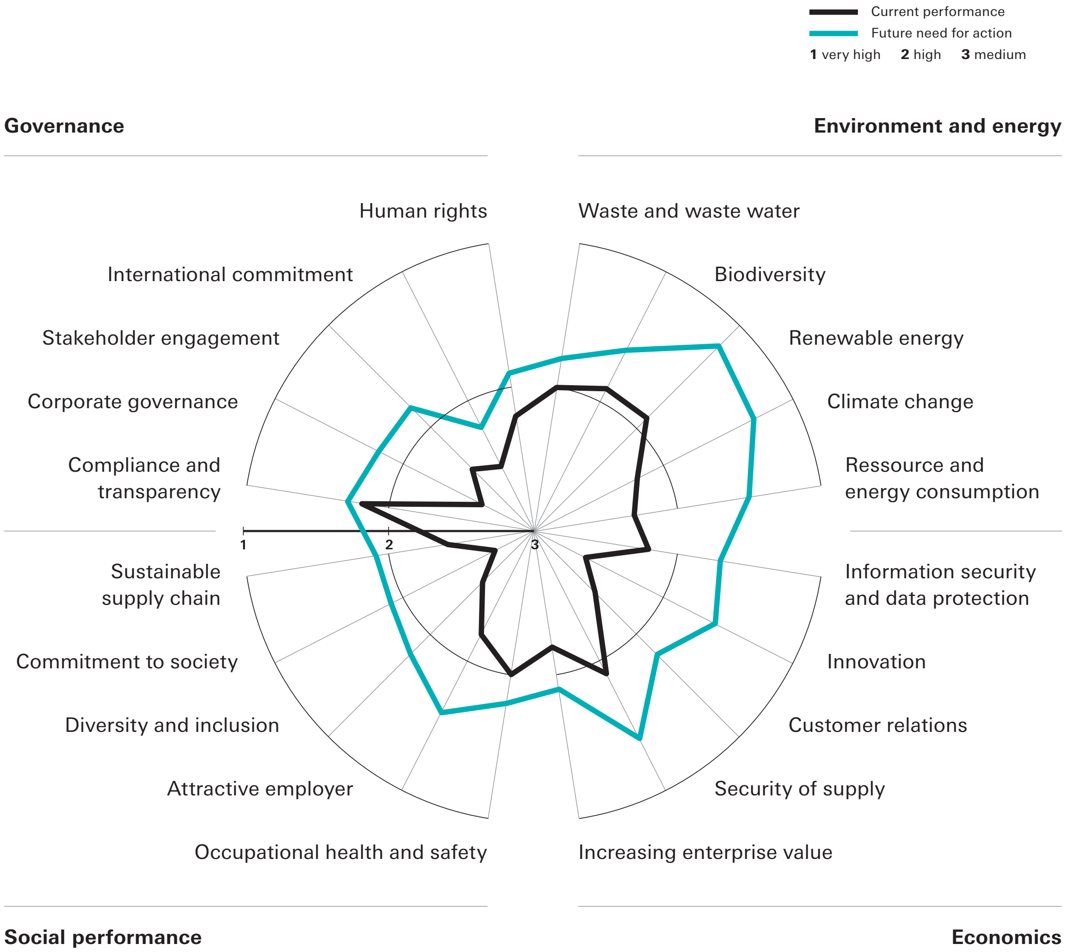
GRI 102-43

The quantitative survey was conducted by means of a questionnaire sent out by post in compliance with data protection provisions. The goal was to gather information on the expectations of the stakeholder groups on the 20 material topics. Both internal (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 by hand or online using a QR code. The survey collected responses from 255 people to questions about VERBUND's current performance level in the material topics and on the future need for action by VERBUND concerning these topics.

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.

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

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.



GRI 102-44

Specifically, stakeholders would like to see more investment in the expansion of new renewable energy sources (particularly solar and wind), innovative cooperation projects to develop new storage technologies (e.g. hydrogen) and a decentralised supply of electricity, including digital solutions. In addition, they still expect the security of supply to be maintained and hope that VERBUND will increase its 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 player in the fight against climate change, one that is capable of making a key contribution to achieving the climate targets. VERBUND can achieve these things mainly because of its position as a pioneer in the area of sustainability and because of its environmentally friendly and safe implementation of services in the field of renewable energy.

SDG 4
SDG 9
SDG 13
SDG 15
SDG 17

TCFD

In addition to the comprehensive stakeholder survey, experts from different scientific disciplines (geology, hydrology, land use planning, climatology) were invited to a focus group entitled “Austria Climate World 2050”. Here, the experts discussed the physical risks of climate change that could arise for

Austria's energy infrastructure and especially for VERBUND by 2050. Specifically, scientists identified seasonal fluctuations in water supply, material flows in rivers, alpine risks (e.g. from falling rocks and mudslides) and extreme weather events as the most relevant physical risks.

GRI 102-47

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, environmental costs
Economy			
Information security and data protection	GRI 418: Customer Privacy		
Innovation (SDG 7, SDG 9, SDG 11, SDG 17)	Innovation, Research and Development	EU DMA, formerly EU8	Number of R&D projects, VERBUND's annual expense
Customer relations (SDG 12)	GRI 102: Stakeholder Engagement	EU3, EU27	
Security of supply (SDG 7, SDG 9, SDG 12)		EU1, EU2, EU4, EU10, EU28, EU29, EU30	Risk and crisis management
Increasing enterprise value (SDG 7, SDG 8)	GRI 201: Economic Performance GRI 203: Indirect Economic Impacts	EU10, EU11, EU21	Financial governance
Social			
Occupational health and safety (SDG 3)	GRI 403: Occupational Health and Safety		
Attractive employer (SDG 4, SDG 8)	GRI 102: Organisational Profile GRI 201: Economic Performance GRI 401: Employment GRI 402: Labour/Management Relations		Percentage of university graduates, employee survey
Diversity and inclusion (SDG 5, SDG 10)	GRI 405: Diversity and Equal Opportunity[1]		

Commitment to society (SDG 1, SDG 4, SDG 11)	GRI 203: Infrastructure Investments and Services Supported		VERBUND Empowerment Fund run by Diakonie
			VERBUND Electricity Relief Fund run by Caritas
			VERBUND climate school, VERBUND electricity school
Sustainable supply chain (SDG 12)	GRI 204: Procurement Practices GRI 308: Supplier Environmental Assessment		
	GRI 414: Supplier Social Assessment	EU18	
Governance			
Compliance and transparency (SDG 16)	GRI 205: Anti-corruption GRI 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, 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

For more information, please refer to the section entitled Opportunity and risk management

TCFD

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.

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 the sustainability team (at least every two years). The findings of the assessment are reported to the Corporate Responsibility Committee (formerly the Sustainability Board and Environmental Committee). More detailed information can be found in the sections entitled

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 emergency 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 grid; direct economic value generated and distributed (wages and salaries, taxes, dividends, interest, capital expenditure); safe, affordable products and services for customers; consideration of concerns of stakeholders; long-term participation in social and education-related activities.
Significant risks	Failure of critical infrastructure; risks involving information security, cyber security and data protection.
Management of the risks	Group-wide organisational structures for opportunity and risk management as well as crisis management; implementation and refinement of Group-wide information security and data protection management systems (ISMS, DPMS).
Employee-related matters:	**Occupational health and safety, attractive employer, diversity and inclusion**
Impact of activity	Performance-based, productive corporate actions for securing the core business over the long term and exploiting new business opportunities with the goal of safeguarding and ideally creating skilled employment.
Significant risks	Risks can be minimised through extensive personnel management and continuous further development of the high safety standards as well as through the development of socially acceptable solutions (in the case of job cuts) in conjunction with the employee representatives.
Management of the risks	Group-wide management systems for occupational safety and occupational health management; incorporation of the employee representatives; personnel development; diversity strategy and concept; 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 treatment" and "freedom of association" have been identified as human rights issues in the direct sphere of influence; there are no significant risks here. Consulting activities in emerging markets give rise to a risk of human rights being violated by third parties. Risks in the upstream supply chain cannot be 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.

Sustainable topics and projects in 2020

TCFD

VERBUND Climate Report

In 2020 VERBUND published its first-ever report on the risks and opportunities of climate change from the Group's perspective. Entitled "Climate action requires decarbonisation", this Climate Report was created in cooperation with VERBUND experts from the fields of hydrology, meteorology, the environment, legal affairs, the energy market, strategy and innovation. It describes the legal framework for climate change, looks at the effects of extreme weather events on VERBUND plants and addresses the reduction of greenhouse gas emissions by VERBUND. In addition to these challenges, the report also considers the opportunities arising from VERBUND's 2030 strategy. Both the research into green hydrogen and the expansion of the power grid and renewable generation (hydropower, wind power and solar power) have huge potential, for instance.

VERBUND Sustainability Committee

In 2020 a Sustainability Committee was set up within the Supervisory Board. Among other things, this committee addresses topics such as decarbonisation, the energy transition, environmental protection and climate action, and regularly reviews VERBUND's sustainability strategy and objectives. The committee convened for the first time in September 2020 and will continue to meet on a regular basis in the future.

Impact assessment

In 2020 VERBUND developed a quantitative valuation model in accordance with the international Natural Capital Protocol to assess the main environmental impacts of electricity generation. The ecological footprint of the individual generation technologies was determined by means of a life cycle analysis, using recognised approaches and databases such as Ecoinvent and ReCiPe. The various impact categories can be put in relation to each other by monetising the external effects based on the factors published by the renowned CE Delft organisation. This enables the biggest influencing factors on the environment to be identified and conclusions to be drawn in order to reduce the adverse effects over the entire life cycle of generation facilities. It is planned to continuously develop the valuation model and integrate additional impact categories – including social impacts in particular.

Creating internal awareness

In 2020 VERBUND also continued to raise employee awareness of sustainability issues. The focus of these efforts was on understanding the SDGs and their relevance for VERBUND as a company and for each individual employee. On the one hand, corporate initiatives were introduced, such as the internal health schemes (SDG 3) or the VERBUND Electricity Relief Fund run by Caritas (SDG 1, SDG 7), which contribute to the achievement of the SDGs. On the other hand, VERBUND increased employee awareness of how each individual can make their own personal contribution to the achievement of the SDGs (e.g. by buying local products or using Austrian portals when shopping online). The content was made available to employees on the intranet. Additionally, a short explanatory video was created that presents the complex issue of sustainability to employees in a concise and simple way.

Media analysis

The main topics addressed in media reports on VERBUND serve to supplement the reporting contents. The relevance of a specific topic is measured by the number of articles appearing on the matter, with the following picture emerging for 2020:

- Start of construction (June 2020) and commissioning (December 2020) of Austria's largest solar installation in Schönkirchen, a joint venture between OMV and VERBUND;
- VERBUND's acquisition of a 51 % stake in Gas Connect Austria (GCA);
- Renewable Energy Development Act (Erneuerbaren-Ausbau-Gesetz, EAG);
- OMV deal: by selling its service station network in Germany, OMV intends to acquire a majority stake in Borealis; the holding in Gas Connect Austria is to be transferred to VERBUND;
- Debate about 380-kV line (protests, charges);
- Michael Strugl succeeds Wolfgang Anzengruber as Chairman of the Executive Board in early 2021;
- Secure power generation during the COVID-19 pandemic;
- "Feminist Avant-Garde" exhibition from the VERBUND COLLECTION;
- Closure of the last existing coal-fired power plant in Austria: Mellach becomes an innovation and research hub focusing on hydrogen electrolysis;
- VERBUND invests €280m in ecological measures for hydropower plants (e.g. in the fish pass at the Altenwörth power plant on the Danube River);

- Modernisation of the Ybbs-Persenbeug power plant;
- Rehabilitation of the Wallsee-Mitterkirchen power plant on the Danube River;
- “DOKW-Bad” swimming pool in Wallsee saved from closure: municipality and VERBUND agreed on a lease.

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 customers, employees, neighbours, business partners and owners, as well as with political stakeholders, public authorities, interest groups and NGOs.

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

VERBUND strives to achieve regular engagement with 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.

Please refer to the DMA: “Endorsement of external initiatives”

VERBUND also provides know-how for processes that are important for society as a whole. In 2020 VERBUND was actively involved in particular in the discussions on the renewable energy expansion package, the Austrian hydrogen strategy and sustainable finance.

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

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

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

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

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

Selected stakeholder activities in 2020

As part of the "One Day at VERBUND" stakeholder format, member of the Austrian parliament Josef Schellhorn, sector spokesperson for the economy and energy of the NEOS parliamentary club, visited VERBUND headquarters at "Am Hof" in Vienna and the Freudenau hydropower plant. On this occasion, there was an exchange of views on current energy policy and topics relating to the future of energy. GRI 413-1

The already established VERBUND stakeholder formats were also successfully continued in 2020. These included the VERBUND Energy Breakfast, the Munich Energy Club, 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 turned into online events from mid-March 2020, while others were postponed until a later date (such as the VERBUND Day in Brussels) or had to be cancelled (such as the Hydropower Dialogue).

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

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. 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 the summer, 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 cycling paths.

Advocacy of interests

VERBUND closely followed the developments and changes in the regulatory framework at EU level as well as in Austria and Germany in 2020. In terms of content, the focus was on the following topics in 2020: the review of the legislative package on renewable energy expansion, collaboration on the preparatory work for the Austrian hydrogen strategy, 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.

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

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

Social responsibility

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

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

GRI 203-1

SDG 7
SDG 11

Energy poverty and its negative consequences occur most frequently where incomes and standards of living are very low. 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 5,500 households with 13,800 people altogether living in these households.

In 2020 VERBUND also decided to donate to charity the budget for its Christmas party that had to be cancelled due to COVID-19. The amount of €50,000 that was freed up went to the "Ein Funken Wärme" (A Spark of Heat) relief project run by Caritas Austria. The total was increased by employee donations, which the Group doubled, resulting in an overall donation of €87,330.

VERBUND Electricity Relief Fund run by Caritas

	Unit	2018	2019	**2020**
Interim financing	Number	306	345	**320**
Interim financing	€	44,200	55,500	**45,000**
Energy consultations	Number	405	515	**521**
Appliances exchanged	Number	276	149	**328**

In 2020, 95 disabled people received direct support for communication and assistive technologies with funds from the VERBUND Empowerment Fund run by Diakonie. The capped annual amount for this is €90,000. Two-thirds are earmarked for immediate assistance for individuals, while one-third is earmarked for groups with a focus on augmentative and alternative communication (AAC). Communication devices for non-speaking people with a wide array of control options as well as accessible educational and training programmes were provided for learning cultural techniques such as reading, writing and arithmetic. Access to computers and the Internet is provided by means of special keyboards and alternative pointing systems in place of a mouse.

KPIs VERBUND Empowerment Fund run by Diakonie

	Unit	2018	2019	2020
Individual assistance	Number	102	105	95
Consultations	Number	744	731	740

VERBUND climate school in the Hohe Tauern National Park

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

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

GRI 203-1

The VERBUND electricity school kindles enthusiasm for technology

To support teachers in making their physics lessons exciting and interactive, VERBUND provides a range of physics teaching materials. Due to the COVID-19 precautions at the power plant sites and especially because of the school closures during the 2020 lockdowns, hardly any schools were able to be invited for tours. School tours will be offered again in the coming year, however, as soon as circumstances permit. At the beginning of 2020, VERBUND was also involved in a collaboration with the daily newspaper "Die Presse" supporting an editorial training department, which hosted a total of 30 school classes from all over Austria.

VERBUND electricity school on the VERBUND website and in the DMA

GRI 203-1

VERBUND COLLECTION

The VERBUND COLLECTION is considered a centre of excellence for scientific research. It has published numerous books – including books on the artists Renate Bertlmann, Birgit Jürgenssen, Cindy Sherman, Francesca Woodman and Louise Lawler. The VERBUND COLLECTION is particularly valued due to its unique selling point, which has been developed over many years with a great deal of research work. A total of 600 works of art by 82 artists have been compiled with a curatorial focus on their feminist significance in the 1970s. A compendium was produced for this, which curator Gabriele Schor named "The Feminist Avant-Garde of the 1970s".

The exhibition of the same name has been touring across Europe for ten years and has been a guest in cities such as Rome, Madrid, Brussels, Hamburg, London, Vienna, Karlsruhe and Brno. The exhibition deals with the following issues, among others: the one-dimensional role of the woman, the perception of women only as mother/housewife/wife, the feeling of being trapped and wanting to break free, questioning beauty ideals and female identity. The most recent exhibition ended in January 2020 in the Centre de Cultura Contemporània Barcelona with an attendance of some 70,000 visitors. The next destination is already set: the Lentos Art Museum in Linz, in September 2021.

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 been on exhibition in the MAK Museum of Applied Arts in Vienna, the BOZAR Centre for Fine Arts in Brussels and the Museum der Moderne in Salzburg.

The VERBUND COLLECTION exhibits its works in museums and in the exhibition space in the stairwell of VERBUND's headquarters at "Am Hof", known as the "Vertikale Galerie". The "Feminist Avant-Garde. MADE IN AUSTRIA" exhibition opened there in February 2020, bringing together for the first time the works of all of the 17 female Austrian artists represented. The VERBUND COLLECTION is currently offering virtual guided tours of the exhibition via its social media channels (Instagram and Facebook) and under the hashtag #closedbutactive. This offer has been gratefully received by the over 2,000 followers.

Compliance

Compliance management system and Code of Conduct

GRI 103-1
GRI 103-2

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

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

Compliance guidelines outline the Code of Conduct in more detail. In addition, they provide for a compliance organisation that incorporates the entire VERBUND Group. This organisation is made up of a 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.

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

The Group continued to actively refine its compliance management system in financial year 2020, in spite of the COVID-19 restrictions. This refinement process was underpinned in particular by Group-wide communication measures, such as standardised compliance meetings as well as continuous internal and external exchange of information.

Compliance risk survey

GRI 205-1

SDG 16

As in prior years, a systematic Group-wide compliance risk survey was conducted in 2020. All divisions at the holding company and the principal consolidated subsidiaries were involved in the survey in their capacity as risk owners. They carried out a qualitative compliance risk assessment based on the criteria of materiality, probability of occurrence and maturity of existing measures using an updated, standardised questionnaire. 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 surveys 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 2020. 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 2020. 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 260 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 compared with financial year 2019 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 seven training sessions in the reporting year (in some cases via video conference due to COVID-19). The target groups were various departments of the holding company, as well as new employees and new executives. The compliance officers at the subsidiaries also held 48 training sessions. A number of planned face-to-face training sessions had to be cancelled, however, due to COVID-19 restrictions.

Another key pillar of the training programme in 2020 was the intranet-based e-training programme. The compliance e-learning programme comprises the courses compliance basics, anti-corruption and financial market compliance and has now been integrated into the Group-wide Learning Management System (LMS), complete 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.

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 internally on anti-corruption strategies and measures 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 the beginning of the reporting year; 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.

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. When performing such integrity checks, VERBUND systematically and effectively collects relevant information. The results of the analysis underpin the more extensive assessment of business partners. The processes for the business partner integrity checks were refined in the past financial year and the new Group companies were integrated into the system.

In 2020, no contracts with business partners had to be terminated due to infringements in connection with corruption.

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 the past financial year 2020. A total of 1,914 individuals (equivalent to around 60% 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, 68 (i.e. 96%) 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 2020.

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 more than 80 cases involving the giving or receiving of invitations or participation in events.

GRI 102-17
GRI 205-3

Two cases of suspected compliance violations were reported in the Group in 2020, each of which was investigated immediately. In one case, VERBUND was the victim of external Internet fraud. The second case related to a potential conflict of interests, which was acted upon accordingly. However, no violations or cases of corruption were identified. There were also no claims against the Group or its employees in the reporting period.

In the financial year now ended, two suspected cases of discrimination were also reported to the Diversity and Inclusion Manager. The matter was investigated in both cases and it was determined that no discrimination had occurred. 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 reporting year 2020, an increasing number of 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.

In financial year 2020, the new members of the Supervisory Board were informed of the contents and requirements of financial market compliance and were particularly made aware of the regulations governing own-account trading by executives. All new members of the Supervisory Board signed corresponding non-disclosure agreements.

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. GRI 417-3

There were neither proceedings nor incidents of non-compliance or complaints filed against VERBUND in the 2020 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 206-1 GRI 416-2 GRI 417-2 GRI 419-1

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. GRI -307-1

Environmental performance

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

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

The Environment executive order and additional environmental provisions define the framework for the systematic planning, execution and measurement of and reporting on 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. To ensure this, VERBUND has established a decision-making body at the highest management level and a working team made up of in-house environmental experts.

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

Impacts on the environment

GRI 103-1
GRI 103-3

Please refer to DMA section entitled Crisis management

The impacts, both positive and negative, that the VERBUND generation portfolio has on the environment are a key topic in VERBUND's environmental management systems. There are two primary ways 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 emergency plans and a crisis management team.

Certification of environmental management systems

GRI 103-2

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

VERBUND engages external auditors to audit and certify its environmental management systems at generation and grid facilities and at major administrative sites in accordance with ISO 14001. The Mellach thermal generation facilities are also validated in accordance with the EMAS Directive. A separate environmental statement is published annually on the VERBUND website for these facilities. New facilities, e.g. the Graz power plant in 2020, are incorporated into the environmental management system as quickly as possible after commissioning and included in the scope of the certificate for the next audit.

Sites with environmental management systems certified to ISO 14001 or EMAS

	Unit	2018	2019	**2020**
Percentage of certified sites[1]	%	100	100	**100**
Total certified sites	Number	198	198	**199**

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

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 2020, 97 % of electricity generated at VERBUND originated from hydropower, wind power and solar power, and 3 % from thermal generation. VERBUND's total energy consumption decreased to 19.5 million gigajoules (GJ) in 2020 from 24.2 million GJ in 2019, despite higher total generation.

Fuels made up 47 % of total use of power at 9.2 million GJ. Mainly the fossil fuels natural gas and hard coal and, to a lesser degree, the renewable fuel sewage sludge were used for thermal generation in order to generate electricity for grid support for congestion management purposes as well as for district heating. The Mellach district heating power plant ceased using coal at the end of March 2020. Coal consumption declined by 47 % in 2020 to around 3.9 million GJ (2019: 7.3 million GJ) and will be completely eliminated in 2021. In addition, 5.2 million GJ of energy from natural gas was used, 24 % less than in 2019 (2019: 6.9 million GJ). The volume of fuels used for the vehicle fleet and equipment amounted to 0.06 million GJ (2019: 0.07 million GJ), corresponding to around 0.7 % of the total use of power from fossil fuels.

Electricity purchases by VERBUND comprise grid purchases for administration, power plants, pumps and grid facilities. In 2020, the share of electricity purchased was 53 % of total use of power. At around 10 million GJ of electricity mainly for pumping and turbining and for compensating grid losses, approximately the same volume of electricity was drawn from the grid as in financial year 2019. Around 70 % of this electricity came from renewable energy sources.

GRI 302-3

The KPI energy intensity, which is expressed as the ratio of the Group's power use to the volume of electricity and district heating generated, improved to 0.16 GWh/GWh in 2020 (2019: 0.20 GWh/GWh). VERBUND's target of a 25 % reduction in energy intensity by 2021 (2015 baseline) was achieved in 2019 and 2020, largely thanks to the rapid phase-out of generation from hard coal and the increase in renewable generation.

Use of materials

GRI 301-1

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

SDG 12

Materials VERBUND uses include additives and consumables for flue gas and effluent treatment and for energy generation in the power plants and for the grid facilities. Most of these are produced using non-renewable materials. A small portion (mainly copying paper in administrative areas) is from renewable materials. Copying paper consumption decreased by around half in 2020 compared with the previous year due to the increased use of the home office.

Total material requirements fell by 62% year-on-year. This decrease is primarily attributable to reduced use of additives and consumables in the Mellach district heating plant in 2020. The material intensity for thermal generation has already been reduced by 81% since 2015. VERBUND therefore achieved its goal of an 80% drop in this figure by 2021 (2015 baseline) as early as 2020, by switching from generation from hard coal to natural gas and through the use of the new waste water treatment system.

GRI 302-1
GRI 302-3
GRI 301-1

KPIs – generation, use of power and materials

	Unit	2018	2019	**2020**
Generation				
Electricity generation (net, total)[1]	GWh	31,130	33,159	33,482
Share of generation from renewables	%	95	95	97
Generation of district heating (net)	GWh	813	789	486
Direct use of power total[2]	GJ	24,288,718	24,232,203	19,480,360
Total fuels from non-renewable sources	GJ	14,282,852	14,277,133	9,160,816
Hard coal	GJ	7,871,731	7,305,244	3,861,230
Natural gas	GJ	6,350,795	6,906,302	5,237,540
Fuels (diesel and petrol)	GJ	60,326	65,587	62,045
Total fuels from renewable sources	GJ	10,327	5,615	2,107
Electricity (grid purchase)[3]	GJ	9,988,934	9,943,139	10,310,996
District heating (grid purchase)	GJ	6,605	6,315	6,443
Energy intensity	GWh/GWh	0.21	0.20	0.16
Total use of materials	t	5,429	5,026	1,889
Use of additives and consumables	t	5,409	5,006	1,879
Use of copying paper	t	20	20	10

[1] incl. purchase rights // [2] Own power used in all operating segments. Fuels calculated based on heat units // [3] volume drawn from grid for consumption by power plants, administration, electricity used for pumping and electricity purchases for grid losses in the transmission grid operated by APG (all grid levels)

Greenhouse gas emissions

The Group's focus on electricity generation from renewable energy is a crucial factor for VERBUND in terms of both reducing and avoiding greenhouse gas emissions. Of the electricity generated at VERBUND in 2020, as much as 97 % was generated from hydropower and wind power. As it is still necessary to use thermal power plants to provide grid support and district heating, the remaining 3 % share of generation came from thermal power plants.

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

Since April 2020, VERBUND no longer uses hard coal to generate power. Operating the thermal power plants exclusively with natural gas will also further reduce specific greenhouse gas emissions.

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

The Greenhouse Gas Protocol (GHG Protocol) is the standard for reporting greenhouse gases. Pursuant to this standard, greenhouse gas emissions are broken down into three scopes with certain distinctions made between them. Scope 1 emissions are all direct emissions generated from internal company activities and activities at VERBUND. Scope 2 emissions are generated indirectly from electricity purchased and from grid losses, and Scope 3 emissions are other indirect greenhouse gas emissions arising from the value chain.

SDG 13

TCFD

One of VERBUND's goals is to reduce the VERBUND-specific direct greenhouse gas emissions (Scope 1) to below 10 g CO_2e per kWh of total electricity generated. This original target from 2015 was based on the liquidation of VERBUND Thermal Power, which was planned at the time but not carried out, making an adjustment necessary: the associated targets will be revised in financial year 2021, taking the acquisition of the stake in Gas Connect into account as well as the continued need to use thermal power plants to maintain the domestic security of supply. VERBUND has succeeded in reducing carbon emissions from the thermal power plants by around 70 % since 2005 and therefore contributes to the avoidance and reduction of emissions and to the achievement of SDG 13 "Climate action".

The Paris Agreement on climate change drafted in 2015 aims to reduce worldwide greenhouse gas emissions to a level intended to limit a rise in global temperatures to below 2 degrees or, better still, to below 1.5 degrees. VERBUND's target of reducing greenhouse gas emissions by 90 % starting from the basis year 2011 until 2021 includes Scope 1, Scope 2 market-based and parts of Scope 3 emissions calculated for energy and air travel (2011: 5 million t CO_2e). The Science Based Targets Initiative validated this target as science-based in October 2016, and the target for Scope 1 and 2 was categorised in 2020 as consistent with the 1.5-degree target of the Paris Agreement.

The outputs of the thermal power plants are essential for maintaining security of supply in Austria. The necessary activation of congestion management services to ensure safe grid operation and the district heating supply for the greater Graz area and the resulting emissions depends on external factors and cannot be influenced by VERBUND.

GRI 103-3

KPIs – greenhouse gas emissions Scope 1

	Unit	2018	2019	**2020**
Scope 1 direct emissions[1]	kt CO_2e	1,070	1,073	**653**
Specific Scope 1 emissions[2]	g/kWh	34	32	**19**
Emissions avoidance:				
Greenhouse gas emissions avoided through renewable generation[3]	kt CO_2	22,411	24,071	**24,726**

[1] preliminary data prior to ETS audit // [2] based on total electricity generated (incl. purchase rights excluding electricity generated for district heating) // [3] calculation using the share of thermal generation based on ENTSO-E mix

GRI 305-1

VERBUND includes CO_2 and SF_6 emissions in the direct greenhouse gas emissions in Scope 1. This volume decreased by around 39 % in 2020, from over 1 million tonnes to 0.65 million tonnes CO_2e, 99 % of which are CO_2 emissions from the use of the fuels in thermal power plants, which fall under the EU Emissions Trading System. Less than 1 % was attributable to emissions from the use of fuels by the VERBUND vehicle fleet and SF_6 emissions from grid facilities, which together accounted for around 5,000 tonnes CO_2e. Direct greenhouse gas emissions from the consumption of fuel by the vehicle fleet are offset by CO_2 emission rights from 2020 onwards. Additional low volumes of direct biogenic emissions of just over 500 tonnes were generated from the co-incineration of sewage sludge. These are reported in the NFI download, which is available on the VERBUND website. In contrast, no direct emissions arise from the generation of electricity using renewable energy sources.

GRI 305-4

The specific value of the emissions intensity from generation in 2020 was only 19 g CO_2e/kWh. In 2020, VERBUND was therefore already well below the specific figure for direct greenhouse gas emissions from the Austrian product mix in 2019 at 133 g CO_2/kWh. This comparison shows how successful VERBUND has been in its drive to decarbonise electricity generation. VERBUND's strategic orientation envisages an increase in generation from renewable energy, which will serve to further improve this figure.

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 produced in thermal power plants. This is calculated based on average thermal generation emissions in accordance with ENTSO-E.

KPIs – greenhouse gas emissions Scope 2

	Unit	2018	2019	**2020**
Scope 2 indirect emissions (market-based)	kt CO_2e	284	312	**303**
Scope 2 indirect emissions (location-based)	kt CO_2e	411	392	**406**

Two different figures are reported in accordance with the GRI Standards for indirect emissions in Scope 2 from electricity purchases: a location-based figure and a market-based figure. GRI 305-2

The location-based figure is calculated using the carbon emission factor of the local electricity grid. Therefore, it only changes if there are modifications in the quantities of electricity purchased and/or changes in the European generation landscape. VERBUND's location-based figure amounted to 0.41 million tonnes CO_2e in 2020 (2019: 0.39 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 0.30 million tonnes CO_2e for year 2020 (2019: 0.31 million tonnes CO_2e).

KPIs – greenhouse gas emissions Scope 3

	Unit	2018	2019	**2020**
Scope 3 upstream indirect emissions[1]	kt CO_2e	160	175	**114**
Scope 3 downstream indirect emissions[2]	kt CO_2e	167	198	**221**

[1] 2019: correction due to the recalculation of Scope 3 emissions // [2] preliminary data prior to TÜV inspection

Other indirect emissions in Scope 3 amounting to 0.33 million tonnes CO_2e (2019: 0.37 million tonnes CO_2e) included the following upstream and downstream emissions in the value chain: VERBUND reports Scope 3 upstream emissions from the production and transportation of fuels and from business travel. Indirect greenhouse gas emissions from business travel are offset by CO_2 emission rights from 2020 onwards. The emissions from the combustion of natural gas by customers, which are also offset by VERBUND, are reported under downstream activities. GRI 305-3

For 2021, it is planned to include the greenhouse gas emissions associated with the activities from operation of the gas network of Gas Connect Austria and to initiate a project to calculate VERBUND's corporate carbon footprint.

VERBUND makes a significant contribution to the achievement of energy and climate change targets with renewable generation and grid expansion.

GRI 305-7

For further information, please refer to the DMA

SDG 3
SDG 13

Airborne emissions

The KPIs – airborne emissions table shows other emissions from VERBUND's thermal power plants as absolute amounts.

Reduced use of all plants at the Mellach site lowered emissions of carbon monoxide (CO) by a total of 27 % compared with 2019. Due to the fact that hard coal was no longer being used at the Mellach district heating power plant after quarter 1/2020, emissions of nitrogen oxides (NO_x) decreased by 40 %. Sulphur dioxide (SO_2) emissions from operation of the Mellach district heating power plant declined by approximately 54 % in the reporting period. Dust emissions remained at around the same level.

In the period from 2015 to 2020, SO_2 emissions were reduced by as much as 81 %, NO_x emissions by 66 % and dust emissions by 78 %. Compared with 2015, phasing out thermal generation from hard coal will result in a 90 % decrease in dust emissions and an 80 % decrease in NO_x emissions from 2021 onwards. SO_2 emissions will be eliminated entirely.

KPIs – airborne emissions

	Unit	2018	2019	**2020**
CO	t	58	65	**47**
SO_2	t	140	112	**51**
NO_x	t	515	475	**285**
Dust	t	14	11	**11**

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. 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.

Current examples of investments in ecology and biodiversity can be found in the Hydro section and in wind and solar power projects 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 described on the web pages of the respective LIFE projects, on the APG website and on the VERBUND website.

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 in hydropower plants. Additional fish passes were completed in 2020, including the Annabrücke power plant on the Drau River, the Abwinden-Asten power plant on the Danube and the Garsten power plant on the Enns. The fish passes at the Ferlach power plant on the Drau, Nußdorf on the Inn and at the Altenwörth power plant on the Danube are already under construction.

KPIs – conservation and biodiversity

	Unit	2018	2019	2020
Sites in protected areas[1]				
Sites in Natura 2000 areas	ha	2,808	3,644	3,656
Sites in Ramsar areas	ha	646	783	783
Sites in national parks	ha	68	82	82
Sites in conservation areas	ha	1,378	1,165	1,164
Fish passes[2]	Number	51	54	62

[1] 2019: remeasured and calculated, correction 2020; figures not comparable with 2018 // [2] 2020: remeasured and calculated

Water and effluents

Water withdrawal at VERBUND sites were a total of 117 million m³ in 2020, 28 % lower than in 2019.

Approximately 92 % of this total volume of water was used as cooling water in our thermal power plants. For this purpose, surface water is withdrawn, used for cooling and returned chemically unchanged. Only 8 % of this water volume 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. The excess determined in 2019 was eliminated. In 2020 limits were found to have been exceeded to a minor extent at three 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 has already decreased by 62 % compared with 2015. As a result, VERBUND came in below the target reduction of 50 % by 2021 this year for the first time.

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

KPIs – water input and output

	Unit	2018	2019	2020
Total water withdrawal by source	1,000 m^3	173,934	162,017	116,706
from surface water	1,000 m^3	164,261	152,869	107,023
from groundwater and well water	1,000 m^3	9,556	9,044	9,573
from public water supply	1,000 m^3	118	104	110
Total water discharge[1]	1,000 m^3	173,540	161,575	116,483
of which cooling water returned from thermal power plants into surface water	1,000 m^3	162,697	151,401	105,763
other water discharge	1,000 m^3	10,843	10,173	10,720
Water discharge by quality[1]	1,000 m^3		161,575	116,483
fresh water discharge (< 1,000 mg/l TDS)	1,000 m^3		161,516	116,447
other water discharge (> 1,000 mg/l TDS)	1,000 m^3		59	35
Water consumption[1]	1,000 m^3	394	443	223

[1] allocation changed due to GRI standards (2018)

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

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

SDG 12

Waste and by-products

At approximately 133,000 tonnes, the total waste volume was 31,000 tonnes higher in 2020 than the volume recorded in 2019. This increase is mainly attributable to the approximately 25,000 tonnes higher volume of non-hazardous waste from projects. At 67 %, 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 such as plant modifications, rehabilitations, line upgrades and general renovations, and during the dismantling of the Neudorf-Werndorf power plant. Around 6 % of the total volume was attributable to non-hazardous waste from ongoing operations.

Hazardous waste only accounted for 5 % of the total waste volume. Higher levels of waste generation from projects were also recorded in this category in the year under review. Due to the disposal of several transformers, oil-contaminated soil, waste oils, batteries and asbestos waste from renovation work, more than 5,000 tonnes of hazardous waste were generated, 10 tonnes of which were attributable to electrical materials containing PCBs.

The mass of screened debris collected totalled more than 30,000 tonnes in 2020, thus accounting for a 23 % share 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 thermal power plants produce by-products such as ash and gypsum which qualify as by-products as defined by the Austrian Waste Management Act (Abfallwirtschaftsgesetz, AWG) and are used as secondary raw materials. In 2020 the volume of by-products delivered was approximately 42,000 tonnes, which is around 2 % more than in 2019, as fly ash from production in the previous year was also disposed of.

KPIs – waste and by-products

	Unit	2018	2019	2020
Total waste[1]	t	65,537	102,201	133,301
Total hazardous waste	t	1,022	1,043	6,072
from ongoing operations	t	598	783	886
from projects	t	424	260	5,185
Total non-hazardous waste	t	47,898	74,732	97,078
from ongoing operations	t	11,239	10,316	7,844
from projects	t	36,659	64,416	89,234
Screened debris – hydropower plants	t	16,618	26,426	30,151
By-products				
by-products – thermal power plants	t	42,065	41,273	42,278

[1] 2019: waste volumes adjusted due to late reports

Other environmental KPIs

No environmental fines were imposed in 2020. One environmental fine of €500 had been imposed on VERBUND in 2018 for missing a deadline. No environmental fines were incurred from 2015 to 2017 or in 2019.

The costs and income from VERBUND's production areas in relation to environmental protection are presented in the following table:

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

GRI 307-1

SDG 16

Environmental protection expenses

	Unit	2018	2019	2020
Environmental protection expenses, total	€m	74.9	82.3	79.5
Costs for environmental management and provisions	€m	8.7	5.4	4.1
Costs for plants and projects	€m	89.6	99.4	93.3
Environment-related income	€m	–23.3	–22.5	–17.9

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

Financial year 2020, in particular, which was dominated by the global COVID-19 pandemic, highlighted how the dedication of VERBUND's employees contributes to the Group's success. Thanks to their commitment, flexibility and entrepreneurial action, VERBUND has coped well with the crisis to date.

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. 2020 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 is to safeguard the electricity supply and the necessary business processes, such as the full capacity to act in dispatching and trading. Employees are aware of their responsibility as part of critical infrastructure and therefore act with the appropriate focus. Although the current pandemic is an exceptional situation worldwide, the challenges brought by COVID-19 in the past financial year have been successfully overcome with a professional and flexible crisis management system. The Group crisis team and the crisis teams of the individual companies were activated at an early stage and, on 13 March 2020, VERBUND moved to its highest internal red alert status. The crisis teams met on a regular basis, with the intervals between meetings being adjusted to the risk situation over the course of the year, depending on the internal alert level. In order to prepare for the necessary measures and identify other action areas early on, a wide range of factors (such as the development of infection rates and legal conditions) were closely monitored. The measures were implemented in close cooperation with the relevant stakeholders and were accompanied by transparent communication.

Securing the electricity supply with consistent and flexible measures

In order to maintain a secure supply of electricity in Austria, it has been and continues to be necessary to ensure the smooth running of all related processes at all times and to provide the necessary personnel for this to happen.

Although teams were split and key personnel were segregated to ensure undisrupted power plant and grid operations in financial year 2020, most administrative staff had already started working remotely on 12 March 2020 to minimise risk. Face-to-face contact between employees was kept to an absolute minimum throughout the entire crisis situation. Only essential staff came to work in person at the office locations during the lockdown. The almost seamless move to the home office was achieved through an outstanding use of IT, without interrupting processes. All business-critical processes were secured several times. In order to optimise online meetings, additional video conferencing tools and extended online training were provided via the extensive Learning Management System (LMS).

As a result of these measures, personnel resources were also very well utilised during the lockdown in 2020. The additional tasks (crisis management, IT requirements, etc.) led to an increased workload for many areas. As a precaution, however, a Group-wide regulation pertaining to increased annual leave consumption in the first half of 2020 was put in place early on, due to concerns about a decline in resource utilisation at the beginning of the crisis. Based on this regulation, 20% of remaining leave entitlements were used up by employees in quarter 2/2020.

In spite of this, operational resources were ensured throughout to maintain a secure electricity supply, for crisis management and for essential projects. At no time, therefore, were reduced working hours necessary and VERBUND did not make use of this option in financial year 2020.

GRI 201-8
GRI 401-1

KPIs – employees

	Unit	2018	2019	2020
Average number of employees	Number	2,742	2,772	2,870
Number of employees under labour law[1]	Number	2,784	2,843	2,980
of which in Austria	Number	2,429	2,476	2,602
of which in Germany	Number	343	355	366
of which in other European countries	Number	12	12	12
Full-time employees	Number	2,600	2,663	2,790
Part-time employees	Number	184	180	190
New employee hires	Number	172	205	296
Employee turnover excluding retirements	Number	59	58	45
Employee turnover rate excluding retirements	Percent	2.1	2.0	1.5
Employee turnover including retirements	Number	207	146	174
Employee turnover rate including retirements	Percent	7.4	5.1	5.8
Average duration of employment[2]	Years	18.1	17.6	16.1
Percentage of university graduates	Percent	25.1	26.5	28.2

[1] as at 31 December, excl. members of the Executive Board and employees in partial retirement // [2] Personnel from acquired and newly consolidated companies are included in the duration of employment with the acquired/consolidated company and no longer in the duration of employment with the VERBUND Group.

Personnel planning and management

VERBUND has been using a modern, user-friendly planning and reporting tool for personnel data which was upgraded in 2020 to include additional features. This integrated personnel and expense planning system ensures a transparent personnel planning process. Consistent and strict personnel planning also promotes the optimal use of resources.

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 103-2

SDG 5
SDG 8
SDG 16

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.

GRI 103-3
For information on age and gender, see the Diversity management section

Types of employment and benefits offered

GRI 102-8

SDG 3

VERBUND operates almost exclusively in Central Europe, a region which has high standards in terms of labour law and social welfare. VERBUND generally offers permanent contracts to all of its employees. Temporary employment contracts are only entered into when there are objective reasons for doing so (e.g. to replace employees on parental leave). VERBUND generally seeks to retain employees for the long term. 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.

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

VERBUND provides all of its employees, regardless of the working-time model, with a number of voluntary benefits and benefits under collective bargaining agreements. These include a pension fund, supplementary health insurance, discounted lunches, child benefits and health checks.

For information on labour management relations, including minimum notice periods regarding operational changes, please refer to the DMA

Employment of highly and very highly qualified employees entails corresponding personnel costs. VERBUND therefore offers remuneration in line with the market and according to employees' performance. To meet this commitment, we have had a performance-based remuneration model in place since 2010. This model uses targets based on both individual performance and the Group's profitability and ensures fair pay at all levels.

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. This measure is an ideal addition and a logical conclusion with regard to VERBUND's brand essence process.

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.

Developing clear communication messages for the main target groups of students (apprentices), graduates and experts achieved an even better response. The implementation was geared to the current COVID-19 situation and tailored primarily to digital media.

VERBUND is therefore pursuing its objectives to secure the Group's medium-term and long-term success and to improve its positioning as a desirable employer among its target groups in the long term, in order to gain a competitive advantage with the best personnel.

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 adapted and developed further in 2020. COVID-19 made 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 2020. 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 2020.

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 careers fairs were also held virtually. The new online-only framework offered virtual trade fair booths, video presentations and many different networking possibilities. A lively exchange between interested applicants and VERBUND was therefore also possible in a digital setting.

The continuous efforts to maintain the high level of professionalism of the recruiting quality, even at this challenging time, were validated in 2020, when VERBUND was once again awarded the gold seal in the Careers Best Recruiters study. This award with a special focus on crisis resilience demonstrated that VERBUND overcame the challenges of 2020 professionally.

Personnel development

The area of personnel development also required many flexible solutions in 2020 due to the COVID-19 crisis. In 2020 each VERBUND employee nevertheless took part in 20 hours of training on average.

GRI 404-2
GRI 404-1

SDG 4

Personnel development in financial year 2020 focused on training in the areas of safety, technology and mandatory compliance training. Although many training courses were quickly moved online to e-learning and webinars, it was not possible to fully compensate for the decline in classroom training as a result of the pandemic. This meant that the average number of training hours also decreased to 19.2 hours for men, and 21.6 hours for women.

GRI 404-1
GRI 404-3

SDG 4

KPIs – skills development

	Unit	2018	2019	**2020**
Continuing education per employee (total workforce)[1]	Hours	33.6	40.0	**20.0**
Continuing education per employee (without executive function)	Hours	32.0	38.8	**19.2**
Continuing education hours for women	Hours	30.8	35.4	**21.6**
Continuing education hours for men	Hours	34.5	41.6	**19.2**
Continuing education per executive	Hours	82.4	82.9	**48.0**
Performance review ratio	Percent	96.3	88.4	**94.5**
Apprentices, total	Number	151	156	**164**
of which new apprentices taken on	Number	41	45	**51**

[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 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 has made the transition easier. Numerous e-training courses were added during the COVID-19 crisis, which were available to employees free of charge. Around 800 digital courses were offered in the form of courses developed in house, bought in or obtained through collaborations with providers, on topics including software programmes, personal development, the energy market and health.

Numerous events that would have been attended in person were also held virtually as webinars. In a webinar – similar to a seminar – knowledge is shared or there is interaction with participants. The only difference is that no one is physically present. Regardless of whether it is new software that is being introduced, a team workshop or a health topic, VERBUND can design and host webinars. 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).

New environmental conditions require a variety of new methods. Therefore, even more formats of content delivery are available, and these are also continuously growing. For example, complex content is presented in short and simple explanatory videos in a cartoon style. Information can be turned into an educational video with the help of a mobile film studio – that can even be set up directly from one of the VERBUND dams. Sites that VERBUND employees and other stakeholders were unable to visit in 2020 due to the COVID-19 situation were experienced through virtual reality.

New employees were onboarded entirely via webinars in 2020, to give them that “special” start to their everyday working life at VERBUND and make it as smooth as possible. In particular to encourage social interaction with these employees, there was a webinar for everyone to get to know each other.

Executives were provided with guidelines for this virtual onboarding. It worked well, as shown by the positive feedback from the new employees, who felt good about their virtual welcome to the Group.

The global COVID-19 pandemic restricted personnel development, executives and employees in their daily lives in 2020 and presented them with new challenges. As a company, VERBUND found new ways, and 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. In the first year of their apprenticeship, apprentices are trained in apprentice workshops. From the second year on, their training continues at one of VERBUND's power plants as well as at APG in the substations and on the team of overhead power line technicians. During this time the necessary knowledge about the plants is passed on to them, ensuring the transfer of expertise in the technical/skilled trade area. The high quality of our apprenticeship training is most evident in the outstanding achievements seen in the final apprenticeship examinations. In 2020, six girls and 45 boys began their apprenticeship training at VERBUND in Austria and Germany.

The apprenticeship at VERBUND is equally 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.

Trainee programme

Digital and mobile skills are becoming increasingly important and are a high priority at VERBUND. In order to be able to keep pace with the rapidly changing technologies, VERBUND started the second round of the VERBUND trainee programme back in April and October 2019, which focuses on information technology. A total of five trainees were accepted onto the programme for a period of 24 months and were trained on an ongoing basis. In addition, the first round of the VERBUND trainee programme with a focus on SAP commenced in quarter 1/2020 as part of the Transformation to S/4 HANA project, which has strategic relevance for the Group. A total of four trainees were successfully recruited for a period of 18 months. Important business processes are therefore given the best possible support.

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

Further development of the corporate culture

Employee survey

The employee survey in 2019 revealed areas for action in the development of the corporate culture towards the abolition of hierarchies, the reduction of bureaucracy, the acceleration of decision-making processes as well as more transparent communication. Many employees voluntarily gave constructive input at a number of company workshops and developed recommendations for action. These are helping to improve the working atmosphere and employee satisfaction. The proposals were agreed with the managing directors and measures were specified for each company and for the Group as a whole, which were being implemented as at the reporting date.

Trust Index© employee survey by Great Place to Work® 2020

In addition to the employee survey in 2019, the Great Place to Work® Trust Index© employee survey was also carried out in October 2020. The Trust Index© employee survey provides a comprehensive site assessment of the perceived quality and attractiveness of the workplace culture. The aim is to increase the positive working experiences of employees and to strengthen VERBUND's economic performance. Furthermore, the certification process provides the opportunity, if the specified criteria are met, to qualify for the competition for Austria's Best Employer.
Nearly 74 % of the workforce took part in the survey. Apart from the information collected on general employee satisfaction, this survey also provides important insights into the current state of the workplace culture. A total of 89 % of the workforce rated VERBUND as a good workplace; the Trust Index© rating was 74 %. The top two performance indicators in the Trust Index© employee survey are therefore high for VERBUND and enable it to start the certification process for Austria's Best Employer in 2021.

Cooperation and communication

The VERBUND-wide cultural process was continued in order to advance cultural development. A cross-departmental culture project had been initiated in 2019 to promote changes in behaviour towards more personal responsibility, capacity for innovation, collaboration and the exchange of information and cooperation across departments. New approaches such as iceberg sessions or a boot camp for leaders in transformation are being applied with the aim of changing mindsets and ways of thinking. New meeting and co-creating formats (for example for the management conference or first-level management meetings) were driven forward to promote cross-departmental and cross-company exchange between executives and employees. As part of the ModernWork@VERBUND initiative, kick-off and lessons learned meetings are planned so as to improve the feedback culture. The aim is to promote an open, transparent and trusting culture of cooperation. One aspect of this is to also allow younger employees to contribute and discuss their points of view as members of the Millennial generation, both at the management conference and at executive closed-door sessions.

Regular management feedback sessions are also held to further develop management behaviour and the management culture. In 2020 such feedback sessions were held, for example, at the subsidiaries VERBUND Energy4Business and VERBUND Services. Based on the results of these sessions, management objectives were agreed with the executives in 2020. The focal points are conflict management and the coaching approach to leadership.

Maintaining a work-life balance

VERBUND places great emphasis on maintaining a work-life balance at all times. In order to support employees in this respect during the particularly challenging phase of the first Austrian lockdown from March until May 2020, VERBUND allowed employees to take special care leave with no red tape, within the scope of legal requirements. This special care leave continued to be available during the further course of the pandemic to allow for the necessary care of children or other vulnerable individuals within the legal parameters, and thus helped employees to better manage the multiple demands arising due to added care obligations.

VERBUND has been a guarantor of clean energy for more than 70 years.

Diversity management

The diversity strategy defined in 2016 was endorsed in 2018 with the ZukunftVIELFALT® certification and in 2019 with the implementation of planned measures placing particular emphasis on the dimensions of age, gender and disability. In 2020 the focus was on gender balance to ensure a more balanced gender distribution. SDG 10

Focus on age

VERBUND strives to achieve a balanced age structure. The objectives in managing the demographic change are keeping knowledge in the Group and maintaining the loyalty of VERBUND's top performers. GRI 405-1

KPIs – age dimension, total

	Unit	2018	2019	**2020**
Total average age	Years	43.4	43.3	**42.2**
< 30 years	Percent	19.2	19.3	**21.1**
30-50 years	Percent	40.5	41.5	**43.3**
> 50 years	Percent	40.3	39.2	**35.6**

KPIs – age dimension, executives

	Unit	2018	2019	**2020**
< 30 years	Percent	0.0	0.0	**0.0**
30-50 years	Percent	42.9	47.2	**48.3**
> 50 years	Percent	57.1	52.8	**51.7**

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 25% 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 human resources planning, VERBUND identified the critical areas in 2020 and defined cover 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.

Focus on gender

KPIs – gender dimension

	Unit	2018	2019	**2020**
Men	Number	2,293	2,336	**2,436**
Women	Number	491	507	**544**
Total proportion of women	Percent	17.6	17.8	**18.3**
Proportion of women among new employee hires	Percent	20.9	22.9	**20.6**
Proportion of women among executives	Percent	9.5	9.0	**9.0**
Proportion of women among apprentices	Percent	3.3	3.8	**6.7**

GRI 405-1

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, however, shows only a small increase in the percentage of women in the various divisions. 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 in the financial year now ended. This analysis consisted of four parts. As part of the process analysis, VERBUND's processes were reviewed with respect to equality. The KPI analysis 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 18.3% 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 2020, 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 are developing measures on key issues for the entire Group. A clear objective and the stipulation of results criteria will ensure efficient implementation. The Gender Balance project is thus making a contribution to overcoming demographic change and to recruiting the best employees for the future, and to recognising, retaining and developing their potential.

VERBUND firmly believes that converting to a renewable energy system represents the dawning of a new economy.

Focus on disabled persons

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 exceeds the statutory quotas stipulated in Austria and Germany for the employment of disabled people. For VERBUND, the mandatory quota for Austria is 107. As at 31 December 2020, VERBUND employed 130 people who qualify under the Disabled Persons Employment Act (BEinstG). In Germany, the corresponding mandatory quota for VERBUND is 14 and, in 2020, 36 mandatory jobs were filled in accordance with the German Social Code (Sozialgesetzbuch, SGB).

For further information on the topic of accessibility, please refer to the section entitled Occupational health and safety.

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. The year 2020 underlined – not least due to the global COVID-19 pandemic – the importance of the Group's responsibility for the health and safety of its employees in the workplace .

For more information please refer to the Human resources section

Health protection during the COVID-19 pandemic

In accordance with VERBUND's protection targets formulated in connection with its continuity, emergency and crisis management plans, protecting the health of employees and maintaining orderly business operations during the COVID-19 pandemic have 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, in order to reduce the risk of infection from SARS-CoV-2. 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 administrative staff work remotely, as well as by 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).

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 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. The focus of the free vaccination campaign for employees in 2020 was on flu and pneumococcal vaccinations to protect against additional infections.

GRI 403-9 (2018)

KPIs – occupational safety

	Unit	2018	2019	2020
Fatal injuries (total)	Number	1	0	0
Fatal injuries (own staff)	Number	1	0	0
Fatal injuries (external contractors)	Number	0	0	0
Fatal injury frequency (total)		0.1	0.0	0.0
Fatal injury frequency (own staff)		0.2	0.0	0.0
Fatal injury frequency (external contractors)		0.0	0.0	0.0
Serious injuries (total)	Number	1	0	1
Serious injuries (own staff)	Number	1	0	1
Serious injuries (external contractors)	Number	0	0	0
Serious injury frequency (total)		0.1	0.0	0.1
Serious injury frequency (own staff)		0.2	0.0	0.2
Serious injury frequency (external contractors)		0.0	0.0	0.0
Injuries (total)	Number	43	56	55
Injuries (own staff)	Number	32	36	34
Injuries (external contractors)	Number	11	20	21
Lost time injury frequency/LTIF (total)[1]		5.4	6.4	5.6
Lost time injury frequency/LTIF (own staff)[1]		5.8	6.1	5.6
Lost time injury frequency/LTIF (external contractors)[1]		4.5	7.0	5.6
No. of hours worked (total)	Hours	7,909,784	8,802,247	9,861,859
No. of hours worked (own staff)	Hours	5,487,960	5,945,580	6,083,040
No. of hours worked (external contractors)	Hours	2,421,824	2,856,667	3,778,819
Injury severity (total)[2]		22.2	22.8	18.3
Total injury-related days lost (total)	Days	955	1,275	1,008

[1] ratio of workplace injuries from the first day of leave to million working hours; excluding injuries only requiring first aid measures 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 2020

GRI 103-3

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 3,496 employees at the end of 2020. This figure includes 187 temporary staff, 195 employees in partial retirement and the entire workforce of Ennskraftwerke Aktiengesellschaft, VUM Verfahren Umwelt Management GmbH, VERBUND Tourismus GmbH, Lestin & Co. Tauch-, Bergungs- und Sprengunternehmen Gesellschaft m.b.H and Energji Ashta Shpk.

The number of accidents continued on a positive trend in financial year 2020. Both accident frequency and injury severity fell compared with 2019, and in spite of the increasing number of projects it was actually the second-best result since records began.

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. The LTIF is used as an international KPI, which 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.

GRI 403-7 (2018)

VERBUND engages external contractors for clearly defined construction, overhaul and maintenance contracts in particular. The employees at these firms are subject to the same safety regulations as VERBUND personnel. These persons therefore receive the same safety briefings. Contractors commissioned for the construction of plant subsections are responsible for managing their own work. However, they are also required to comply with the safety standards 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 5.6 (LTIF including external contractors) in 2020 indicates that VERBUND is 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 by external contractors. As in previous years, neither third-party fault nor organisational shortcomings were identified as the cause of any work-related injuries in 2020. This shows that safety standards within the Group are very high and that safeguards for employees are being implemented as best possible.

GRI 403-9 (2018)

Injury type

	Unit	2018	2019	2020
Impairment of sensory functions (own staff)	Number	0	2	0
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	0	1	1
Electrification (external contractors)	Number	1	0	0
Foreign object injury (own staff)	Number	1	0	2
Foreign object injury (external contractors)	Number	0	0	2
Skin injury, wound (own staff)	Number	11	11	9
Skin injury, wound (external contractors)	Number	1	6	9
Bone fracture (own staff)	Number	1	5	6
Bone fracture (external contractors)	Number	3	0	1
Multiple types of injury (own staff)	Number	0	2	0
Multiple types of injury (external contractors)	Number	0	1	0
Contusion, bruising (own staff)	Number	6	7	7
Contusion, bruising (external contractors)	Number	4	4	3
Other and unknown injury types (own staff)	Number	0	0	1
Other and unknown injury types (external contractors)	Number	0	1	1
Burn, scald, chemical burn, freezing (own staff)	Number	0	1	1
Burn, scald, chemical burn, freezing (external contractors)	Number	0	1	0
Poisoning (own staff)	Number	1	0	0
Poisoning (external contractors)	Number	0	0	0
Loss of body part (own staff)	Number	1	0	0
Loss of body part (external contractors)	Number	0	0	0
Sprain, pull, dislocation, ligament tear, meniscus injury, torn muscle (own staff)	Number	11	7	7
Sprain, pull, dislocation, ligament tear, meniscus injury, torn muscle (external contractors)	Number	2	7	5

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. General work-related hazards with risks that could have very serious consequences or cause irreversible damage to health or result in death were identified at VERBUND as 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. In financial year 2020, there was one work-related accident resulting in serious injury (a bone fracture due to a fall on level ground). In the reporting period there were also eleven accidents involving VERBUND personnel on the way to or from work.

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. The annual continuing education measures for 2020 were heavily influenced by COVID-19. The planned focus topic “Working on the water” had to be postponed until 2021.

Every year, as was the case in financial year 2020, 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 also posed a huge challenge to 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.

In the area of occupational safety, VERBUND has a large number of internal regulations in place that are continually updated and promptly amended as soon as changes in the law come into effect. These regulations 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 very high technical level at VERBUND thanks to the great efforts made and extensive measures implemented in recent years. The accident KPIs for the last five years until 2017 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. After completion of the core project at the end of 2019, this project was continued as a permanent project. In addition to ongoing activities, core areas are increased safety communication, the installation and use of a wide range of tools, such as an incident database, safety walks by executives and the new regulation for the evaluation of workplace accidents.

The Safety Culture project was also affected by the COVID-19 pandemic. Numerous planned events for executives and safety coaches had to be cancelled or postponed until 2021.

VERBUND has the power to make changes across the whole country and beyond.

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.

To be able to ensure the Group-wide implementation of this initiative, it is imperative to have an extensive network of health contacts within the companies – something that was reactivated in 2020 and expanded to include additional regionally distributed health contacts. A two-day online workshop in October 2020 marked the official launch of the network, which is headed up by the Group Health Officer.

There was also a focus on medical check-ups in 2020, which differed greatly from the existing preventive medical services on offer from the Austrian health insurance fund (Österreichische Gesundheitskasse, ÖGK) or as part of various supplementary insurance packages. Together with a preventive medicine association, an offer was developed for a "Health Road" (central occupational health assessment unit), which was held directly at external site locations during working hours. In spite of the COVID-19 pandemic, medical check-ups were carried out at two sites (Mellach and Kaprun).

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, existing fitness courses (for example, the back fitness class held in Vienna) had to switch to online formats. By moving to the virtual space, it was possible to overcome the regional limitations of on-site events and thus broaden the target group significantly. The online offering was also supplemented by videos for short physical activity breaks and live training, as well as webinars on the topic of healthy eating.

Accessibility

GRI 405-1

Once again in 2020, VERBUND found a variety of ways to include people with disabilities. One milestone was the creation and Group-wide adoption of a policy for ensuring building accessibility as far as possible. A particular focus was the accessible office, as this is a basic requirement for recruiting people with disabilities.

Due to the COVID-19 pandemic and the increasing digitalisation of services in everyday working life, the gulf between employees with and without disabilities has widened further, because many digital offerings are still not accessible. Just as in the construction industry, making retroactive modifications to provide accessible digital offerings (e.g. websites, contracts, reports) is often very costly and time-consuming. Most accessible solutions are not very elegant and can disrupt other functionalities, such as performance. VERBUND has therefore established a Digital Accessibility Team (DAT) whose members are from those areas that are responsible for the Group's digital offerings. Under the leadership of the Accessibility Manager, DAT aims to develop awareness for digital accessibility, build topic-specific knowledge and implement a standard Group-wide procedure for digital accessibility. The general framework for this was created in 2020; work on the content begins in 2021.

Purple Light Up Day, the international day celebrating people with disabilities, was held on 3 December 2020. Parts of corporate headquarters at "Am Hof" in Vienna and the Nußdorf joint power plant in Vienna were lit up purple on this date in support of the global campaign and as a visible sign of the inclusion of people with disabilities.

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.

In financial year 2020, the new function of Chief Digital Officer (CDO) was introduced and staffed by the Information Security and Digitalisation division at the holding company. The CDO sub-division Digitalisation is responsible for the digitalisation strategy and for enabling digital innovation and transformation at VERBUND.

In financial year 2020, the Technology master plan created in 2019, which describes portfolio and performance management with regard to the secondary focus areas in Digitalisation, Information Security and IT, was expanded to include the Digitalisation master plan. This encompasses all strategically relevant digitalisation projects in the Group and is designed to help plan and coordinate digital innovations. It also enables a close exchange between project managers to help achieve optimum networking within the Group to maximise efficiency in digitalisation. The Digitalisation master plan will have further digital projects added to it over the next few years and includes projects from the categories of digitalisation, auto machine learning, big data, digital workforce management, digitalisation in power plants and modern working practices.

Financial year 2020 also saw the start of the Digital Deep Dive initiative. The goal of this initiative is to continuously identify further potential for digitalisation within VERBUND using new approaches and dynamic methods. Initial results were achieved in November 2020 in collaboration with the Group companies and new digitalisation ideas were identified, which are now being worked out in more detail and transferred to the Digitalisation master plan.

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 a diving robot for status checks) to be tested and implemented. The digital pilot power plant at Rabenstein on the Mur River is currently using virtual reality (VR) to enter the digital world of work. A large number of other digital technologies will also be integrated into business processes in the future.

In quarter 4/2020, the first projects on the use of auto machine learning for automation were successfully completed.

The first big data platform was established at VERBUND in December 2020. The combination of both technologies will enable VERBUND to achieve a higher degree of automation of business processes in the future. Building on these initial findings, selected business processes will be further automated in 2021.

Even before COVID-19, the digitalisation of collaborative work processes was being advanced. The ModernWork@VERBUND optimisation project aims to digitally network employees and optimise the geographically independent effectiveness of the collaboration.

The projects already underway in the strategic focus areas of digital trading and sales, the management of the digital transformation, new technological services, efficient generation, safe and performance-enhancing operation and management of information security risks were successfully continued.

Information security

Information security is a high priority at VERBUND and extends through all areas of the Group. The exacting requirements for the availability of the electricity supply are a constant incentive and motivation to invest in the continuous development of information security and thereby support new and existing projects in digitalisation and operations. A key role in this is also played by the obligations arising for critical infrastructure companies under the Network and Information Security Act (NISG). In summer 2020, individual companies of VERBUND were identified by official notices as “operators of an essential service”.

Digitalisation projects at VERBUND are only carried out with information security in mind. Information security is therefore a key enabler for progress and makes an essential contribution to achieving the objectives of the Group strategy.

The Information Security department established in 2019 was expanded further in 2020. In addition to safeguarding infrastructure operations, this department also ensures the implementation of the Information Security master plan adopted by VERBUND’s Executive Board in 2019. As a result, a number of projects were already completed in the reporting period and the master plan was expanded to include additional targeted projects. These include both quick wins, which provide for a short-term increase in information security, and larger projects, which will ensure information security in the medium term in accordance with the current state of the art. As part of the master plan, the central information management system was once again certified to ISO 27001 and 27019. The aim of the entire programme is to maintain but also continuously increase the degree of maturity of information security in all areas of the maturity model.

The Security Operation Center (SOC) plays a central role in achieving this objective and in countering the significant increase in cyber criminality. The SOC is expanded on an ongoing basis. This continuously increases the visibility of cyberattack attempts on VERBUND. The sphere of activity encompasses not only the entire IT landscape, but also the systems for electricity generation. In the event of a possible security incident, the SOC enables a targeted, fast and efficient response and, with the help of qualified experts, the potential threat can be averted.

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 working from home were already being used in project implementation – irrespective of COVID-19. Although the majority of employees made the switch to working remotely very quickly, information security was not compromised at any time. In order to be able to respond in an emergency, at least two members of staff from the Information Security department were always present at corporate headquarters from the start of the pandemic. As an increase in cyberattacks on employees was to be expected in the new and unusual working environment, the internal security awareness programme was quickly aligned with this and technical monitoring was also adapted for this purpose.

Data protection

VERBUND takes the implementation of the provisions included in 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 offered to other companies as software as a service.

In financial year 2020, 27 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 training programme focused on or was switched to online channels. To ensure the awareness and training of all employees, the e-training already being offered on the intranet was supplemented by proprietary online courses entitled "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.

GRI 103-2

SDG 1
SDG 4
SDG 10

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. Discussion of human rights issues is therefore not confined to this section.

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. Two cases of suspected discrimination were reported in 2020. From 2020 all 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 2020.

Additional information on discrimination cases can be found in the Compliance section

Human rights at VERBUND

Details on this topic can be found in the Human resources and Compliance sections as well as in the DMA

The compliance management system is also described in the DMA

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.

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, among others, the right to a reasonable standard of living and the right to health.

Human rights in VERBUND's sphere of influence

GRI 414-1

Even in its cooperation with business partners and within its supply chain, VERBUND is concerned with the protection of all human rights. 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 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

GRI 102-9
GRI 102-10

For details on the supply chain and supplier assessment, please refer to the DMA

The supply chain at VERBUND is characterised by 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. However, due to the strategic orientation of VERBUND towards carbon-free generation, this product category is becoming less significant.

GRI 308-1
GRI 414-1

SDG 12

Most of VERBUND's procurement volume is transacted using formal tenders via an electronic supplier and tendering portal. When registering on this portal, each potential supplier is also required to complete a questionnaire on the topics of sustainability, compliance, environmental protection and occupational safety. 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.

At the end of 2020 there was a total of around 5,400 potential suppliers registered on the supplier portal. Around 560 were added in the reporting year, 52 % of whom had already responded to the questionnaire by the reporting date on 31 December 2020. The questionnaire must be completed in full in order to participate in VERBUND's tendering process.

Procurement statistics[1]

The number of suppliers commissioned by VERBUND totalled around 4,800 in 2020. 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). GRI 204-1

For VERBUND social responsibility is both a driving force and an obligation.

In 2020, orders totalling around €430m were placed with suppliers in the following 31 countries: Albania, Austria, Belgium, Bulgaria, China, Croatia, Cyprus, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Latvia, Liechtenstein, Luxembourg, the Netherlands, Norway, Poland, Portugal, Romania, Slovenia, Spain, Sweden, Switzerland, the United Kingdom and the United States.

Procurement statistics[1]

	Unit	2018	2019	**2020**
Contracted suppliers, approx.	Number	4,500	4,700	**4,800**
Order volume	€m	480	480	**430**
Austria	%	50	58	**80**
Germany	%	36	34	**15**
Rest of the world	%	14	8	**5**

[1] excl. APG

Risks in the supply chain

GRI 103-2 A hot spot analysis was conducted at VERBUND in 2017 to evaluate the risks in the following areas of the supply chain with the involvement of external and internal experts: work and safety conditions, corruption, human rights, legal compliance and the environment. The findings of this analysis increased awareness of the issue of risk in procurement processes again in 2020. Consequently, targeted supplier discussions were held in 2020 focusing on the topics of battery and office equipment and fittings. Since April 2020, all supplier contracts also contain a Supplier Code of Conduct (SCoC). This Supplier Code of Conduct defines VERBUND's principles and requirements for all contractors for the supply of goods and the provision of services. The SCoC is divided into topics, each of which contains both mandatory requirements and recommendations. These are intended to contribute to the continuous development of corporate responsibility among contractors. The SCoC is based on national and international requirements, particularly international human rights standards or the ten principles of the UN Global Compact.

Vienna, 11 February 2021

The 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 at December 31, 2020 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. 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.

This responsibility includes the selection and application of appropriate methods for preparing the report, making assumptions and estimates of individual non-financial disclosures that are plausible under the given circumstances. The responsibility of the management includes further designing, implementing and maintaining internal controls, which have been determined as necessary by management for the preparation of the report free from 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 are met.

We conducted our engagement in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised), “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board (IAASB) in order to obtain limited assurance on the subject matters.

ISAE 3000 (Revised) requires us to plan and perform the engagement in a way that enables us to obtain limited assurance that nothing has come to our attention that causes us to believe that the consolidated non-financial report has not, in any material aspect been prepared in accordance with the reporting criteria of GRI Standards: Core option and § 267a UGB.

In a limited assurance engagement, the evidence-gathering procedures are more limited than in a reasonable assurance engagement and therefore, less assurance can be obtained. The choice of audit procedures lies in the due discretion of the auditor.

As part of our audit, we have performed, inter alia, the following audit procedures and other activities as far as they are relevant to the limited assurance engagement:

- Interviewing the employees named by VERBUND AG regarding the sustainability strategy, the sustainability principles and the sustainability management
- Interviewing employees of VERBUND AG to assess the methods of data collection, data processing and internal controls
- Site-Visit at the Mellach power plant
- Matching the non-financial disclosures shown in the report with the calculation documents provided
- Furthermore, we conducted procedures with regard to whether the reporting requirements of § 267a UGB are met with the consolidated non-financial report.

Summarized Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the consolidated non-financial report has not, in any material aspects, been prepared in accordance with the reporting criteria of the Sustainability Reporting Standards (GRI Standards: Core option) issued by the Global Sustainability Board (GSSB).

Furthermore, nothing has come to our attention that causes us to believe that the reporting requirements of § 267a UGB are not met with the consolidated non-financial report.

Engagement approach

The basis for this engagement are the "General Conditions of Contract for the Public Accounting Professions", as issued by the Chamber of Tax Advisers and Auditors in Austria on April 18, 2018 ("AAB 2018"). In accordance with chapter 7 AAB 2018, our liability shall be limited to intent and gross negligence. In cases of gross negligence, the maximum liability is limited to a maximum of five times the fee. This amount constitutes a total maximum liability cap, which may only be utilized once up to this maximum amount, even if there is more than one claimant or more than one claim has been asserted.

Vienna
February 18, 2021

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Gerhard Marterbauer m.p.
Austrian Certified Public Accountant

ppa. MMag. Anna-Livia Massera m.p.
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

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In accordance with IFRSs	Notes	2019	2020
Revenue		3,895,022	**3,234,588**
Electricity revenue	3.2.1	3,190,810	2,599,333
Grid revenue	3.2.1	566,581	497,310
Other revenue	3.2.2	137,632	137,946
Other operating income	3.2.3	74,082	77,536
Expenses for electricity, grid, gas and certificate purchases	3.2.4	–2,086,283	–1,316,630
Fuel expenses and other usage-/revenue-dependent expenses	3.2.5	–116,922	–78,788
Personnel expenses	3.2.6	–332,426	–347,634
Other operating expenses	3.2.7	–249,957	–276,279
EBITDA		1,183,517	**1,292,793**
Depreciation and amortisation	3.2.8	–364,222	–378,767
Impairment losses[1]	3.2.9	–1,221	–24,964
Reversals of impairment losses[1]	3.2.9	47,844	32,876
Operating result		865,917	**921,938**
Result from interests accounted for using the equity method	3.2.10	40,793	43,293
Other result from equity interests	3.2.11	6,111	10,279
Interest income	3.2.12	32,760	32,127
Interest expenses	3.2.13	–110,395	–81,030
Other financial result	3.2.14	–39,051	32,803
Reversals of impairment losses	3.2.15	16,381	3,386
Financial result		–53,401	**40,857**
Profit before tax		812,516	**962,795**
Taxes on income	3.2.16	–171,803	–238,874
Profit for the period		640,713	**723,921**
Attributable to shareholders of VERBUND AG (Group result)		554,817	631,427
Attributable to non-controlling interests		85,896	92,494
Earnings per share in €[2]	3.2.17	1.60	**1.82**

[1] The impairment losses and reversals of impairment losses have been reduced by the amount of any change in related deferred contributions to building costs and government grants. // [2] Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

of VERBUND

In accordance with IFRSs	Notes	2019	2020
			€k
Profit for the period		640,713	**723,921**
Remeasurements of the net defined benefit liability	9.2	–134,017	13,804
Measurements of financial instruments	3.3.1, 5.1	5,926	6,040
Other comprehensive income from interests accounted for using the equity method	4.5.1	–13,564	–8,916
Total of items that will not be reclassified subsequently to the income statement		–141,654	**10,928**
Differences from currency translation	3.3.1	–3,993	–3,585
Measurements of cash flow hedges	3.3.1, 5.1	370,796	–171,406
Other comprehensive income from interests accounted for using the equity method	3.3.1	–364	–673
Total of items that will be reclassified subsequently to the income statement		366,439	**–175,663**
Other comprehensive income before tax		224,785	**–164,736**
Taxes on income relating to items that will not be reclassified subsequently to the income statement	3.3.2	32,957	–4,808
Taxes on income relating to items that will be reclassified subsequently to the income statement	3.3.2	–92,699	42,851
Other comprehensive income after tax		165,043	**–126,693**
Total comprehensive income for the period		805,756	**597,228**
Attributable to shareholders of VERBUND AG (Group result)		729,108	503,047
Attributable to non-controlling interests		76,648	94,181

Balance sheet

of VERBUND

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In accordance with IFRSs	Notes	31/12/2019	31/12/2020
Non-current assets		11,061,906	**11,351,871**
Intangible assets	4.1	652,045	668,157
Property, plant and equipment	4.2	9,110,760	9,407,623
Right-of-use assets	4.3	133,425	110,663
Interests accounted for using the equity method	4.5	332,155	349,257
Other equity interests	4.6, 5.1	138,103	145,748
Investments and other receivables	4.7, 5.1	695,418	670,422
Current assets		776,723	**702,331**
Inventories	6.1	34,320	33,036
Trade receivables, other receivables and securities	6.2, 5.1	697,768	620,091
Cash and cash equivalents	6.3	44,635	49,203
Total assets		11,838,629	**12,054,202**

€k

In accordance with IFRSs	Notes	31/12/2019	31/12/2020
Equity		6,568,010	**6,873,932**
Attributable to shareholders of VERBUND AG	7.1–7.4	5,887,804	6,151,179
Attributable to non-controlling interests	7.5	680,205	722,753
Non-current liabilities		4,107,390	**4,045,421**
Financial liabilities	5.1, 8.1	1,256,572	1,202,154
Provisions	9.0	912,247	886,219
Deferred tax liabilities	10.2	757,299	797,055
Contributions to building costs and grants	4.2.2	754,107	760,992
Other liabilities	5.1, 8.2	427,164	399,001
Current liabilities		1,163,229	**1,134,848**
Financial liabilities	5.1, 8.1	310,804	84,056
Provisions	9.0	38,589	39,586
Current tax liabilities	10.1	106,104	197,407
Trade payables and other liabilities	5.1, 6.4	707,732	813,798
Total liabilities		11,838,629	**12,054,202**

Cash flow statement

of VERBUND

€k

In accordance with IFRSs	Notes	2019	2020
Profit for the period		640,713	**723,921**
Depreciation of property, plant and equipment and amortisation of intangible assets (net of reversals of impairment losses)		315,212	372,210
Impairment losses on investments (net of reversals of impairment losses)		10,685	–590
Result from interests accounted for using the equity method (net of dividends received)		–26,527	–25,412
Result from the disposal of non-current assets		9,810	2,852
Change in non-current provisions and deferred tax liabilities		18,661	63,933
Change in contributions to building costs and grants		7,236	6,884
Other non-cash expenses and income		–46,851	–74,411
Subtotal		928,940	**1,069,387**
Change in inventories		1,644	1,284
Change in trade receivables and other receivables		162,773	–10,962
Change in trade payables and other liabilities		55,624	38,949
Change in current provisions and current tax liabilities		55,317	92,300
Cash flow from operating activities[1]		1,204,298	**1,190,959**

[1] Cash flow from operating activities includes €68.5m in taxes paid on income (previous year: €47.8m), €28.5m in interest paid (previous year: €61.5m), €0.1m in interest received (previous year: €0.1m) and €24.4m in dividends received (previous year: €21.1m).

€k

In accordance with IFRSs	Notes	2019	2020
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		–391,164	**–602,357**
Cash inflow from the disposal of intangible assets and property, plant and equipment		4,736	2,284
Cash outflow from capital expenditure for investments		–51,375	–83,458
Cash inflow from the disposal of investments		26,635	86,721
Cash outflow from capital expenditure for interests accounted for using the equity method and other equity interests		–600	0
Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method and other equity interests		133	0
Cash inflow from the disposal of current investments		89,984	0
Cash flow from investing activities		–321,651	**–596,810**
Cash inflow from money market transactions		64,643	0
Cash outflow from money market transactions		–10,695	–14,961
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		–720,892	–233,908
Cash outflow from the repayment of lease liabilities		–32,332	–49,361
Dividends paid	3.4.1	–178,084	–291,350
Cash flow from financing activities		–877,360	**–589,580**
Change in cash and cash equivalents		5,288	**4,569**
Cash and cash equivalents as at 1/1		39,347	**44,635**
Change in cash and cash equivalents		5,288	4,569
Cash and cash equivalents as at 31/12		44,635	**49,203**

Statement of changes in equity

of VERBUND

In accordance with IFRSs	Called and paid-in share capital	Capital reserves	Retained earnings	Remeasurements of net defined benefit liability
Notes	7.0	7.0	7.0	9.2
As at 1/1/2019	347,416	954,327	4,525,411	–284,760
Profit for the period	–	–	554,817	–
Other comprehensive income	–	–	0	–103,894
Total comprehensive income for the period	–	–	554,817	–103,894
Dividend	–	–	–145,915	–
Other changes in equity	–	–	–564	0
As at 31/12/2019	347,416	954,327	4,933,750	–388,655
As at 1/1/2020	347,416	954,327	4,933,750	–388,655
Profit 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
Dividend	–	–	–239,717	–
Other changes in equity	–	–	–94	0
As at 31/12/2020	347,416	954,327	5,325,505	–388,753

€k

	Difference from currency translation	Measurement of financial instruments	Measurement of cash flow hedges	Equity attributable to the shareholders of VERBUND AG	Equity attributable to non-controlling interests	Total equity
	7.0	3.3, 4.5-4.7,5.1	3.3, 5.1		7.0	
	–7,447	–1,280	–228,370	5,305,296	635,726	5,941,023
	–	–	–	554,817	85,896	640,713
	–4,107	4,445	277,847	174,291	–9,247	165,043
	–4,107	4,445	277,847	729,108	76,648	805,756
	–	–	–	–145,915	–32,169	–178,084
	–140	0	19	–685	0	–685
	–11,694	3,165	49,497	5,887,804	680,205	6,568,010
	–11,694	3,165	49,497	5,887,804	680,205	6,568,010
	–	–	–	631,427	92,494	723,921
	–3,547	4,530	–129,265	–128,380	1,688	–126,693
	–3,547	4,530	–129,265	503,047	94,181	597,228
	0	0	0	139	0	139
	–	–	–	–239,717	–51,633	–291,350
	0	0	0	–94	0	–94
	–15,241	7,694	–79,768	6,151,179	722,753	6,873,932

Notes to the consolidated financial statements 2020

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, energy supply companies and industrial companies as well as household and commercial customers. In addition, VERBUND trades and sells gas to market participants from energy exchanges, traders and household customers and provides energy-related services. Furthermore, VERBUND operates the Austrian transmission grid through Austrian Power Grid AG and holds equity interests in foreign and domestic energy supply companies.

1.2 Financial reporting principles

Basic principles

VERBUND prepares its consolidated financial statements in accordance with Section 245a(1) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) in compliance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union. The additional requirements of Section 245a(1) UGB were also satisfied. The separate financial statements of the subsidiaries included in the consolidated financial statements are based on uniform accounting policies. The reporting date is 31 December 2020 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 2020 reporting period:

Basis of consolidation

	Consolidation	Accounted for using the equity method	Accounted for as a joint operation
As at 31/12/2019	35	7	1
Change in consolidation method	1	0	0
Additions from newly formed entities	1	0	0
Disposals by means of merger	–12	0	0
As at 31/12/2020	25	7	1
of which domestic companies	13	7	1
of which foreign companies	12	0	0

In the 2020 reporting period, VERBUND Energy4Future GmbH was newly founded and consolidated for the first time.

The change in the consolidation method relates to VERBUND Trading & Sales Deutschland GmbH (VTR-DE), which had previously not been consolidated due to a lack of materiality, but which was now consolidated effective 1 January 2020 due to the planned merger with the consolidated entity VERBUND Sales Deutschland GmbH.

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.

VERBUND Trading & Sales Deutschland GmbH (VTR-DE) was merged with the absorbing entity VERBUND Sales Deutschland GmbH (VSA-DE) under a merger agreement dated 2 April 2020. The merger of VTR-DE with VSA-DE was entered in the commercial register of the acquiring entity VSA-DE on 24 April 2020, whereby the merger became effective under corporate law. The company name was changed to VERBUND Energy4Business Germany GmbH (VEB-DE).

The limited partnership wind farms Dörrebach, Eichberg, Ellern, Rheinböllen, Schönborn, Seibersbach, Utschenwald, Hochfels and Stetten I were merged with the absorbing wind farm Dichtelbach GmbH & Co. KG under a merger agreement dated 7 April 2020. At the same time, the name of the company was changed to VERBUND Green Power Hunsrück GmbH & Co. KG (Hunsrück KG). The entries of the mergers of the various limited partnership wind farms with Hunsrück KG in the commercial register took effect on 20 May 2020.

Currency translation

In the separate financial statements of Group companies, all transactions denominated in foreign currency are measured at the spot exchange rate on the transaction date. Monetary balance sheet items are subsequently measured at the respective spot exchange rate at the reporting date. Exchange gains and losses are recognised through profit or loss under other financial result.

The Group's reporting currency is the euro. The functional currency of VERBUND AG, the consolidated subsidiaries (with the exception of VERBUND Wind Power Romania SRL and VERBUND Trading Romania SRL) and all investees accounted for using the equity method is the euro. For the consolidated financial statements of VERBUND, the annual financial statements of the Romanian subsidiaries are translated into euros using the functional currency method.

Assets and liabilities of foreign Group companies with a functional currency other than the euro are translated using the foreign exchange reference rate of the European Central Bank (ECB) or exchange rates published by local national central banks prevailing at the reporting date. Expenses and income are translated at average monthly exchange rates. Differences arising from translation at exchange rates prevailing at the reporting date are recognised in other comprehensive income and shown as a separate item in equity.

The exchange rates underlying the currency translation changed as follows:

Foreign exchange rates used for currency translation

Country	Currency	31/12/2019 Closing rate	**31/12/2020 Closing rate**	2019 Average rate	**2020 Average rate**
Romania	€1 = RON	4.7793	4.8694	4.7441	4.8370

Regulatory assets and liabilities

Regulatory assets and liabilities result from temporarily higher/lower revenue due to the grid tariffs set by the regulator. With its Grid segment, VERBUND is subject to such a rate structure regulated by Energie-Control Austria für die Regulierung der Elektrizitäts- und Erdgaswirtschaft (E-Control). If the general criteria for recognition under IFRSs are not met, neither regulatory assets nor regulatory liabilities are recognised in the consolidated financial statements of VERBUND.

Newly applicable or applied accounting standards

In the 2020 reporting period, the following new or amended standards and interpretations had to be applied for the first time or were applied early by VERBUND:

Newly applicable or applied accounting standards

Standard or interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Material effects on the consolidated financial statements of VERBUND
IAS 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 (21/4/2020)	1/1/2020	None
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	26/9/2019 (15/1/2020)	1/1/2020	See below
IFRS 16	COVID-19-Related Rent Concessions (Amendment to IFRS 16)	28/5/2020 (9/10/2020)	1/6/2020	None
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 six-month EURIBOR. The notional amount of interest rate swaps directly affected by the IBOR reform was €71.4m as at 31 December 2020. Following the completed changeover of the EURIBOR to a transaction-based calculation method as of quarter 4/2019, the EURIBOR as a reference interest rate is BMR-compliant (Benchmark Regulation) 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, there were no effects from phase 1 of the IBOR reform in the reporting period.

New accounting standards not yet applicable or applied

The IASB has also issued new standards that were not applied by VERBUND in the 2020 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	Amendments: Classification of Liabilities as Current or Non-current	23/1/2020 (open)	1/1/2023	None
IFRS 17	Insurance Contracts	18/5/2017 (open)	1/1/2023	None
IFRS 3	Reference to the Conceptual Framework	14/5/2020 (expected in Q3–4/2021)	1/1/2022	None
IAS 16	Amendments: Property, Plant and Equipment – Proceeds before Intended Use	14/5/2020 (expected in Q3–4/2021)	1/1/2022	None
IAS 37	Amendment: Onerous Contracts — Cost of Fulfilling a Contract	14/5/2020 (expected in Q3–4/2021)	1/1/2022	None
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	25/5/2020 (15/12/2020)	1/1/2021	None
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2	27/8/2020 (13/01/2021)	1/1/2021	None
Various	Annual Improvements to IFRS Standards 2018–2020	14/5/2020 (expected in Q3–4/2021)	1/1/2022	None

[1] Basis: EU Endorsement Status Report dated 14 January 2021

1.3 Effects of COVID-19

Recoverability of assets

VERBUND's economic environment changed in the 2020 reporting due to the COVID-19 crisis. This environment had an effect in particular in quarter 2/2020 on both wholesale electricity prices and VERBUND's capital costs. These two factors of influence represent the key factors for VERBUND in its assessment of the recoverability of individual assets and cash-generating units (CGUs) – above all power plants.

As of 30 June 2020, there was a rise in the cost of capital that was mainly attributable to an increase in borrowing costs as well as in the beta factors resulting from greater COVID-19-related uncertainty. With respect to wholesale prices, however, COVID-19 only had a relevant impact in the short term, whereby a recovery was observed here in the days leading up to 30 June 2020. This drop in short-term prices can be attributed primarily to the anticipated near-term weakening of demand for electricity, in particular from the industrial sector. However, the price trends for electricity futures for periods further in the future, which are calculated based on current commodity market prices, and the estimates of reputable providers of electricity price forecasts indicate that as of 30 June 2020 longer-term wholesale prices had not been significantly influenced by COVID-19. Based on the above developments, impairment tests were conducted as at 30 June 2020, which resulted in only minor changes in value for VERBUND (see section 3.2.9 Impairment losses and reversals of impairment losses and section 4.4 Impairment of non-financial assets). There were no indications of further COVID-19-related changes in value on either 30 September or as at 31 December 2020.

Measurement of securities and loans

The COVID-19 crisis also had an effect on the market values of securities funds held by VERBUND, which are measured at fair value through profit or loss. The fund units are held to cover securities obligations to personnel. After the stock markets recovered, the initially significant price losses were partially recovered by the end of the 2020 reporting period, so that a total price loss of around €3.7m was recognised through profit or loss as at 31 December 2020.

In the case of loans and money market investments carried at cost, COVID-19 did not result in any material changes in the expected credit losses recognised in accordance with IFRS 9, as VERBUND's counterparties (mainly banks) continue to have correspondingly good ratings.

Effects on household, commercial and industrial customers

There were negative effects on profit or loss of around €2.0m in the industrial customer business up to 31 December 2020 due to the COVID-19 lockdown. In the Austrian and German markets, this effect can be attributed primarily to the decline in volumes sold and the lower sales volume of guarantees of origin (green electricity certificates). In the household and commercial segment, COVID-19 led to a shift in volumes away from commercial volumes towards household volumes. Regarding the collection of trade receivables for household and commercial customers, the voluntary industry agreement to abstain from collection activities and cessation of service applied from 26 March to 30 June 2020. Normal debt collection activities have been carried out again without restriction since July 2020. In the commercial customer business, COVID-19 led to a minor increase in overdue receivables in the period ending 31 December 2020. In this context, valuation allowances for trade receivables increased primarily in the household and commercial customer segments to €1.5m as at 31 December 2020 (31 December 2019: €0.9m).

Effects on the Grid segment

COVID-19 led to a reduction in demand for energy, which was reflected in declining national as well as international grid revenue for APG. Reduced energy demand resulted in lower cross-border allocation revenue as well as declining volume-based grid usage fees in Austria. In total, the negative impact on profit or loss from these developments attributable to COVID-19 amounted to around €29.9m as at 31 December 2020.

2. Discretionary judgements and key assumptions concerning the future

Preparers of financial statements are granted various options in connection with the application of IFRSs. For this reason, the management must make discretionary decisions as well as estimates and assumptions regarding future developments that can have a significant influence on amounts shown in these consolidated financial statements. The amounts actually realised can differ from the amounts recognised based on the decisions and assumptions that were made. Estimates and the underlying assumptions are regularly reviewed and adjusted if necessary.

The following discretionary decisions and assumptions regarding the future have a significant influence on the financial statements:

Discretionary decisions and assumptions regarding the future

Assessment of the term of leases	Section 4.3
Determination of the discount rate for impairment 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 as well as for transmission activities. However, in accordance with IFRS 8, VERBUND's segment reporting is to be oriented towards internal management and reporting (management approach). 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.

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 corporate law.

As of quarter 1/2020, the Renewable generation segment reported in the past was 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 currently 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.

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.

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

Definition of operating segments

Hydro	Hydropower generation technology
New renewables	Wind and photovoltaic generation technologies
Sales	Trading and sales activities
Grid	Operations of Austrian Power Grid AG (APG)
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
2020							
External revenue	109.6	85.8	2,313.9	701.1	21.2	3.0	3,234.6
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	2,523.3	730.4	184.8	–1,581.9	3,234.6
EBITDA	**926.8**	**58.9**	**75.5**	**232.4**	**37.9**	**–38.8**	**1,292.8**
Depreciation and amortisation	–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	42.6	0.0	43.3
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**	**479.2**	**44.7**	**8,748.4**
of which carrying amount of interests accounted for using the equity method	5.0	1.3	9.7	1.4	331.9	0.0	349.3
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

Operating segment data €m

	Hydro	New renewables	Sales	Grid	All other segments	Recon-ciliation/ consoli-dation	Total Group
2019							
External revenue	114.8	96.2	2,876.2	778.8	25.9	3.1	3,895.0
Internal revenue	999.9	24.0	275.5	33.0	198.1	–1,530.4	0.0
Total revenue	1,114.7	120.2	3,151.7	811.8	224.0	–1,527.3	3,895.0
EBITDA	**797.5**	**62.2**	**49.4**	**257.8**	**51.0**	**–34.3**	**1,183.5**
Depreciation and amortisation	–207.8	–23.4	–1.2	–115.8	–14.1	–1.9	–364.2
Effects from impairment tests (operating result)	19.3	28.6	0.0	0.0	–1.2	0.0	46.6
Other material non-cash items	61.6	0.1	–3.1	12.6	16.3	2.5	90.1
Result from interests accounted for using the equity method	3.7	0.2	–1.7	0.1	38.5	0.0	40.8
Effects from impairment tests (financial result)	16.4	0.0	0.0	0.0	0.0	0.0	16.4
Capital employed	6,137.9	429.0	113.2	1,459.6	519.4	80.9	8,739.9
of which carrying amount of interests accounted for using the equity method	2.9	1.4	9.8	1.4	316.6	0.0	332.2
Additions to intangible assets and property, plant and equipment	190.9	2.8	2.5	242.5	13.7	2.3	454.7
Additions to interests accounted for using the equity method	0.0	0.0	0.6	0.0	0.0	0.0	0.6

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

	2019	**2020**
Capital employed	8,739.9	8,748.4
Assets not used in the performance and commercialisation process	924.4	929.6
Non-interest-bearing debt	2,174.3	2,376.2
Total assets of VERBUND	11,838.6	**12,054.2**

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

	2019	2020
Intangible assets and property, plant and equipment	9,762.8	**10,075.8**
of which in Austria	7,012.5	7,287.6
of which in Germany	2,613.1	2,627.0
of which in other EU countries	137.1	161.2
Interests accounted for using the equity method	332.2	**349.3**
of which in Austria	332.2	347.3
of which in other countries[1]	0.0	2.0

[1] This includes the equity interest in (Austrian) Ashta Beteiligungsverwaltung GmbH, which holds the equity interest in the Albanian entity Energji Ashta Shpk.

3.2 Notes to the income statement

3.2.1 Revenue

VERBUND primarily generates revenue from contracts with customers from the delivery of electricity and gas as well as by operating the Austrian transmission grid; the relevant accounting policies are presented below:

Revenue from contracts with customers

	Period allowed for payment	Significant financing components
Market participants from energy exchanges, traders and electric utilities	20 days	No
Industrial customers	14–60 days	No
Commercial customers	14 days	No
Household customers	14 days	No
Revenue from operating the Austrian transmission grid	14 days	No

Measurement of contracts with customers in accordance with IFRS 15

Type of contract	Contracts with customers for the delivery of electricity and gas	Contracts with customers as a result of operating the Austrian transmission grid
Performance/ counter-performance	As a rule, the consideration received for the contracts for the delivery of electricity and gas comprises a capacity price and an energy price. The capacity price is independent of volume, whereas the energy price depends on the volume of electricity and gas purchased.	The services include mainly system, control power and balancing energy as well as congestion management and redispatch services. The consideration received for these services depends largely on the electricity consumed by the customers and/or the costs incurred by VERBUND for each of these services.
Revenue recognition	Revenue is recognised as soon as the control over the goods and/or services is transferred to the customers. Control is transferred over the period in which the service is rendered. Revenue is realised in the amount in which VERBUND has fulfilled its obligations with respect to the delivery of electricity and gas (i.e. the customer could purchase electricity and/or gas at any given time and/or has done so) and a right to invoice the service already rendered has been established.	Revenue is realised in the amount in which VERBUND has a right to invoice the services already rendered. Control is transferred over the period in which the service is rendered.
Special circumstances	With some contracts to deliver electricity and gas, the customers are also billed for grid costs. Since VERBUND does not have any control over the grid services prior to the transfer to the customers, VERBUND should be regarded as an agent with respect to these services. Therefore, no revenue is recognised for the grid services.	none

Revenue by segment

€m

	2019 Domestic	**2020 Domestic**	2019 Foreign	**2020 Foreign**	2019 Total	**2020 Total**
Electricity revenue resellers	68.5	64.2	32.2	35.2	100.8	99.5
Electricity revenue traders	0.2	0.2	7.0	3.6	7.2	3.8
Electricity revenue – Hydro segment	68.7	**64.4**	39.3	**38.8**	108.0	**103.2**
Electricity revenue resellers	0.0	0.0	0.0	0.0	0.0	0.0
Electricity revenue traders	15.9	14.2	0.0	0.2	15.9	14.4
Electricity revenue consumers	0.0	0.0	58.5	40.7	58.5	40.7
Electricity revenues - New renewables segment	15.9	**14.2**	58.6	**40.9**	74.5	**55.1**
Electricity revenue resellers	689.2	460.1	331.7	333.5	1,020.9	793.7
Electricity revenue traders	349.8	283.0	781.4	647.7	1,131.3	930.7
Electricity revenue consumers	364.0	290.5	290.5	235.1	654.5	525.6
Electricity revenue – Sales segment	1,403.0	**1,033.7**	1,403.6	**1,216.3**	2,806.6	**2,250.0**
Electricity revenue resellers	103.7	127.1	90.1	57.1	193.9	184.2
Electricity revenue traders	5.5	6.3	2.4	0.6	7.9	6.8
Electricity revenue – Grid segment	109.3	**133.4**	92.5	**57.7**	201.8	**191.0**
Electricity revenue – All other segments	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**
Electricity revenue – reconciliation	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**
Total electricity sales revenue	1,596.9	**1,245.7**	1,594.0	**1,353.7**	3,190.8	**2,599.3**
Grid revenue electric utilities	374.7	322.0	20.5	22.0	395.2	344.0
Grid revenue industrial customers	6.9	3.9	0.0	0.0	6.9	3.9
Grid revenue other	39.6	39.8	124.8	109.7	164.4	149.4
Total grid revenue – Grid segment	421.3	**365.7**	145.3	**131.6**	566.6	**497.3**
Other revenue – Hydro segment					6.8	**6.4**
Other revenues – New Renewables segment					21.8	**30.7**
Other revenue – Sales segment					69.7	**63.9**
Other revenue – Grid segment					10.3	**12.8**
Other revenue – All other segments					25.9	**21.2**
Other revenue – reconciliation					3.2	3.0
Total of other revenue					137.6	137.9
Total revenue					3,895.0	3,234.6

In the 2020 reporting period, €2.6m (previous year: €4.1m) 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. Without this net presentation, the electricity revenue (and expenses for the purchase of electricity) in the 2020 reporting period would have been €2,258.3m (previous year: €4,450.1m) and other revenue €572.1m (previous year: €1,843.7m) higher.

3.2.2 Other revenue

Other revenue €m

	2019	2020
Sale of proof of origin and green electricity certificates	47.0	45.4
Sale of gas	42.2	41.6
Consulting and planning services as well as other services	12.7	17.4
District heating deliveries	20.6	16.2
Other	15.0	17.4
Other revenue	137.6	**137.9**

3.2.3 Other operating income

Other operating income €m

	2019	2020
Changes in inventory and own work capitalised	35.2	41.8
Various goods and services	10.7	7.0
Rent and lease income	3.7	4.5
Income from (insurance) compensation	1.6	1.8
Disposal of property, plant and equipment and intangible assets	2.3	1.7
Other	20.6	20.8
Other operating income	74.1	**77.5**

3.2.4 Expenses for electricity, grid, gas and certificate purchases

Expenses for electricity, grid, gas and certificate purchases €m

	2019	2020
Expenses for electricity purchases	1,977.8	1,233.8
Expenses for grid purchases (system use)	62.9	59.5
Expenses for gas purchases	39.7	21.1
Expenses for proof of origin and green electricity certificate purchases	4.5	2.0
Purchase of emission rights (trade)	1.4	0.2
Expenses for electricity, grid, gas and certificate purchases	2,086.3	**1,316.6**

3.2.5 Fuel expenses and other usage-/revenue-dependent expenses

Fuel expenses and other usage-/revenue-dependent expenses €m

	2019	2020
Use of natural gas	41.0	27.4
Use of coal	28.8	16.8
Emission rights acquired in exchange for consideration	24.8	14.9
Other revenue-dependent expenses	21.9	19.0
Other usage-dependent expenses	0.4	0.8
Fuel expenses and other usage-/revenue-dependent expenses	116.9	**78.8**

3.2.6 Personnel expenses

Personnel expenses

€m	2019	2020
Wages and salaries	255.1	264.0
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	55.4	58.2
Other social expenses	3.8	3.4
Subtotal	314.4	**325.6**
Expenses for pensions and similar obligations	16.9	17.9
Expenses for termination benefits	1.1	4.2
Personnel expenses	332.4	**347.6**

The pension fund contributions to the defined contribution investment and risk association amounted to €7.2m (previous year: €7.3m) in the 2020 reporting period. Expenses for termination benefits included a total of €2.2m (previous year: €1.9m) in contributions to an employee pension fund.

3.2.7 Other operating expenses

Other operating expenses

€m	2019	2020
Third-party maintenance of power plants and line systems	87.7	87.8
Other third-party services received	24.5	29.9
IT expenses	23.3	25.9
Legal, consulting and audit expenses	11.7	19.3
Advertising expenses	15.4	15.4
Costs for personnel provided	13.0	14.9
Compensation payments	4.4	12.9
Material costs for motor vehicle operation and maintenance	5.5	6.0
Expenses for supervision by E-Control	11.4	11.7
Travel expenses, advanced training	9.2	6.3
Operating costs	3.4	5.0
Purchased telecommunication services	4.7	4.9
Fees	4.2	4.4
Insurance	3.9	4.0
Membership fees	2.7	2.9
Concession fees	2.7	2.7
Usage fees	2.5	2.3
Expenses from the disposal of property, plant and equipment and intangible assets	3.2	1.2
Other	16.6	18.8
Other operating expenses	250.0	**276.3**

3.2.8 Depreciation and amortisation

Depreciation and amortisation €m

	2019	2020
Depreciation of property, plant and equipment	322.1	334.7
Depreciation of right-of-use assets	34.6	35.5
Amortisation of intangible assets	7.5	8.7
Depreciation and amortisation	364.2	**378.8**

3.2.9 Impairment losses and reversals of impairment losses

Impairment losses and reversals of impairment losses €m

	2019	2020
Romanian wind farms[1]	28.6	32.9
Mellach combined cycle gas turbine power plant[1]	0.0	–15.3
Deferred grants for the Mellach combined cycle gas turbine power plant[1]	0.0	0.4
Gries run-of-river power plant[2]	11.3	–6.6
Deferred contributions to building costs for the Gries run-of-river power plant[2]	–1.7	1.0
Contributions to building costs for the Graz power plant on the Mur River[2]	0.0	–3.2
Gössendorf and Kalsdorf run-of-river power plants	10.4	0.0
Deferred contributions to building costs for the Gössendorf and Kalsdorf run-of-river power plants	–0.8	0.0
Other	–1.2	–1.2
Impairment losses and reversals of impairment losses	46.6	**7.9**

[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 had to be tested in the 2020 reporting period as a result of updated electricity price forecasts as well as updated discount rates.

3.2.10 Result from interests accounted for using the equity method

The result from interests accounted for using the equity method can be attributed mainly to KELAG-Kärntner Elektrizitäts-Aktiengesellschaft, which operates internationally and also provides electricity, gas and heat to customers throughout Austria with a focus on Carinthia.

3.2.11 Other result from equity interests

Other result from equity interests €m

	2019	2020
Income from equity interests and unconsolidated subsidiaries	6.8	6.5
Income from the disposal of equity interests and unconsolidated subsidiaries[1]	0.0	4.3
Expenses from the disposal of equity interests and unconsolidated subsidiaries	0.0	0.0
Expenses arising from equity interests and unconsolidated subsidiaries	–0.7	–0.6
Other result from equity interests	6.1	**10.3**

[1] Sales proceeds from the disposal of Sorgenia SpA in 2014 were subsequently recognised in the reporting period owing to an earn-out clause.

3.2.12 Interest income

Interest income

€m	2019	2020
Interest from investments under closed items on the balance sheet	30.3	30.3
Interest from money market transactions	0.1	0.3
Other interest and similar income	2.4	1.6
Interest income	32.8	**32.1**

3.2.13 Interest expenses

Interest expenses

€m	2019	2020
Interest for financial liabilities under closed items on the balance sheet	30.3	30.3
Interest for other liabilities from electricity supply commitments	15.3	14.6
Interest for bonds	34.7	12.1
Interest for bank loans	9.2	8.4
Interest on a share redemption obligation	4.8	7.7
Net interest expense on personnel-related liabilities	12.5	6.3
Interest for other non-current provisions	2.0	1.2
Profit or loss attributable to limited partners	0.1	0.0
Repayment of non-current financial liabilities from capital shares attributable to limited partners	−1.0	0.0
Borrowing costs capitalised in accordance with IAS 23	−3.1	−5.1
Other interest and similar expenses	5.8	5.7
Interest expenses	110.4	**81.0**

3.2.14 Other financial result

Other financial result

€m	2019	2020
Measurement of an obligation to return an interest	−55.6	32.9
Income from securities and loans	44.1	2.2
Measurement of derivatives in the finance area	0.8	1.4
Foreign exchange gains	0.2	0.0
Change in expected credit losses	0.0	0.0
Expenses arising from financial instruments	−1.4	0.0
Foreign exchange losses	−0.2	−0.2
Change in expected credit losses	−27.0	−4.2
Other	0.0	0.6
Other financial result	−39.1	**32.8**

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 net effects on profit or loss of these two items balance each other out and were therefore not included in the above table.

3.2.15 Reversal of impairment losses

The reversals of impairment losses in the financial result related to the interest in Ashta Beteiligungsverwaltung GmbH accounted for using the equity method in both the 2020 reporting period as well as in the previous year. The updated electricity price forecasts and the discount rates adjusted as of 31 December 2020 were the reason for an impairment test. As a result of this testing, the impairment losses on Ashta Beteiligungsverwaltung GmbH were reversed.

3.2.16 Taxes on income

The corporate income tax rate applying to VERBUND AG is 25.0%. The following income tax rates are applied by consolidated subsidiaries (depending on the country in which they are located):

Income tax rates applicable to subsidiaries in %

	2019	**2020**
Austria	25.0	**25.0**
Germany – partnerships[1]	28.20–28.78	**28.6**
Germany – limited companies[1]	24.23–32.98	**24.23–32.98**
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 municipiality 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

	2019	**2020**
Current tax expenses[1]	101.0	**155.1**
Future tax expense for subsequent taxation of transfers of losses from foreign members of the tax group	6.4	**4.2**
Deferred income tax expenses	64.4	**79.6**
Taxes on income	171.8	**238.9**

[1] Current tax expenses include adjustments from prior periods of €–4.6m (previous year: income €5.9m) primarily resulting from a change in the tax classification of an electricity purchase right.

The reasons for the difference between VERBUND's computed and recognised tax expense are as follows:

Tax reconciliation

€m	2019	2020
Computed income tax expense (25.0%)	203.1	240.7
Differing tax rates	−2.8	−4.5
Amortisation of goodwill for tax purposes	−2.9	−2.9
Impairment testing of equity-accounted and other interests	−4.1	−0.8
Deferred taxes not yet taken into account	−4.5	0.0
Tax-exempt investment income	−5.3	−6.1
Net income not taxed due to a lack of realisability	−6.1	−4.6
Interests accounted for using the equity method	−6.6	−6.4
Other line items <€2m	2.1	2.6
Income tax expenses for the period	173.0	**218.0**
Income tax expenses or income from prior periods (current and deferred)	−1.2	20.9
Recognised income tax expenses	171.8	**238.9**
Effective tax rate	21.1%	24.8%

3.2.17 Earnings per share

Determination of earnings per share

€m	2019	2020
Profit for the period	640.7	723.9
Profit for the period attributable to non-controlling interests	−85.9	−92.5
Group result	554.8	**631.4**
Weighted average number of shares in circulation	347,415,686	347,415,686
Earnings per share in €[1]	1.60	**1.82**

[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	2019	2020
Measurement gains or losses recognised in equity	−4.0	−3.6
Differences from currency translation	−4.0	**−3.6**
Measurement gains or losses recognised in equity[1]	106.4	−92.7
Reclassification adjustment to the income statement	264.4	−78.7
Measurements of cash flow hedges	370.8	**−171.4**
Measurement gains or losses recognised in equity	−0.4	−0.7
Other comprehensive income from interests accounted for using the equity method	−0.4	**−0.7**
Other comprehensive income	366.4	**−175.7**

[1] Of which €–2.8m (previous year: €0.0m) 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

	2019 Before taxes	2019 Taxes	2019 After taxes	**2020 Before taxes**	**2020 Taxes**	**2020 After taxes**
Remeasurements of the net defined benefit liability	–134.0	34.4	–99.6	13.8	–3.3	10.5
Measurements of financial instruments	5.9	–1.5	4.4	6.0	–1.5	4.5
Other comprehensive income from interests accounted for using the equity method	–13.6	–	–13.6	–8.9	–	–8.9
Total of items that will not be reclassified subsequently to the income statement	–141.7	33.0	–108.7	**10.9**	**–4.8**	**6.1**
Differences from currency translation	–4.0	–	–4.0	–3.6	–	–3.6
Measurements of cash flow hedges	370.8	–92.7	278.1	–171.4	42.9	–128.6
Other comprehensive income from interests accounted for using the equity method	–0.4	–	–0.4	–0.7	–	–0.7
Total of items that will be reclassified subsequently to the income statement	366.4	–92.7	273.7	**–175.7**	**42.9**	**–132.8**
Other comprehensive income	224.8	–59.7	165.0	**–164.7**	**38.0**	**–126.7**

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 €127.3m (previous year: €105.2m).

3.4.1 Additional information on cash flow from financing activities

Additional information on cash flow from financing activities €m

	2019	**2020**
Dividends paid to the shareholders of VERBUND AG	–145.9	–239.7
Dividends paid to non-controlling interests	–32.2	–51.6

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 €4.1m (previous year: €6.8m) in accordance with IAS 38. Expenses for research in the total amount of €9.5m (previous year: €10.7m) were recognised in profit or loss in the 2020 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 (certificates allotted without exchange of consideration) or at cost (purchased certificates). For emission rights allotted without exchange of consideration, an item of deferred income is recognised in the amount of their fair value for the grant received that is then reversed to profit or loss under fuel expenses when the emission rights are used, amortised or sold. The obligation to return is taken into account by means of an other liability. If cover is insufficient, VERBUND recognises an additional provision in the amount of the fair value of the missing emission rights.

Emission rights held for trading by VERBUND are measured through profit or loss under other revenue. According to the brokerage exemption for raw materials and commodity dealers, the measurement benchmark is fair value less costs to sell.

4.1.1
Intangible assets

Intangible assets €m

	Concessions, rights, licences	Goodwill	Total
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
Foreign exchange differences	0.0	0.0	0.0
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

Intangible assets €m

	Concessions, rights, licences	Goodwill	Total
2019			
Cost as at 1/1	148.8	766.8	915.6
Foreign exchange differences	0.0	0.0	0.0
Additions	15.8	0.0	15.8
Disposals	–1.5	0.0	–1.5
Reclassifications	–0.6	0.0	–0.6
Cost as at 31/12	**162.5**	**766.8**	**929.3**
Accumulated amortisation as at 1/1	92.2	179.1	271.3
Foreign exchange differences	0.0	0.0	0.0
Depreciation	7.5	0.0	7.5
Impairment losses	0.0	0.0	0.0
Reversals of impairment losses	–0.3	0.0	–0.3
Disposals	–1.4	0.0	–1.4
Accumulated amortisation as at 31/12	**98.1**	**179.1**	**277.2**
Net carrying amount as at 31/12	**64.4**	**587.7**	**652.1**
Net carrying amount as at 1/1	56.6	587.7	644.3

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 manufacturing costs, the cost of internally manufactured plant and equipment also includes appropriate indirect material and labour costs. Borrowing costs are capitalised for qualifying assets. VERBUND's average monthly borrowing costs in the 2020 reporting period were around 2.5% (previous year: around 3.3%).

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
Hydropower facilities	20–100
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	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
Change in the basis of consolidation	0.0	0.0	0.0	0.0	0.3	0.0	0.3
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

Property, plant and equipment

€m

	Land and buildings	Machinery	Electrical installations	Power lines	Office and plant equipment	Plants under construction and projects	Total
2019							
Cost as at 1/1	7,715.8	4,531.6	3,679.6	1,398.4	184.8	343.5	17,853.4
Foreign exchange differences	–1.5	–6.3	–0.4	0.0	–0.1	0.0	–8.2
Additions	11.3	12.1	45.5	1.7	14.0	354.3	438.9
Disposals	–22.8	–16.0	–143.4	–1.6	–10.4	–1.9	–196.2
Reclassifications	–23.7	45.0	32.8	0.1	3.3	–56.9	0.6
Cost as at 31/12	**7,678.9**	**4,566.4**	**3,614.2**	**1,398.6**	**191.6**	**639.0**	**18,088.5**
Accumulated depreciation as at 1/1	3,140.3	2,569.8	2,276.3	771.7	136.6	1.7	8,896.3
Foreign exchange differences	–0.3	–4.7	–0.1	0.0	–0.1	0.0	–5.2
Depreciation	90.7	83.4	107.7	27.3	13.0	0.0	322.1
Impairment losses	0.2	0.0	0.0	0.0	0.0	1.0	1.3
Reversals of impairment losses	–19.4	–27.0	–3.3	0.0	0.0	–0.1	–50.0
Disposals	–22.3	–12.7	–138.5	–1.5	–10.2	–1.6	–186.8
Reclassifications	0.0	0.0	0.0	0.0	0.0	–0.1	0.0
Accumulated depreciation as at 31/12	**3,189.2**	**2,608.8**	**2,242.0**	**797.5**	**139.3**	**0.9**	**8,977.7**
Net carrying amount as at 31/12	**4,489.7**	**1,957.6**	**1,372.1**	**601.0**	**52.3**	**638.0**	**9,110.8**
Net carrying amount as at 1/1	4,575.4	1,961.8	1,403.3	626.6	48.2	341.8	8,957.1

Additions

€m

	2019	**2020**
380-kV Salzburg line	48.0	**109.6**
New Töging power plant	56.9	**66.4**
Weinviertel grid area	29.7	**64.7**
Automation of hydropower plants	18.8	**35.6**
General overhaul of 220-kV St. Peter–Ernsthofen line	45.5	**33.8**
General overhaul of substations	34.8	**23.2**
Mayrhofen power plant: impeller modernisation, Lower Tuxbach diversion	20.8	**17.8**
Malta power plant: increase in efficiency	12.9	**15.7**
Other additions (< €10.0m)	171.5	**261.6**
Total additions to property, plant and equipment	438.9	**628.4**

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 €25.8m (previous year: €25.0m) in the reporting period.

4.2.2
Contributions to building costs and grants

Contributions to building costs and grants €m

	2019	**2020**
Contributions to building costs	711.4	719.8
Government grants	42.8	41.2
Contributions to building costs and grants	754.1	**761.0**

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	Office and plant 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**

Right-of-use assets €m

	Land and buildings	Electrical installations	Power lines	Office and plant equipment	Total
As at 1/1/2019	0.0	0.0	0.0	0.0	0.0
Additions from initial application	144.5	8.5	0.0	2.7	155.7
Additions	5.7	0.1	6.3	1.6	13.7
Depreciation	−33.0	−0.5	0.0	−1.1	−34.6
Disposals	−1.3	0.0	0.0	−0.1	−1.4
As at 31/12/2019	**115.9**	**8.1**	**6.3**	**3.1**	**133.4**

Amounts from leases recognised in profit or loss

€m	2019	2020
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	0.5
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 31/12/2020

Maturity (€m)	2021	2022	2023–2025	from 2026
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

Expected cash outflows as at 31/12/2019

Maturity (€m)	2020	2021	2022–2024	from 2025
Lease liabilities	47.7	22.8	15.1	73.9
Cash outflows on liabilities in accordance with IFRS 7	47.7	22.8	15.1	73.9

4.4 Recoverability of non-financial assets

Recoverability of intangible assets and property, plant and equipment

Under IAS 36, the carrying amounts, in particular, of intangible assets and property, plant and equipment are tested for impairment if there are indications thereof. An impairment test is to be conducted at least once per year for goodwill, intangible assets with an indefinite useful life and intangible assets that are not yet available for use (see section 4.4.1 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
	2019	**2020**
Renewable generation segment[1]	287.0	–
Hydro segment[1]	–	287.0
Sales segment	13.0	13.0
Inn River power plant group	126.6	126.6
Grenzkraftwerke power plant group	161.1	161.1
Goodwill	587.7	**587.7**

[1] 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. Further details can be found in the section entitled Segment reporting.

Impairment testing of goodwill for the hydro segment

	31/12/2019[1]	**31/12/2020**
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	Fair value (Level 3) less costs of disposal	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	External 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 25 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 24 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: 3.75% to 11.00% depending on the location	WACC: 3.75% to 10.75% depending on the location[3]
Impairment losses during the period[2]	–	–

[1] 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. Further details can be found in the section entitled Segment reporting. // [2] Management believes that potential changes in the key measurement assumptions will not cause the carrying amount of the Renewable generation segment's assets including goodwill to exceed the recoverable amount. // [3] The implicit input tax interest rate determined through a process of iteration amounted to 4.37%–11.60%

Impairment testing of goodwill for the Sales segment

	31/12/2019	**31/12/2020**
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%[1]	WACC after taxes: 4.00%[1]
Impairment losses during the period[2]	–	–

[1] The implicit input tax interest rate determined through a process of iteration amounted to 5.29% (previous year: 5.22%). // [2] Management believes that potential changes in the key measurement assumptions will not cause the carrying amount of the Renewable generation segment's assets including goodwill to exceed the recoverable amount.

Impairment testing of goodwill for the Inn River power plant group

	31/12/2019	**31/12/2020**
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	Fair value (Level 3) less costs of disposal	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 1,856 or 1,975 GWh (after conclusion of the Töging modernisation project)	Annual output corresponding to the mean energy capability of 1,856 or 1,975 GWh (after conclusion of the Töging modernisation project)
Price	External price forecasts; discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin (derived from quoted prices); consideration of the water charges based on official notices; estimate of the maintenance costs by the managers responsible	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: 25 years followed by a terminal value phase	Detailed planning phase: 6 years; rough planning phase: 24 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%	WACC: 3.75%[2]
Impairment losses during the period[3]	–	–

[1] The run-of-river power plant group on the Inn River comprises the following run-of-river power plants: Aubach, Feldkirchen, Gars, Jettenbach II, Neuötting, Perach, Rosenheim, Stammham, Teufelsbruck, Töging and Wasserburg. // [2] The implicit input tax interest rate determined through a process of iteration amounted to 4.37%. // [3] Management believes that potential changes in the key measurement assumptions will not cause the carrying amount of the Inn River power plant group's assets including goodwill to exceed the recoverable amount.

Impairment testing of goodwill for the Grenzkraftwerke power plant group[1]

	31/12/2019	**31/12/2020**
Group of cash generating units	Grenzkraftwerke power plant group[2] that each represent a cash-generating unit plus goodwill and deferred tax accruals	Grenzkraftwerke power plant group[2] that each represent a cash-generating unit plus goodwill and deferred tax accruals
Basis for recoverable amount	Fair value (Level 3) less costs of disposal	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	External price forecasts; discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin (derived from quoted prices); consideration of the water charges based on official notices (GER); estimate of the maintenance costs by the managers responsible	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: 25 years followed by a terminal value phase	Detailed planning phase: 6 years; rough planning phase: 24 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% Germany: WACC: 3.75%	Austria: WACC: 4.00%[3] Germany: WACC: 3.75%
Impairment losses during the period[4]	–	–

[1] The following notes relate to the second step of the two-step impairment test of the Grenzkraftwerke power plant group. The recoverability of the individual run-of-river power plants was tested in the first step. // [2] The Grenzkraftwerke power plant group comprises the following power plants: Braunau-Simbach, Egglfing-Obernberg, Ering-Frauenstein, Jochenstein, Nußdorf, Oberaudorf-Ebbs, Passau-Ingling and Schärding-Neuhaus. // [3] In the 2020 reporting period, the implicit input tax interest rate determined through a process of iteration amounted to 4.70%–4.78%. // [4] Management believes that potential changes in the key measurement assumptions will not cause the carrying amount of the Grenzkraftwerke power plant group plus goodwill and deferred tax liabilities to exceed the recoverable amount.

4.4.2 Impairment testing of power plants

Impairment testing of the Romanian wind farm

	31/12/2019	**31/12/2020**
Cash-generating unit	Wind farm on the Romanian Black Sea coast (installed capacity: 226 MW)	Wind farm on the Romanian Black Sea coast (installed capacity: 226 MW)
Indications of impairment	Updated electricity price forecasts and estimate of output as well as revised estimate with respect to the sales potential of Romanian green electricity certificates	Updated electricity price forecasts, extension of the assumed useful life 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 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: 13 years	Detailed planning phase: 6 years Rough planning phase: 17 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: 8.75%[1]	WACC: 8.00%[1]
Recoverable amount	€145.8m	€162.4m
Reversals of impairment losses during the period	€28.6m	€32.6m

[1] The implicit input tax interest rate determined through a process of iteration amounted to 8.89% (previous year: 9.78%).

Sensitivity analysis for the Romanian wind farm 31/12/2020[1]

	Value assigned to the key measurement assumption	Change in key measurement assumption	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.

Sensitivity analysis for the Romanian wind farm 31/12/2019[1]

	Value assigned to the key measurement assumption	Change in key measurement assumption	Effects on the carrying amounts of assets
Price of electricity[2]	€59.2 per MWh	± 5%	€+8.9m €-8.9m
Revenue from selling Romanian green electricity certificates[3]	€6.7 per MWh	± 5%	€+2.0m €–2.0m
After tax discount rate	8.75%	± 0.25 PP	€+2.2m €–2.2m

[1] In the sensitivity analysis, one key measurement assumption was changed at a time while the other inputs were held constant. In reality, however, changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // [2] The electricity price shown relates to the year 2030. The sensitivity analysis varies the price of electricity steadily over time up to the planning horizon. // [3] The stated revenues from the sale of Romanian green electricity certificates relate to the average over the course of the entire planning period.

Impairment testing of the Mellach combined cycle gas turbine power plant

	31/12/2020[1]
Cash-generating unit	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
Basis for recoverable amount	Value in use
Valuation technique	Net present value approach (DCF method)
Derivation of cash flow	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%)
Price	Internal price forecasts; temporarily expected revenue from the grid reserve, congestion management and district heat extraction; estimate of operating, maintenance and decommissioning costs by the responsible managers
Planning period	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
After tax discount rate	WACC: 4.00%[2]
Recoverable amount	€87.2m
Impairment losses in the period[3]	€9.3m

[1] As of 31 December 2019, no impairment or reversal of impairment was recognised for Mellach CCGT. // The implicit input tax interest rate determined through a process of iteration amounted to 6.95%. // [3] The impairment loss in the 2020 reporting period was reduced by the change in deferred government grants in the amount of €0.4m. An impairment loss had already been recognised in the 2020 reporting period in the amount of €5.6m as of 30 June 2020. As of 31 December 2020, the impairment recognised during the year increased to €14.9m.

Sensitivity analysis for the Mellach combined cycle gas turbine power plant 31/12/2020[1]

	Value assigned to the key measurement assumption	Change in key measurement assumptions	Effects on the carrying amounts of assets
After tax discount rate	4.00%	± 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 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] 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 31/12/2019[1]

	Value assigned to the key measurement assumption	Change in key measurement assumptions	Effects on the carrying amounts of assets
Clean spark spread[2]	€41.7 per MWh	± 5%	€+6.4m €–6.4m
After tax discount rate	4.00%	± 0.25 PP	€–1.5m €+1.5m
Temporarily expected revenue from the grid reserve, congestion management and redispatch	–[3]	± 10%	€+22.4m €–22.4m

[1] In the sensitivity analysis, one key measurement assumption was changed at a time while the other inputs were held constant. In reality, however, changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // [2] The indicated clean spark spread relates to the average for the years 2025–2030. The sensitivity analysis varies the clean spark spread steadily over time up to the planning horizon. // [3] A statement of the value assigned to the temporarily expected revenue from grid reserve, congestion management and redispatch is omitted because such a statement could harm VERBUND's position in the tendering process.

4.5 Interests accounted for using the equity method

The carrying amounts of interests accounted for using the equity method are adjusted to reflect changes in the investee's net assets in accordance with IAS 28 no later than one quarter following the underlying changes. If VERBUND's share of losses from an interest accounted for using the equity method corresponds to or exceeds the carrying amount of the equity interest, additional losses are only taken into account and recognised as a liability to the extent that legal or constructive obligations were undertaken or payments were made for the equity-accounted interest. The carrying amount of the equity-accounted interest includes the share calculated based on equity method accounting plus all long-term equity interests that are to be allocated to the net investment in the equity-accounted interest based on their economic substance.

Net investments in associated companies and joint ventures are tested for objective indications of impairment at the reporting date. If there are any such indications, an impairment test must be conducted for interests accounted for using the equity method in accordance with IAS 36.

Interests accounted for using the equity method €m

4.5.1 Interests accounted for using the equity method

	2019	2020
Amortised cost as at 1/1	332.9	345.4
Additions	0.6	0.0
Dividends	–14.3	–17.9
Result from equity accounting	40.8	43.3
Other comprehensive income from equity accounting	–14.6	–9.7
Disposals	–0.2	0.0
Amortised cost as at 31/12	345.4	**361.2**
Accumulated value adjustments as at 1/1	–31.6	–15.2
Impairment losses	0.0	0.0
Reversals of impairment losses	16.4	3.4
Accumulated value adjustments as at 31/12	–15.2	**–11.8**
Net carrying amount as at 31/12	330.2	**349.3**
Net carrying amount as at 1/1	301.3	330.2
Net carrying amount as at 31/12	330.2	**349.3**
of which interests accounted for using the equity method	332.2	349.3
of which impairment losses on non-current loans	–2.0	0.0

The carrying amount of the equity interest in Ashta Beteiligungsverwaltung GmbH was reduced to zero in 2013 by the recognition of negative results from interests accounted for using the equity method and impairment losses. However, VERBUND still holds non-current loans to Ashta Beteiligungsverwaltung GmbH, which in their economic substance represent an increase of the net investment in Ashta Beteiligungsverwaltung GmbH. In the 2020 reporting period, the previously recognised impairment loss on non-current loans was reversed in full and a positive carrying amount of €2.0m was recorded for the excess amount due to the positive result of €0.6m based on equity method accounting (previous year: positive result of €3.5m) and the reversal of impairment losses of €3.4m (previous year: reversal of impairment losses of €16.4m). 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
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 capital increases	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

Other equity interests €m

	Interests in unconsolidated subsidiaries	Other equity interests	Total
2019			
(Amortised) cost as at 1/1	6.2	132.8	139.0
(Amortised) cost as at 31/12	**6.2**	**132.8**	**139.0**
Accumulated value adjustments as at 1/1	8.0	−16.6	−8.7
Fair value measurement in OCI	−0.3	8.3	7.9
Impairment losses	−0.1	0.0	−0.1
Accumulated value adjustments as at 31/12	**7.5**	**−8.4**	**−0.9**
Net carrying amount as at 31/12	**13.8**	**124.4**	**138.1**
Net carrying amount as at 1/1	14.2	116.1	130.3

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)

	2019	2020
Investments – closed items on the balance sheet	365.8	340.0
Interest rate swaps – closed items on the balance sheet	87.1	87.7
Other investments and other receivables	242.7	242.9
Total	695.6	670.5

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 differences	–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 acquisition cost as at 31/12	60.7	279.3	340.0

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
2019			
Amortised cost as at 1/1	63.2	292.5	355.7
Foreign exchange differences	0.9	3.0	4.0
Additions	2.5	2.6	5.1
Capitalised interest	0.0	11.2	11.2
Change in expected credit losses	0.0	0.0	0.0
Disposals	–1.4	–6.0	–7.4
Amortised acquisition cost as at 31/12	65.4	303.2	368.6
of which non-current assets	65.4	300.4	365.8
of which current assets	0.0	2.8	2.8

As at 31 December 2020, the securities consisted of medium-term notes with a principal amount of \$71.9m (previous year: \$70.9m) and/or an amortised cost of €60.7m (previous year: €65.4m).

Securities in the amount of €60.7m (previous year: €65.4m) and loans in the amount of €279.3m (previous year: €303.2m) 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
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
Reversals of impairment losses on interests accounted for using the equity method[1]	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[2]				**122.3**
Net carrying amount of other non-current receivables as at 1/1[2]				116.1
Net carrying amount total as at 31/12				**330.5**
Net carrying amount total as at 1/1				329.8

[1] The carrying amount of the equity interest in Ashta Beteiligungsverwaltung GmbH was already reduced to zero in 2013 by the recognition of negative results from interests accounted for using the equity method and impairment losses. VERBUND still holds non-current loans to Ashta Beteiligungsverwaltung GmbH, which in their economic substance represent an increase of the net investment in Ashta Beteiligungsverwaltung GmbH. Negative results and impairment losses reduce the carrying amount of the net investment. In contrast, positive results, reversals of impairment losses and shareholder contributions increase it. // [2] incl. carrying amount of interest rate swaps – closed items on the balance sheet

Other investments and non-current other receivables

€m	Loans to investees	Securities (loan stock rights)	Other loans	Total
2019				
Cost as at 1/1	56.6	145.0	5.2	206.8
Additions	0.0	21.2	0.2	21.3
Disposals	0.0	−2.2	0.0	−2.2
Reclassifications	20.7	0.0	−0.1	20.6
Cost as at 31/12	**77.2**	**163.9**	**5.3**	**246.6**
Accumulated value adjustments as at 1/1	−21.9	−2.8	0.0	−24.6
Impairment losses	0.0	−27.0	0.0	−27.0
Fair value measurement in OCI	0.0	−2.0	0.0	−2.0
Result from interests accounted for using the equity method[1]	3.5	0.0	0.0	3.5
Impairment losses on interests accounted for using the equity method[1]	16.4	0.0	0.0	16.4
Disposals	0.0	0.9	0.0	0.9
Accumulated value adjustments as at 31/12	**−2.0**	**−30.8**	**0.0**	**−32.8**
Net carrying amount as at 31/12	**75.2**	**133.1**	**5.3**	**213.7**
Net carrying amount as at 1/1	34.7	142.2	5.2	182.1
Net carrying amount of other non-current receivables as at 31/12[2]				**116.1**
Net carrying amount of other non-current receivables as at 1/1[2]				109.9
Total net carrying amount as at 31/12				**329.8**
Total net carrying amount as at 1/1				292.0

[1] The carrying amount of the equity interest in Ashta Beteiligungsverwaltung GmbH was already reduced to zero in 2013 by the recognition of negative results from interests accounted for using the equity method and impairment losses. VERBUND still holds non-current loans to Ashta Beteiligungsverwaltung GmbH, which in their economic substance represent an increase of the net investment in Ashta Beteiligungsverwaltung GmbH. Negative results and impairment losses reduce the carrying amount of the net investment. In contrast, positive results, reversals of impairment losses and shareholder contributions increase it. // [2] incl. carrying amount of interest rate swaps – closed items on the balance sheet

Securities in the amount of €129.0m (previous year: €133.1m) primarily include shares of investment funds to cover employee benefit obligations and were classified as “measured at fair value through profit or loss”.

Non-current other receivables contain derivative financial instruments measured at fair value in the amount of €87.7m (previous year: €87.1m) which relate to financial liabilities under closed items on the balance sheet.

5. Financial instruments

5.1 Accounting treatment of financial instruments

Primary financial instruments

For information regarding accounting policies for primary financial instruments see:

- Interests accounted for using the equity method – section 4.5
- Other equity interests – section 4.6
- Investments and non-current other receivables – section 4.7
- Working capital – section 6
- Liabilities – section 8

Derivative financial instruments

Derivative financial instruments are recognised at fair value when the contract is entered into and are subsequently measured at fair value. As a rule, unrealised remeasurement gains or losses are recognised in the income statement if the requirements for recognition of hedging relationships (hedge accounting) in accordance with IFRS 9 are not met (see section 5.2 Accounting treatment of hedging relationships).

Derivative financial instruments with positive fair values are recognised under trade receivables as well as under other receivables and securities, while those with negative fair values are recognised under other financial liabilities or trade payables and other liabilities. If a framework agreement with a netting arrangement has been entered into with a counterparty, the positive and negative fair values of the transactions for this counterparty for the corresponding periods are netted for accounting purposes because the aim is to settle on a net basis.

So-called 'own-use contracts' are not accounted for as derivative financial instruments, but instead as executory contracts (own use exemption). If supplier contracts that previously represented own-use contracts lead to a net settlement within the meaning of IFRS 9, they must be qualified as freestanding derivatives and recognised at fair value through profit or loss.

5.1.1 Additional disclosures regarding financial instruments in accordance with IFRS 7

Carrying amounts and fair values by measurement categories 2020 €m

Assets – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
Interests in unconsolidated subsidiaries	FVOCI	2	10.6	10.6
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
Derivatives in the energy area	FVPL	2	150.0	150.0
Emission rights	–	–	15.6	–
Other	AC	–	42.8	–
Other	–	–	23.5	–
Trade receivables, other receivables and securities			620.1	
Cash and cash equivalents	AC	–	49.2	–
Aggregated by measurement categories				
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	279.3	148.0
Financial liabilities to banks – closed items on the balance sheet	FVPL - D	2	148.4	148.4
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**	

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
Aggregated by measurement categories				
Financial liabilities measured at amortised cost	AC		1,789.5	
Financial liabilities measured at fair value through profit or loss	FVPL		252.0	
Financial liabilities measured at fair value through profit or loss – designated	FVPL – D		148.4	

Carrying amounts and fair values by measurement categories 2019

€m

Assets – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
Interests in unconsolidated subsidiaries	FVOCI	2.0	12.5	12.5
Interests in unconsolidated subsidiaries	FVPL	3	0.5	0.5
Interests in unconsolidated subsidiaries	FVOCI	AC	0.6	0.6
Other equity interests	FVOCI	1	23.9	23.9
Other equity interests	FVOCI	2	93.9	93.9
Other equity interests	FVOCI	AC	6.6	6.6
Other equity interests			138.1	
Securities	FVPL	1	125.6	125.6
Securities	FVOCI	3	6.5	6.5
Securities	FVOCI	AC	1.0	1.0
Securities – closed items on the balance sheet	AC	2	65.4	63.5
Other loans – closed items on the balance sheet	AC	2	300.4	329.7
Derivatives in the finance area – closed items on the balance sheet	FVPL	2	87.1	87.1
Loans to investees	AC	2	75.2	76.3
Other loans	AC	2	5.3	5.7
Other	–	–	28.9	–
Other investments and non-current other receivables			695.4	

Carrying amounts and fair values by measurement categories 2019 €m

Assets – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
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
Derivatives in the finance area	FVPL	2	0.0	0.0
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 categories				
Financial assets measured at amortised cost	AC		936.4	
Financial assets measured at fair value through profit or loss	FVPL		402.4	
Financial assets measured at fair value through other comprehensive income	FVOCI		145.1	

Carrying amounts and fair values by measurement categories 2019 €m

Liabilities – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
Bonds	AC	2	700.7	742.0
Financial liabilities to banks and to others	AC	2	410.9	452.4
Financial liabilities to banks – closed items on the balance sheet	AC	2	118.4	159.6
Financial liabilities to banks – closed items on the balance sheet	FVPL - D	2	337.5	337.5
Capital shares attributable to limited partners	–	–	0.0	–
Non-current and current financial liabilities			1,567.4	
Electricity supply commitment	–	–	147.7	–
Obligation to return an interest	AC	3	135.7	263.2
Trade payables	AC	–	1.2	–
Deferred income – cross-border leasing	–	–	16.0	–
Lease liabilities	–	–	87.1	
Deferred income for grants (emission rights)	IAS 20	–	0.0	–
Other	AC	–	39.4	–
Other	–	–	0.0	–
Other non-current liabilities			427.2	
Trade payables	AC	–	225.8	–
Derivatives in the energy area	FVPL	1	0.0	0.0
Derivatives in the energy area	FVPL	2	133.1	133.1
Derivatives in the finance area	FVPL	2	13.8	13.8
Lease liabilities	–	–	46.8	
Other	AC	–	215.3	–
Other	–	–	72.9	–
Trade payables and other liabilities			707.7	
Aggregated by measurement categories				
Financial liabilities measured at amortised cost	AC		1,847.4	
Financial liabilities measured at fair value through profit or loss	FVPL		146.9	
Financial liabilities held for trading	FVPL – D		337.5	

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 2020 and the amount that VERBUND would have to pay upon maturity is €0.0m (previous year: €23.4m). The amount due upon maturity was translated at the rate (€1=$) of 1.2271 on the reporting date (previous year: 1.1234). 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 €29.2m (previous year: €108.3m) and negative fair values in the amount of €129.1m (previous year: €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 (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 2020 €m

	Fair value as at 31/12/2019	Fair value as at 31/12/2020	Dividend 31/12/2019	Dividend 31/12/2020
Energie AG Oberösterreich	93.9	101.5	2.8	2.8
Burgenland Holding Aktiengesellschaft	23.9	24.9	0.9	0.1
Verfahren Umwelt Management GmbH	8.9	7.0	0.7	0.8
Wiener Börse AG	6.5	5.8	0.4	0.5
Gestionnaires du Réseau de Transport d'Électricité (RTE)	4.8	4.8	0.8	0.5
Other	7.1	8.9	1.3	1.9

Valuation techniques and input factors for determining fair values

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

Expected cash outflows as at 31/12/2020

€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.

Expected cash outflows as at 31/12/2019

€m

Maturity	2020	2021	2022–2024	From 2025
Bonds	217.3	7.5	522.5	0.0
Financial liabilities to banks	39.1	34.9	87.9	222.5
Financial liabilities to others	0.0	0.0	0.0	0.0
Financial liabilities to banks – closed items on the balance sheet[1]	23.8	18.5	56.0	442.9
Capital shares attributable to limited partners	0.0	0.0	0.0	0.0
Cash outflows on financial liabilities	**280.2**	**60.9**	**666.5**	**665.3**
Trade payables	225.8	0.3	0.9	0.1
Derivatives in the energy area	652.3	106.3	21.1	0.0
Derivatives in the finance area[2]	4.4	4.0	5.4	0.5
Other	215.3	15.2	3.6	156.3
Cash outflows on trade payables and other payables	**1,097.8**	**125.8**	**31.0**	**156.9**
Cash outflows on liabilities in accordance with IFRS 7	**1,378.1**	**186.7**	**697.5**	**822.2**

[1] Cash outflows under closed items on the balance sheet have to be seen alongside the corresponding cash inflows from associated investments. // [2] Cash outflows from interest rate swaps are accounted for as the net-cash flow of both legs.

Net results by measurement categories

Net results in accordance with IFRS 7 comprise mainly impairment losses and reversals of impairment losses, foreign exchange gains and losses and realised gains or losses on disposal.

Net results by measurement categories €m

	2019	2020
Financial assets and liabilities measured at fair value through profit or loss	–0.9	8.4
Financial assets and liabilities measured at fair value through profit or loss – designated	–13.3	21.6
Financial liabilities measured at amortised cost	55.9	–20.9
Financial assets measured at amortised cost	1.2	–36.8
Financial assets measured at fair value through other comprehensive income	5.9	5.9
Total interest expenses from financial liabilities measured at amortised cost	–84.7	–64.1
Total interest income from financial assets measured at amortised cost	34.6	33.9

Components of the net results

Measurement category	Notes
Financial assets and liabilities measured at fair value through profit or loss	The net results arose from the measurement of derivative financial instruments in the energy area (wholesale and trading) in the operating result (electricity revenue), as well as from the measurement of (other) derivative and non-derivative financial instruments in the finance area in the other financial result.
Financial assets and liabilities measured at fair value through profit or loss – designated	The net results arose from the measurement of financial liabilities to banks (closed items on the balance sheet). These net results have to be seen alongside an equal amount of opposing net results from financial assets and liabilities that are measured at fair value through profit or loss and net results from financial assets and liabilities that are measured at cost.
Financial assets and liabilities measured at cost	The net results relate primarily to financial instruments in connection with closed items on the balance sheet in the other financial result as well as to valuation allowances on trade receivables in the operating result.

Total interest expenses were recognised under interest expenses; total interest income was recognised in part in interest income and in part under other financial result.

5.2 Accounting treatment of hedging relationships

VERBUND applies special accounting policies for hedging relationships in the energy area as well as in the finance area.

5.2.1 Hedging transactions in the energy area

VERBUND employs electricity forward contracts and electricity futures contracts as well as options as derivatives within the meaning of IFRS 9 as part of cash flow hedges in the energy area. Beginning with the current financial year, options will be 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
(2) Reinsurance for electricity deliveries to customers
(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 exist beginning 1 October 2018 as a consequence of the restriction on unlimited trading on the German-Austrian electricity market. Due to the higher liquidity, the majority of Austrian electricity deliveries are hedged with German futures market products. 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 six years (2021 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 31/12/2020 €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	–1.2
Electricity futures, forwards and options – sales	–128.4	Other liabilities	15,845 GWh	–117.3	–1.7
Electricity futures and forwards – procurement	24.3	Other receivables	–3,795 GWh	26.5	0.0
Electricity futures and forwards – procurement	–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	Reclassifi-cations from reserves to profit or loss	Line items of the statement of comprehen-sive income in which the reclassification was recognised
Electricity futures, forwards and options – sales	–117.3	–2.8	0.0	Revenue	88.8	Revenue
Electricity futures and forwards – procurement	26.5	0.0	0.0	Electricity purchase	–8.0	Electricity purchase
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 – procurement					
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 – procurement					
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%

Cash flow hedges – hedging instruments 31/12/2019

€m

	Carrying amount	Balance sheet item	Notional amount	Change in the fair value for the measurement of ineffectiveness
Electricity futures and forwards – sales	99.6	Other receivables	14,429 GWh	135.6
Electricity futures and forwards – sales	–15.6	Other liabilities	3,235 GWh	3.2
Electricity futures and forwards – procurement	8.7	Other receivables	–1,723 GWh	0.2
Electricity futures and forwards – procurement	–19.7	Other liabilities	–3,180 GWh	–31.0
Interest rate swaps	–7.6	Other liabilities	86.1	–1.3

Cash flow hedges – hedged items 31/12/2019

€m

	Change in the fair value for the measurement of ineffectiveness	Carrying amount of the reserve for measurements of cash flow hedges
Future electricity sales volume	–138.8	84.0
Future electricity purchases	30.9	–11.0
Variable-rate financial liabilities	1.3	7.7

Cash flow hedges – effects on the statement of comprehensive income and balance sheet 2019

€m

	Gains/ losses recognised in other comprehensive income	Ineffective portion of the hedge recognised in profit or loss	Line items of the statement of comprehensive income in which the ineffective portion was recognised	Reclassifications from reserves to profit or loss	Line items of the statement of comprehensive income in which the reclassification was recognised
Electricity futures and forwards – sales	138.8	0.0	Revenue	–314.3	Revenue
Electricity futures and forwards – procurement	–30.9	0.0	Electricity purchase	52.4	Electricity purchase
Interest rate swaps	–1.2	0.0	Other financial result	–2.5	Interest expenses

Notional amount and average price and/or interest rate as at 31/12/2019 €m

	2020	2021	2022	2023	> 2023
Electricity futures and forwards – sales					
Notional amount	14,033 GWh	3,377 GWh	254 GWh	–	–
Average hedged price	€46.8/MWh	€45.6/MWh	€28.0/MWh	–	–
Electricity futures and forwards – procurement					
Notional amount	–2,715 GWh	–1,506 GWh	–552 GWh	–131 GWh	–
Average hedged price	€44.0/MWh	€46.7/MWh	€49.1/MWh	€53.2/MWh	–
Interest rate swaps					
Average notional amount	78.8	64.1	49.5	34.9	11.7
Average fixed interest rate	2.5%	2.6%	2.6%	2.6%	2.7%

5.3 Recoverability of financial assets

Valuation allowances are recognised at every reporting date for expected credit losses for financial assets that were classified as “measured at amortised cost” (AC) and/or debt instruments that were classified as “measured at fair value through other comprehensive income” (FVOCI), receivables under leases, contract assets and financial guarantee contracts.

The expected credit losses are taken into account in the following stages (see section 11 Risk management for quantitative disclosures):

Impairment of financial assets

	Stage 1	Stage 2	Stage 3
Credit risk:	Low credit risk – (credit risk has not increased significantly since its initial recognition)	Elevated credit risk – (credit risk has increased significantly since its initial recognition)	Significant financial difficulties on the part of the borrower or the issuer (breach of contract)
Recognition of loss allowance:	Impairment in the amount of the 12-month expected losses	Impairment in the amount of expected lifetime losses	Impairment in the amount of expected lifetime losses
Calculation of interest income:	Based on the effective interest rate on the gross carrying amount	Based on the effective interest rate on the gross carrying amount	Based on the effective interest rate on the net carrying amount

- The credit risk is presumed to be low if the internal rating corresponds to an external investment grade rating (Standard & Poor’s: > BBB–; Moody’s : > Baa3).
- The credit risk is presumed to have increased significantly if the financial asset is more than 30 days past due. Reclassifications are carried out in stage 3 as soon as a financial asset has become credit-impaired, financial assets are more than 90 days overdue or a breach of contract has been ascertained.
- Probabilities of default and collection rates depending on the rating category serve to determine the amount of impairment losses to be recognised. The valuation allowance is recognised in the amount of the present value of the expected credit losses.

For trade receivables, contract assets and receivables under leases, a simplified method is applied to measure the valuation allowance. For these receivables and assets, a valuation allowance is always recognised in the amount of the lifetime expected credit loss using a loss allowance table.

6. Working capital

Working capital includes the following balance sheet items:
- Inventories
- Trade receivables as well as current other receivables and securities
- Cash and cash equivalents
- Trade payables and current other liabilities

6.1 Inventories and proof of origin and/or green electricity certificates

Inventories of primary energy sources as well as additives and consumables are measured at the lower of cost or net realisable value at the reporting date. The use of primary energy sources and raw materials, additives and consumables is determined using the moving average price method.

Inventories of natural gas held for trading by VERBUND are measured through profit or loss under other revenue. According to the brokerage exemption for raw materials and commodity dealers, the measurement benchmark is fair value (Level 1) less costs to sell. The fair value corresponds to the quoted price for front-month gas forwards on the Central European Gas Hub (CEGH) or NetConnect Germany (NCG).

Guarantees of origin and green electricity certificates that are held for sale in the normal course of business are recognised in accordance with IAS 2 and IAS 20. Guarantees of origin and green electricity certificates are recognised as inventories when the legally enforceable rights are acquired (as a rule, generation of electricity in certified power plants). Income from the allocation of certificates is presented under other operating income offset with the change in inventories from the disposal of certificates. Subsequent measurements are carried out at the lower net realisable value if necessary. Proceeds from the sale of guarantees of origin or green electricity certificates are recognised under other revenue.

6.1.1 Inventories

Inventories €m

	2019	2020
Coal	20.3	0.8
Natural gas	2.3	2.6
Inventories of primary energy sources held for generation	22.5	**3.4**
Emission rights held for trading	4.4	14.8
Measurements of emission rights held for trading	2.8	7.8
Fair value of emission rights held for trading	7.2	**22.5**
Proof of origin and green electricity certificates	0.4	**0.3**
Additives and consumables	4.2	**6.5**
Other	0.0	**0.3**
Inventories	34.3	**33.0**

6.2 Trade receivables, other receivables and securities

Trade receivables, receivables from unconsolidated subsidiaries and receivables from investees are classified as "measured at amortised cost" (AC) and thus accounted for at cost less any impairment losses (see section 5 Financial assets).

6.2.1 Trade receivables, other receivables and securities

Trade receivables, other receivables and securities €m

	2019 Non-current	2020 Non-current	2019 Current	2020 Current
Trade receivables	0.0	0.0	357.8	342.7
Receivables from investees	0.0	0.0	34.1	39.8
Other loans	–	–	3.0	0.1
Loans to investees	–	–	4.3	3.5
Other receivables and assets	116.1	122.3	298.6	234.0
Trade receivables, other receivables and securities	116.1	**122.3**	697.8	**620.1**

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
	2019 Non-current	**2020 Non-current**	2019 Current	**2020 Current**
Derivatives in the energy area	0.0	0.0	189.1	152.2
Derivatives in the finance area	87.1	87.7	0.0	0.0
Securities	0.0	0.0	0.0	0.0
Guarantees in electricity trading	0.0	0.0	33.2	32.9
Money market transactions	0.0	0.0	0.0	0.0
Emission rights	–	–	30.9	15.6
Receivables from tax clearing	0.0	0.0	9.6	10.2
Receivables from accrued interest	0.0	0.0	0.4	0.3
Other	28.9	34.7	35.4	22.8
Other receivables and assets	116.1	**122.3**	298.6	**234.0**

6.3 Cash and cash equivalents

6.3.1 Cash and cash equivalents

Cash and cash equivalents		€m
	2019	**2020**
Cash at banks	44.6	49.2
Cash in hand	0.0	0.0
Cash and cash equivalents	44.6	**49.2**

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

	2019	**2020**
Derivatives in the energy area	133.1	241.3
Trade payables	225.8	224.0
Outstanding receipts for investments	105.2	127.3
Other liabilities for maintenance expenses	44.8	45.5
Other personnel-related liabilities	35.3	37.5
Other liabilities from electricity and grid deliveries	22.2	37.0
Lease liabilities	46.8	22.9
Liabilities to ECRA	25.4	15.6
Derivatives in the finance area	13.8	10.7
Electricity supply commitment	8.0	9.7
Liabilities to unconsolidated subsidiaries and investees	10.9	5.3
Liabilities from social security (including social insurance institutions)	4.8	5.0
Liabilities to tax authorities	12.5	4.7
Other liabilities for legal, audit and consulting expenses	1.4	4.0
Other	17.7	23.1
Trade payables and other liabilities	707.7	**813.8**

7. Equity

Share capital

Just as in the previous year, the share capital comprised 170,233,686 no-par value shares in the form of bearer shares (category A) and 177,182,000 no-par value shares in the form of registered shares (category B). Category B represents 51% of the share capital, authenticated by an interim certificate deposited with the Federal Ministry of Finance and made out in the name of the Republic of Austria. The share capital was paid in full.

Capital reserves

The amount of €954.3m (previous year: €954.3m), which represents the portion of the reserves not retained from profit for the period in previous reporting periods, is recognised under capital reserves.

Retained earnings

Retained earnings comprise the retained profits and the effects on equity attributable to the shareholders of VERBUND AG from the shift between shareholder groups. Of the retained earnings, the amount that can be distributed to the shareholders of VERBUND AG is the item presented as profit for the period in the (separate) annual financial statements of VERBUND AG as at 31 December 2020 that are prepared in accordance with the Austrian Commercial Code (Unternehmensgesetzbuch, UGB). For financial year 2020, this profit for the reporting period that had not yet been approved amounted to €260.6m (previous year: €239.7m). A dividend of €0.75 per share (previous year: €0.69 per share) will be recommended to the Annual General Meeting.

Reserve for differences from currency translation

The reserve for differences from currency translation includes mainly the currency translation of the consolidated Romanian subsidiaries VERBUND Wind Power Romania SRL and VERBUND Trading Romania SRL.

Non-controlling interests

Non-controlling interests in %

	2019	**2020**
VERBUND Innkraftwerke GmbH	29.73	29.73
VERBUND Hydro Power GmbH	19.46	19.46
VERBUND Wind Power Austria GmbH	19.46	19.46

The capital shares in two infrastructure companies in the Hunsrück area of Rhineland-Palatinate attributable to the limited partners were recognised under non-current financial liabilities in accordance with IAS 32.

8. Liabilities

The notes in this section relate to non-current and current financial liabilities as well as non-current other liabilities. Details regarding trade payables and current other liabilities are provided in section 6 Working capital.

8.1 Financial liabilities

Financial liabilities are recognised at fair value when the funds are provided. As a rule, this corresponds to the amount actually received. Any premiums or discounts are allocated over the financing term by applying the effective interest method and presented on an accrual basis in interest expenses.

Individual financial liabilities originally incurred in connection with cross-border leasing transactions were classified “at fair value through profit or loss” upon initial recognition using the fair value option. As a result, measurement inconsistencies that would have otherwise arisen could be eliminated.

The closed items on the balance sheet reported under financial liabilities as well as under investments relate to the cross-border leasing transactions that were terminated early in the years 2009 and 2010. Some of the transactions were terminated in their entirety, i.e. all investments and all liabilities (A-loans and B-loans) were repaid. Some of the transactions were only partially terminated, whereby the existing B-loans and the corresponding investments were continued. Therefore, balance sheet cover remains in place. The accounting balances denominated in foreign currency (US dollar) are measured at the exchange rate prevailing at the reporting date. Expenses and income from the measurement correspond to one another both in terms of value as well as with respect to the value date and are offset. The financial investments and liabilities resulting from the cross-border leasing transactions that were terminated early continue to be presented separately in the notes to the consolidated financial statements in order to improve clarity; with the exception of the valuation allowances recognised for expected credit losses, all items are closed on the balance sheet (see sections 11 and 13).

8.1.1 Non-current and current financial liabilities

Non-current and current financial liabilities €m

	2019 Non-current	**2020 Non-current**	2019 Current	**2020 Current**
Bonds	495.0	496.0	205.7	0.8
Financial liabilities to banks	308.7	278.6	102.2	83.3
Capital shares attributable to limited partners	0.0	0.0	0.0	0.0
Subtotal	803.6	**774.6**	308.0	**84.1**
Financial liabilities to banks – closed items on the balance sheet	453.0	427.7	2.8	0.0
Non-current and current financial liabilities	1,256.7	**1,202.3**	310.8	**84.1**

Non-current and current financial liabilities[1] €m

	2019	**2020**
Carrying amount as at 1/1	1,792.5	1,111.5
Net change in money market transactions	53.9	–15.0
Changes in capital shares attributable to limited partners	–2.9	0.0
Changes in interest accruals	–13.2	–4.1
Scheduled repayments	–718.8	–233.9
Carrying amount as at 31/12	1,111.5	**858.5**
of which non-current liabilities	803.6	774.6
of which current liabilities	308.0	84.1

[1] excl. financial liabilities from closed items on the balance sheet

Financial liabilities – closed items on the balance sheet €m

	2019	**2020**
Carrying amount as at 1/1	433.9	455.9
Foreign exchange gains or losses	2.7	–35.1
Capitalisation	30.3	30.3
Repayments and/or disposals	–20.1	–23.8
Market value changes	9.1	0.5
Carrying amount as at 31/12	455.9	**427.7**
of which non-current liabilities	453.0	427.7
of which current liabilities	2.8	0.0

VERBUND had no mortgage-backed liabilities as of 31 December 2020 or in the previous year.

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**			

Non-current and current financial liabilities 2019

	Longest maturity	Issue volume	Carrying amount as at 31/12	1 year or less
Bonds				
Euro currency	2024	700.0	700.7	205.8
Total bonds		700.0	700.7	205.8
of which at a fixed interest rate	2024	700.0	700.7	205.8
Financial liabilities to banks				
Euro currency	2037	667.9	410.9	102.2
Total financial liabilities to banks		667.9	410.9	102.2
of which at a fixed interest rate	2037	500.0	315.9	30.9
of which at a variable interest rate	2030	167.9	95.0	71.3
Financial liabilities to others				
Euro currency	2021	0.1	0.0	0.0
Total financial liabilities to others		0.1	0.0	0.0
of which at a fixed interest rate	2021	0.1	0.0	0.0
Financial liabilities to banks – closed items on the balance sheet[1]				
Foreign currencies ($)	2030		455.9	2.8
Total financial liabilities to banks – closed items on the balance sheet			455.9	2.8
of which at a fixed interest rate	2030		455.9	2.8
Capital shares attributable to limited partners		–	0.0	0.0
Total financial liabilities			1,567.4	310.9

[1] There is balance sheet cover on the asset side for these financial liabilities.

€m

	› 1 to 2 years	› 2 to 3 years	› 3 to 4 years	› 4 to 5 years	› 5 years	Weighted nominal interest rate	Weighted effective interest rate	Fair value as at 31/12
	0.0	0.0	0.0	494.9	0.0	2.46%	2.79%	742.0
	0.0	**0.0**	**0.0**	**494.9**	**0.0**	**2.46%**	**2.79%**	**742.0**
	0.0	0.0	0.0	494.9	0.0	2.46%	2.79%	742.0
	30.1	25.1	25.1	25.1	203.2	1.86%	2.36%	452.4
	30.1	**25.1**	**25.1**	**25.1**	**203.2**	**1.86%**	**2.36%**	**452.4**
	27.6	22.6	22.6	22.6	189.4	2.41%	2.55%	357.1
	2.5	2.5	2.5	2.5	13.8	0.07%	1.39%	95.3
	0.0	0.0	0.0	0.0	0.0	3.00%	3.02%	0.0
	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**3.00%**	**3.02%**	**0.0**
	0.0	0.0	0.0	0.0	0.0	3.00%	3.02%	0.0
	0.0	0.0	0.0	0.0	453.0	–	–	497.1
	0.0	**0.0**	**0.0**	**0.0**	**453.0**	**–**	**–**	**497.1**
	0.0	0.0	0.0	0.0	453.0	–	–	497.1
	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**–**	**–**	
	30.0	**25.1**	**25.1**	**520.0**	**656.2**			

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)
- Accrual of the expenses related to the only remaining cross-border leasing transaction (Freudenau power plant): an item of deferred income was previously recognised for the net present value of the economic benefit associated with this transaction and is reversed to profit or loss over the contractual term. The lessee purchase option was exercised for this transaction and all associated contractual agreements were finally signed on 11 December 2020, whereby this transaction is also terminated effective 4 January 2021 (see section 11.1 Risk management in the finance area).

8.2.1
Non-current other liabilities

Other non-current liabilities €m

	2019	**2020**
Electricity supply commitment	147.7	**138.0**
Obligation to return an interest	135.7	**110.5**
Lease liabilities	87.1	**75.3**
Deferred income – cross-border leasing	16.0	**0.0**
Trade payables	1.2	**1.7**
Other	39.4	**73.5**
Other non-current liabilities	427.2	**399.0**

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:

9.1.1 Non-current and current provisions

Non-current and current provisions €m

	2019 Non-current	**2020 Non-current**	2019 Current	**2020 Current**
Provisions for pensions	484.4	455.5	–	–
Provisions for obligations similar to pensions	171.0	170.6	–	–
Provisions for termination benefits	137.9	125.1	–	–
Provisions for partial retirement	4.7	3.5	2.9	1.5
Other personnel-related provisions	21.3	22.0	20.9	21.5
Other provisions	93.0	109.5	14.8	16.6
Non-current and current provisions	912.2	**886.2**	38.6	**39.6**

9.2 Other personnel provisions

Provisions for current pensions, vested pension benefits and similar obligations are determined in accordance with IAS 19 using the projected unit credit method (PUC method), whereby remeasurements of the net liability are recognised in other comprehensive income in the year in which the liability is incurred. With the exception of net interest expense, all expenses (and returns) related to these obligations are recognised under personnel expenses. Net interest expense is reported under interest expenses.

These defined benefit obligations are partially covered by pension plan assets at APK Pensionskasse AG earmarked for this purpose. Contractual trust arrangements (CTA) were set up in order to secure the entitlements from the company pension plan for the employees of VERBUND Innkraftwerke GmbH, Innwerk AG and Grenzkraftwerke GmbH. VERBUND is obligated to provide additional funding to the extent the obligations are to be fulfilled through the pension fund; there is no such obligation to provide additional funding for the CTA. Both pension plan assets as well as the contractual trust arrangements are recognised as plan assets as defined under IAS 19 and offset with the provision for current pensions and vested pension benefits.

Pension plan assets are invested in compliance with the provisions of the Austrian Pension Fund Act (Pensionskassengesetz, PKG) and the corresponding regulations of the Austrian Financial Market Authority (FMA).

Similar obligations relate to employer contributions for supplementary health insurance premiums to be paid after retirement. The provisions are determined in the same manner as provisions for pension obligations.

9.2.1 Measurement of pensions and similar obligations 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 2020: €751.2m; previous year: €793.3m) 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

	2019	**2020**
Discount rate or expected rate of return from plan assets	0.75%	**0.75%**
Pension increases	1 – 2 %	**1 – 2 %**
Salary increases	2.75% / 3.25%	**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

	2019	**2020**
Discount rate	1.00%	**0.75%**
Employee turnover (depending on duration of employment)	0.0% – 4.1%	**0.0% – 4.1%**
Trend of contributions based on hospital cost index for new contracts (with participation)/old contracts (without participation)	3.25% – 6.0%	**2.75% – 6.0%**
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

	2019	**2020**
Discount rate	0.75%	**0.50%**
Salary increases	2.75%/3.25%	**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 projected unit credit method (PUC method) in accordance with IAS 19.

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%

Sensitivity analysis for net pension liability 2019

	Change in assumption in percentage points or years	If assumption increases, change in net liability of	If assumption decreases, change in net liability of
Discount rate	± 0.25	−3.32%	3.53%
Pension increases	± 0.50	7.14%	−6.42%
Longevity based on mortality table	± 1 year	5.82%	−5.69%

Sensitivity analysis for obligations similar to pensions 2019

	Change in assumption in percentage points or years	If assumption increases, change in obligation of	If assumption decreases, change in obligation of
Discount rate	± 0.25	−4.30%	4.60%
Trend of contributions based on hospital cost index	± 0.50	9.09%	−8.08%
Longevity based on mortality table	± 1 year	7.38%	−6.99%

Sensitivity analysis for termination benefit obligations 2019

	Change in assumption in percentage points or years	If assumption increases, change in obligation of	If assumption decreases, change in obligation of
Discount rate	± 0.25	–1.97%	2.04%
Salary increases	± 0.50	4.01%	–3.79%
Longevity based on mortality table	± 1 year	0.11%	–0.12%

9.2.2 Provisions for pensions and similar obligations

Reconciliation from defined benefit obligation to provisions

€m

	2019 Pension obligations	**2020 Pension obligations**	2019 Obligations similar to pensions	**2020 Obligations similar to pensions**
Defined benefit obligation covered by plan assets	283.8	275.2	–	–
Fair value of plan assets	–158.7	–157.1	–	–
Net value of obligations covered by plan assets	125.1	**118.1**	–	**–**
Defined benefit obligation not covered by plan assets	359.3	337.4	170.9	170.6
Carrying amount of provisions as at 31/12	484.4	**455.5**	171.0	**170.6**

Pension expenses

€m

	2019 Pension obligations	**2020 Pension obligations**	2019 Obligations similar to pensions	**2020 Obligations similar to pensions**
Service costs (vested claims)	3.3	4.9	2.3	2.9
Net interest expense	7.2	3.5	2.9	1.7
Pension expenses (recognised in profit for the period)	10.5	**8.4**	5.2	**4.6**
Remeasurements of the net liability	87.5	–16.3	23.6	–0.5
Pension expenses (recognised in total comprehensive income for the period)	98.0	**–7.9**	28.8	**4.1**

Reconciliation of defined benefit obligation

€m

	2019 Pension obligations	**2020 Pension obligations**	2019 Obligations similar to pensions	**2020 Obligations similar to pensions**
Defined benefit obligation as at 1/1	559.7	643.2	146.4	170.9
Service costs (vested claims)	3.3	4.9	2.3	2.9
Pension payments or contributions to supplementary health insurance (benefit payments)	–33.4	–32.5	–4.3	–4.4
Interest expenses	9.5	4.7	2.9	1.7
Remeasurements based on experience adjustments	6.9	–4.2	–3.6	–7.1
Remeasurements arising from changes in demographic assumptions	0.0	0.0	–0.9	0.0
Remeasurements arising from changes in financial assumptions	97.2	–3.5	28.1	6.6
Defined benefit obligation as at 31/12	643.2	**612.6**	170.9	**170.6**

As at 31 December 2020, the weighted average duration of the pension obligation was 14 years (previous year: 14 years) and that of the obligations similar to pensions was 18 years (previous year: 18 years).

Reconciliation of plan assets

€m

	2019 Pension obligations	**2020 Pension obligations**	2019 Obligations similar to pensions	**2020 Obligations similar to pensions**
Fair value of plan assets as at 1/1	134.2	158.7	–	–
Additions from business acquisitions	–1.0	0.0	–	–
Contributions by VERBUND	17.9	0.0	–	–
Payouts (benefit payments)	–11.3	–11.4	–	–
Interest income	2.3	1.2	–	–
Other gains (+) or losses (–)	16.6	8.6	–	–
Fair value of plan assets as at 31/12	158.7	**157.1**	–	**–**

The investment and risk association in the pension fund attributable to VERBUND realised a gain of €9.8m in the 2020 reporting period (previous year: loss of €18.9m). The deficit represents the portion of pension obligations not covered by plan assets; these relate primarily to direct commitments to pension recipients. In the 2020 reporting period, current contributions to the pension fund for coverage of defined contribution plans are expected in the amount of €0.0m (previous year: €0.0m).

Plan assets in %

	2019 Quoted	2019 Unquoted	2019 Total	2020 Quoted	2020 Unquoted	2020 Total
Shares	41.5	0.0	41.5	41.5	0.0	41.5
Bonds	34.9	0.0	34.9	34.9	0.0	34.9
Money market	11.6	0.0	11.6	11.6	0.0	11.6
Other investments	12.0	0.0	12.0	12.0	0.0	12.0
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 2020 (previous year: 8 years).

Analysis of the provisions for termination benefits €m

	2019	2020
Provisions for statutory termination benefits	136.3	123.8
Provisions for termination benefits from special agreements in accordance with social plan	1.5	1.3
Carrying amount of provisions as at 31/12	137.8	**125.1**

Expense for termination benefit costs €m

	2019	2020
Service costs	0.7	0.8
Net interest expense	2.1	1.0
Expense for termination benefit costs (recognised in profit for the period)	2.8	**1.8**
Remeasurements of termination benefits	22.8	2.8
Expenses for termination benefit costs (recognised in total comprehensive income for the period)	25.6	**4.6**

Reconciliation of defined benefit obligation for statutory termination benefits €m

	2019	2020
Defined benefit obligation as at 1/1	125.7	136.3
Service costs (vested claims)	0.7	0.8
Past service cost	–1.9	0.0
Interest expenses	2.1	1.0
Termination benefits (benefit payments)	–13.1	–17.1
Remeasurements based on experience adjustments	3.4	0.0
Remeasurements arising from changes in demographic assumptions	0.0	0.5
Remeasurements arising from changes in financial assumptions	19.4	2.3
Defined benefit obligation as at 31/12	136.3	**123.8**

9.2.4 Provisions for partial retirement obligations

The partial retirement obligation is measured in accordance with IAS 19 based on the PUC method, whereby remeasurements of the net liability are recognised immediately through profit or loss. The measurement parameters mainly correspond to those for obligations similar to pension obligations. The resulting expenses to be recognised are presented under pension expenses.

There are also contractual trust arrangements (CTAs) for the purpose of securing credit balances from partial retirement models of employees of VERBUND Innkraftwerke GmbH and Innwerk AG. There is no obligation to provide additional funding. The CTA is recognised as plan assets as defined under IAS 19 and offset against the provision for partial retirement.

Reconciliation from defined benefit obligation to provisions €m

	2019	2020
Defined benefit obligation covered by plan assets	10.2	7.8
Fair value of plan assets	–2.6	–2.7
Carrying amount of provisions as at 31/12	7.6	**5.1**

Expenses for partial retirement €m

	2019	2020
Service costs	0.8	0.8
Net interest expense	0.0	0.0
Remeasurements	–0.4	0.4
Expenses for partial retirement (recognised in profit for the period)	0.4	**1.2**

Reconciliation of defined benefit obligation

€m	2019	2020
Defined benefit obligation as at 1/1	15.2	10.2
Service costs (vested claims)	0.8	0.8
Net interest expense	0.0	0.0
Payments for early retirement	–5.6	–3.7
Remeasurements	–0.2	0.5
Defined benefit obligation as at 31/12	10.2	**7.8**

Reconciliation of plan assets

€m	2019	2020
Fair value of plan assets as at 1/1	2.4	2.6
Other gains (+) or losses (–)	0.2	0.1
Fair value of plan assets as at 31/12	2.6	**2.7**

Plan assets

in %	2019	2020
Bonds	100.0	100.0
Total	100.0	**100.0**

9.2.5 Other personnel-related provisions

Analysis of other personnel-related provisions

€m	2019 Non-current	2020 Non-current	2019 Current	2020 Current
Provision for bonuses from the performance-based remuneration system	–	–	20.8	21.3
Provision for anniversary bonuses	15.0	16.5	–	–
Other	6.3	5.5	0.1	0.2
Other personnel-related provisions	21.3	**22.0**	20.9	**21.5**

Reconciliation of other personnel-related provisions

€m	2019	2020
Carrying amount as at 1/1	36.7	**42.2**
of which non-current	16.2	21.3
of which current	20.5	20.9
New provisions	22.3	19.2
Interest accrued	0.3	0.2
Appropriation	–17.0	–17.6
Reversal	0.0	–0.4
Carrying amount as at 31/12	42.2	**43.5**
of which non-current	21.3	22.0
of which current	20.9	21.5

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 0.50–3.73% (previous year: 1.00–5.00%).

Reconciliation of other provisions 2020 €m

9.3.1 Other provisions

	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

Reconciliation of other provisions 2019 €m

	Dismantling and decontamination costs	Other	Total
Carrying amount as at 1/1/2019	31.1	79.7	110.8
of which non-current	31.1	62.3	93.3
of which current	0.0	17.4	17.4
Change in the basis of consolidation	0.0	0.0	0.0
New provisions	5.3	10.5	15.8
Interest accrued	0.5	1.4	1.9
Appropriation	–0.2	–8.8	–9.0
Reversal	–5.6	–5.9	–11.5
Currency translation	–0.2	0.0	–0.2
Carrying amount as at 31/12/2019	**30.9**	**76.9**	**107.8**
of which non-current	27.8	65.2	93.0
of which current	3.1	11.7	14.8

10. Taxes

Current tax liabilities in the 2020 reporting period can be broken down as follows:

Current tax liabilities €m

	2019	**2020**
Taxes on income	105.0	**196.1**
Other taxes	1.1	**1.3**
Current tax liabilities	106.1	**197.4**

The differences between the tax bases and the carrying amounts in the IFRS balance sheet result in the following deferred taxes:

Deferred taxes

€m	2019	2020
Deferred tax refund claims	327.7	**315.8**
of which from provisions for pensions and termination benefits	142.4	135.3
of which from allowances on receivables	5.4	0.0
of which from impairment losses from equity interests	6.2	3.2
of which from loss carryforwards	111.2	120.0
of which from the liquidation of subsidiaries	22.7	0.0
of which from financial instruments	0.0	23.7
of which from other items	39.9	33.5
Deferred tax liabilities	–1,085.0	**–1,112.8**
of which from property, plant and equipment (different useful lives, fair value adjustments on purchase price allocations)	–805.5	–834.1
of which from special tax deductions	–90.5	–89.1
of which from tax-deductible goodwill	–55.4	–68.7
of which from financial instruments	–19.0	0.0
of which from regulatory obligations	–83.4	–91.7
of which from other items	–31.3	–29.2
Deferred tax refund claims (+) or tax liabilities (-) netted	–757.3	**–797.1**

The net position for deferred taxes changed as follows:

Deferred taxes

€m	2019	2020
As at 1/1	–634.5	**–757.3**
Changes recognised in profit or loss	–62.8	–77.7
Changes recognised in other comprehensive income	–59.7	38.0
Other changes	–0.2	–0.1
As at 31/12	–757.3	**–797.1**

The changes recognised in other comprehensive income related primarily to valuations of cash flow hedges in the reporting period.

Outside basis differences

At 31 December 2020 (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 2020 for temporary differences in the amount of €4,783.2m (previous year: €4,771.1m) in connection with these equity interests.

Unrecognised tax losses

No deferred tax assets were recognised in the 2020 reporting period for tax losses of VERBUND Energy2020Business Germany GmbH in the amount of €0.7m because due to the earnings situation it is unlikely that a taxable net profit will be available in the next few years against which the deferred tax assets can be utilised.

11. Risk management

VERBUND also uses primary and derivative financial instruments in both the finance and energy area for the purpose of risk management.

11.1 Risk management in the finance area

VERBUND is exposed to considerable financial 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 31/12/2019	**Positive fair values 31/12/2020**
Interest rate swaps – closed items on the balance sheet (fixed interest recipient)	$269.6m (previous year: $264.4m)	87.1	**87.7**
Forward exchange transactions	$0.0m (previous year: $0.3m)	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 31/12/2019	**Negative fair values 31/12/2020**
Interest rate swaps – hedges (fixed interest recipient)	€71.4m (previous year: €86.1m)	7.6	**6.0**
Interest rate swap relating to financial liabilites (freestanding)	€106.8m (previous year: €122.7m)	6.2	**4.7**

[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 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 2020 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 2020, €34.2m of the trade receivables (previous year: €31.5m) 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 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.

Financial instruments with credit risk by assigned rating group 2019 €m

Credit rating group	Equivalent Moody's rating	Financial instruments – closed items on the balance sheet	Securities	Non-current and current other receivables[1]	Trade receivables	Derivatives in the energy area	Investments as well as cash and cash equivalents[2]
A	up to Aa3	255.9	0.0	0.0	15.3	5.3	0.1
B	up to A3	199.8	0.0	31.7	121.9	95.6	23.7
C1–C3	up to Baa3	0.0	0.0	0.0	95.1	84.7	20.8
D1–D5	below Baa3	0.0	0.0	0.0	35.4	3.5	0.0
Not rated		0.0	133.1	133.4	90.0	0.0	0.2
Total		455.7	133.1	165.2	357.8	189.2	44.8

[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 (< €0.1m). On the other hand, it also includes receivables for which no credit assessments were carried out due to special circumstances (e.g. legal obligations to accept contracts).

The table below contains information regarding the default risk and recognised expected credit losses for financial instruments that were classified as “measured at amortised cost”, with the exception of trade receivables and receivables from investees, which are primarily also related to trade receivables. For all financial instruments, the valuation allowance was recognised in the amount of the twelve-month expected credit loss, because there is a low risk of default.

Expected credit losses 2020 €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%	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 €32.9m 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 2019

€m

	Equivalent Moody's rating	Probability of default	Loss ratio	Gross carrying amount	Valuation allowance	Net carrying amount
A	up to Aa3	0.02%	0.60%	71.0	0.0	71.0
B	up to A3	0.06%	0.70%	324.2	0.1	324.3
C1–C3	up to Baa3	0.12%–0.29%	0.80%	0.0	0.0	0.0
Loans portion of a net investment[1]	–	–	–	54.1	0.0	52.1
No recognition of expected credit losses[2]	–	–	–	–	–	97.0
Total						544.5

[1] In their economic substance, non-current loans represent an increase in the net investment in Ashta Beteiligungsverwaltung GmbH (see section 4.5 Interests accounted for using the equity method).// [2] Guarantees in energy trading in the amount of €33.2m are maintained as a special asset pool, which is why there is no default risk. No expected credit losses are recognised for the other remaining financial instruments due to the low amount of exposure to default risk, the short term and/or the borrower's good creditworthiness

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 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

Expected credit losses 2019

€m

	Loss ratio	Gross carrying amount	Valuation allowance	Net carrying amount
Not past due	0%	380.1	0.0	380.1
1–30 days past due	0%	10.1	0.0	10.1
31–120 days past due	10–50%	1.8	–0.8	1.0
> 120 days past due	90%	2.5	–1.8	0.7
Total		394.5	–2.6	391.9

Interest rate risk

VERBUND regards fluctuations in interest rates as a significant cash flow risk. As at 31 December 2020, the portion of financial liabilities (taking interest rate swaps into account) for which VERBUND was exposed to a corresponding interest rate risk was 9.0% (previous year: 9.0%).

A 1.0% increase in the interest rate would result in a decrease of €0.8m p.a. (previous year: €1.0m p.a.) in profit before taxes with the loan portfolio in existence as at the reporting date, including the money market transactions. As a rule, hedging instruments are used in an attempt to further reduce the effects of short-term market price fluctuations on profit or loss. However, prolonged negative market price changes can have a negative impact on performance.

At 31 December 2020, there were interest rate swaps (notional amount: $269.6m; previous year: $264.4m) 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 2020, there were additional interest rate swaps of a total notional amount of €71.4m (previous year: €86.0m). 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 €106.8m (previous year: €122.7m) 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 4.3 years (previous year: 4.2 years).

Foreign exchange risk

There are no assets exposed to significant foreign exchange risks because deliveries are settled almost entirely in euros; the same generally applies to other primary financial instruments.

Since securities and loans under closed items on the balance sheet as well as the associated liabilities are denominated exclusively in US dollars, no foreign exchange risk is incurred.

Risk from cross-border leasing transactions

Around 85% of the cross-border leasing transactions originally entered into in the years 1999 to 2001 were terminated early in prior financial years. VERBUND's last remaining transaction (Freudenau power plant: original transaction volume of around $966.0m) has an off-balance sheet financing structure. With respect to this transaction, the lessee purchase option granted under Lease Agreement Section 19 ("Early Buy-out Option") was exercised and all associated contractual agreements were finally signed on 11 December 2020, whereby this transaction is also terminated effective 4 January 2021. The liabilities that could arise at the outside under VERBUND's only remaining transaction are partially hedged by means of counter-guarantees (see section 13.1 Other obligations and/or entitlements and risks).

Some of the cross-border leasing transactions were terminated early in their entirety, while some were only partially terminated, whereby the transactions with investors and the associated A-loans were repaid while the existing B-loans were continued by VERBUND (see section 8.1 Financial liabilities). Balance sheet cover remains in place for the continued portions. Expenses and income from the measurement of these items correspond to one another in terms of both value and value date, and are offset. The reference value of the interest rate swaps amounts to $269.6m (previous year: $264.4m).

The financial assets and liabilities that relate to the closed items on the balance sheet are not shown as net amounts. In the event of insolvency, the interest rates swaps (€87.7m; previous year: €87.1m) can be netted against the financial liabilities to banks recognised at fair value (€321.3m; previous year: €337.5m). The net liability from both of these items therefore amounted to €233.6m as at 31 December 2020 (previous year: €250.4m).

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 2020. 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 2020, 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 31/12/2020 €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			–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 liabilities	**152.2**	**241.3**	**–89.1**

At 31 December 2019, derivative financial instruments in the energy area (electricity futures as well as electricity forwards as well as options, gas futures and gas forwards, CO_2 futures and CO_2 forwards) comprised the following:

Sales and procurement (cash flow hedges) as at 31/12/2019 €m

	Positive fair values	Negative fair values	Net
Futures	86.0	18.9	67.1
Forwards	22.3	16.4	5.9
Total before netting	**108.3**	**35.3**	**73.1**
of which current	104.1	23.6	80.5
of which non-current	4.2	11.6	−7.4
of which in other comprehensive income			73.1

Wholesale as at 31/12/2019 €m

	Positive fair values	Negative fair values	Net
Futures	41.4	98.9	−57.5
Forwards	180.3	128.6	51.7
Swaps	0.0	2.2	−2.2
Total before netting	**221.7**	**229.8**	**−8.0**
of which current	179.2	198.9	−19.7
of which non-current	42.5	30.9	11.6
Futures already realised	52.5	43.1	9.4
Total			**1.4**

Trading as at 31/12/2019 €m

	Positive fair values	Negative fair values	Net
Futures	25.8	26.6	−0.8
Forwards	489.2	488.6	0.6
Total before netting	**515.0**	**515.2**	**−0.2**
of which current	489.8	490.2	−0.4
of which non-current	25.2	25.0	0.2

Total as at 31/12/2019 €m

	Positive fair values	Negative fair values	Net
Futures	153.2	144.3	8.8
Forwards	691.8	633.6	58.2
Swaps	0.0	2.2	−2.2
Total before netting	**845.0**	**780.2**	**64.8**
Including netting agreements	−647.0	−647.0	0.0
Total after netting	**198.0**	**133.2**	**64.8**
EEX/ECX clearing variation margins of futures	−8.8	0.0	−8.8
Recognised under other receivables or liabilities	**189.2**	**133.2**	**56.0**

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

	2019	2020
Effect on operating result (wholesale and trading portfolio)	0.4	3.6
Effect on equity (revaluation reserve from cash flow hedges)	–52.1	–60.9

Sensitivity: market price fluctuation of –10% €m

	2019	2020
Effect on operating result (wholesale and trading portfolio)	–0.4	–3.6
Effect on equity (revaluation reserve from cash flow hedges)	52.1	60.9

The future sales and procurement transactions hedged by cash flow hedges will occur over the next four years (2021 to 2024) and be recognised in profit or loss accordingly. See section 5 Financial instruments for further details regarding the electricity futures and forwards designated as cash flow hedges.

12. Capital management

The objectives of VERBUND's capital management include:
- securing liquidity and ensuring suitable liquidity reserves;
- optimising the capital structure; 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 > €0m and a ROCE of the unregulated business activities of > 7.0% in order to support the rating. These targets are based on the existing asset and value chain structure.

Net debt/EBITDA €m

	2019	2020
Net debt	2,256.1	1,881.2
EBITDA	1,183.5	1,292.8
Net debt/EBITDA	1.9	**1.5**

Free cash flow after dividends		€m
	2019	**2020**
Cash flow from operating activities	1204.3	1,191.0
Cash flow from investing activities excluding cash inflows and outflows from investments and/or disposals in investments	–386.9	–600.1
Free cash flow before dividends	817.4	**590.9**
Dividend	–178.1	–291.4
Free cash flow after dividends	639.3	**299.5**

Return on capital employed (ROCE) of non-regulated business segments		€m
	2019	**2020**
NOPAT	565.7	680.4
Average capital employed	7,243.4	7,000.1
Return on capital employed (ROCE) of non-regulated business segments	7.8%	**9.7%**

13. Other

13.1 Other obligations and/or entitlements and risks

Contingent liabilities

Contingent liabilities not recognised in VERBUND's balance sheet are assessed quarterly with respect to their probability of occurrence. The assessment is carried out by the managers responsible, taking account of market-related inputs (to the extent possible) and expert opinions (in individual cases).

Obligations from cross-border leasing

As at 31 December 2020, VERBUND's secondary liability amounted to €465.7m (previous year: €519.4m) for the unpaid portion of the lease liability from the cross-border leasing transaction (see section 11 Risk management). Of the rights of recourse against the primary debtors, €261.7m (previous year: €308.8m) is secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €273.3m (previous year: €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 Assured Guaranty Municipal Corp. (formerly Financial Security Assurance Inc.).

Pending court proceedings

Pending court proceedings relate mainly to the following matters:

- Flooding of the Drau River in 2012: claims for damages under civil law amount to €109.5m (previous year: €108.5m). VERBUND is contesting both the amounts and merits of these claims. No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in relation to these claims for damages because it is likely that such note disclosures would seriously prejudice VERBUND's position in the proceedings.
- Amortisation of goodwill for the equity interest in VERBUND Innkraftwerke GmbH claimed for tax purposes for the years 2014–2023: the appeal against the notice of assessment remains pending. The tax benefit for these years (reduction of tax payments in the amount of €8.2m 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	› 1–5 years	› 5 years
Total commitment	644.2	405.8	0.0

In addition, there are further customary purchase contracts for business activities that primarily include the following matters:

- Electricity supply agreements: Provincial energy companies have acquired (proportionate) electricity purchase rights by providing contributions to building costs for power plants. VERBUND is thereby obligated to deliver a portion of the electricity generated in these power plants to the provincial energy companies in exchange for reimbursement of contractually-stipulated recognised expenses (excluding depreciation, amortisation and interest).
- Contingent rights of reversion: There is a commitment to the Free State of Bavaria to implement certain water management measures as well as environmental and infrastructure measures on the Bavarian Inn River by 2021.

13.2 Other disclosures

Average number of employees

Average number of employees

	2019	2020	Change
Salaried employees	2,622	**2,715**	93
Apprentices	149	155	6
Average number of employees[1]	2,772	**2,870**	99

[1] Part-time employees were taken into account proportionately based on their working hours.

As at the reporting date, 12 (previous year: 40) employees had a letter of loyalty granting them a higher degree of employment protection. The prerequisite was at least 20 years of service at VERBUND and a minimum age of 45.

Provision of personnel

In the 2020 reporting period there was a total average of 12 secondments (previous year: 14) to unconsolidated subsidiaries of VERBUND. In addition, two employees were assigned on average to PÖYRY Energy GmbH (previous year: two).

Expenses for services provided by the Group auditor

The expenses for services provided by the Group auditor refer to VERBUND's consolidated subsidiaries that are audited by the Group auditor/the Group auditor's network; the corresponding expenses for subsidiaries that are not consolidated due to lack of materiality are not included here. VERBUND's Group auditor in both 2020 and 2019 was Deloitte Audit Wirtschaftsprüfungs GmbH.

Expenses for services provided by the Group auditor €k

	Deloitte[1] 2019	**Deloitte[1] 2020**	Network 2019	**Network 2020**
Audit services relating to consolidated and separate financial statements	297.1	327.3	151.3	164.5
Other assurance services	94.4	186.1	12.2	12.2
Other advisory services	184.2	69.0	0.0	0.0
Total expenses	575.8	**582.4**	163.5	**176.7**

[1] Deloitte Audit Wirtschaftsprüfungs GmbH

The following expenses for Group auditor/Group auditor's network services were incurred by VERBUND's joint ventures: €26.8k (previous year: €26.4k) for audit services relating to the consolidated and separate financial statements (of which to Deloitte Audit Wirtschaftsprüfungs GmbH: €26.8k; previous year: €26.4k).

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

	2019	2020
Income statement		
Electricity revenue	0.5	0.6
Other revenue	0.7	0.9
Other operating income	0.2	0.8
Expenses for electricity, grid, gas and certificate purchases	–0.5	–0.4
Fuel expenses and other usage-/revenue-dependent expenses	0.0	–0.7
Other operating expenses	–0.4	–0.3
Interest income	1.3	1.1
Other financial result	1.8	1.8

Transactions with joint ventures €m

	31/12/2019	31/12/2020
Balance sheet		
Investments and non-current other receivables	49.2	47.1
Trade receivables, other receivables and securities	5.0	7.3
Contributions to building costs	0.9	0.9
Trade payables and other liabilities	6.1	4.0

Investments at 31 December 2020 included a non-current loan to Energji Ashta Shpk in the amount of €47.1m (previous year: €48.6m) as well as a current other receivable in the amount of €3.5m (previous year: €3.5m). Both mainly served the financing of construction services relating to an Albanian hydropower plant concession.

Transactions with associates

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft has acquired (proportionate) electricity purchase rights by providing contributions to building costs for power plants on the Danube and Drau rivers and for the Malta and Reißeck power plant groups. Based on these electricity supply agreements, VERBUND is obligated to deliver a portion of the electricity generated in these power plants to KELAG-Kärntner Elektrizitäts-Aktiengesellschaft in exchange for reimbursement of the contractually-stipulated recognised expenses (excluding depreciation, amortisation and interest).

Material transactions with associates accounted for using the equity method had the following effect on VERBUND's income statement and balance sheet:

Transactions with associates		€m
	2019	**2020**
Income statement		
Electricity revenue	77.9	60.6
Grid revenue	36.6	32.3
Other revenue	0.2	3.3
Other operating income	8.3	10.8
Expenses for electricity, grid, gas and certificate purchases	–27.4	–25.3
Other operating expenses	–1.3	–0.9
Interest income	0.2	0.2

Transactions with associates		€m
	31/12/2019	**31/12/2020**
Balance sheet		
Trade receivables, other receivables and securities	26.8	28.9
Contributions to building costs	271.2	270.0
Trade payables and other liabilities	0.2	0.1

Details regarding key business relationships:

- Electricity revenue was realised with KELAG-Kärntner Elektrizitäts-Aktiengesellschaft (€45.4m; previous year: €63.0m) and OeMAG Abwicklungsstelle für Ökostrom AG (€15.2m; previous year: €14.8m).
- There was €24.4m in electricity purchases (previous year: €26.7m) primarily from KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.
- Grid revenue was only realised with KNG-Kärnten Netz GmbH.
- A total of €10.2m (previous year: €3.1m) of the contributions to building costs were provided by KELAG-Kärntner Elektrizitäts-Aktiengesellschaft in financial year 2020.

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 €66.2m (previous year: €61.6m) in the 2020 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 €4.9m in the 2020 reporting period (previous year: €2.8m). 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 €9.6m in other revenue and purchased gas, respectively (previous year: €35.8m).

VERBUND's expense for monitoring by E-Control amounted to a total of €11.7m (previous year: €11.4m) in the 2020 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) €

	2019		2020	
	Fixed remuneration	Variable remuneration	**Fixed remuneration**	**Variable remuneration**
Dipl.-Ing. Wolfgang Anzengruber	750,000	577,594	750,000	494,336
Dr. Michael Strugl	685,000	0	685,000	444,935
Dr. Peter F. Kollmann	620,000	391,678	620,000	403,233
Dr. Achim Kaspar	475,000	0	475,000	307,563

Remuneration of the Executive Board members amounted to a total of €4,231,454 in the 2020 reporting period (previous year: €3,549,980), including €51,387 (previous year: €50,708) in remuneration in kind.

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 members of the Executive Board in the 2020 reporting period for the 2019 reporting period. Compensation in lieu of holiday provided to the former member of the Executive Board as of 31 December 2020 will be taken into account in the corresponding final settlement in the 2021 reporting period.

Short-term variable remuneration depends upon performance and is limited to a specific percentage of the respective fixed remuneration. This percentage was 70% for the 2019 reporting period. The level of performance-based remuneration components depends on the extent to which the targets agreed for the financial year are achieved. In the 2019 reporting period, 70% of the agreement on targets was based on the achievement of the Group result, 30% on qualitative goals: occupational health and safety (10%), succession planning (5%), innovation (5%), innovation project (5%) and digital transformation (5%). The total achievement of targets for 2019 was determined to be 92.5%.

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 is a standard 70% of the relevant fixed remuneration. The agreement on targets in the 2020 reporting period was based 60% on the achievement of consolidated profit or loss and 40% on non-financial objectives (for one year): expansion of renewable energy generation (15%), reduction of specific greenhouse gas emissions (5%), strategic human resources planning and advancement of women as well as employee satisfaction (10%), availability of hydropower plants (10%).

With respect to the LTIP, a maximum of 55% of the respective fixed salaries 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. Hence, long-term variable remuneration was not yet paid out in 2019 and 2020. The following performance criteria were defined for LTIP 2019 (assessment period ending 2021): total shareholder return (25%), EBITDA from growth projects (25%), 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%).

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 2020 reporting period, contributions to the pension fund were paid for the Executive Board in the amount of €253,000 (previous year: €253,000).

In the 2020 reporting period, €389,323 (previous year: €380,637) in pensions was paid out to beneficiaries.

Profit or loss for the period included expenses for termination benefits and pensions and similar obligations, i.e. post-employment benefits, in the amount of €6,677 (previous year: €8,388). 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 €26,431 (previous year: €58,608). In addition, remeasurement expenses in the amount of €107,516 (previous year: expenses amounting to €468,972) 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 €320,010 (previous year: €316,262). 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

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

Subsidiaries with significant, non-controlling interests: statement of comprehensive income

€m

	2019 VERBUND Hydro Power GmbH	2019 VERBUND Innkraftwerke GmbH	2020 VERBUND Hydro Power GmbH	2020 VERBUND Innkraftwerke GmbH
Revenue	841.6	93.0	954.9	94.1
Profit after tax from continuing operations	379.4	26.4	**435.4**	**23.9**
Profit for the period	379.4	26.4	**435.4**	**23.9**
Ownership interest of non-controlling interests	19.46%	29.73%	19.46%	29.73%
Profit for the period attributable to non-controlling interests	73.8	7.9	**84.8**	**7.1**
Other comprehensive income	–35.4	–7.9	5.5	2.1
Total comprehensive income for the period	344.0	18.5	**441.0**	**25.9**
Ownership interest of non-controlling interests	19.46%	29.73%	19.46%	29.73%
Total profit or loss for the period attributable to non-controlling interests	67.0	5.5	**85.8**	**7.7**

Subsidiaries with significant, non-controlling interests: balance sheet

€m

	31/12/2019 VERBUND Hydro Power GmbH	31/12/2019 VERBUND Innkraftwerke GmbH	31/12/2020 VERBUND Hydro Power GmbH	31/12/2020 VERBUND Innkraftwerke GmbH
Non-current assets	4,655.3	794.1	4,669.2	846.6
Current assets	170.3	40.7	63.2	20.4
Non-current liabilities	–2,148.6	–45.6	–2,096.1	–56.4
Current liabilities	–324.1	–15.2	–92.4	–20.7
Net assets	2,352.8	774.0	**2,543.8**	**789.9**
Ownership interest of non-controlling interests	19.46%	29.73%	19.46%	29.73%
Net assets attributable to non-controlling interests	458.0	230.1	**495.1**	**234.9**

Subsidiaries with significant, non-controlling interests: cash flows €m

	31/12/2019 VERBUND Hydro Power GmbH	31/12/2019 VERBUND Innkraftwerke GmbH	31/12/2020 VERBUND Hydro Power GmbH	31/12/2020 VERBUND Innkraftwerke GmbH
Cash flow from operating activities	508.3	59.5	466.7	59.5
Cash flow from investing activities	–100.9	–59.2	–146.7	–70.5
Cash flow from financing activities	–407.4	5.5	–320.0	11.0
Change in cash and cash equivalents	0.0	0.0	**0.0**	**0.0**
Dividends paid to non-controlling interests	29.2	3.0	**48.7**	**3.0**

There is a shareholder agreement at VERBUND Innkraftwerke GmbH that specifies that the entire profit for the year is to be approved as net profit for the period and distributed to the shareholders except in the following cases:

- The shareholders agree unanimously to a different payout ratio.
- The distribution of the entire profit violates statutory provisions.
- The equity as a percentage of assets will fall below 25% at the respective reporting date if the entire profit is distributed.
- There are insufficient cash and cash equivalents available to distribute the entire profit.
- A distribution of the entire profit would not leave enough cash and cash equivalents for approved capital expenditure, maintenance and restructuring measures and/or actions that must be taken due to force majeure, or reserves are to be recognised for the reversal of impairment losses.

Joint ventures

The tables below show a summary of aggregated financial information for the joint ventures of VERBUND accounted for using the equity method broken down according to material joint ventures and joint ventures that are individually immaterial. As a general rule, the reference date for investee balance sheet data is 30 September 2020 (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	2019 Ashta Beteiligungs-verwaltung GmbH	2019 SMATRICS GmbH & Co KG	2020 Ashta Beteiligungs-verwaltung GmbH	2020 SMATRICS GmbH & Co KG
Revenue	0.2	4.3	0.2	6.3
Depreciation and amortisation	–0.1	–1.1	–0.1	–1.1
Interest income	9.5	0.0	9.3	0.0
Interest expense	–6.1	0.0	–5.9	0.0
Taxes on income	–6.3	0.0	–0.5	0.0
Profit or loss after tax from continuing operations	7.0	–4.2	**1.2**	**5.6**
Ownership interest of VERBUND	50.01%	40.00%	50.01%	40.00%
Profit or loss for the period attributable to VERBUND	3.5	–1.7	**0.6**	**2.2**
Differences due to the application of the equity method of accounting	0.0	0.0	0.0	–2.4
Result from joint ventures accounted for using the equity method	3.5	–1.7	**0.6**	**–0.2**
Profit or loss after tax from continuing operations	7.0	–4.2	**1.2**	**5.6**
Other comprehensive income	0.0	0.0	0.0	0.0
Total comprehensive income for the period	7.0	–4.2	**1.2**	**5.6**
Ownership interest of VERBUND	50.01%	40.00%	50.01%	40.00%
Total comprehensive income for the period attributable to VERBUND	3.5	–1.7	**0.6**	**2.2**
Differences due to the application of the equity method of accounting	0.0	0.0	0.0	–2.4
Total comprehensive income for the period from joint ventures accounted for using the equity method	3.5	–1.7	**0.6**	**–0.2**
Dividends received from joint ventures	0.0	0.0	**0.0**	**0.0**

At Ashta Beteiligungsverwaltung GmbH, resolutions on the distribution of dividends are to be unanimously approved with the joint venture partners.

At SMATRICS GmbH & Co KG, assigned profit shares are to be distributed in full after covering any existing losses from prior years insofar as it is legally allowed and the company's equity ratio amounts to 30% (even after the distribution).

Individually immaterial joint ventures: statement of comprehensive income €m

	2019	**2020**
Profit or loss after tax from continuing operations	1.0	0.6
Profit or loss for the period attributable to VERBUND	0.4	**0.2**
Differences due to the application of the equity method of accounting	0.0	0.0
Result from joint ventures accounted for using the equity method	0.4	**0.2**
Profit or loss after tax from continuing operations	1.0	**0.6**
Other comprehensive income	0.0	0.0
Total comprehensive income for the period	1.0	**0.6**
Total comprehensive income for the period attributable to VERBUND	0.4	**0.2**
Differences due to the application of the equity method of accounting	0.0	0.0
Total comprehensive income for the period from joint ventures accounted for using the equity method	0.4	**0.2**

Individually material joint ventures: balance sheet €m

	31/12/2019		**31/12/2020**	
	Ashta Beteiligungs-verwaltung GmbH	SMATRICS GmbH & Co KG	Ashta Beteiligungs-verwaltung GmbH	SMATRICS GmbH & Co KG
Non-current assets	119.3	6.0	116.6	12.9
Current assets	3.7	3.3	7.1	5.1
Non-current liabilities	–82.5	–2.1	–87.9	–0.1
Current liabilities	–13.7	–1.6	–7.9	–6.7
Net assets	26.7	5.6	**27.9**	**11.2**
Ownership interest of VERBUND	50.01%	40.00%	50.01%	40.00%
Net assets attributable to VERBUND	13.4	2.2	**14.0**	**4.5**
Differences due to the application of the equity method of accounting	–13.4	7.6	–12.0	5.2
Carrying amount of joint ventures accounted for using the equity method	0.0	9.8	**2.0**	**9.7**

Individually material joint ventures: details regarding net assets €m

	31/12/2019		**31/12/2020**	
	Ashta Beteiligungs-verwaltung GmbH	SMATRICS GmbH & Co KG	Ashta Beteiligungs-verwaltung GmbH	SMATRICS GmbH & Co KG
Cash and cash equivalents	0.2	0.7	0.5	1.6
Non-current financial liabilities	91.0	0.0	96.0	0.0
Current financial liabilities	7.6	0.0	7.6	0.0

Until further notice, there is a cash management agreement in place between VERBUND and Energji Ashta Shpk (wholly owned subsidiary of Ashta Beteiligungsverwaltung GmbH) with a limit of €9.0m (previous year: €9.0m). As at 31 December 2020, VERBUND shows a liability to Energji Ashta Shpk in the amount of €2.7m (previous year: liability of €5.0m).

Individually immaterial joint ventures: balance sheet €m

	31/12/2019	31/12/2020
Net assets	10.0	**10.1**
Net assets attributable to VERBUND	3.6	**3.6**
Differences due to the application of the equity method of accounting	0.8	0.8
Carrying amount of joint ventures accounted for using the equity method	4.3	**4.3**

Joint operation: Ennskraftwerke Aktiengesellschaft

The equity interest in Ennskraftwerke Aktiengesellschaft (with VERBUND and Energie AG Oberösterreich each holding 50% of the interest) is to be classified as a joint operation in accordance with the provisions of IFRS 11. As a result, Ennskraftwerke Aktiengesellschaft is being included in the consolidated financial statements with the share of assets and liabilities and/or revenue and expenses attributable to VERBUND. The size of the share is determined based on the relationship of electricity deliveries to both parties. From a cost-benefit perspective, the assets and liabilities and/or revenue and expenses of Ennskraftwerke Aktiengesellschaft based on the average ratio of total electricity deliveries (VERBUND 62% and Energie AG Oberösterreich 38%) are included in VERBUND's consolidated financial statements.

Associates

The tables below show a summary of aggregated financial information for the associates of VERBUND accounted for using the equity method broken down according to material associates and individually immaterial associates. As a general rule, the reference date for investee balance sheet data is 30 September 2020 (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

	2019 KELAG-Kärntner Elektrizitäts-Aktien-gesellschaft	**2020** KELAG-Kärntner Elektrizitäts-Aktien-gesellschaft
Revenue	1,373.5	1,144.1
Profit or loss after tax from continuing operations	109.5	**121.1**
Ownership interest of VERBUND	35.17%	35.17%
Profit or loss for the period attributable to VERBUND	38.5	**42.6**
Differences due to the application of the equity method of accounting	0.0	0.0
Share of profit or loss from associates accounted for using the equity method	38.5	**42.6**
Profit or loss after tax from continuing operations	109.5	**121.1**
Other comprehensive income	–41.5	–27.6
Total comprehensive income for the period	68.0	**93.5**
Ownership interest of VERBUND	35.17%	35.17%
Total comprehensive income for the period attributable to VERBUND	23.9	**32.9**
Differences due to the application of the equity method of accounting	0.0	0.0
Total comprehensive income for the period from associates accounted for using the equity method	23.9	**32.9**
Dividends received from associates	14.1	**17.6**

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft’s resolutions on the distribution of dividends must be approved with a simple majority. Kärntner Energieholding Beteiligungs GmbH holds 51% of the shares in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft and therefore determines their distribution policy.

Individually immaterial associates: statement of comprehensive income

€m

	2019	**2020**
Profit or loss after tax from continuing operations	0.4	0.2
Profit or loss for the period attributable to VERBUND	0.1	**0.1**
Differences due to the application of the equity method of accounting	0.0	0.0
Share of profit or loss from associates accounted for using the equity method	0.1	**0.1**
Profit or loss after tax from continuing operations	0.4	**0.2**
Other comprehensive income	0.0	0.0
Total comprehensive income for the period	0.4	**0.2**
Total comprehensive income for the period attributable to VERBUND	0.1	**0.1**
Differences due to the application of the equity method of accounting	0.0	0.0
Total comprehensive income for the period from associates accounted for using the equity method	0.1	**0.1**

Individually material associates: balance sheet

€m

	31/12/2019 KELAG-Kärntner Elektrizitäts-Aktien-gesellschaft	**31/12/2020 KELAG-Kärntner Elektrizitäts-Aktien-gesellschaft**
Non-current assets	1,728.6	1,802.6
Current assets	389.0	396.3
Non-current liabilities	–925.4	–954.3
Current liabilities	–284.8	–293.8
Equity attributable to non-controlling interests	–7.9	–7.7
Net assets	899.5	**943.0**
Ownership interest of VERBUND	35.17%	35.17%
Net assets attributable to VERBUND	316.3	**331.6**
Differences due to the application of the equity method of accounting	0.3	0.3
Carrying amount of associates accounted for using the equity method	316.6	**331.9**

Individually immaterial associates: balance sheet

€m

	31/12/2019	**31/12/2020**
Net assets	5.9	5.7
Net assets attributable to VERBUND	1.4	**1.4**
Differences due to the application of the equity method of accounting	0.0	0.0
Carrying amount of associates accounted for using the equity method	1.4	**1.4**

List of Group companies

The following list of Group companies prepared in accordance with Section 245a(1) in conjunction with Section 265(2) 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[3]

Company	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity	2020 Head-quarters	2020 Consoli-dation method	2020 Parent company	2020 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%
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-Bayerische 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 Beteiligungs-verwaltung GmbH (VHP-AL-HII)	Vienna	EM[1]	VHP	50.01%	Vienna	EM[1]	VHP	50.01%
Energji Ashta Shpk	Bushat	EM[1]	VHP-AL-HII	100.00%	Bushat	EM[1]	VHP-AL-HII	100.00%
Lestin & Co Tauch-, Bergungs- und Sprengunterneh-men Gesellschaft m.b.H. (LESTIN)	Vienna	UC	VHP	100.00%	Vienna	UC	VHP	100.00%
Lestin & Co. Tauch- und Bergungs-unternehmen GmbH	Passau	UC	LESTIN	100.00%	Passau	UC	LESTIN	100.00%

Segment: Hydro[3]

Company	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity	**2020** Head-quarters	2020 Consoli-dation method	2020 Parent company	2020 Parent company's share of equity
Murkraftwerk Graz Errichtungs- und BetriebsgmbH	–	–	–	–	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[3]

Company	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity	**2020** Head-quarters	2020 Consoli-dation method	2020 Parent company	2020 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) (PY: VERBUND Wind Power Deutschland GmbH)	Wörr-stadt	CS	VH	100.00%	Wörr-stadt	CS	VH	100.00%
VERBUND Green Power GmbH (VGP)	Vienna	VK	VH	100.00%	Vienna	VK	VH	100.00%
VERBUND Wind Power Romania SRL	Bucha-rest	CS	VH	100.00%	Bucha-rest	CS	VH	100.00%
Windpark Dichtelbach GmbH & Co. KG (PY: Windpark Dichtelbach GmbH & Co. KG)[4]	Wörr-stadt	CS	VH	100.00%	Wörr-stadt	CS	VH	100.00%
Windpark Dörrebach GmbH & Co. KG[4]	Wörr-stadt	CS	VH	100.00%	–	–	–	–
Windpark Eichberg GmbH & Co. KG[4]	Wörr-stadt	CS	VH	100.00%	–	–	–	–
Windpark Ellern GmbH & Co. KG[4]	Wörr-stadt	CS	VH	100.00%	–	–	–	–

Segment: New renewables[3]

Windpark Hochfels GmbH & Co. KG[4]	Wörr-stadt	CS	VH	100.00%	–	–	–	–
Windpark Rheinböllen GmbH & Co. KG[4]	Wörr-stadt	CS	VH	100.00%	–	–	–	–
Windpark Schönborn GmbH & Co. KG[4]	Wörr-stadt	CS	VH	100.00%	–	–	–	–
Windpark Seibersbach GmbH & Co. KG[4]	Wörr-stadt	CS	VH	100.00%	–	–	–	–
Windpark Stetten I GmbH & Co. KG[4]	Wörr-stadt	CS	VH	100.00%	–	–	–	–
Windpark Utschenwald GmbH & Co. KG[4]	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%
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%
VERBUND Green Power Deutschland Photovoltaik GmbH (PY: AQUANTO GmbH i. L.)	Unter-föhring	UC	VH	100.00%	Unter-föhring	UC	VGP	100.00%

Segment: Sales

Company	Head-quarters	Consoli-dation method	Parent company	2019 Parent company's share of equity	Head-quarters	Consoli-dation method	Parent company	**2020** Parent company's share of equity
VERBUND AG (VH) – Sales activities	Vienna	CS	–	–	Vienna	CS	–	–
VERBUND Sales GmbH (VSA)[4]	Vienna	CS	VH	100.00%	–	–	–	–
VERBUND Energy4Business Germany GmbH (PY: VERBUND Sales Deutschland GmbH)	Munich	CS	VSA	100.00%	Munich	CS	VEB	100.00%

Segment: Sales

Company	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity	2020 Head-quarters	2020 Consoli-dation method	2020 Parent company	2020 Parent company's share of equity
VERBUND Energy4Business GmbH (VEB) (PY:VERBUND Trading GmbH)[4]	Vienna	CS	VH	100.00%	Vienna	CS	VH	100.00%
VERBUND Solutions GmbH (VSO)[4]	Vienna	CS	VH	100.00%	–	–	–	–
VERBUND Trading Romania S.R.L.	Bucha-rest	CS	VTR VH	99.00% 1.00%	Bucha-rest	CS	VEB VH	99.00% 1.00%
VERBUND Energy4Customers GmbH (VEC)	Vienna	VK	VH	100.00%	Vienna	VK	VH	100.00%
VERBUND Energy4Flex GmbH (VEF)	Vienna	VK	VTR	100.00%	Vienna	VK	VEB	100.00%
VERBUND Energy4Future GmbH (VEE)	–	–	–	–	Vienna	VK	VEB	100.00%
SMATRICS GmbH & Co KG	Vienna	EM[1]	VSO	40.00%	Vienna	EM[1]	VEB	40.00%
VERBUND Trading & Sales Deutschland GmbH[4]	Munich	UC	VTR	100.00%	–	–	–	–
VERBUND Trading Czech Republic s.r.o., v likvidaci	Prague	UC	VTR	100.00%	Prague	UC	VEB	100.00%
VERBUND Trading Serbia d.o.o.	Belgrade	UC	VTR	100.00%	Belgrade	UC	VEB	100.00%
E-Mobility Provider Austria GmbH	Vienna	UC	VSO	40.00%	Vienna	UC	VEB	40.00%
smart Energy Services GmbH	Vienna	UC	VSA	50.00%	Vienna	UC	VEC	50.00%

Segment: Grid

Company	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity	2020 Head-quarters	2020 Consoli-dation method	2020 Parent company	2020 Parent company's share of equity
Austrian Power Grid AG (APG)	Vienna	CS	VH	100.00%	Vienna	CS	VH	100.00%
OeMAG Abwicklungsstelle für Ökostrom AG	Vienna	EM	APG	24.40%	Vienna	EM	APG	24.40%
VUM Verfahren Umwelt Manage-ment GmbH	Klagen-furt	UC	APG	100.00%	Klagen-furt	UC	APG	100.00%

All other segments: Thermal generation

Company	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity	2020 Head-quarters	2020 Consoli-dation method	2020 Parent company	2020 Parent company's share of equity
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	2019 Head-quarters	2019 Consoli-dation method	2019 Parent company	2019 Parent company's share of equity	2020 Head-quarters	2020 Consoli-dation method	2020 Parent company	2020 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	2019 Head-quarters	Consoli-dation method	Parent company	Parent company's share of equity	2020 Head-quarters	Consoli-dation method	Parent company	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	2019 Head-quarters	Consoli-dation method	Parent company	Parent company's share of equity	2020 Head-quarters	Consoli-dation method	Parent company	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 venture // [2] VERBUND Thermal Power GmbH holds an interest of < 0.01% as a limited partner of VERBUND Thermal Power GmbH & Co KG. // [3] As of quarter 1/2020, the Renewable generation segment reported in the past was 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 (see section 3.1 Segment reporting). // [4] see section 1.2 Financial reporting principles, subsection Basis of consolidation

13.5 Events after the reporting date

There were no events requiring disclosure between the reporting date of 31 December 2020 and authorisation for issue on 11 February 2021.

Vienna, 11 February 2021

The 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, 11 February 2021

The Executive Board

Michael Strugl	Peter F. Kollmann	Achim Kaspar
Chairman of the Executive Board of VERBUND AG	**CFO, member of the Executive Board of VERBUND AG**	**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 income statement and the consolidated statement of comprehensive income for the financial year ended on 31 December 2020, the consolidated balance sheet as at 31 December 2020, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the consolidated financial position as at 31 December 2020, 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:

- the measurement of goodwill and the carrying amounts of power plant facilities; and
- the recognition and measurement of other provisions and obligations in connection with floods as well as their explanation in the consolidated notes to the financial statements.

Goodwill and the carrying amount of power plant facilities

Description and issue

The Group reports goodwill unchanged from the previous year in the amount of around €587.7m as at 31 December 2020 related to the Hydro and Sales segments as well as to the Inn River and Grenzkraftwerke power plant groups. The carrying amounts of the property, plant and equipment include, among other things, hydraulic, thermal and wind energy power plants and amount to a total of around €9,407.6m as at 31 December 2020 (previous year: around €9,110.8m).

Based on the current financial and energy market environment, the Group assessed at the reporting date whether indications of impairment or the reversal of impairment losses are present and consequently tested individual power plants for impairment. Operating segments and power plant groups with assigned goodwill are tested annually for impairment. Details regarding the impairment tests and the key measurement assumptions are presented in the notes to the consolidated financial statements in section 4 Non-current assets under the subsections Recoverability of non-financial assets, Impairment testing of goodwill and Impairment testing of power plants.

Numerous inputs flow into the valuation model based on net present value methods applied in the test for impairment in order to assess the market. These include in particular future electricity and primary energy price trends as well as price trends for CO_2 emission rights.

Due to the resulting complexity, the dependence of results on the assessment of market developments by management and the sensitivity to the cost of capital and to the key assumptions regarding the medium- and long-term electricity price trends on the energy markets, this is a key audit matter.

Audit approach

We compared the parameters used in the impairment tests with company-specific information and relevant market data and market expectations from external and internal data sources and assessed the adequacy of the applied valuation models.

We assessed the consistency of the future cash inflows used in the calculations by comparing the underlying planned volume data with the technical output data of the power plants, contractual bases, price quotations on the electricity exchanges up to 2023 and internal and external electricity price scenarios.

We consulted internal specialists in order to corroborate the capital costs by means of comparative analysis.

Other provisions and obligations in connection with floods

Description and issue

The Group continues to consider itself confronted with claims for damages in the amount of around €109.5m (previous year: around €108.5m) related to floods. Details regarding the development of other provisions are presented in the notes to the consolidated financial statements in section 9 Provisions in the subsection Other provisions. More detailed comments on the pending court proceedings are provided in section 13 under the subsection with the same heading.

The recognition and measurement as well as explanatory notes to the consolidated financial statements regarding any resulting provisions are based to a significant degree on estimates by the management with respect to the likelihood of potential claims, the amount of potential payments to compensate losses and the length of the process on which the claims are based, which is why there is an increased risk of erroneous disclosures and/or presentations in the accounting. Therefore, we determined this to be a particularly important audit matter.

Audit approach

We examined the appropriateness and validity of the underlying assumptions and assessments at the reporting date 31 December 2020, taking into account the internal and external legal information provided to us regarding the floods from previous years. We reviewed the comments in the notes for compliance with the stipulated disclosure obligations.

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 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 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 16 June 2020 as the auditor for the financial year ended 31 December 2020 and engaged by the Supervisory Board on 16 June 2020 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. Gerhard Marterbauer.

Vienna, 18 February 2021

Deloitte Audit Wirtschaftsprüfungs GmbH

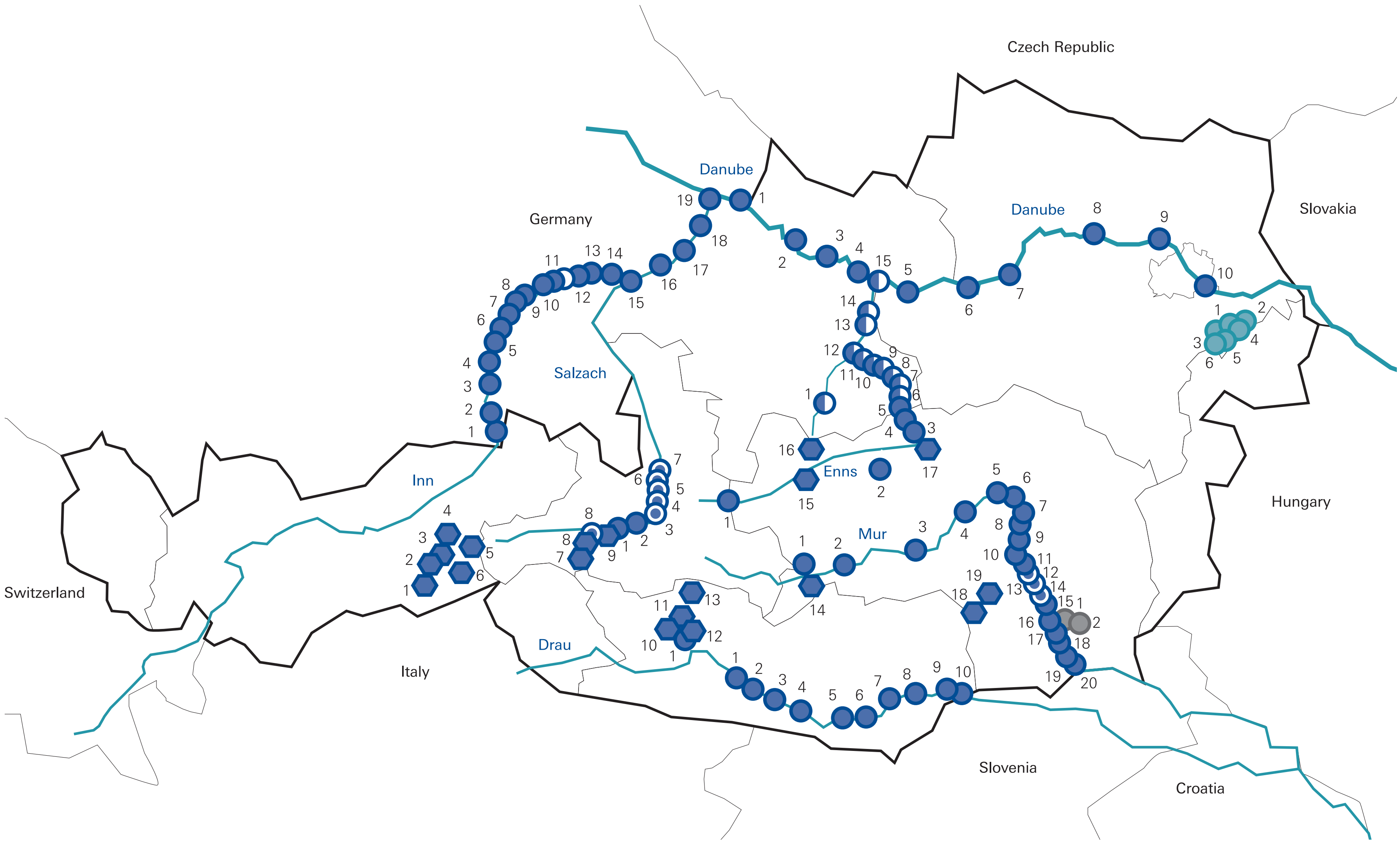
Mag. Gerhard Marterbauer
Wirtschaftsprüfer
(Austrian Certified Public Accountant)

p.p.a. MMag. Anna-Livia Massera
Wirtschaftsprüferin
(Austrian Certified Public Accountant)

The consolidated financial statements may only be published or duplicated together with our auditor's report in the version audited by us. This auditor's report only relates to the complete consolidated financial statements in German, including the Group management report. Section 281(2) of the Austrian Commercial Code (UGB) applies to versions differing from the version audited by us.

VERBUND power plants and APG grid facilities

VERBUND power plants



Storage power plant > 5 MW

Storage power plant under construction

Run-of-river plant > 5 MW

Run-of-river plant under construction

Joint venture power generating VERBUND Hydro Power GmbH

VERBUND participation

Thermal power plant

Wind farm

* Plant certified to ISO 14001

** Plant certified to EMAS and ISO 14001

Storage power plants

1 Roßhag *
2 Bösdornau *
3 Mayrhofen *
4 Gerlos *
5 Häusling *
6 Funsingau *
7 Kaprun Oberstufe *
8 Kaprun Hauptstufe *
9 Schwarzach *
10 Reißeck-Kreuzeck *
11 Reißeck II *
12 Malta Hauptstufe *
13 Malta Oberstufe *
14 Bodendorf-Paal *
15 Sölk *
16 Salza *
17 Hieflau *
18 St. Martin *
19 Arnstein *

Run-of-river plants on the Inn

1 Oberaudorf-Ebbs *
2 Nußdorf *
3 Rosenheim *
4 Feldkirchen *
5 Wasserburg *
6 TW Wasserburg *
7 Teufelsbruck *
8 Gars *
9 TW Gars *
10 Jettenbach 2 *
11a Töging *
11b Töging
12 Neuötting *
13 Perach *
14 Stammham *
15 Braunau-Simbach *
16 Ering-Frauenstein *
17 Egglfing-Obernberg *
18 Schärding-Neuhaus *
19 Passau-Ingling *

Run-of-river plants on the Salzach

1 Wallnerau *
2 St. Veit *
3 St. Johann
4 Urreiting
5 Bischofshofen
6 Kreuzbergmaut
7 Werfen/Pfarrwerfen
8 Gries

Run-of-river plants on the Danube

1 Jochenstein *
2 Aschach *
3 Ottensheim-Wilhering *
4 Abwinden-Asten *
5 Wallsee-Mitterkirchen *
6 Ybbs-Persenbeug *
7 Melk *
8 Altenwörth *
9 Greifenstein *
10 Freudenau *

Run-of-river plants on the Enns

1 Mandling *
2 Triebenbach *
3 Landl *
4 Krippau *
5 Altenmarkt *
6 Schönau *
7 Weyer *
8 Großraming *
9 Losenstein *
10 Ternberg *
11 Rosenau *
12 Garsten-St. Ulrich *
13 Staning *
14 Mühlrading *
15 St. Pantaleon *

Run-of-river plant on the Steyr

1 Klaus *

Run-of-river plant on the Möll

1 Malta Unterstufe *

Run-of-river plants on the Mur

1 Bodendorf-Mur *
2 St. Georgen *
3 Fisching *
4 Leoben *
5 Dionysen *
6 Pernegg *
7 Laufnitzdorf *
8 Rabenstein *
9 Peggau *
10 Friesach *
11 Weinzödl *
12 Graz-Puntigam
13 Gössendorf *
14 Kalsdorf *
15 Mellach *
16 Lebring *
17 Gralla *
18 Gabersdorf *
19 Obervogau *
20 Spielfeld *

Run-of-river plant on the Drau

1 Paternion *
2 Kellerberg *
3 Villach *
4 Rosegg-St. Jakob *
5 Feistritz-Ludmannsdorf *
6 Ferlach-Maria Rain *
7 Annabrücke *
8 Edling *
9 Schwabeck *
10 Lavamünd *

Thermal power plants

1 FHKW Mellach **
2 GDK Mellach **

Wind farm

1 Petronell Carnuntum *
2 Petronell Carnuntum II *
3 Hollern *
4 Hollern II *
5 Bruck/Leitha *
6 Bruck/Göttlesbrunn *

Additional VERBUND-Wind farm (not shown):

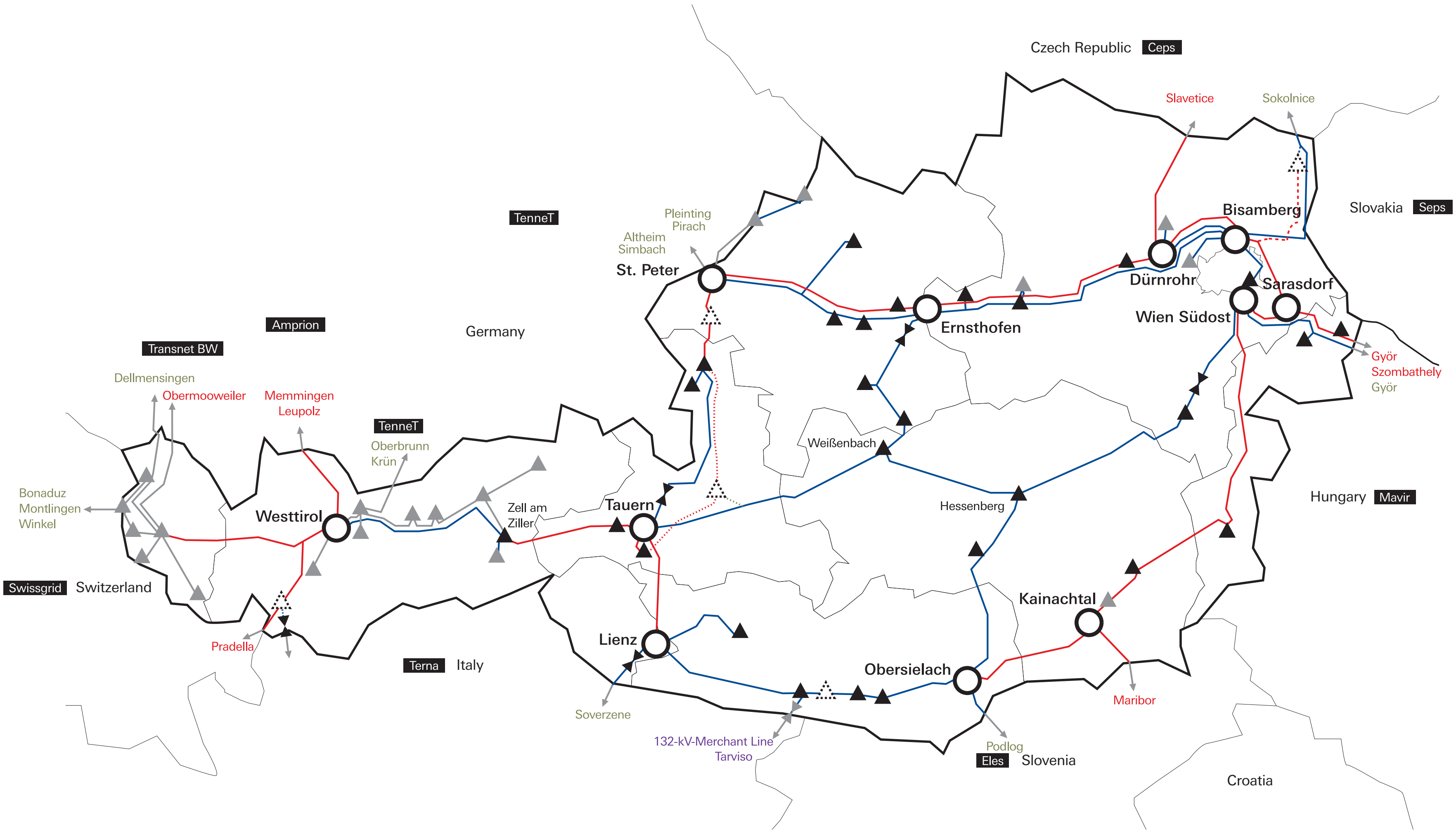
Germany

Ellern
Stetten

Romania

Alpha Nord 1+3
Casimcea Süd 2
Ventus Nord 2

Grid facilities 220/380 kV



- 380 kV line
- Project 380 kV line
- 220 kV line
- Project 220 kV line
- Not owned by APG
- Transmission system operator
- Substation
- Project substation
- APG grid hub
- Phase-shifting transformer (APG)

Glossary

Glossary

ACER

Agency for the Cooperation of Energy Regulators

Adjusted EBITDA

The adjustments include effects from restructuring expenses arising from Group-wide cost-cutting programmes as well as other expenses and income of a non-recurring or rare nature in EBITDA. EBITDA from any discontinued operations is also reflected in adjusted EBITDA. EBITDA is the most important internal earnings performance indicator at VERBUND and an indicator of the sustainable profitability of its business.

Adjusted Group result

The adjustments include – in addition to the effects adjusted from adjusted EBITDA – effects from impairment tests and effects from business acquisitions, as well as other expenses and income of a non-recurring or rare nature (after taxes and non-controlling interests). Beyond that, special tax effects are not taken into account in the adjusted Group result.

Average number of employees

Calculated according to actual effective dates of hires and resignations and number of hours worked.

Balancing services market

Control power is necessary for balancing out sudden large changes in load – too much or too little electricity in the grid. This means that a certain percentage of power plant capacity is held at the ready as reserves for rapid stabilisation of the grid. The control area manager procures the necessary capacity through market mechanisms and also compensates the providers for the quantities of electricity actually used.

Base (base load)

Base refers to the load profile for electricity deliveries supplied at a constant rate throughout 24 hours of each day of the supply period.

Capital employed

Total assets less those assets that do not (yet) contribute to the performance and commercialisation processes (e.g. advance payments, plants under construction, investments under closed items on the balance sheet), and less non-interest-bearing debt. From 2019 onwards, this ratio is only calculated for VERBUND's unregulated business activities.

Cash flow

Net balance of the inflow and outflow of cash and cash equivalents; made up of cash flow from operating, investing and financing activities.

Clean dark spread

Generation margin for electricity from coal-fired power plants representing the difference between the electricity price and the fuel costs (coal) for generating electricity taking into account the cost of emission rights.

Clean spark spread

Generation margin for electricity from gas power plants representing the difference between the electricity price and the fuel costs (gas) for generating electricity taking into account the cost of emission rights.

Climate-neutral natural gas

CO_2 emissions result from the use of natural gas by our customers. To achieve climate neutrality, these emissions must be saved elsewhere. VERBUND therefore promotes sustainable and clean energy generation, such as with the Ashta hydropower plant in Albania, thus compensating for the CO_2 emissions for VERBUND natural gas. So, precisely that volume of CO_2 released through the use of VERBUND natural gas is balanced out by the sustained promotion of clean energy generation.

Closed items on the balance sheet

Closed items on the balance sheet include (rolled over) financial liabilities and related investments from cross-border leasing transactions that have been terminated early. Previously, financial liabilities relating to cross-border leasing transactions and to the Republic of Austria, as well as associated investments, were treated in the same way.

Corporate 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 items closed 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)

Operating result plus depreciation and amortisation, interest income and current taxes.

Gearing

Ratio of net debt to equity.

Global Reporting Initiative (GRI)

The GRI has developed guidelines and standards for companies to prepare sustainability reports since 1997 using an international participative process.

Gross debt

Non-current and current financial liabilities plus interest-bearing provisions and other interest-bearing liabilities net of closed items on the balance sheet.

Gross debt coverage

Ratio of funds from operations (FFO) to gross debt.

Gross interest cover

Ratio of FFO to interest expenses (including interest related to personnel expenses).

Hydro coefficient

The hydro coefficient is the quotient of the actual electricity generation of one (or a series of) hydropower plant(s) in a period and the average (calculated based on historical water supply) generation potential of the (series of) hydropower plant(s) in the same period. This long-term average = 1; consequently, for example, a hydro coefficient of 1.1 signifies a 10% increase in generation.

Inter-TSO compensation (ITC)

ITC is the compensation for transmission charges relating to cross-border flows of electricity in transmission grids.

Investments in machinery and equipment

This capital expenditure is for machinery and equipment, operating and office equipment, and vehicles. Fixed elements of structures such as lifts, heating systems, pipelines and other similar equipment are not included, though permanently installed machinery or components of complex manufacturing facilities are.

Maximum electrical capacity

The maximum capacity at which a power plant can sustain operation under normal conditions.

Mean energy capability

Average generation potential of a hydropower plant calculated based on historical water supply.

NaDiVeG

Austrian Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG) for the transposition into national law of EU Directive 2014/95/EU regarding the disclosure of non-financial information and information related to diversity by certain large companies. See also NFR Directive.

Net debt

Gross debt less cash and cash equivalents, short-term investments and loans as well as securities held in current and non-current assets.

NFR Directive

The Austrian federal government has implemented EU Directive 2014/95/EU for the disclosure of non-financial information – the NFR Directive – in its Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG), which applies to financial years beginning after 31 December 2016. This law requires large public interest entities with over 500 employees (incl. listed companies, insurance companies and banks) to include a non-financial statement in their management report or prepare a separate non-financial report. This statement or non-financial report includes information on environmental matters, social and employee-related matters, respect for human rights and anti-corruption matters. In addition, companies required to prepare a corporate governance report are also required to include information on their diversity policy in this report.

Number of employees under labour law (LLE)

All employment relationships with the company under labour law. LLE is measured at the end of the month at each reporting date. Calculation is based on headcount including employees on unpaid leave and excluding members of the Executive Board, employees in early retirement and seasonal interns.

Operator model

Operator models are partnerships for which the planning, financing, construction and independent operation of the plant-specific infrastructure are assigned to an operating company.

Payout ratio

Ratio of (proposed) dividend payment to Group result.

Peak (peak load)

Peak refers to the load profile for electricity deliveries supplied at a constant rate throughout twelve hours from 8 a.m. until 8 p.m. of each working day of the supply period.

Performance

Describes the performance of a security or portfolio, e.g. over a period of one year.

RCF/net debt

Retained cash flow (RCF): funds from operations (FFO) less dividends distributed.

Redispatch

The term redispatch refers to the short-term changes to power plant utilisation to avoid or remedy grid congestion.

Return on capital employed (ROCE)

Ratio of net operating profit after tax (NOPAT) (profit or loss for the period less interest expenses net of any tax effects) to average capital employed. From 2019 onwards, this ratio is only calculated for VERBUND's unregulated business activities.

Return on equity (ROE)

Ratio of net profit or loss for the period (adjusted for results from the termination of cross-border leasing transactions) to average equity.

Sustainable Development Goals (SDGs)

The 17 goals and 169 targets for sustainable development set by the UN member nations, applicable since 2016 for all nations worldwide. These aim to end poverty, promote the equal treatment of women, improve healthcare and combat climate change by the end of 2030.

System Usage Rates Directive (SNT-VO)

The System Usage Rates Directive (Systemnutzungstarife-Verordnung, SNT-VO) dictated the principles for determining and allocating costs, the criteria for calculating rates as well as the rates for grid usage fees. The Energy Control Commission issued the directive annually. Since 2012, the E-Control Commission has issued the System Usage Rates Directive.

Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD was established in 2015 by the Financial Stability Board (FSB). The Task Force was commissioned to develop recommendations on climate-related risk disclosures for use by companies in demonstrating to the capital markets their resilience to climate change. Recommendations have been developed in four areas (governance, strategy, risk management, and metrics and targets) with the objective of identifying, measuring, managing and reporting on climate-related risks and opportunities.

Total heating degree days

Total number of heating degree days for a certain period. A heating degree day (HDD), or degree day, is determined based on the temperature difference between a specific constant room temperature and the average daily air temperature to the extent that this temperature is the same as or lower than an assumed heating threshold temperature. A room temperature of 20°C and a heating threshold temperature of 12°C are (normally) used to calculate HDD in Austria.

UN Global Compact

The United Nations Global Compact is the world's largest corporate social responsibility (CSR) and sustainable performance initiative. This global movement of businesses, policymakers and civil society aims to make globalisation more socially just and environmentally sustainable. Key elements of the UN Global Compact are its ten universal Principles and support of the United Nations' 17 Sustainable Development Goals (SDGs).

Value at risk (VaR)

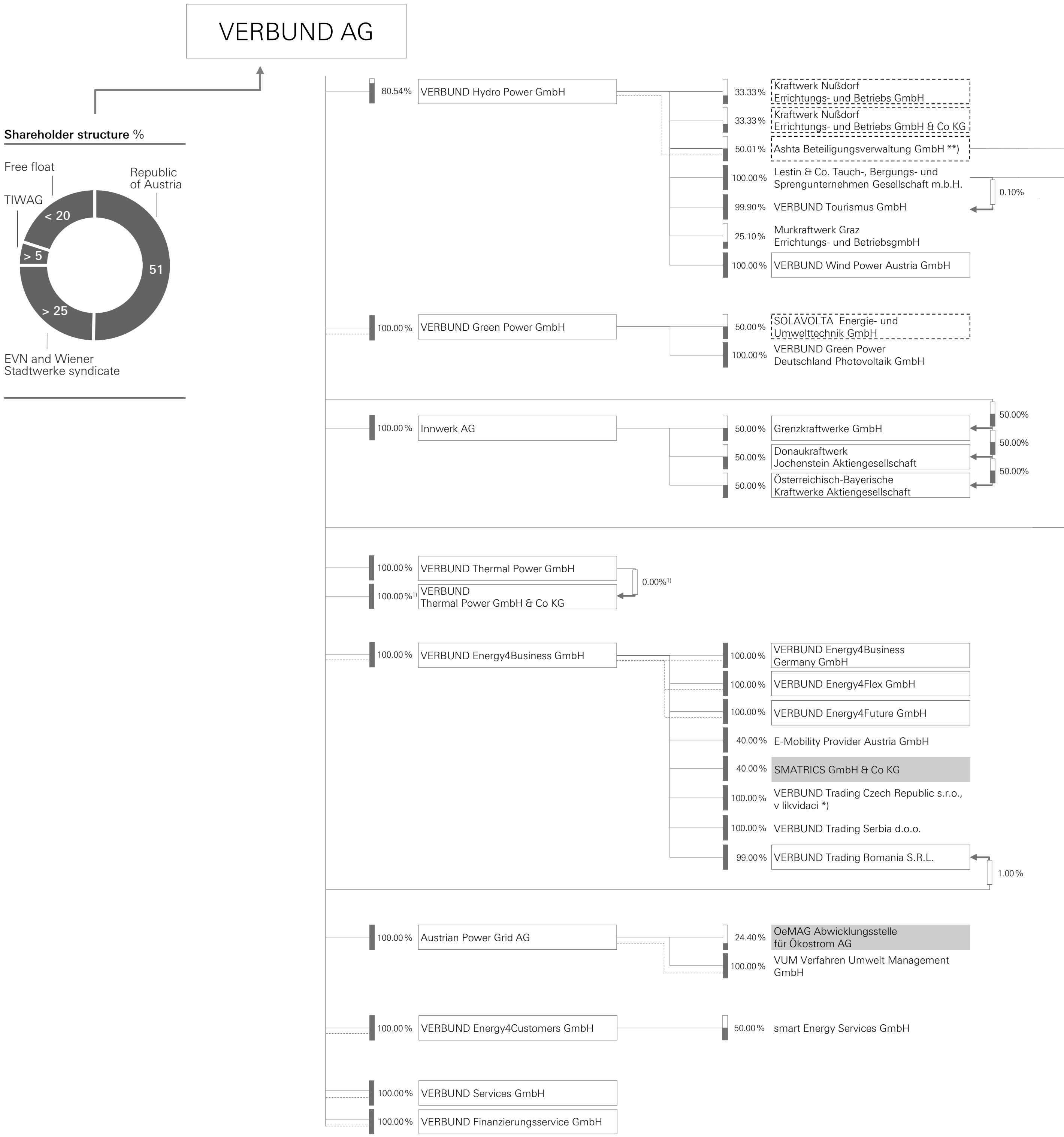
A method applied to calculate the potential trading position loss arising from price changes. The loss potential is calculated based on an assumed probability (e.g. 95%) and on the basis of market-oriented price changes.

Variation margin

The variation margin represents an amount paid or credited daily on the price fluctuations of futures contracts (i.e. paid to or from the futures exchange). In contrast to the initial margin, the variation margin does not represent collateral. Although the amounts are debited or credited to a margin account on a daily basis, the variation margin represents unrealised gains or losses. The position per se remains pending.

VERBUND Group structure

as at 31 December 2020 GRI 102-45



100.00 % Energji Ashta Shpk

100.00 % Lestin & Co. Tauch- und Bergungsunternehmen Gesellschaft m.b.H.

Legend

Consolidated (100%)

Proportionately consolidated

Accounted for using the equity method

Joint venture, accounted for using the equity method

Not consolidated

– – – Profit and loss transfer agreement

100.00 % VERBUND Wind Power Romania S.R.L.

65.29 % Infrastrukturgesellschaft Bischheim GmbH & Co. KG

85.00 % Infrastruktur Oberheimbach I GmbH & Co. KG

100.00 % VERBUND Green Power Deutschland GmbH

70.27 % VERBUND Innkraftwerke GmbH

100.00 % VERBUND Green Power Hunsrück GmbH & Co. KG

50.00 % Ennskraftwerke Aktiengesellschaft

35.17 % KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

*) 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, 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 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:
Thomas Schmid (Chairman), Martin Ohneberg (1st Vice-Chairman), Christine Catasta (2nd Vice-Chairwoman), Susan Hennersdorf, Barbara Praetorius, Jürgen Roth, Eckhardt Rümmler, Christa Schlager, Stefan Szyszkowitz, Peter Weinelt, Doris Dangl, Isabella Hönlinger, Kurt Christof, Wolfgang Liebscher, Veronika Neugeboren

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

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GRI 102-53

Verbund

Power for the Future