VERBUND Energy4Business GmbH
Annual Report 2020

Contents

Note on rounding: The addition of rounded amounts and the calculation of percentages may lead to rounding differences due to the use of computing software.

Three-year comparison

€k

	2018	2019	2020
Revenue	2,057,379.0	2,607,477.0	2,818,303.4
Earnings before interest and taxes (EBIT)	77,542.6	48,393.0	57,496.9
Earnings before taxes	60,859.8	32,219.9	42,087.7
Net income for the year	45,828.2	24,225.4	31,999.5
Net profit	0.0	0.0	0.0
Total assets	576,814.9	573,127.0	605,717.8
Fixed assets	10,668.5	10,501.6	37,110.6
Capital expenditure on property, plant and equipment	321.9	342.5	1,219.5
Depreciation of property, plant and equipment	177.3	228.9	468.3
Equity	255,453.9	263,128.3	300,772.7
Return on sales (ROS)	3.8%	1.9%	2.0%
Return on equity (ROE)	29.0%	12.6%	16.0%
Return on investment (ROI)	15.4%	8.4%	10.0%
Equity ratio	44.3%	45.9%	49.7%
Debt repayment period	6.3	11.4	9.0
Cash flow from operating activities	63,266.4	127,674.9	–20,433.0
Working capital	412,736.5	414,397.6	420,684.7
Net debt	–78,673.0	–218,619.3	–183,393.2
Current liabilities	150,104.1	144,745.8	145,529.4
Current assets	562,840.6	559,143.4	566,214.1
Average number of employees	132	133	165

Comparability with prior-year figures from 2018 and 2019 is limited due to the merger of VERBUND Sales GmbH and VERBUND Solutions GmbH into VERBUND Energy4Business GmbH as the absorbing entity.

Board members

Management

Mag. Robert Slovacek	Managing Director
Mag. Dr. Stephan Sharma (until 31/3/2020)	Managing Director
MMag. Martin Wagner (since 1/4/2020)	Managing Director

Supervisory Board

CEO Mag. Dr. Michael Strugl MBA Chairman	CEO
Dr. Peter F. Kollmann Vice-Chairman	Member of the Executive Board
Dr. Andreas Bräuer	Authorised signatory VERBUND AG
Mag. Andreas Wollein	Authorised signatory VERBUND AG

Employee representatives

Veronika Neugeboren	Member of the Works Council
Mag. Helmut Lenauer	Member of the Works Council

Management report

Report on business performance and economic position

Business model and business activities

VERBUND Energy4Business GmbH (VEB; formerly VERBUND Trading GmbH – change in name as of 7 March 2020) is a wholly owned subsidiary of VERBUND AG, in which capacity it is responsible for the centralised marketing, optimisation and management of the Group's entire generation capacity. VEB acts as the central energy hub for VERBUND in its function as an interface between generation, sales and the wholesale market. The Company has conducted all transactions on its own behalf and for its own account since 1 September 2014.

An organisational concept to realign VEB's sales activities was developed in 2019 and implemented in 2020. Under this plan, VEB, as the absorbing entity, merged with sister companies VERBUND Sales GmbH (VSA; after the consumer business was spun off) and VERBUND Solutions GmbH (VSO) in March 2020, allowing VEB to take over the industrial customer or B2B business along with projects and new business models from the Solutions area (marketing of photovoltaic installations, and battery and hydrogen projects).

Together with VERBUND AG as the parent company, a single entity exists for corporate income tax and value-added tax purposes. In accordance with the profit and loss transfer agreement in place, all profit or loss of VEB is transferred to or absorbed by VERBUND AG unless an allocation is made to other revenue reserves.

VEB's trading activities comprise physical and financial trading of energy products and energy derivatives on European OTC (over-the-counter) markets, trading platforms and energy exchanges. VEB provides central market access for all commodities and is responsible for commodity hedging at VERBUND.

The Company's business activities comprise direct supply to wholesalers, resellers, industrial customers and municipal utilities in Austria and abroad. Its core electricity business is supplemented by trading in gas and hedging gas transactions and by trading in environmental products (CO_2 emission rights, green electricity certificates and guarantees of origin) of various standards of quality and bearing various labels.

In the area of energy services, VEB offers a number of customer-specific products and services (market access, plant use optimisation, price hedging, regulatory services, etc.) and is especially active in the fields of renewable energy marketing, flexibility marketing and short-term trading.

New business models for constructing, operating and marketing photovoltaic installations in cooperation with the affiliated company VERBUND Green Power GmbH (VGP) for and with industrial customers and projects and cooperation models in the areas of industrial-scale batteries/battery storage and hydrogen expand and supplement the range of products and services.

VEB's activities in its primary markets of Austria and Germany are supplemented by business in neighbouring countries. Cross-border transactions with Serbia and Hungary also take place on the basis of its marketing of the Group's wind generation in Romania.

With regard to electricity sales outside of Austria, VEB is additionally responsible for managing the business activities of the subsidiaries in Germany, Romania, the Czech Republic and Serbia. The rules and guidelines promulgated by the energy market regulatory authorities form the basis of the subsidiaries' business relationships. VEB is registered as an electricity trading company under the relevant national laws.

The VEB subsidiary in Germany, VERBUND Trading & Sales Deutschland GmbH, which acts as a broker for VEB and VSA, merged with the VSA subsidiary VERBUND Sales Deutschland GmbH (VSA-DE) as the absorbing entity in April 2020; the company was renamed VERBUND Energy4Business Germany GmbH (VEB-DE) on 16 October 2020. The brokerage activities will continue to be carried out for VEB, while the industrial customer business of the former VSA-DE will be continued on this company's own behalf and for its own account.

The following VEB subsidiaries act on their own behalf and for their own account.

- VERBUND Trading Romania S.R.L. (VTR-RO, Romania)
  VTR-RO is entrusted with marketing the wind power generated by VERBUND AG's Romanian subsidiary – VERBUND Wind Power Romania S.R.L. (VRP-RO) – on the Romanian electricity exchange OPCOM as well as marketing the associated wind power certificates. Preparations for acting directly as VEB in Romania began in 2020; the merger of VTR-RO with VRP-RO is planned for 2021.
- VERBUND Trading Serbia d.o.o. (VTR-RS, Serbia) – preparations for acting directly as VEB on the Serbian market began in 2020.
- VERBUND Trading Czech Republic s.r.o. (VTR-CZ, Czech Republic) – because the Czech market has no longer been serviced since quarter 2/2013, VTR-CZ began the process of liquidation on 1 May 2020, finishing on 31 October 2020. The company was removed from the Czech commercial register on 21 January 2021.
- VERBUND Energy4Flex GmbH (VEF) – established in December 2019, VEF has conducted the optimisation, support and management of VERBUND's flexible power plants in connection with the Austrian control power markets since 2020 on behalf of VEB, in its own name, but for the account of VEB.
- VERBUND Energy4Future GmbH (VEE) – founded in December 2020, VEE will be responsible in the future for providing green electricity customers with electricity products certified under the "UZ 46" standard and other specific green electricity products on behalf of VEB.

Through the merger of VSO with VEB, VEB also took over the 40% interest in SMATRICS GmbH & Co KG (accounted for using the equity method), which has the object of establishing charging infrastructure for electric vehicles as well as building up and providing services for electromobility customers, along with the 40% interest in the electromobility provider Austria GmbH (not consolidated).

Market performance

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). AT front-year peak load contracts traded at an average of €62.1/MWh and DE front-year peak load contracts traded at an average of €57.7/MWh. Prices on the futures market were therefore up 9.3% and 6.9%, respectively, versus the prior year. This was 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.

Prices for AT 2021 front-year base load contracts (traded in 2020) averaged €42.8/MWh, and prices for DE 2021 front-year base load contracts averaged €40.2/MWh. Futures market prices thus decreased year-on-year by 16.4% (AT) and 16.0% (DE). AT front-year peak load contracts traded at an average of €52.0/MWh and DE front-year peak load contracts traded at an average of €49.0/MWh. Futures market prices were 16.3% (AT) and 15.0% (DE) below the level of the financial year.

Business performance

By far the largest portion of the Group's generation is marketed by VEB, with the exception of generation for eligible purchasers of energy from Group power plants and energy fed in directly from subsidised generation facilities. This generation is marketed using hedging transactions on the forward and futures markets and through optimisation on the short-term day-ahead, intraday and control power markets.

Electricity purchases (GWh)

	2019	**2020**
Purchased generation	27,989	28,044
of which hydropower	26,132	26,725
of which wind power	287	286
of which thermal power	1,570	1,033
Other Group purchases	1,689	1,412
Electricity purchased from third parties	26,441	28,426
Total purchase VEB	56,119	**57,883**
Trading contracts	74,424	**69,319**
	130,544	**127,202**

At 28,044 GWh in 2020, the marketing of this generation was slightly higher (0.2%) than in the same period in 2019.

Generation from hydropower increased by 592 GWh compared with 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%. 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.

The generation from wind power that VEB markets to Germany and Austria was nearly at the level of the previous year.

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.

Electricity purchased from third parties for trading and sales increased by 7.5%.

The standardised forward contracts had a volume of 69,319 GWh. VEB recognises the results of energy trading contracts for electricity entered into for trading purposes under revenue; the underlying electricity purchases and sales are presented after offsetting (in the net amount) under electricity revenue. VEB's electricity purchases after offsetting the transactions against standardised forward contracts amounted to 57,883 GWh (including generation for own use and Austrian Power Grid AG (APG)). VEB has three customer segments: traders in Austria and abroad, resellers (energy supply companies) and consumers.

Electricity sales

GWh		2019	2020
Traders		19,483	19,681
Resellers		19,474	21,084
Consumers		1,212	8,981
Group		15,950	8,138
of which retail customers		1,626	1,775
of which industrial customers		10,627	2,718
of which APG		1,836	1,656
of which own use of generation companies		1,861	1,989
		56,119	**57,883**
Trading contracts		74,424	**69,319**
		130,544	**127,202**

Compared with the previous year, VEB's electricity sales volume increased by 1,764 GWh to 57,883 GWh. Deliveries were made to trading firms above all in the context of hedging the generation volumes and marketing the additional generation on exchanges. Sales to traders rose by 1.0% in the reporting period.

Volumes with resellers increased by 8.3%. Beginning in 2020, the external volumes of the former VSA's industrial customers in Austria, which were previously reported under industrial customers, are included in sales to consumers. Transactions with industry-related procurement companies are reported under trading. VEB also provides the volumes for VERBUND AG's retail customers and supplies APG and VERBUND's generation companies.

The lower volume supplied to APG (–180 GWh) comprises deliveries to compensate for grid loss or deliveries as part of congestion management. Supplies to cover generation for own use rose by 128 GWh. This can be attributed in particular to generation from turbining.

In 2020, international trading and sales activities focused on the German market. The Company's extensive business with guarantees of origin is reflected in the net presentation.

Net assets, financial position and results of operations

The key performance indicators shown in the management report for the 2019 reporting period for net assets, financial position and results of operations as well as for the cash flow statement are based on the figures for the former VERBUND Trading GmbH before the merger.

Result of operations

	Unit	2019	**2020**
Revenue	€k	2,607,477.0	2,818,303.4
Earnings before interest and taxes (EBIT)	€k	48,393.0	57,496.9
Earnings before taxes	€k	32,219.9	42,087.7
Net income for the year	€k	24,225.4	31,999.5
Net profit	€k	0.0	0.0
Return on sales (ROS)	%	1.9	2.0
Return on equity (ROE)	%	12.6	16.0
Return on investment (ROI)	%	8.4	10.0

VEB's revenue rose by 8.1% to €2,818,303.4k in financial year 2020 mainly in revenue from electricity deliveries – due to increased sales volumes to resellers and higher average prices.

Other operating income of €1,679.5k is significantly higher than the prior-year figure (€82.9k) because of production revenues from projects which were taken over from the former VSO.

Expenses for material and other purchased services are higher (by 7.5%) than in 2019 – mainly driven by the surge in electricity purchase costs (+9.1%) accompanied by a slight decline in certificate trading and gas purchasing expenses – and amount to €2,725,784.3k.

The increase in personnel expenses (+16.9% to €26,130.2k) is attributable to the additional employees taken over from the former VSA and VSO along with the increase stipulated in the collective agreement for energy supply companies.

Other operating expenses increased significantly by 44.4% to €25,413.9k. This is primarily the result of the agency staff taken over from the former VSO (+€2,486.8k), an increase in third-party services in IT (+€1,709.3k) and generally higher consulting and marketing costs along with administrative costs related to the project budgets and employees assumed from the former VSA and VSO, and more cost-intensive project activities from the business areas assumed.

VEB had an average of 165 employees (including employees in the active phase of partial retirement; previous year: 135 employees including employees in the active phase of partial retirement). Expenses for training and continuing education amounted to €126.4k in financial year 2020 (previous year: €135.5k).

VEB has a profit and loss transfer agreement with VERBUND AG. Due to tax rules, a portion of the net income for 2020 (€31,999.5k) amounting to €11,000.0k was allocated to other revenue reserves (previous year: €7,674.4k of €24,225.4k); the remainder was distributed to VERBUND AG.

Net assets

	Unit	2019	2020
Fixed assets	€k	10,501.6	37,110.6
Current assets	€k	553,907.4	563,409.8
Working capital	€k	414,397.6	420,684.7
Equity	€k	263,128.3	300,772.7
Current liabilities	€k	144,745.8	145,529.4
Current assets	€k	559,143.4	566,214.1
Equity ratio	%	45.9	49.7

Fixed assets increased significantly to €37,110.6k through the assumption of investment projects and equity interests of the former VSO in 2020. At €563,409.8k, current assets remained at around the same level as in 2019.

Equity increased by the portion of net income retained for the year and as a result of the mergers in financial year 2020.

Financial position

	Unit	2019	2020
Cash flow from operating activities	€k	127,674.9	–20,433.0
Cash flow from investing activities	€k	15,007.1	2,829.0
Cash flow from financing activities	€k	–141,901.9	17,074.1
Financial result	€k	3.0	593.5
Debt repayment period	years	11.4	9.0

The financial result changed due to the interest expense, which fell still further compared with the previous year. As a result of higher earnings compared with the previous year, the debt repayment period decreased to 9.0 years.

Cash flow statement

The cash flow statement is calculated using the indirect method and in financial year 2019 was already prepared in accordance with the expert opinion KFS/BW 2 issued by the Austrian Chamber of Public Accountants and Tax Advisors.

VERBUND AG has an electricity supply commitment to Uniper Kraftwerke GmbH (previously E.ON Wasserkraft GmbH and E.ON Kraftwerke GmbH) arising from a transaction in an equity interest (acquisition of power plant shares in Germany). The electricity supply commitment is linked to the fictitious operations of the Zemm-Ziller power plant group. This commitment was transferred to VEB as of 1 January 2016. In return, VEB received an intra-Group credit (Group clearing balance) for the amount recognised by VERBUND AG of around €180.6m, which is now recognised as a receivable from affiliated companies and bears the corresponding interest rate.

VEB manages the fictitious operating agreement as contractually stipulated and receives compensation from VERBUND AG for handling this service. However, VERBUND AG retained the earnings, which are therefore charged back by VEB. This concerns the net result from the termination of the electricity supply commitment, the interest added to the external liability, income from management (supply, reinsurance, guarantees of origin, various reimbursements) and the interest income on the receivable from VERBUND Finanzierungsservice GmbH.

(1) Cash flow from operating activities

Cash flow decreased despite the increase in net income. This results, on the one hand, from the change in trade receivables and payables as well as in guarantees and, on the other hand, from payment flows arising from variation margins and cascading on the EEX electricity exchange. The payment flows from cascading were accrued in net income since they will be realised in future years.

(2) Cash flow from investing activities

Cash flow from investing activities results mainly from recharging of interest within the VERBUND Group, from investments in photovoltaic installations and from shareholder contributions to VEB-DE in 2020 (€7,850k).

(3) Cash flow from financing activities

The change in cash flow from financing activities is the result of money market transactions and financial market liabilities, the Group clearing balance – caused by the effects described under receivables and liabilities – and profit transfers.

Cash flow statement

€k

	Notes	2019	2020
Earnings before taxes		32,219.9	42,087.7
Amortisation of intangible assets and depreciation of property, plant and equipment		794.7	1,162.4
Write-downs and write-ups of financial assets		15.9	–1,945.9
Result from the disposal of assets		23.2	–11.3
Income from investments, other interest and similar income and interest and similar expenses		–185.2	1,241.2
Change in inventories		1,351.6	–12,566.9
Change in trade receivables and other receivables[1]		117,033.7	5,802.0
Change in non-current provisions		1,962.9	–1,408.7
Income from the reversal of contributions to building costs		0.0	–68.6
Change in current provisions		–810.7	–3,525.9
Change in trade payables and other liabilities[2]		–16,513.1	–41,871.2
Payments for income taxes		–8,218.0	–9,327.7
Cash flow from operating activities	(1)	127,674.9	**–20,433.0**
Capital expenditure on intangible assets and property, plant and equipment		–985.1	–4,438.8
Disposals of intangible assets and property, plant and equipment		1.4	252.8
Capital expenditure on investments		–35.0	–7,885.0
Disposals of investments		0.0	1.1
Disposals of other securities		–171.4	–407.1
Cash inflow from investment and security income		562.4	441.6
Cash inflow from interest		15,634.7	14,864.4
Cash flow from investing activities	(2)	15,007.1	**2,829.0**
Cash inflow (outflow) from money market transactions		–10,751.3	–1.4
Cash inflow from contributions to building costs received and grants		0.0	–237.0
Profit transferred		–16,556.0	–22,248.7
Changes in Group clearing balances		–113,860.8	40,306.9
Cash outflow from interest and similar expenses		–733.8	–745.8
Cash flow from financing activities	(3)	–141,901.9	**17,074.1**
Change in cash and cash equivalents		780.1	–529.9
Cash and cash equivalents as at 1/1		356.7	1,267.0
Cash and cash equivalents as at 31/12		1,136.8	737.1

[1] incl. prepayments and accrued income // [2] incl. accruals and deferred income

Report on research, development and the environment

Employees

With their broad range of expertise, particularly in the fields of energy management, risk management, meteorology and IT, our employees guarantee the successful performance of our Company.

In 2020, VEB had an average of 165 employees (including employees in the active phase of partial retirement; previous year: 135 employees including employees in the active phase of partial retirement). Expenses for training and continuing education amounted to €126.4k in financial year 2020 (previous year: €135.5k).

Sustainability

VERBUND is guided by the principle of sustainability in all of its fields of activity. VERBUND publishes information relevant to sustainability in the integrated annual report in accordance with Global Reporting Initiative guidelines, the internationally recognised standard for sustainability reporting. Multiple specialised sustainability agencies evaluate the reporting, and VERBUND is also represented in a number of indices (such as VÖNIX, FTSE4Good Europe Index and Global Index).

VEB is involved in VERBUND's extensive initiatives and supports all activities, especially those relating to the marketing of renewable energy. The efficient and flexible use of pumped storage power plants also supports the advancing integration of new renewables into the energy market, above all wind power and solar energy. Flexible, needs-based electricity products and energy services support our customers in meeting their requirements efficiently and provide innovative solutions for optimising procurement. Furthermore, VEB is one of the leading suppliers of green electricity products and guarantees of origin, and its hydropower generation has been certified in accordance with numerous European standards (e.g. TÜV). In the area of wind power and photovoltaic energy marketing for the third-party customer segment, VEB is actively expanding its renewable portfolio and using high-quality forecasting and portfolio management with the objective of generating sustainable contribution margins for the Group. Its business activities in the field of sustainable electricity generation and marketing are supplemented by a small-scale hydropower initiative.

Innovation, research and development

The persistently volatile prices on the electricity market call for ongoing innovation and adjustments to trading and marketing strategies.

Furthermore, innovative customer solutions are expected to provide new earnings potential.

Energy market environment requires flexibility

VEB's research and development activities focus on improving the optimisation and forecasting instruments as well as tools for modelling of electricity pricing curves.

In past years, the main innovative focus in the field of electricity trading was on the further development of inflow forecasting and optimisation of storage management in hydropower, which currently includes the measurement of snow cover, for example. High spatial resolution in the forecast values used for meteorological forecasting provides potential for improving the quality of generation forecasts. Numerous forecasts generated previously and updated using appropriate statistical methods provide a better basis for estimating forecasting uncertainties. Further development of modern stochastic optimisation methods as well as innovations in price forecasting make it possible to optimise forward-looking management of the reservoirs and, building upon that, the selection of suitable trading strategies.

Last year, one emphasis was on improving the evaluation of snow cover with a view to better run-off forecasting.

In addition, VEB is continually working to develop innovative new products and services particularly for new renewables, certificates, the marketing of virtual pumped storage power plants and flexibility options in electricity generation.

Recent activities have focused on the development of a comprehensive strategy for further digitalisation in electricity trading. Here, particular emphasis is placed on customised solutions mapping the entire life cycle of a supply of electricity from the enquiry to pricing and purchase on the stock market to reporting and billing online in a highly automated manner. These extensive requirements have been realised in an online customer platform which VEB developed in-house and successfully operates on the market. The range of services offered to customers through this platform is continually being expanded.

New customer solutions in solar, industrial-scale batteries and green hydrogen

The needs of the energy market of the future are another focal point of research. A series of research projects aims to address these, particularly in the fields of industrial-scale batteries and hydrogen electrolysis.

In the solar power sector, the challenges relate especially to developing marketable products and services for industrial customers and establishing processes for smooth operation and monitoring of installations.

In the industrial-scale battery sector, the EU-funded SYNERG-E project has involved testing the use of industrial-scale batteries at fast charging stations for electric cars since 2017, and pilot projects conducted in cooperation with project partners have been rolled out in Austria and Germany. Additional earnings potential from marketing the batteries on the control power market and revenue from avoiding load peaks in the grid are being examined and, in some cases, already realised.

Among the projects in the green hydrogen sector, the EU-funded H2Future project has been running since 2017; this includes the ongoing construction of the world's currently largest (as at the start of the project) electrolysis facility for generating hydrogen using electricity from renewable sources on the site of an Austrian industrial company. This project is helping to obtain findings on operating such a facility along with identifying the opportunities for marketing green hydrogen in an industrial environment.

Our employees: motivated suppliers of ideas

Our employees contribute their extensive knowledge to Group research projects and to joint research projects conducted with other companies, currently focusing on green electricity from hydropower and on battery and alternative storage technologies.

Report on branch offices

There were no branch offices in the financial year under review.

Report on the Company's expected performance and risks

Expected performance of the Company

VEB's most important task continues to be to successfully market the total volume of generated electricity available to VERBUND. The Company's participation in international trading serves both to hedge revenue over the long term through the sale of structured products and to increase earnings by optimising the power plants over the short term. In addition to the focus on optimal marketing of own generation, the main activities continue to comprise the expansion of the position as one of the leading providers of innovative green electricity and flexibility products and energy services, direct marketing of renewable energy (particularly wind, solar and small-scale hydropower) and taking advantage of short-term market opportunities, especially in relation to control power products and balancing energy optimisation.

VEB is concentrating on two core tasks within these activities: firstly, asset marketing and sales optimisation augmented by the trading business and, secondly, sales activities.

To successfully meet the variety of challenges arising from current developments in the market and shifts in market design – which can be summarised by the keywords decarbonisation, decentralisation and digitalisation – implementation of the realignment of VERBUND's sales activities, as developed within a strategic project, was a focus in 2020.

The new organisational concept was implemented in March 2020 when VEB, as the absorbing entity, merged with sister companies VSA (after the consumer business was spun off) and VERBUND Solutions GmbH (VSO), with VEB now being responsible for the industrial customer or B2B business along with projects and new business models from the Solutions area.

Thus, VEB is meeting the previously described challenges represented by the new sales activities as its second key task. The existing product portfolio as well as the market segment in which it operates will be expanded to include supplying industrial customers (previously by VSA). Here, the focus is on new business models for establishing, operating and marketing photovoltaic installations for and with business customers; an ambitious growth course will be pursued in this segment through to 2023. The expanded range of products and services will be broadened to include innovative projects and cooperation models in the area of industrial-scale batteries/battery storage systems and hydrogen.

This will make it possible to expand the Company's positions in the core markets of Austria and Germany. Furthermore, the negotiations on contract extensions with state energy companies and other resellers in Austria and direct marketing of wind and small-scale hydropower will be continued.

The tenders for balancing services products and grid services put out by APG, in which VEB participates on an ongoing basis, continue to be relevant, supplemented by the provision of congestion management measures for grid operators.

In the German market, the municipal utilities and green electricity certificates, under the H2Ö brand in particular, are generating stable results. Additionally, wind power marketing from VERBUND and third-party facilities is currently being optimised. In order to make sales more innovative and flexible, marketing of battery storage projects in Germany will be a key area of focus in 2021. The subsidiary VEB-DE will attend to these projects in addition to its brokerage activities for municipal utility customers and green electricity certificates, and the industrial customers assumed through the merger.

VEB plans to maintain its market presence in its existing Western European markets. The Company's main activities in these countries are marketing guarantees of origin and offering market access.

With regard to its servicing of international markets in the Central, Eastern and Southeast European regions, VEB will concentrate in 2021, as in previous years, on marketing available generation from Group power plants in Romania and on short-term cross-border optimisation transactions and will accordingly maintain its market presence at the levels required for this.

Gas business activities in 2021 will continue to focus on managing the Mellach combined cycle gas turbine power plants (gas purchasing and storage management, price hedging, marketing, operational processing), which are used exclusively for flexible utilisation under the grid reserve agreements entered into for German grid operators and Austrian grid operator APG. Furthermore, procurement and price hedging takes place for VERBUND's gas consumer business.

In the years to come, the main challenges for VEB will concern securing and expanding its market position as a marketer and cooperation partner in the renewable energy sector – particularly for solar and battery storage – and as a provider of flexible services and innovative products in this area. Implementation of a large project in the electromobility sector is also planned for 2021.

The Company also strives to maintain and/or expand its market share in key markets and to generate stable margins in trading and in international business. Volatile electricity prices also make it necessary to regularly evaluate and adapt actions taken for the purpose of hedging long-term generation capacities to meet changing market conditions.

All trading activities are conducted in compliance with strict monitoring and risk management guidelines, supplemented by compliance and integrity requirements. These guidelines are of fundamental significance in light of the challenging market environment.

Significant risks and uncertainties

At VERBUND, risk is regarded as the chance of an either positive or negative deviation from corporate targets and KPIs.

The objective of corporate activities is to generate appropriate returns while increasing enterprise value in a controlled manner. To do so, opportunities are taken advantage of and risks entered into.

Early identification and due consideration of such opportunities and risks are therefore an integral part of our planning, corporate management and all corporate decision-making processes. Risk limitation and monitoring is undertaken by the risk management functions of VEB and the Group as well as by the risk management committees defined in the Group. In general, the risk management process involves the individual steps of risk identification, analysis, measurement, control and reporting.

VEB has drafted its own internal guidelines for the Company's individual areas of business on the basis of the guidelines applicable to the entire Group. In combination with a comprehensive rulebook, these guidelines specify all transactions, procedures, business processes and responsibilities within VEB to ensure that risks are clearly allocated and delineated. This set of guidelines is currently being revised and adapted to the changed conditions. As part of this, the daily risk reports have been updated to enable them to meet current requirements even more promptly. Special rules apply to dealing with market risk, credit risk and operating risk. VEB's risk control process is applied to all significant business processes every day.

Market risk

Due to the high trading volumes and volatile commodities prices in the markets, increasingly complex products and advancing diversification of trading activities, risk management is especially important with regard to monitoring exposures. Market risk is limited using a system made up of exposure limits, drawdown limits and VaR limits, and it is monitored daily.

Credit risk

Credit risk lies primarily in the danger of complete or partial failure to pay on the part of the counterparty and the associated default. In order to minimise this risk, our customers are carefully selected and monitored using an internal scoring system. Changes in customer credit rating are monitored continuously. Where a customer has an insufficient credit rating, transactions are entered into only if sufficient collateral is provided (e.g. bank guarantee, guarantee issued by the parent company, etc.). Whenever (framework) agreements are concluded, attention is paid to the wording of netting arrangement clauses and to the provision of guarantees in order to minimise deterioration in the customer's credit rating.

Despite the challenging economic environment (COVID-19), there were no insolvencies in VEB's customer portfolio in 2020. Customer payment discipline remained largely unchanged compared with the prior year. Adherence to credit limits is checked by means of ongoing reporting. The risk of payment defaults due to the COVID-19 pandemic is increasing in 2021.

VEB is part of the VERBUND cash pool.

Prior to every assessment of credit standing, VEB also subjects its customers to an appropriate review of the integrity of the business partners, as required by law, which is intended to prevent its involvement in criminal proceedings (corruption, money laundering, tax fraud) and protect VERBUND's reputation. The internal guidelines for this are being continually improved and adapted to current requirements.

Operating risk including crisis management

VEB maintains a crisis centre that can be activated at short notice if the main site can no longer be utilised. A new crisis centre was established in 2019. The mobilisation and functionality of the crisis centre is tested several times each year. The crisis centre was used regularly in 2020 due to the COVID-19-related physical separation of the teams in the areas of trading, plant use optimisation and scheduling management. Business processes have been defined and documented in respect of the procedures along the value chain. In combination with the applicable guidelines, this is aimed at preventing any ambiguities with regard to powers and areas of responsibility. Regular reports are made on potential and actual loss events.

As at 9 February 2021, no risks were foreseeable for 2021, the effects of which – either individually or in interaction with other risks – could pose a threat to the continued existence of VEB.

Vienna, 9 February 2021
The Management

Mag. Robert Slovacek MMag. Martin Wagner

Annual financial statements

Balance sheet

ASSETS

€k

	Notes	2019	2020
A. Fixed assets			
I. Intangible assets		1,858.6	5,096.5
II. Property, plant and equipment		642.6	3,020.1
III. Investments	(1)	8,000.3	28,994.0
		10,501.6	**37,110.6**
B. Current assets			
I. Inventories	(2)	4,722.8	19,500.1
II. Receivables and other assets	(3)	548,047.7	543,172.6
of which due in more than one year		0.0	0.0
III. Cash at banks		1,136.8	737.1
		553,907.4	**563,409.8**
C. Prepayments and accrued income	(4)	5,236.0	**2,796.1**
D. Deferred tax assets	(5)	3,482.1	**2,401.3**
		573,127.0	**605,717.8**

EQUITY AND LIABILITIES

€k

	Notes	2019	2020
A. Equity			
I. Called and paid-in share capital	(6)	250.0	250.0
II. Capital reserves	(7)	97,653.0	124,297.4
III. Revenue reserves	(8)	165,225.3	176,225.3
IV. Net profit	(9)	0.0	0.0
		263,128.3	**300,772.7**
B. Provisions	(10)	25,554.8	**30,324.2**
C. Liabilities	(11)	280,566.8	**271,906.1**
of which due within one year		130,248.9	131,144.4
of which due in more than one year		150,317.9	140,761.6
D. Accruals and deferred income	(12)	3,877.1	**2,714.7**
		573,127.0	**605,717.8**

Income statement

	Notes	2019	2020
			€k
1. Revenue	(13)	2,607,477.0	**2,818,303.4**
2. Change in the total of services not yet billable		0.0	1.9
3. Other operating income	(14)	82.9	1,679.5
4. Operating income (subtotal of lines 1 to 3)		2,607,560.0	**2,819,984.9**
5. Expenses for electricity, gas purchases and purchases of emission rights and other purchased production services and other services		−2,534,600.7	−2,725,784.3
6. Personnel expenses	(15)	−22,343.4	−26,130.2
7. Depreciation and amortisation	(16)	−794.7	−1,162.4
8. Other operating expenses	(17)	−17,604.3	−25,413.9
9. Total earnings (subtotal of lines 4 to 8)		32,216.8	**41,494.1**
10. Income from equity interests		484.7	441.6
11. Income from other securities in financial assets		215.9	141.9
12. Other interest and similar income		15,496.6	14,722.5
13. Income from the disposal and reversal of impairment losses on investments		0.0	1,950.0
14. Expenses from investments		−20.9	−1,253.3
15. Interest and similar expenses		−16,173.2	−15,409.2
16. Financial result (subtotal of lines 10 to 15)	(18)	3.0	**593.5**
17. Earnings before taxes (subtotal of lines 9 and 16)		32,219.9	**42,087.7**
18. Taxes on income	(19)	−7,994.4	−10,088.1
19. Net income for the year		24,225.4	**31,999.5**
20. Allocation to revenue reserves		−7,674.4	−11,000.0
21. Profit transferred due to a profit and loss transfer agreement		−16,551.0	−20,999.5
22. Net profit		0.0	0.0

Statement of changes in fixed assets

	As at 1/1/2020	Additions from mergers	Additions	Disposals	Reclassifications	**As at 31/12/2020**
I. Intangible assets						
1. Concessions, industrial property rights, electricity purchase rights, usage fees and similar rights and benefits as well as licences derived therefrom	11,434.9	2,186.7	3,398.5	2,408.5	360.7	14,972.2
2. Prepayments	579.0	0.0	91.7	0.0	–94.2	576.6
	12,013.9	2,186.7	3,490.2	2,408.5	266.5	**15,548.8**
II. Property, plant and equipment						
1. Land, land rights and buildings, including buildings on third-party land						
a. with plant and other plant facilities	42.9	0.0	10.0	0.0	0.0	52.9
2. Electrical installations	3,526.9	320.9	173.5	24.0	839.6	4,836.8
3. Other equipment, office and plant equipment	1,421.1	404.5	268.2	389.5	94.2	1,798.5
4. Prepayments, assets under construction and projects	0.0	2,209.5	767.8	640.8	–1,200.3	1,136.2
	4,990.9	2,934.9	1,219.5	1,054.3	–266.5	**7,824.5**
Property, plant and equipment and intangible assets	17,004.9	5,121.6	4,709.6	3,462.8	0.0	**23,373.2**
III. Investments						
1. Shares in affiliated companies	1,567.0	1,950.0	7,885.0	0.0	0.0	11,402.0
2. Equity interests	0.0	10,705.4	0.0	0.0	0.0	10,705.4
3. Securities (loan stock rights) under fixed assets	1,269.7	56.3	265.2	0.0	0.0	1,591.1
4. Other loans	5,198.8	9.5	141.9	1.1	0.0	5,349.2
	8,035.5	12,721.2	8,292.1	1.1	0.0	**29,047.7**
Total fixed assets	25,040.4	17,842.8	13,001.7	3,463.9	0.0	52,421.0

€k

Accumulated depreciation, amortisation and write-downs as at 1/1/2020	Additions from mergers	Additions from depreciation and amortisation	Additions from write-downs	Disposals	Reversals of impairment	Accumulated depreciation, amortisation and write-downs as at 31/12/2020	**Net carrying amount as at 31/12/2020**
10,155.3	1,844.0	694.2	0.0	2,241.2	0.0	10,452.3	4,519.9
0.0	0.0	0.0	0.0	0.0	0.0	0.0	576.6
10,155.3	1,844.0	694.2	0.0	2,241.2	0.0	10,452.3	**5,096.5**
2.1	0.0	4.8	0.0	0.0	0.0	7.0	46.0
3,331.1	57.7	204.9	0.0	11.3	0.0	3,582.3	1,254.5
1,015.1	269.4	258.5	0.0	328.0	0.0	1,215.0	583.5
0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,136.2
4,348.3	327.1	468.3	0.0	339.3	0.0	4,804.3	**3,020.1**
14,503.6	2,171.1	1,162.4	0.0	2,580.5	0.0	15,256.6	**8,116.6**
0.0	1,950.0	0.0	0.0	0.0	1,950.0	0.0	11,402.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	10,705.4
35.2	10.9	0.0	7.7	0.0	0.0	53.7	1,537.4
0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,349.2
35.2	1,960.9	0.0	7.7	0.0	1,950.0	53.7	**28,994.0**
14,538.8	4,132.0	1,162.4	7.7	2,580.5	1,950.0	15,310.4	**37,110.6**

Maturity schedule 2020

€k

	≤ 1 year	> 1 year	> 5 years	Residual term to maturity as at 31/12/2020 Total
Loans				
1. Other loans	8.2	0.0	5,341.0	5,349.2
	8.2	0.0	5,341.0	5,349.2
Receivables and other assets				
1. Trade receivables	186,238.8	0.0	0.0	186,238.8
2. Receivables from affiliated companies	302,782.8	0.0	0.0	302,782.8
3. Receivables from investees	3.1	0.0	0.0	3.1
4. Other receivables and assets	54,148.0	0.0	0.0	54,148.0
	543,172.6	0.0	0.0	543,172.6
Liabilities				
1. Liabilities to banks	3.9	0.0	0.0	3.9
2. Trade payables	98,945.6	62.6	0.0	99,008.2
3. Liabilities to affiliated companies	5,148.5	0.0	2,650.4	7,798.9
4. Other liabilities	27,043.4	56,831.2	81,217.5	165,092.1
	131,144.4	56,893.8	83,867.8	271,906.1

Maturity schedule 2019

€k

	≤ 1 year	> 1 year	> 5 years	Residual term to maturity as at 31/12/2019 Total
Loans				
1. Other loans	0.0	0.0	5,198.8	5,198.8
	0.0	0.0	5,198.8	5,198.8
Receivables and other assets				
1. Trade receivables	161,250.7	0.0	0.0	161,250.7
2. Receivables from affiliated companies	354,601.3	0.0	0.0	354,601.3
3. Receivables from investees	0.0	0.0	0.0	0.0
4. Other receivables and assets	32,195.8	0.0	0.0	32,195.8
	548,047.7	0.0	0.0	548,047.7
Liabilities				
1. Liabilities to banks	5.3	0.0	0.0	5.3
2. Trade payables	101,474.0	0.0	0.0	101,474.0
3. Liabilities to affiliated companies	1,225.5	0.0	2,579.4	3,804.9
4. Other liabilities	27,544.2	49,834.2	97,904.2	175,282.6
	130,248.9	49,834.2	100,483.6	280,566.8

Notes to the annual financial statements

Notes

I. General notes

VERBUND Energy4Business GmbH (VEB) – formerly VERBUND Trading GmbH (VTR) – with its registered offices in Vienna, is entered in the commercial register at the Commercial Court of Vienna under number FN 173735 v.

These annual financial statements have been prepared in accordance with the provisions of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB), as amended.

In the interest of clear presentation, individual line items in the balance sheet and the income statement have been aggregated. These line items are explained separately in the notes to the annual financial statements. The individual line items of the balance sheet and income statement are presented in accordance with VERBUND's Group-wide requirements with respect to form and substance.

In accordance with Section 223(7) of the Austrian Commercial Code (UGB), balance sheet and income statement line items with a carrying amount of zero in both the financial year and the previous year are not reported. The designations of the items have been shortened or expanded to reflect their actual substance in accordance with Section 223(4) of the Austrian Commercial Code (UGB) to the extent that this appeared expedient in order to present annual financial statements that are clear and easy to understand.

In accordance with Section 223(2) of the Austrian Commercial Code (UGB), comparability with prior-year figures of the balance sheet and the income statement is limited due to the merger of VERBUND Sales GmbH and VERBUND Solutions GmbH into VERBUND Energy4Business GmbH as the absorbing entity.

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

II. Accounting policies

The annual financial statements have been prepared in accordance with Austrian Generally Accepted Accounting Principles and the general requirement to present a true and fair view of the Company's net assets, financial position and results of operations.

In preparing these annual financial statements, the principle of completeness was adhered to and the principle of prudence was observed. Measurement was based on the assumption that the Company is a going concern.

Fixed assets

As a rule, finite-lived fixed assets are measured at cost less depreciation and amortisation.

Property, plant and equipment and intangible assets used for longer than six months of the financial year are depreciated or amortised at the full annual rate, whereas those that are used for less than six months are depreciated or amortised at half the annual rate.

Purchased intangible assets are recognised at cost and – to the extent that they are finite-lived – amortised over their standard useful life.

Low-value assets are fully written off in the year of acquisition and reported as an asset disposal in the subsequent year.

Shares in affiliated companies and equity interests are recognised at cost or at the lower fair value. Securities classified as fixed assets and loan stock rights are measured at cost or at the lower fair value.

Interest-bearing loans are recognised at their principal amounts. Impairment losses are recognised if the impairment is expected to be permanent. Receivables maturing in more than one year are reported under financial assets as loans.

VERBUND's schedule of uniform depreciation and amortisation rates primarily specifies the following depreciation and amortisation rates for VEB:

	Rate of depreciation/ amortisation in %	Useful life in years
Intangible assets		
Rights to telecommunications installations	10	10
Rights to software products	25	4
Other rights	2–25	4–50
Buildings		
Office buildings	2 or 3	33.3 or 50
Plant(s)	3–5	20–33.3
Photovoltaic systems	3.33	30
Technical installations and machinery		
Machinery	3–10	10–33.3
Electrical installations	3–14.3	7–33.3
Photovoltaic systems	3.33 or 10	10 or 30
Telecommunications installations	4–33.3	3–25
Office and plant equipment	10–25	4–10

Current assets

Inventories recognised using the moving average price method are measured at cost in accordance with the strict lower of cost or market value principle.

Receivables and other assets are measured at their principal amount, unless a lower fair value is required to be recognised in the case of specific identifiable risks. Receivables in foreign currencies are measured at the mean rate of exchange prevailing at the recognition date or the lower foreign exchange reference rate of the European Central Bank (ECB) prevailing at the reporting date (unless the exchange rate is otherwise hedged). Receivables in foreign currencies not listed by the ECB are measured using the exchange rate listed by the respective national bank.

Cash at banks in foreign currency is also measured using the ECB foreign exchange reference rate in accordance with the strict lower of cost or market value principle.

Deferred tax assets

Since financial year 2004, the Company has recognised deferred tax assets pursuant to Section 198(9) of the Austrian Commercial Code (UGB) to the extent tax relief was expected in subsequent years. The deferred taxes attributable to Group members based on tax allocation are presented under the current result in their balance sheets.

This deferral item results from differences between the carrying amounts of line items in the financial statements and the tax base with respect to line items that can only be deducted as expenses for tax purposes in income statements of future periods.

Provisions

Provisions take into account all identifiable risks that can be allocated to a financial year that has already ended and include those amounts that it was necessary to recognise based on the best estimate of the settlement amount. Provisions with a remaining maturity of more than one year are discounted using a market interest rate.

Provisions for termination benefits are allocated at the full actuarial amount based on the projected unit credit (PUC) method typically used in international financial reporting. The accumulation period for provisions for termination benefits is 25 years. Employees whose service began after 31 December 2002 are no longer entitled to a direct claim against their employer for statutory termination benefits. For those employment contracts, the employer pays 1.53% of salary monthly into an employee pension fund in which the contributions are deposited in an account of the employee. Collective bargaining agreement requirements for energy supply companies which exceed statutory claims are recognised in provisions for termination benefits.

Due to labour-management agreements and contracts, VERBUND is obligated under certain conditions to make pension payments to employees after they retire. These defined benefit obligations are partially covered by pension plan assets earmarked for this purpose by APK Pensionskasse AG. The provision calculated in accordance with the PUC method typically used in international financial reporting is presented net of pension plan assets. The employer is obligated to provide additional funding to the extent that these defined benefit obligations are required to be fulfilled by APK Pensionskasse AG.

Provisions for current pensions, vested pension benefits and similar obligations are determined using the PUC method. The interest expense is shown in the financial result, in line with international practice.

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. As a result of a reorganisation of the supplementary health insurance system in previous years, new contracts are currently only concluded with insurance excesses. Employees with old contracts excluding an insurance excess have the opportunity to transfer to the new system at any time.

The calculations are based on the updated "AVÖ 2018-P – Actuarial Assumptions for Pension Insurance".

The calculations as at 31 December 2020 and 2019 were based on the following assumptions:

%	2019	**2020**
Interest rate		
Pensions and similar obligations	0.75 or 1.00	0.75
Termination benefits	0.75	0.50
Trend		
Pension increases	2.00	2.00
Salary increases	2.75	2.75
Contributions to obligations similar to pensions – old contracts	6.00	6.00
Contributions to obligations similar to pensions – new contracts	3.75	3.75
Employee turnover	0.00 – 4.10	0.00 – 4.10
Retirement age – women	56.5 – 65 y.	56.5 – 65 y.
Retirement age – men	61.5 – 65 y.	61.5 – 65 y.
Expected long-term return on plan assets	0.75	0.75

The same interest rate is applied to the expected return on plan assets as is used to determine the corresponding provision. The discount rates differ based on the residual term of the pension obligations and in line with the total contained therein (employees and pensioners). The effects of the changes in parameters are presented under personnel expenses.

Liabilities

Liabilities are recognised at their settlement amount based on the principle of prudence. Trade payables denominated in foreign currency are measured at the ECB foreign exchange reference rate prevailing at the reporting date, provided that this rate is higher than the rate prevailing at the time of origination. Liabilities in foreign currencies not listed by the ECB are measured using the exchange rate listed by the respective national bank.

Accruals and deferred income

Accruals and deferred income include investment grants that are amortised in accordance with the useful lives of the assets, as well as deferred revenue. In addition, a revaluation reserve was recognised for tax accounting purposes in 2016 pursuant to Section 124b(270)A of the Austrian Income Tax Act (Einkommensteuergesetz, EStG). The revaluation reserve is accounted for under accruals and deferred income pursuant to Section 906(32) of the Austrian Commercial Code (UGB).

Derivative financial instruments

Wholesale and industrial customer area

Marketing own generation VEB hedges planned generation on behalf of the generation subsidiaries of VERBUND AG and for the purchase rights of VERBUND AG. VEB purchases electricity forwards from the respective VERBUND generation company and from VERBUND AG itself (purchase rights) at market prices in accordance with the corresponding electricity supply agreement and enters into an inverse transaction on the market by selling electricity forwards or electricity futures. VEB retains any margin between the purchase and sales price.

In addition to hedging via electricity forwards and electricity futures, put options are purchased that are passed on to the producer or to VERBUND AG once exercised at the strike price less the option premiums incurred.

The transactions between VEB and VERBUND's generation companies or VERBUND AG are classified either as derivatives (if improvements are made) or as own-use relationships (if the delivery is exclusively from the producer and from VERBUND AG to VEB). The transactions from VEB to the external partner represent derivatives.

Hedging relationships exist between the transactions with VERBUND's generation companies or VERBUND AG (hedged item) and the transactions with external partners (derivative). Hedge accounting is applied to these hedging relationships. These hedging relationships serve to hedge against market price risk.

Other wholesale and industrial customer transactions In addition, VEB enters into over-the-counter (OTC) transactions with external counterparties in the sales area. VEB retains the margin generated from these transactions. If it is likely that an OTC transaction will generate a loss, i.e. the fixed sales price is lower than the cost of reinsurance, a provision for onerous contracts is recognised.

The purchase and sale transactions between VEB and the external counterparty (forwards and futures) represent derivatives. The purchase and sale transactions are always closed in terms of volume and are assigned to a hedged item and hedging instrument on the date the contract is entered into. Hedge accounting is applied in each case.

Measurement of effectiveness No material ineffectiveness occurs in the sales area because fluctuations in the market value of the derivatives are routinely offset in purchase and sale transactions that are nearly closed in terms of volume. The amounts realised from the derivative hedging transactions are recognised in profit or loss.

Trading area

Portfolio valuation is conducted annually in the trading area. Changes in the value of the transactions offset each other within the annual portfolio. In accordance with the Austrian Commercial Code (UGB), only those annual portfolios with a negative balance are accounted for by recognising a provision for onerous contracts. In accordance with the Austrian Commercial Code (UGB), annual portfolios with a positive balance may not be recognised. The result from trading is presented after offsetting under electricity revenue.

Taxes on income

Due to its inclusion as a member of the group of companies of VERBUND AG, the parent of the tax group, VEB is not an independently taxable entity for corporate income tax.

The tax group parent charges (tax allocation rate of 25%) or, in the event of a loss, credits the group members with the corporate income tax amounts attributable to them by means of a tax allocation. The practice of recharging of the tax allocations shifts the reduction or increase in the tax expense to the parent's income statement. The tax recharges to group members are only adjusted for subsequent deviations if these are material.

III. Notes to the balance sheet and to the income statement

Matters under corporate law

Under a merger agreement dated 2 March 2020, VERBUND Sales GmbH merged with VERBUND Trading GmbH in accordance with Section 96 of the Austrian Limited Liability Companies Act (Gesetz betreffend die Gesellschaften mit beschränkter Haftung, GmbHG) in conjunction with Sections 220 et seq. of the Austrian Stock Corporation Act (Aktiengesetz, AktG) and in accordance with Article I of the Austrian Reorganisation Tax Act (Umgründungssteuergesetz, UmgrStG) and taking advantage of the tax benefits of the Austrian Reorganisation Tax Act (UmgrStG) and of the Austrian Health Insurance Act (Krankenversicherungsgesetz, KVG) as at 31 December 2019.

The carrying amounts as at 31 December 2019 are broken down as follows:

Net assets €k

	31/12/2019
Fixed assets	339.3
Current assets	47,661.9
Prepayments and accrued income	2,811.6
Provisions	–7,482.1
Liabilities	–30,654.1
Accruals and deferred income	–379.8
	12,296.9

Under a merger agreement dated 2 March 2020, VERBUND Solutions GmbH merged with VERBUND Trading GmbH in accordance with Section 96 of the Austrian Limited Liability Companies Act (GmbHG) in conjunction with Sections 220 et seq. of the Austrian Stock Corporation Act (AktG) and in accordance with Article I of the Austrian Reorganisation Tax Act (UmgrStG) and taking advantage of the tax benefits of the Austrian Reorganisation Tax Act (UmgrStG) and of the Austrian Health Insurance Act (KVG) as at 31 December 2019.

The carrying amounts as at 31 December 2019 are broken down as follows:

Net assets €k

	31/12/2019
Fixed assets	13,371.4
Current assets	7,260.7
Prepayments and accrued income	0.0
Provisions	–4,062.0
Liabilities	–332.1
Accruals and deferred income	–1,890.5
	14,347.5

The company name of VERBUND Trading GmbH was changed to VERBUND Energy4Business GmbH upon entry into the commercial register on 7 March 2020.

Notes on assets

A. Fixed assets

For details see separate “Statement of changes in fixed assets”.

(1) III. Investments

The disclosures in accordance with Section 238(1)(4) of the Austrian Commercial Code (UGB) are presented separately in “Disclosures of equity interests in accordance with Section 238(1)(4) of the Austrian Commercial Code (UGB)”.

Securities (loan stock rights) under fixed assets These consist of Austrian investment fund units and loan stock rights on electricity trading exchanges.

Loans For details see separate “Maturity schedule”.

B. Current assets

(2) I. Inventories

		€k
	2019	**2020**
Trading goods	4,722.8	17,224.2
Services not yet billable	0.0	2,275.9
	4,722.8	**19,500.1**

(3) II. Receivables and other assets

For details see separate “Maturity schedule”.

Of the receivables from affiliated companies, €15,213.5k (previous year: €18,528.9k) related to trade receivables and €287,323.3k (previous year: €336,072.4k) to other receivables.

		€k
Other receivables and assets	2019	**2020**
Security deposits electricity business	30,907.8	30,700.0
Electricity trading activities	0.0	21,098.2
Emission rights trading	0.0	2,246.8
Tax authorities	728.8	20.1
Payroll	14.5	12.7
Related to social security	17.6	11.4
Gas trading business	523.4	0.0
Other	3.7	58.8
	32,195.8	**54,148.0**

Other receivables from electricity trading in 2020 relate primarily to accruals required by the Austrian Commercial Code (UGB) for differences in realisation dates by the electricity trading exchanges and by VEB.

The amounts to be accrued for option premiums in the future are presented under other receivables from electricity trading activities.

Under the item Other, an amount of €52.2k (previous year: €0.0k) relates to receivables due from Austria Wirtschaftsservice Gesellschaft mbH (aws) for investment grants related to investments made in the financial year. The investment volume applied for under the COVID-19 Investment Subsidy Act (Investitionsprämiengesetz, InvPrG) amounts to €634.6k.

(4) C. Prepayments and accrued income

€k	2019	2020
Energy efficiency	0.0	1,197.1
Prepayments for electricity purchases	2,092.5	1,046.3
Auctions of cross-border capacities	2,532.0	0.0
Other	611.5	552.8
	5,236.0	**2,796.1**

(5) D. Deferred tax assets

€k	2019	2020
Social capital	2,767.3	3,392.9
Valuation of fixed assets	0.0	−9.2
Other	714.8	−982.4
Deferred tax receivables (+) respectively liabilities (–) netted	3,482.1	**2,401.3**

Deferred tax assets result from differences between the carrying amounts of line items in the financial statements and the tax base in respect of line items that can only be deducted as expenses for tax purposes in income statements of future periods. The calculation was based on a tax rate of 25%.

Other deferred taxes are related to differences between the financial and tax treatment of mainly non-current provisions and accounting for investees.

Notes on equity and liabilities

A. Equity

(6) I. Called and paid-in share capital

The share capital of VEB amounts to €250.0k (previous year: €250.0k) and was fully paid in as at the reporting date. There are no reciprocal equity interests in accordance with Section 241(6) of the Austrian Commercial Code (UGB).

(7) II. Capital reserves

€k	2019	2020
Allocated capital reserves	0.0	1,171.4
Unallocated capital reserves	97,653.0	123,126.0
	97,653.0	**124,297.4**

The change in capital reserves in the 2020 reporting period is attributable to the mergers carried out.

(8) III. Revenue reserves

€k	2019	2020
Statutory reserves	25.0	25.0
Distributable reserves	165,200.3	176,200.3
	165,225.3	**176,225.3**

(9) IV. Net profit

	€k
As at 31/12/2019	0.0
Net income for the year	31,999.5
Changes in revenue reserves	–11,000.0
Profit transfer to VERBUND AG	–20,999.5
As at 31/12/2020	0.0

VEB has a profit and loss transfer agreement with VERBUND AG. A portion of net income for 2019 and 2020 was allocated to other revenue reserves on the basis of tax regulations (internal financing account).

In financial year 2019, the settlement of transfer prices between VERBUND Hydro Power GmbH and VERBUND AG with retroactive effect amounting to €10,070.2k had a negative impact on results.

(10) B. Provisions

1. Provisions for termination benefits

€k	2019	**2020**
Premium reserve based on actuarial calculations	6,200.6	7,407.8
Taxed portion of provisions	6,200.6	7,407.8

In 2002, the provision permitted under Section 14 of the Austrian Income Tax Act (EStG) was transferred tax-free to a reserve qualifying as taxed (Section 124b(68) of the Austrian Income Tax Act (EStG)).

2. Provisions for pensions

€k	2019	**2020**
Provisions for pension obligations	4,330.7	5,255.7
of which obligations similar to pensions	3,010.1	4,014.5

3. Other provisions

€k	2019	**2020**
Expected losses	6,196.7	6,396.5
Other services	495.6	719.1
Consulting services	161.1	621.3
Outstanding capital expenditure invoices	41.0	617.8
Electricity/grid purchases	200.0	200.0
Other	2,007.9	1,792.9
	9,102.3	**10,347.6**

Other personnel-related provisions	2019	2020
		€k
Bonuses	2,139.3	2,487.7
Unused holidays	1,307.0	1,745.8
Anniversary bonuses	988.8	1,444.0
Holiday allowance	816.4	1,004.2
Compensatory time credit	285.5	373.2
Early retirement benefits	333.0	206.4
Death grant	51.1	51.9
	5,921.2	**7,313.1**

(11) C. Liabilities

For details see separate “Maturity schedule”.

Of the liabilities to affiliated companies, €4,552.9k (previous year: €1,174.3k) related to other liabilities and €3,246.0k (previous year: €2,630.6k) to trade liabilities.

Other liabilities	2019	2020
		€k
From long-term electricity supply commitments	147,738.4	138,048.7
From short-term electricity supply commitments	8,018.7	12,709.4
Electricity trading activities	18,685.6	12,323.4
Gas trading business	0.0	1,128.3
From taxes	450.4	504.2
Related to social security	325.3	378.1
Emission rights trading	64.1	0.0
Other	0.0	0.0
	175,282.6	**165,092.1**

Other liabilities from electricity trading in 2019 and 2020 relate primarily to accruals required by the Austrian Commercial Code (UGB) for differences in realisation dates by the electricity trading exchanges and by VEB.

Amounts to be accrued for option premiums in the future are presented under other liabilities from electricity trading activities.

(12) D. Accruals and deferred income

	2019	2020
		€k
Contributions to building costs	0.0	1,114.5
From electricity business	3,351.6	1,026.1
Revaluation reserve	525.5	522.0
Investment grants	0.0	52.2
	3,877.1	**2,714.7**

This balance sheet item includes contributions to building costs (financing contributions) in connection with the use of individual facilities. The item Investment grants relates to the investments made in accordance with information published in December 2020 by the Austrian Financial Reporting and Auditing Committee (AFRAC) in a document entitled “AFRAC-Fachinformation COVID-19” and recognised as liabilities during the financial year pursuant to the COVID-19 Investment Subsidy Act (InvPrG). The investment volume applied for under the COVID-19 Investment Subsidy Act (InvPrG) amounts to €634.6k.

Impairment reversals not carried out in previous years were transferred to a revaluation reserve for tax purposes in accordance with Section 124b(270)(a) of the Austrian Income Tax Act (EStG) as at 1 January 2016 and are recognised under accruals and deferred income in accordance with Section 906(32) of the Austrian Commercial Code (UGB).

Notes to the income statement

(13) 1. Revenue

		2019	2020
			€k
Revenue from electricity deliveries			
Domestic	Traders	342,453.6	302,289.3
	Resellers	1,152,518.7	751,448.2
	Consumers	0.0	214,873.6
		1,494,972.3	**1,268,611.1**
EU	Traders	229,833.1	554,012.9
	Resellers	744,998.0	699,938.0
	Consumers	17,189.7	204,838.8
		992,020.8	**1,458,789.7**
Third countries	Traders	57.1	0.0
		57.1	**0.0**
		2,487,050.2	**2,727,400.8**
Other revenue (including emission rights and gas trading)		120,426.8	90,902.6
		2,607,477.0	**2,818,303.4**

From 2019, the accrued effects of cascading will no longer be netted in the electricity revenue item but shown separately in income and expenses.

The mergers carried out in financial year 2020 caused a shift from internal revenue to external revenue.

Revenue from sales to industrial customers also includes recharged amounts such as grid fees. The corresponding item – netted in revenue – is accounted for under the resellers.

(14) 3. Other operating income

	2019	2020
		€k
a) Income from the disposal of fixed assets with the exception of investments	1.1	29.1
b) Income from the reversal of provisions	23.4	220.9
c) Other	58.4	1,429.6
	82.9	**1,679.5**

(15) 6. Personnel expenses

€k	2019	2020
a) Salaries	15,983.5	**20,113.2**
b) Expenses for termination benefits and payments to employee pension funds		
Termination benefits	221.4	627.7
Contributions to employee pension funds	160.8	207.9
Change in the provision for termination benefits	1,150.1	−891.7
Income from transfer within Group	0.0	799.4
	1,532.3	**743.3**
c) Expenses for pensions and similar obligations		
Provisions, pension payments and similar obligations	236.5	177.5
Change in the provisions for pensions and similar obligations	483.1	−399.6
Income from transfer within Group	0.0	552.2
Change in the provisions for early retirement benefits	−237.6	−126.7
Pension fund contributions	938.3	671.9
	1,420.3	**875.2**
d) Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	3,235.4	4,197.3
e) Other social security expenses	172.0	201.0
	22,343.4	**26,130.2**

Interest rate fluctuations resulted in a negative effect of €420.8k in financial year 2020 and in a negative effect of €2,270.4k in 2019.

(16) 7. Depreciation, amortisation and write-downs

€k	2019	2020
a) Amortisation of intangible fixed assets and depreciation of property, plant and equipment		
Depreciation and amortisation	776.0	1,042.6
Immediate write-off of low-value assets in accordance with Section 13 of the Austrian Income Tax Act (EStG)	18.7	119.9
	794.7	**1,162.4**

(17) 8. Other operating expenses

€k	2019	2020
a) Taxes other than taxes on income	14.2	15.0
b) Other		
Expenses for information processing	5,073.5	6,782.8
Temporary personnel and provision of personnel	509.4	2,996.2
Other administrative expenses	1,707.4	2,445.0
Operating costs for buildings, rents and leasing	1,308.6	1,796.1
Legal, audit and consulting expenses	1,349.4	1,705.2
Usage fees	1,598.7	1,396.4
Advertising costs	976.2	1,324.7
Data services, telecommunications services	1,096.7	1,266.4
Training and further education	135.5	126.4
Other	3,834.8	5,559.5
	17,590.1	**25,398.9**
	17,604.3	**25,413.9**

(18) 16. Financial result

€k	2019	2020
Income from equity interests		
from affiliated companies	409.4	369.4
Other interest and similar income		
from affiliated companies	15,460.7	14,556.2
Income from disposals of investments		
from affiliated companies	0.0	1,950.0
Expenses relating to investments		
from affiliated companies	5.0	1,249.2
Interest and similar expenses		
of which interest for long-term personnel provisions	166.3	111.1
from affiliated companies	593.1	314.0

In the 2020 reporting period, expenses for investments vis-à-vis affiliated companies are mainly related to profit and loss transfer agreements.

(19) 18. Taxes on income

€k	2019	2020
From the Group parent		
Taxes on income[1]	8,170.8	10,031.5
Deferred taxes	–176.3	56.6
	7,994.4	**10,088.1**

[1] tax allocation rate of 25%

IV. Other disclosures

1. Total amount of other financial obligations

€k

Material items	Total commitment	2021	2021–2025
Rent, lease and insurance agreements	[1]	1,443.5	6,683.9
Purchase commitments	5,917.0	4,220.5	5,917.0
of which to affiliated companies	[1]	1,091.5	5,457.7

[1] The amount of the total commitment cannot be determined due to unspecified contract periods.

There is an agreement with VERBUND Services GmbH for the invoicing of services in the areas of IT, telecommunications, procurement, financial accounting, payroll and administrative services.

An agreement has been entered into with VERBUND Finanzierungsservice GmbH for the invoicing of payment transactions and cash management services.

An agreement has been entered into with VERBUND AG for the invoicing of general management services.

There is a cooperation agreement with OMV for the construction of a photovoltaic facility in Schönkirchen with a capacity of 14.85 MWp. In the first construction phase, 11.4 MWp was constructed in financial year 2020. At the time these annual financial statements were being prepared, the construction grant to be made by VEB for the second construction phase was still not known.

As a shareholder in SMATRICS GmbH & Co KG, VEB assumed a liability totalling €1m for the duration of four years on behalf of the newly formed joint venture SMATRICS mobility+ GmbH between SMATRICS GmbH & Co KG and Energie Baden-Württemberg AG.

Due to labour-management agreements and contracts, VERBUND is obligated under certain conditions to make pension payments to employees after they retire. The employer is obligated to provide additional funding to the extent that these pension obligations are required to be fulfilled by APK Pensionskasse AG. As a result of the trend on the financial markets, APK Pensionskasse AG reported an obligation for additional funding in the amount of €0.0k (previous year: €0.0k) to cover defined benefit obligations.

As at the reporting date, one (previous year: two) employee had a letter of loyalty granting a higher degree of employment protection. The prerequisite was 20 years of service at VERBUND and a minimum age of 45.

2. Disclosures regarding financial instruments

Derivative financial instruments (electricity/gas/CO_2 futures, forwards and options) comprised the following in 2020:

€k

Trading	Fair values – positive	Fair values – negative	Fair values – net
Futures	38,126.0	39,415.2	–1,289.3
Forwards	478,818.2	479,444.9	–626.7
Total before netting	**516,944.2**	**518,860.1**	**–1,915.9**
of which non-current	41,317.1	41,629.4	–312.3

€k

Wholesale	Fair values – positive	Fair values – negative	Fair values – net
Futures	102,088.6	110,940.3	–8,851.8
Forwards[1]	138,832.5	224,162.3	–85,329.8
Options	2,254.8	5,038.8	–2,783.9
Total before netting	243,175.9	340,141.4	–96,965.5
of which non-current	51,293.7	81,034.0	–29,740.3

€k

Total	Fair values – positive	Fair values – negative	Fair values – net
Futures	140,214.5	150,355.6	–10,141.0
Forwards	617,650.8	703,607.2	–85,956.5
Options	2,254.8	5,038.8	–2,783.9
Total before netting	760,120.1	859,001.5	–98,881.4
of which non-current	92,610.8	122,663.4	–30,052.6
Taking netting agreements into consideration[2]	–608,073.5	–608,073.5	0.0
	152,046.7	250,928.1	–98,881.4

[1] In the fair values of the positive forwards, €0.0k and, in the fair values of the negative forwards, €–17,549.5k relates to affiliated companies. // [2] 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.

The positive fair values amounting to €2,210.1k for the annual trading portfolios from 2021 to 2026 are not recognised in the balance sheet. Set against the negative fair value for wholesale electricity, gas and CO_2 of €–96,965.5k are hedged items (own use) not presented in the table with a positive fair value in the same amount and with which a portfolio hedge has been formed. In the CO_2 area, a portfolio hedge is formed with the store. If the previously fixed sales price is lower than the reinsurance in individual electricity, gas or CO_2 transactions, a provision for onerous contracts is recognised in all areas.

Derivative financial instruments (electricity/gas/CO_2 futures, forwards and options) comprised the following in the previous year:

€k

Trading	Fair values – positive	Fair values – negative	Fair values – net
Futures	25,781.1	26,595.2	–814.1
Forwards	489,181.4	488,587.3	594.1
Total before netting	514,962.5	515,182.5	–220.0
of which non-current	25,168.3	24,959.7	208.6

Wholesale	Fair values – positive	Fair values – negative	Fair values – net
			€k
Futures	136,790.7	117,727.6	19,063.1
Forwards[1]	217,170.5	148,658.9	68,511.6
Options	0.0	0.0	0.0
Total before netting	**353,961.2**	**266,386.5**	**87,574.7**
of which non-current	48,424.1	37,921.3	10,502.8

Total	Fair values – positive	Fair values – negative	Fair values – net
			€k
Futures	162,571.8	144,322.8	18,249.0
Forwards	706,351.9	637,246.2	69,105.7
Options	0.0	0.0	0.0
Total before netting	**868,923.7**	**781,569.0**	**87,354.7**
of which non-current	73,592.4	62,881.0	10,711.4
Taking netting agreements into consideration[2]	–663,825.5	–663,825.5	0.0
	205,098.2	**117,743.5**	**87,354.7**

[1] In the fair values of the positive forwards, €9,495.0k and, in the fair values of the negative forwards, €–8,948.7k relates to affiliated companies. // [2] 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.

The positive fair values amounting to €614.4k for the annual trading portfolios from 2020 to 2025 are not recognised in the balance sheet. Set against the positive fair value for wholesale electricity, gas and CO_2 of €87,574.7k are hedged items (own use) not presented in the table with a negative fair value in the same amount and with which a portfolio hedge has been formed. In the CO_2 area, a portfolio hedge is formed with the store. If the previously fixed sales price is lower than the reinsurance in individual electricity, gas or CO_2 transactions, a provision for onerous contracts is recognised in all areas.

3. Number of employees

Average	2019	2020
Salaried employees	133	165

4. Expenses for termination benefits and pensions

	2019	2020
		€k
Managing directors 2020	0.0	**72.7**
Other employees 2020	0.0	1,545.9
Members of the Management and other employees	2,952.6	0.0

No disclosures on the Management pursuant to Section 239(1)(3) of the Austrian Commercial Code (UGB) are necessary for the 2019 financial year pursuant to Section 242(4) of the Austrian Commercial Code (UGB).

5. Board members

Disclosures regarding the Boards of the Company (members of Management and the Supervisory Board) are presented before the management report.

Two members of the Management were employed during financial year 2019, for which reason no additional disclosures are necessary pursuant to Section 242(4) of the Austrian Commercial Code (UGB). Remuneration for the members of the Management (including termination benefits and bonuses) amounts to a total of €677.9k in financial year 2020.

Remuneration paid to members of the Supervisory Board amounted to a total of €26.1k (previous year: €27.3k). No loans or advances were paid out to members of the Company's Boards.

6. Intra-Group relationships

In accordance with Section 245 of the Austrian Commercial Code (UGB), VERBUND Energy4Business GmbH is exempt from preparing consolidated financial statements. The parent company required to prepare consolidated financial statements is VERBUND AG, Am Hof 6a, 1010 Vienna. VERBUND AG prepares the exempting consolidated financial statements and submits them to the commercial register of the Commercial Court of Vienna under number FN 76023 z. In accordance with Section 238(1)(18) of the Austrian Commercial Code (UGB), VERBUND Energy4Business GmbH elects not to disclose the expenses for the auditor.

VERBUND Energy4Business GmbH is a member of the group of companies of the parent company (within the meaning of Section 9(8) of the Austrian Corporate Income Tax Act (Körperschaftsteuergesetz, KStG)).

Irrespective of the group and tax allocation agreement concluded with the tax group parent, the profit and loss transfer agreement concluded with VERBUND AG on 5 May 2014 remains in force. In addition, VEB is a member of a value-added tax fiscal unit with VERBUND AG.

There are profit and loss transfer agreements with the subsidiaries VERBUND Energy4Flex GmbH, VERBUND Energy4Future GmbH and VERBUND Energy4Business Germany GmbH.

7. Disclosures in accordance with Section 8 of the Austrian Electricity Industry and Organisation Act (ElWOG)

Business transactions as defined by Section 8(3) of the Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) were entered into specifically with the following companies:

Electricity deliveries VERBUND Hydro Power GmbH, VERBUND Thermal Power GmbH & Co KG, VERBUND Innkraftwerke GmbH, Innwerk AG, Austrian Power Grid AG, Infrastruktur Oberheimbach I GmbH & Co KG, Infrastrukturgesellschaft Bischheim GmbH & Co KG, VERBUND Wind Power Austria GmbH, VERBUND Energy4Business Germany GmbH, VERBUND AG, VERBUND Wind Power Deutschland GmbH
Electricity trading and sales VERBUND Energy4Business Germany GmbH, VERBUND Trading Serbia d.o.o., VERBUND Trading Romania S.R.L., VERBUND AG, VERBUND Energy4Customers GmbH, VERBUND Energy4Flex GmbH, VERBUND Green Power GmbH
Grid services Austrian Power Grid AG
Telecommunication VERBUND Services GmbH
Services VERBUND Services GmbH, VERBUND Energy4Flex GmbH, VERBUND Energy4Future GmbH
Financing VERBUND Finanzierungsservice GmbH
Provision of personnel VERBUND AG

8. Events after the reporting date

No events occurred that would require separate reporting.

Vienna, 9 February 2021
The Management

Mag. Robert Slovacek

MMag. Martin Wagner

Disclosures of equity interests

in accordance with Section 238 (1)(4) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)

€k, CZK, RSD, RON

		Head-quarters	% share-holding as at 31/12/2020	Most recent annual financial statements	(+) (–)	Net income/loss for the year	Equity[1]
Affiliated companies							
VERBUND Energy4Flex GmbH	€	Vienna	100.00	2020	+	44.5	35.0
VERBUND Energy4Future GmbH	€	Vienna	100.00	2020	–	4.4	35.0
VERBUND Energy4Business Germany GmbH	€	Munich	100.00	2020	–	1,244.8	8,228.7
VERBUND Trading Czech Republic s.r.o., v likvidaci	CZK	Prague	100.00	2019	+	21.0	6,978.0
VERBUND Trading Serbia d.o.o	RSD	Belgrade	100.00	2019	+	137.0	13,105.0
VERBUND Trading Romania S.R.L.[2]	RON	Bucharest	99.00	2020	+	2,235.7	4,969.0
E-Mobility Provider Austria GmbH	€	Vienna	40.00	2020	–	0.7	37.4
SMATRICS GmbH & Co KG	€	Vienna	40.00	2019	–	4,747.6	5,751.1

[1] equity as defined by Section 224(3)(a) of the Austrian Commercial Code (UGB), IFRSs or local law // [2] annual financial statements in accordance with IFRSs

Disclosures in accordance with Section 78 of the Austrian Electricity Industry and Organisation Act (ElWOG)

Result of the documentation of electricity by source	Share	**2019 kWh**
Natural gas	47.13%	2,083,978,402.83
Hydropower	24.34%	1,076,479,575.02
Wind energy	18.51%	818,691,446.87
Solid or liquid biomass	6.78%	300,027,942.71
Solar energy	1.79%	79,202,374.90
Biogas	1.41%	62,347,986.59
Landfill and sewage gas	0.03%	1,413,438.05
Other green energy	0.00%	19,640.84
Total of certificates verified	100.00%	**4,422,160,807.80**
Evidence not required		0.00
Total volume of electricity supplied to consumers for their own use		**4,422,160,807.80**
The guarantees of origin used for electricity labelling come from the following countries:		
Austria	53.05%	
Netherlands	35.02%	
Italy	4.88%	
Finland	2.94%	
Norway	1.78%	
Denmark	0.82%	
Czech Republic	0.77%	
Switzerland	0.49%	
France	0.22%	
Germany	0.03%	
	100.00%	

Impact of electricity generation on the environment for the amount of electricity supplied to end customers for their own use		**2019**
Radioactive waste (mg/kWh)		0.00
CO_2 emissions (g/kWh)		195.04

The disclosures for 2020 were not yet available on the date this report was prepared. The figures for assigning guarantees of origin based on the green electricity allocation by the OeMaG Abwicklungsstelle für Ökostrom AG will be available by 30 April 2021 at the latest. Until that time, the figures from 2019 shall apply.

Independent auditor’s report (Translation)

Report on the audit of annual financial statements

Opinion

We have audited the annual financial statements of VERBUND Energy4Business GmbH (formerly VERBUND Trading GmbH), Vienna, which comprise the balance sheet as at 31 December 2020, the income statement for the financial year then ended and notes to the annual financial statements.

In our opinion, the accompanying annual financial statements comply with legal requirements and give a true and fair view of the company’s financial position as at 31 December 2020 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and the special legislation of the Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG).

Basis for opinion

We conducted our audit in accordance with the Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the annual financial statements section of our report. We are independent of the company in accordance with laws and regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence obtained by us up to the date of this Independent Auditor's Report is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises all information included in the annual report, but does not include the annual financial statements, the management report and the auditor’s report thereon.

Our opinion regarding the annual financial statements does not cover the other information, and we do not provide any assurance thereon. Please refer to the “Report on the audit of the management report” regarding the information in the management report.

In connection with our audit of the annual financial statements, our responsibility is to read the other information identified above and, in so doing, to consider whether the other information is materially inconsistent with the annual financial statements or with the knowledge we obtained in our audit, or otherwise appears to be materially misstated.

If we arrive at the conclusion that the other information is materially misstated based on work performed by us with respect to other information that was received prior to the date of this auditor’s report, we must report such conclusion. We have nothing to report in this regard.

Responsibilities of management and the supervisory board for the annual financial statements

Management is responsible for preparing the annual financial statements as well as for ensuring that the financial statements give a true and fair view of the net assets, financial position and results of operations of the company in accordance with Austrian Generally Accepted Accounting Principles and the Electricity Industry and Organisation Act (ElWOG). Furthermore, the company’s management is responsible for the internal controls that it deems necessary to facilitate the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for overseeing the company’s financial reporting process.

Auditor’s responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Austrian Generally Accepted Auditing Standards, which require application of the International Standards on Auditing (ISAs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with 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 misstatements of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or an override of internal controls.
- We obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.
- We evaluate the appropriateness of accounting policies used by management and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management’s use of the going-concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainties exist in relation to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that give a true and fair view.
- We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control system that we identify during our audit.
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Report on the audit of the management report

Pursuant to Austrian Generally Accepted Accounting Principles, the management report must be audited to determine whether it is consistent with the annual financial statements and whether it has been prepared in accordance with the applicable legal requirements.

The company's management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with laws and regulations applicable to the management report.

Opinion

In our opinion, the accompanying management report has been prepared in accordance with the applicable legal requirements and is consistent with the annual financial statements.

Statement

In the light of the knowledge and understanding of the company and its environment obtained in the course of our audit of the annual financial statements, we have not identified material misstatements in the management report.

Vienna, 15 February 2021
Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Gerhard Marterbauer
Wirtschaftsprüfer
(Austrian Certified Public Accountant)

p.p. MMag. Anna-Livia Massera
Wirtschaftsprüferin
(Austrian Certified Public Accountant)

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The annual financial statements may only be published or duplicated together with our auditor's report in the version audited by us. This auditor's report only relates to the complete annual financial statements in German, including the management report. Section 281(2) of the Austrian Commercial Code (UGB) applies to versions differing from the version audited by us.

Glossary

Glossary

Cash flow

Balance of the inflow and outflow of cash and cash equivalents, usually broken down into cash flow from operating activities, investing activities and financing activities.

EBIT

Earnings before interest (including personnel-related interest) and taxes.

Equity ratio

Ratio of equity to total capital.

Net debt

Interest-bearing debt less cash and cash equivalents (including securities and shares held as current assets), adjusted for the asset and liability portions of closed items (e.g. in the case of cross-border leasing transactions).

Notional debt repayment period

Ratio of debt to surplus funds from earnings after tax.

ROE (return on equity)

Ratio of earnings before taxes to equity at the beginning of the financial year.

ROI (return on investment)

Ratio of earnings before interest (including personnel-related interest) and taxes to total capital at the beginning of the financial year.

ROS (return on sales)

Ratio of earnings before interest (including personnel-related interest) and taxes to revenue.

Working capital

Current assets (including current loans and current prepayments and accrued income) less current liabilities (including current accruals and deferred income).

EDITORIAL DETAILS

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