

A scenic landscape photograph of a mountain valley. In the foreground, a calm lake reflects the surrounding green hills and the misty atmosphere. The middle ground shows steep, green mountainsides with patches of white mist or low clouds. The background features more distant, hazy mountain peaks under a soft, overcast sky. A large, white, stylized letter 'V' is superimposed over the center of the image, partially overlapping the lake and the mountains.

Integrated Annual Report 2022

The power to transform.
Together.

Verbund

VERBUND Integrated Annual Report

This report combines our annual financial report and our sustainability report.

How should this report be used?

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

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

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


The Integrated Annual Report is also available online at www.verbund.com > Investor Relations > Financial reports.


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





Design concept for charts and tables

Column/bar width







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

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

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

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

Colours

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

Five-year comparison

Economic performance

	Unit	2018	2019	2020	2021	2022
Revenue ^{1,3}	€m	2,671.1	3,895.0	3,449.8	4,776.6	10,346.1
EBITDA	€m	864.2	1,183.5	1,292.8	1,579.0	3,160.7
Adjusted EBITDA ²	€m	863.5	1,183.5	1,292.8	1,579.0	3,160.7
Operating result (EBIT)	€m	655.1	865.9	921.9	1,266.8	2,626.2
Operating result before effects from impairment tests	€m	536.9	819.3	914.0	1,161.7	2,698.0
Group result	€m	433.2	554.8	631.4	873.6	1,717.0
Adjusted Group result ²	€m	342.2	549.0	610.4	798.6	1,754.9
Total assets ^{3,4}	€m	11,704.8	11,838.6	11,987.7	17,281.4	19,156.6
Equity ³	€m	5,941.0	6,568.0	6,807.4	6,362.9	8,323.0
Net debt	€m	2,560.7	2,256.1	1,881.2	3,510.8	3,898.3
Additions to property, plant and equipment	€m	292.5	438.9	628.5	842.8	1,180.9
Cash flow from operating activities ³	€m	664.1	1,204.3	1,182.1	98.2	2,019.9
Free cash flow before dividends ³	€m	415.3	817.4	582.1	-1,010.1	452.1
Free cash flow after dividends	€m	237.2	639.3	299.5	-1,329.5	-25.7
EBITDA margin ^{1,3}	%	32.4	30.4	37.5	33.1	30.5
EBIT margin ^{1,3}	%	24.5	22.2	26.7	26.5	25.4
Return on capital employed (ROCE) ^{1,3}	%	5.6	7.8	9.6	11.4	21.2
Return on equity (ROE) ³	%	8.2	10.2	10.7	15.0	26.5
Equity ratio (adjusted) ^{3,4}	%	52.7	57.7	58.6	37.8	44.5
Gearing	%	43.1	34.4	27.4	55.2	46.8
Net debt/EBITDA	X	3.0	1.9	1.5	2.2	1.2
FFO/Net debt (net debt coverage)	%	28.7	44.3	57.7	36.6	64.6
Gross debt coverage (FFO)	%	25.7	41.0	52.6	31.9	56.2
Gross interest cover (FFO)	X	7.3	11.9	19.4	24.9	32.3
Closing price	€	37.24	44.74	69.85	98.90	78.65
Market capitalisation	€m	12,937.8	15,543.4	24,267.0	34,359.4	27,324.2
Earnings per share	€	1.25	1.60	1.82	2.51	4.94
Cash flow per share	€	1.91	3.47	3.40	0.28	5.81
Carrying amount per share	€	15.27	16.95	17.71	15.72	20.94
Price/earnings ratio (last trading day)	X	29.87	28.02	38.43	39.33	15.91
Price/cash flow ratio	X	19.48	12.91	20.53	350.03	13.53
Price/book value ratio	X	2.44	2.64	3.95	6.29	3.76
(Proposed) dividend per share	€	0.42	0.69	0.75	1.05	2.44
(Proposed) special dividend per share	€	-	-	-	-	1.16
Dividend yield	%	1.1	1.5	1.1	1.1	4.6
Payout ratio from Group result ⁵	%	33.7	43.2	41.3	41.8	72.8
Entity value/EBITDA	X	17.9	15.0	20.2	24.0	9.9
Average number of employees	Number	2,742	2,772	2,870	3,184	3,516
Electricity sales volume	GWh	58,908	62,179	62,741	58,896	63,431
Hydro coefficient	X	0.94	1.01	1.01	0.95	0.86
New renewables coefficient	X	0.90	1.01	1.00	0.91	0.96

¹ calculation adjusted retrospectively in accordance with IAS 8 in financial year 2019 with effect from 1 January 2018 // ² adjusted for extraordinary effects // ³ calculation adjusted retrospectively in accordance with IAS 8 in financial year 2021 with effect from 1 January 2020 // ⁴ calculation adjusted retrospectively in accordance with IAS 8 in financial year 2022 with effect from 1 January 2021 //

⁵ Total payout ratio (regular dividend and special dividend) calculated on the basis of the adjusted Group result amounts to 71.3% for the 2022 reporting period (previous year: 45.7%). The payout ratio exclusively for the regular dividend calculated on the basis of the adjusted Group result amounts to 48.3% for the 2022 reporting period (previous year: 45.7%).

Environmental performance

	Unit	2018	2019	2020	2021	2022
Hydropower generation ¹	GWh	28,684	30,660	31,525	29,340	26,754
Wind power generation	GWh	834	929	924	839	954
Solar power generation	GWh	–	–	1	2	70
Thermal power generation	GWh	1,611	1,596	1,033	1,125	1,264
Share of generation from renewables	%	95	95	97	96	96
Specific GHG emissions (Scope 1/total electricity generated) ²	g CO ₂ e/kWh	34	32	20	14	17
Emissions avoided through renewable generation ³	kt CO ₂	22,411	24,071	24,726	22,055	20,006

Social performance

	Unit	2018	2019	2020	2021	2022
Number of employees under labour law ⁴	Number	2,784	2,843	2,980	3,497	3,712
Training per employee ⁵	Hours	33.6	40.0	20.0	26.4	34.4
Lost time injury frequency (LTIF) ⁶	Number	5.4	6.4	5.6	6.8	8.9
Proportion of women	%	17.6	17.8	18.3	19.3	20.5
Average duration of employment ⁷	Years	18.1	17.6	16.1	15.0	13.6
Employee turnover rate ⁸	%	2.1	2.0	1.5	2.4	3.1

¹ incl. purchase rights // ² from electricity generation and transmission (excl. GCA) as a percentage of total electricity generated (incl. purchase rights excl. electricity generated for district heating); preliminary figures before ETS audit // ³ calculated using emissions from thermal generation in Europe based on IEA figures // ⁴ as at 31 December, excl. members of the Executive Board and employees in partial retirement // ⁵ incl. executives and long-term agency staff, excl. apprentices, apprentices in post-qualification retention period (Behaltfrist), employees seconded to third parties and those on long-term leave; excl. safety instruction // ⁶ ratio of workplace injuries from the first day of leave to million working hours; excl. injuries requiring only first aid measures and excl. fatal injuries. The basis for calculating the working hours is defined for the industry at 1,740 working hours per year; incl. external contractors from 2018. // ⁷ Personnel from acquired and newly consolidated companies are included in the duration of employment with the acquired/consolidated company and no longer in the duration of employment with the VERBUND Group. // ⁸ excl. retirements, incl. employees leaving during their probationary period

GRI 2-6

Basic information

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

Capital market calendar 2023

Event	Date
Annual result 2022	16 March 2023
Publication of Integrated Annual Report	16 March 2023
Record date for Annual General Meeting	15 April 2023
Annual General Meeting	25 April 2023
Ex-dividend date	2 May 2023
Record date for dividends	3 May 2023
Dividend payment date	15 May 2023
Interim report quarter 1/2023	11 May 2023
Interim report quarters 1–2/2023	27 July 2023
Interim report quarters 1–3/2023	2 November 2023

VERBUND
Integrated Annual Report 2022

Contents

Information about the integrated report	5
Report of the Executive Board	8
Report of the Supervisory Board	12
The VERBUND Group and its strategy	16
VERBUND's 2030 strategy	18
Corporate objectives	21
Investor relations	23
Consolidated Corporate Governance Report	27
Corporate governance – framework	28
Declaration of commitment to the Austrian Code of Corporate Governance	28
Executive Board	30
Supervisory Board	32
Annual General Meeting	42
Diversity concept for appointments to the Executive Board and Supervisory Board	42
Measures for the advancement of women	44
External evaluation	45
Group management report	46
General conditions	47
Finance	59
Segment report	75
Hydro	75
New renewables	86
Sales	90
Grid	98
All other segments	113
Opportunity and risk management	118
Internal control and risk management system	125
Shareholder structure and capital information	127
Innovation, research and development	129
Green hydrogen	134
Outlook	136
Events after the reporting date	138

Report on non-financial information (NFI Report)	139
Materiality.....	141
EU taxonomy.....	149
Taxonomy disclosures	156
Stakeholder engagement and social responsibility.....	162
Compliance	165
Environmental performance.....	170
Human resources.....	179
Occupational health and safety.....	192
Digitalisation, information security and data protection	200
Human rights	203
Supply chain.....	204
Independent Assurance	207
Consolidated financial statements	210
Income statement.....	212
Statement of comprehensive income	213
Balance sheet.....	214
Cash flow statement	216
Statement of changes in equity.....	218
Notes	220
Independent Auditor’s Report.....	350
VERBUND power plants, APG grid facilities and GCA pipeline facilities	357
Glossary	362

Information about the integrated report

This Integrated Annual Report contains the Group management report published by VERBUND for financial year 2022, the Group report on non-financial information (NFI Report) and the Group's consolidated financial statements, including the notes to the consolidated financial statements. The principles of fair enterprise management followed by VERBUND are laid out in the Corporate Governance Report. This Integrated Annual Report thus not only presents the Group's financial and legal information but also deals with further aspects of sustainability and proper conduct of business operations.

GRI 2-2
GRI 2-4

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

The reporting period comprises the 2022 calendar year. The most recent preceding integrated annual report (for financial year 2021) was published on 17 March 2022. To ensure that our report is up to date, we also report in the Group management report on any major events occurring at VERBUND between 31 December 2022 and authorisation of the annual report for issue on 16 February 2023. Supplementary information on sustainability topics is available in our Disclosures on Management Approach (DMA) document and on the VERBUND website at www.verbund.com > About VERBUND > Responsibility > Non-financial Information.

GRI 2-3

Contact for corporate responsibility: sustainability@verbund.com

Integrated report focuses on stakeholder interests

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

GRI 3-1

The materiality analysis is presented in the Materiality section

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

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

Since 2022, VERBUND is also required to disclose information on environmentally sustainable revenues, capital expenditures (CAPEX) and operational expenditures (OPEX) pursuant to the EU Taxonomy Regulation. This reporting requirement is complied with through the EU taxonomy section of the Non-Financial Report (NFI Report).

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

GRI 2-5
GRI 2-14

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

Standards and guidelines

All data and calculations taken for this Integrated Annual Report are based on national and international standards as well as on guidelines for financial reporting (including the International Financial Reporting Standards, IFRSs) and sustainability reporting (the Global Reporting Initiative Standards, GRI, and the G4 Electric Utilities Sector Disclosures). This report was prepared in accordance with the 2016 GRI Standards, the 2018 GRI Standards (relating to GRI 303: Water and Effluents and GRI 403: Occupational Health and Safety), the 2020 GRI Standards (relating to GRI 306: Waste) and the 2021 Universal Standards. The current GRI table of contents including the TCFD Index is published on the VERBUND website: www.verbund.com > About VERBUND > Responsibility > Non-financial Information.

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

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



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

GRI 2-23

External audit

The content of the consolidated financial statements, the Group management report and the Report on non-financial information (NFI Report) was subjected to an external audit by independent auditor Deloitte Audit Wirtschaftsprüfungs GmbH.

GRI 2-5
See: Independent Assurance and Independent Auditor's Report

VERBUND's power plant app

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



Report of the Executive Board

Ladies and Gentlemen,

GRI 2-22

Difficult geopolitical and energy market developments cast a shadow over 2022, radically changing the conditions in the energy industry. Particularly the war in Ukraine caused significant distortion in Europe's energy markets that led to rocketing prices and extreme price volatility, along with marked shifts in supply and demand structures. Prices for primary energy sources shot up during the course of the year, with gas prices in particular being hugely affected by changes in gas supply volumes and the off-take structure. European wholesale prices for electricity, which are established on the European electricity exchanges on the basis of supply and demand and are mainly determined by the prices for gas- and coal-fired power plants, likewise continued their upward trend fuelled by soaring global market prices for primary energy and the increasing market risks, reaching fresh highs as the year went on. In response to the headwinds in the European energy sector and to address the severe price pressure on residential and industrial customers alike, discussions about market intervention and taxing windfall profits were initiated at both EU and national level and the necessary steps were taken. In addition, the Austrian federal government and VERBUND implemented measures to slow the rise in prices to the consumer. These actions are intended to bring down the high energy prices and give the individual states the financial flexibility to reduce retail prices. To this end, the Austrian federal government introduced the "electricity price cap" with effect from 1 December 2022 and also passed a law to tax windfall profits at electricity producers. This law will mean that in 2022 and 2023 VERBUND will transfer part of its profit to the state so as to help consumers with their electricity costs. The discussions and decisions relating to market intervention generated considerable uncertainty in the capital markets and also put downward pressure on VERBUND's share price, which fell by 20.5% in 2022.

If we are to overcome the challenges facing us in the coming years and decades, then we need to continue evolving within this difficult framework. As a leading Austrian utility, VERBUND is a key player in the success of the energy transition and to achieving decarbonisation of the energy system in Austria. This is why we launched Mission V, a long-term comprehensive transformation programme based on VERBUND's 2030 strategy with its three strategic focus areas: strengthening VERBUND's integrated positioning in its home market of Austria, expanding renewables in Europe and positioning VERBUND as a European hydrogen player. Mission V will help us achieve our strategic goals for 2030 and ensure their implementation.

Strengthening VERBUND's integrated positioning in the domestic market. In our home market of Austria, VERBUND is positioned in all stages of the value creation process, from electricity generation to electricity transport and the supply of electricity to consumers. We are striving to cement this strong position in security of supply and wean ourselves off fossil fuels. Over 92% of the electricity generated by VERBUND in 2022 came from hydropower. Our electricity is generated in high-efficiency storage and pumped storage power plants in the Alps as well as in run-of-river power plants on the rivers. Thanks to the high share of hydropower, VERBUND already makes a sizeable contribution to Austria's and Europe's energy and climate targets. Our reference projects in the Hydro segment in 2022 included construction of the new Limberg III and Reifseck II plus pumped storage power plants, as well as the Gratkorn power plant near Graz. In terms of increasing the efficiency of existing power plants, we can point to the modernisation and completion of the Jettenbach-Töging power plant in 2022. The new construction increased installed power plant capacity by around 40% and annual electricity

generation by around 25%. Through our subsidiaries Austrian Power Grid AG (APG) and Gas Connect Austria GmbH (GCA) we transport electricity and gas, integrate the new renewable energy sources into the electricity system, support security of supply and play an important role in European market integration. Implementation of the network development plans helps to ensure a stable electricity and gas grid infrastructure; upgrading the gas grid for transportation of hydrogen is indispensable for this. In 2022, APG put the 380-kV Weinviertel line and the new Neusiedl/Zaya substation into operation, among other things. Capital expenditure on the power and gas grids in excess of €4bn is planned for the next ten years. After all, in Austria VERBUND supplies industrial, commercial and household customers as well as the Austrian resellers with mostly renewable electricity. Beyond this, we offer our customers comprehensive energy services such as electricity storage or photovoltaic installations that are needed to advance decarbonisation and reduce our high dependence on gas.

Expanding electricity generation from new renewables. Wind and solar power now together make up 4% of VERBUND's generation portfolio. This share is to be increased to 20–25% by 2030. In addition to hydropower, VERBUND has been focusing on wind power for many years. Solar energy can also go a long way to achieving the goals of the energy transition. VERBUND already operates solar farms in Austria and Spain. One important milestone in quarter 1/2022 was taking a 70% stake in four wind farms and one solar farm in Spain with a total capacity of 171 MW. Another deal in Spain was concluded at the end of July 2022 (acquisition of a PV portfolio of 82 MWp plus an extensive development pipeline). At the end of September, VERBUND inaugurated the 147.6 MWp Pinos Puente solar park near Granada. In July 2022, OMV and VERBUND also announced that the photovoltaic installation in Schönkirchen had come on stream. Going forward, Lenzing will likewise use solar energy from VERBUND's photovoltaic installations and Borealis and VERBUND will jointly build a new solar farm to supply energy to the Borealis site in Schwechat, Austria.

Hydrogen, a field of the future. However, green electricity is not the only solution. In many sectors, the opportunities for electrification are limited. Capacity for innovation and new approaches are needed to decarbonise such sectors and become completely climate neutral. Green hydrogen produced from renewable energy is a fundamental part of the decarbonisation solution. It can be used as an energy source, in industrial processes and as a fuel. Not only that, but it is easy to store and can be transported over long distances. In addition, green hydrogen can increase flexibility in the energy system through sector coupling. Together with different partners VERBUND is a pioneer in green hydrogen in Austria. Since 2019, VERBUND has been operating Austria's first PEM electrolyser in conjunction with voestalpine and Siemens. Beyond this, VERBUND is involved in pilot projects and commercial applications. Building a green hydrogen economy requires alliances. Austria as a business location will need an assured, long-term supply of affordable hydrogen for the future. Diversified import routes will have to be established for this. We are working on practical solutions for large-scale hydrogen imports, driving forward their implementation and managing the relevant stakeholders along the value chain.

Sustainability focal points – large contributions from VERBUND. The energy market is currently in an exceptional situation, one which we have never experienced before. Many of the basic mechanisms of the energy market that worked very well in the past are now being questioned. If only since the war in Ukraine, we are now aware of the huge importance of secure and affordable energy supplies, something which for many years we simply took for granted. The high energy prices in particular present an existential threat for many. VERBUND is living up to its responsibility in this regard. The VERBUND Electricity Relief Fund has been helping people in need in Austria to break out of energy poverty for 13 years. In December 2022, VERBUND increased the funding it provides to Caritas. Specifically, VERBUND supports people who are at risk of fuel poverty through the Caritas Electricity Relief Fund – no matter who their energy provider is. Furthermore, VERBUND will make a significant contribution to reducing electricity prices for Austrian electricity customers from December 2022 onwards through the tax levied on windfall profits. In addition, VERBUND has set up a hardship fund for its customers who have been very severely impacted by the rising cost of living. On top of the federal government's electricity price cap, the VERBUND hardship fund will provide effective assistance by reducing electricity bills. In 2022, VERBUND also supported the Institute of Science and Technology Austria (ISTA) with a donation of €5m. In recognition of this donation, a named professorship with the title "VERBUND Professor of Energy Science" will be permanently established. With this named professorship for energy sciences, a flagship project in the domestic research environment is being established. The first holder of this title is the materials scientist Maria Ibáñez. We are also aware that in the battle for the best minds for the energy transition, an attractive learning environment is an absolute must. Training apprentices in our own apprentice workshops is therefore one of the central pillars of our human resources strategy. That is why VERBUND is also investing around €12m in a new vocational training campus with infrastructure fit for the future and is expanding its apprenticeship training centre in Ybbs on the Danube.

VERBUND's encouraging business performance in 2022. VERBUND saw a significant improvement in the results posted for financial year 2022. EBITDA climbed by 100.2% to €3,160.7m. The Group result surged by 96.6% to €1,717.0m compared with the same period of the previous year. Particularly as a consequence of the dry summer, the volume of electricity VERBUND generated from its run-of-river power plants in financial year 2022 was well below average. The hydro coefficient dropped to 0.86, or 9 percentage points below the prior-year figure and 14 percentage points below the long-term average. The reduced volume of electricity generated from hydropower had a pronounced negative impact on the development of earnings. What is more, the underproduction of hydropower made it necessary to purchase large volumes of electricity to be able to deliver the electricity volumes that had already been sold on the basis of the long-standing hedging strategy. Due to the market conditions, these repurchases had to be made at exceedingly high prices in some cases, which put additional pressure on earnings. The taxation of the windfall revenues of inframarginal power generators in Austria and Germany from December 2022 and corresponding windfall profits in Romania and Spain also had a negative impact on the Group's result. By contrast, the sharp increase in wholesale electricity prices on the futures and spot markets in particular gave a significant boost to earnings. Average sales prices obtained for VERBUND's own generation from hydropower rose by €60.2/MWh to €115.1/MWh. The New renewables segment also made a bigger contribution to earnings on the strength of higher average prices and a rise in output. The significantly higher contribution from flexibility products likewise had a positive effect. Moreover, the Group result for financial year 2022 was influenced by non-recurring

effects totalling €-37.9m (2021: €+75.0m). Adjusted for these non-recurring effects, the Group result rose by 119.8% to €1,754.9m.

Dividend and outlook. A dividend of €3.60 per share for financial year 2022 will be proposed to the Annual General Meeting on 25 April 2023. This dividend consists of a regular dividend of €2.44 per share plus a special dividend of €1.16 per share. The one-off special dividend will allow shareholders to participate in the Group's extraordinarily good business performance for financial year 2022. Distribution of the dividends must be approved by the Supervisory Board at the meeting at which the annual financial statements are to be approved and also requires the approval of the shareholders of VERBUND AG at the 2023 Annual General Meeting.

Mission V prioritises people. Mission V is VERBUND's new communication strategy for the transformation, designed to address the new requirements in the energy sector - in light of the climate crisis, the energy crisis and rising electricity prices - and the special needs of individuals. With this strategy VERBUND reaffirms its commitment to the Sustainable Development Goals and the 1.5-degree target set out in the Paris Agreement. We are aware of the magnitude of the challenges, but the people who stand resolutely behind the energy transition in particular make us optimistic that we can overcome them. A big thank-you therefore goes especially to our employees, who are working so hard amid the upheaval in the energy markets, as well as to all our customers, investors, suppliers and cooperation partners, who are taking the next steps forward with us in this taxing environment! Together we are expanding renewables!



Mag. Dr. Michael Strugl MBA



Dr. Peter F. Kollmann



Mag. Dr. Achim Kaspar

Report of the Supervisory Board

As Austria's leading energy utility, VERBUND generated outstanding results once again in financial year 2022 despite the challenges and the considerable uncertainty. The Group succeeded in strengthening its profitability and continuing its sustainable development with the aim of making a substantial contribution to the energy transition. The Supervisory Board actively monitored and supported this strong performance.

GRI 2-12

Performance of duties

In financial year 2022, the Supervisory Board discharged the responsibilities and exercised the powers incumbent upon it by virtue of the law and the Articles of Association at seven plenary meetings, some of which were held as video or teleconferences due to the preventive measures against COVID-19. The overall attendance rate for all Supervisory Board members was 95%. The Chairman additionally kept in regular contact with the Board members to discuss matters of importance as they arose. The Executive Board provided the Supervisory Board with regular and comprehensive real-time information, both verbally and in writing, on all relevant matters relating to the performance as well as the position and strategy of the Group and all significant Group companies; information was also provided on the Group's risk position and its risk management activities.

The Supervisory Board advised the Executive Board on key questions concerning the future, particularly as regards the Group's structure and strategy, and regularly discussed the implementation of the strategy with the Executive Board. Major investment and acquisition projects, with which the growth strategy was implemented, were among the main topics discussed. The Supervisory Board monitored and supported the Executive Board's management activities continuously based on its extensive reporting. Supervision took place in the context of open and constructive meetings between the Executive Board and the Supervisory Board and revealed no grounds for objection. The main resolutions adopted by the Supervisory Board are presented in the 2022 Consolidated Corporate Governance Report. Between meetings, the Chairman of the Supervisory Board conversed regularly with the Chairman of the Executive Board.

New members in the Supervisory Board

At the Annual General Meeting held on 25 April 2022, Dr. Edith Hlawati and Dipl.-Ing. Robert Stajic were newly elected to the Supervisory Board, Prof. Dr. Barbara Praetorius was re-elected for an additional two years, and Dr. Susan Hennersdorf left the Supervisory Board. At the constituent meeting of the Supervisory Board following the election, Dr. Edith Hlawati was appointed 1st vice-chairwoman and Dr. Christine Catasta 2nd vice-chairwoman of the Supervisory Board. The criteria set out in the diversity concept were taken into account to a considerable extent in the election.

Code of Corporate Governance, Supervisory Board Committees

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

Pursuant to the requirements of the Code (Rule 36), the Supervisory Board again conducted a self-evaluation of its activities, particularly of its organisation and work procedures. The evaluation was

carried out in the reporting period by means of qualitative and quantitative interviews with all Supervisory Board members and Executive Board members conducted by an external advisor. The results of the evaluation and the suggestions for measures derived on this basis were discussed in detail at the Supervisory Board meeting in September 2022. In addition, the Supervisory Board again discussed at length possible conflicts of interest when dealing with the approval of contracts with companies where individual Supervisory Board members are related parties. No conflicts of interest were identified that would require any corresponding action to be undertaken.

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

The Supervisory Board's Audit Committee met three times during the financial year now ended. It dealt above all with the semi-annual financial statements, the budget and preparation of the resolution to approve the annual financial statements, as well as with the appointment of the auditor and examination of the auditor's work. In addition, the Audit Committee concentrated on the Group's internal control and audit procedures and on the call for tenders for the audits for the coming financial years.

The Sustainability Committee established in 2020 addresses in particular the topics of sustainability, the New Green Deal, decarbonisation, the energy transition, climate action and environmental protection. It is responsible for the development of appropriate strategies and implementation measures as well as for the annual review of the sustainability strategy and goals. The Sustainability Committee met three times in financial year 2022. In addition to ongoing reporting on sustainability topics, the meetings dealt in particular with important specific areas of emphasis such as security of supply and gas, hydropower ecology, impact of the EU taxonomy, sustainable financing and investment, and gender balance and diversity.

In accordance with the Austrian Code of Corporate Governance (ÖKCG) and the rules of procedure, three other committees – an Emergencies Committee, a Nomination Committee and a Remuneration Committee – were again formed in the financial year now ended. The Remuneration Committee held three meetings to discuss in particular target agreements and the achievement of targets for the variable remuneration for the Executive Board as well as the 2021 remuneration report. The Nomination Committee held two meetings at which it discussed preparations for the election of Supervisory Board members and preparations for the advertisement of Executive Board functions. The Emergencies Committee did not meet during the reporting period.

Further information on the composition, work procedures and meetings of the Supervisory Board and its committees is contained in the Group's Consolidated Corporate Governance Report for 2022. Information on the remuneration paid to the Supervisory Board members can be found in the remuneration report that the Executive Board and the Supervisory Board jointly prepared for presentation to the Annual General Meeting in April 2023 in accordance with Section 78c of the Austrian Stock Corporation Act (Aktengesetz, AktG).

Annual financial statements and consolidated financial statements

The annual financial statements, together with the management report, the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs) and the Group management report for financial year 2022 were audited by Deloitte Audit Wirtschaftsprüfungs GmbH and issued with an unqualified auditor's report. The auditor prepared the additional report required to be made to the Audit Committee under Article 11 of the Regulation on the statutory audit of public-interest entities and reported its findings in writing. The auditor found that the Executive Board had provided the explanations and evidence requested and that the book-keeping, annual financial statements and consolidated financial statements fulfilled the legal requirements and, in conformity with generally accepted accounting principles, gave a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group. The auditor also confirmed that the management report and the Group management report were consistent with the annual financial statements and the consolidated financial statements.

Following in-depth examination and discussion by the Audit Committee and the Supervisory Board, the Supervisory Board approved the annual financial statements for financial year 2022 as presented by the Executive Board. As a result, they are final for the purposes of Section 96(4) of the Austrian Stock Corporation Act (AktG). The management report prepared by the Executive Board was approved, as was the proposal for the appropriation of profit. The Supervisory Board also approved the consolidated financial statements and the Group management report along with the consolidated corporate governance report submitted by the Executive Board and the separate Non-Financial Report. There were no grounds for any material objections.

In conclusion, the Supervisory Board would like to thank the Executive Board and all of the Group's employees for their successful work in 2022. Their tireless efforts in exceptional circumstances ensured an uninterrupted supply of electricity in Austria. The Supervisory Board would also like to thank the Group's shareholders, customers and business partners for their trust.

Vienna, March 2023



Mag. Martin Ohneberg
Chairman of the Supervisory Board

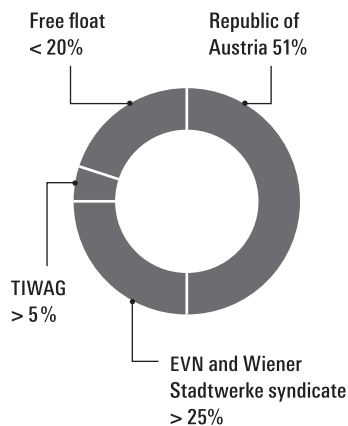
THE POWER TO TRANSFORM

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

SUSTAINABILITY & INNOVATION

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

SHAREHOLDER STRUCTURE



Contact
VERBUND AG, Am Hof 6a,
1010 Vienna, Austria
+43 (0)503 13-0
information@verbund.com
www.verbund.com

GRI 2-1, GRI 2-6

VERBUND at a glance

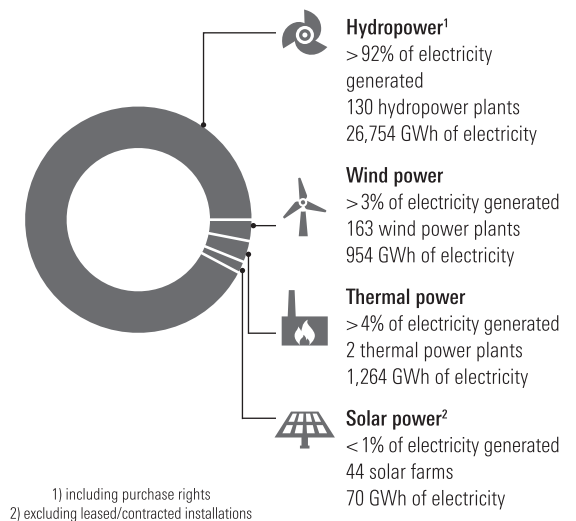
Building on our Mission V corporate strategy and using our power to transform, we strive to cultivate new areas of business, develop new markets and become active in new regions across Europe. Sustainability is an essential part of all our activities.

VERBUND is Austria's leading power company and one of the largest producers of hydroelectricity in Europe. The Group generated annual revenue of around €10.3bn in 2022 with approximately 3,500 employees. VERBUND has been quoted on the Vienna Stock Exchange since 1988 with 51% of the share capital being held by the Republic of Austria.

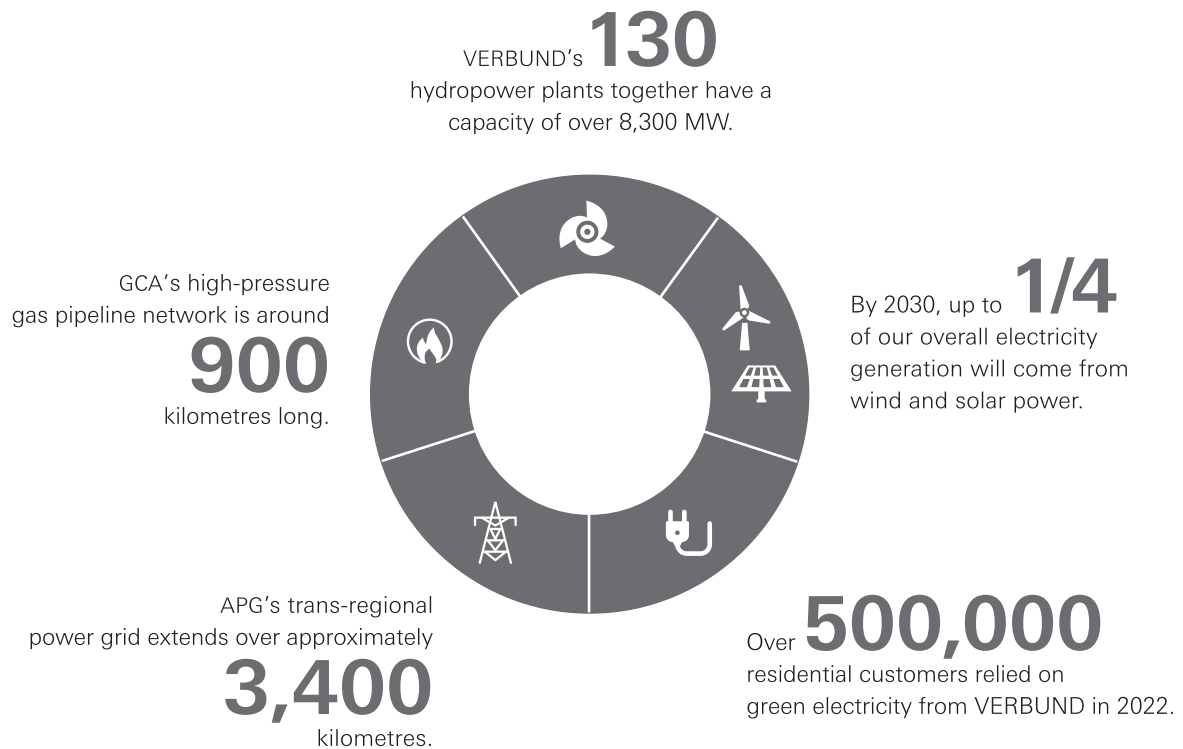
GENERATION

All amounts are for 2022

VERBUND is Austria's leading utility and one of the largest producers of hydroelectricity in Europe. Our most important energy generation technologies are hydro-power and wind power – renewable resources that account for the lion's share of the energy we produce. Generation of 100% carbon-free electricity will be achieved in the long term.



OUR SEGMENTS



Hydro

Climate-friendly hydropower is the most important source of energy for our electricity generation. Around 92% of VERBUND electricity comes from hydropower. We manage our power plants efficiently and protect people and the environment. Going forward, we will continue to invest in the expansion of hydropower.

New renewables

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

Sales

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

Grid

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

All other segments

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

VERBUND's 2030 strategy

The climate crisis is the defining issue of our time. Europe is simultaneously experiencing an energy crisis fuelled in particular by Russia's war of aggression on Ukraine and fossil energy imports, which is leading to high electricity and gas prices. Weaning ourselves off fossil fuels as quickly as possible and safeguarding security of supply are therefore essential.

Achieving this requires pan-European efforts to drive up energy efficiency at existing power plants along with a massive push of investment and growth in wind power, solar energy and green hydrogen. The related expansion of the electricity and gas infrastructure this necessitates will also greatly help to integrate the generation units and drive the transformation into a largely carbon-free energy market.

As Austria's largest energy utility and one of the leading producers of green electricity in Europe, VERBUND has a vital role to play in a successful energy transition in Austria and Europe. The challenges that lie ahead require a new company spirit in order to generate growth, develop new areas of business and tap into new markets. In short, they require **Mission V**.

To ensure that the strategic goals are implemented, it is important that we not only have a clear focus but also an internal framework in place that allows us to actively shape change and transformation. Here, too, Mission V will create a clear understanding for the Group's role and direction. This includes targeted refinement of the corporate brand and the corporate culture in all areas of the Group, culminating in the transformation that will allow VERBUND to resolutely combat the climate crisis as a force for change.

Mission V will be put into operation in three strategic focus areas: strengthening *VERBUND's position as an integrated utility in the domestic market*, expanding renewables in Europe and positioning *VERBUND as a European hydrogen player*.

Strengthening VERBUND's position as an integrated utility in the domestic market

Hydropower has been the backbone of VERBUND's activities for 75 years, which is why it is a key element in our strategy of strengthening the position of our Group as an integrated utility in the domestic market. Equally, VERBUND is aware of its responsibility as a reliable gas and transmission system operator. In supplying consumers with green electricity and with our ambitious commitment to customer-centric solutions, VERBUND sees itself as a decarbonisation partner in Austria and Germany. In this context, VERBUND achieved important milestones in 2022 in relation to the targets set:



Hydro

- Conservation, modernisation and expansion of hydroelectricity generation in Austria and Germany (commissioning of the Töging run-of-river power plant and ground-breaking ceremony for the Gratkorn run-of-river power plant with output of approx. 118 MW and 11 MW, respectively).
- Expansion of pumped storage capacity in Austria and Germany (commencement of the Limberg III new construction project and the Reißeck II plus expansion project with output of 480 MW and 45 MW, respectively).

-

Grid

- Implementation of the network development plans to safeguard a stable electricity and gas grid infrastructure.
- APG: Successful commissioning of the 380-kV Weinviertel line and the new Neusiedl/Zaya substation in July 2022. This will enable up to 3,000 MW of renewable energy generated in Lower Austria to be fed into APG's trans-regional power grid for use throughout Austria.
- GCA: Start of upgrade of the gas grid for transportation of hydrogen.
- Increase in the use of flexibility to maintain system stability (large-scale battery storage capacity) and balance out short-term fluctuations in the power grid.

Sales

- Supply of consumers (industrial, commercial and residential customers) with green electricity.
- Development and marketing of customer-centric solutions in the fields of electromobility, battery storage and solar power.
- Commissioning in 2022 of an industrial-scale battery storage unit with a capacity of around 100 MW and of rooftop and open-field solar installations at industrial customers with a capacity of around 16 MWp; building of charging infrastructure for electric vehicles at industrial customers.

Expanding renewables in Europe

By significantly expanding wind power and photovoltaic systems in Europe, VERBUND will help reduce reliance on fossil fuels in the medium term and contribute to a climate-neutral Europe. Another aspect of VERBUND's strategy is to diversify its regional and technological risks in an effort to increase its share of renewables to 20–25% of total electricity generation by 2030 by means of:



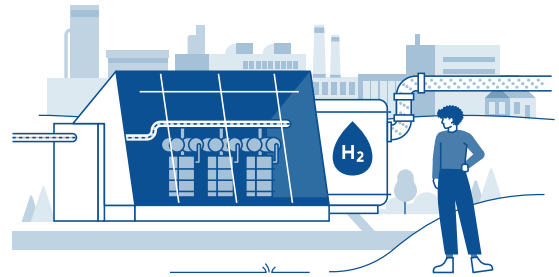
- proprietary development in Austria, Germany and selected countries in Southeast Europe;
- continuation of the partnership with EFI/Felix Nova GmbH to develop twelve wind farms with output of approx. 180 MW in western Germany;
- short-term growth through structured M&A activities and partnerships in Spain and Italy.
- VERBUND started to operate in Spain in September 2021 and has been strengthening its position on the Iberian Peninsula ever since. VERBUND Green Power Iberia S.L.U. currently has 300 MW in

operation, 100 MW in construction, 2,100 MW in advanced stages of development and 1,200 MW in early stages of development.

Positioning VERBUND as a European hydrogen player

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

- Developing the market and forging long-term relationships with customers, building up expertise and positioning VERBUND as a reliable partner.
- As a key player for cross-sectoral hydrogen production in Austria, VERBUND signed several Memoranda of Understanding in Austria in 2022 (for example with Borealis).
- Making hydrogen available on a large scale at competitive prices in conjunction with the development of additional green generation and using economies of scale to lower costs, in order to supply Austria and Germany with hydrogen.



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

Corporate objectives

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

TCFD

Material topics	Corporate objectives
Increasing enterprise value ¹	Financial stability: Net debt/EBITDA < 3.0
	Return on capital: ROCE > 9.0% ²
	Target/ensure an A-level rating
Security of supply	Maintain value and expand generation and grid capacity
Strengthening the integrated domestic market: Hydro	Rehabilitate existing hydropower plants and build new ones
Strengthening the integrated domestic market: Grid	Provide flexible generation units
	Implement network development plan for electricity
Strengthening the integrated domestic market: Sales	Implement network development plan for gas
	Build up battery flexibility products
	Develop innovative solutions for industrial and commercial customers such as photovoltaic installations and e-mobility products
	Growth in the consumer market
Expanding green electricity generation in Europe	Customer Loyalty Index: ≥ 75 points
	20–25% of all electricity generated by 2030 to come from wind and solar power
	Accelerated growth through structured M&A deals
Positioning VERBUND as a European hydrogen player	Proprietary development of renewables
	Construct customer-focused H ₂ generation facilities
	Participate in international transport routes to import H ₂ into Central Europe
Innovation	Long-term business development of international H ₂ production combined with renewable generation
	Implement the VERBUND start-up engagement programme and develop it further, focusing on building a start-up investment portfolio
	Develop and launch new flagship projects/initiatives throughout the strategic innovation areas
Digitalisation, information security and data protection	Implement projects focused on rolling out digital solutions throughout the Group's value chain
	Implement further measures to improve the hybrid world of work
	Reach all relevant employees with measures for raising awareness of data and information security
Climate change mitigation	Implement the planned information security projects to further increase the degree of cybersecurity maturity
	Reduce Scope 1 emissions by 16% by 2030 (2015–2030)
Resource and energy consumption	Reduce Scope 3 emissions from electricity sales to consumers by 5% by 2030 (2020–2030)
	Implement economic efficiency measures developed from energy audits
Environmental protection and conservation	Reduce volumes of work materials in use by 10% by 2025
	Invest around €400m by 2027 in environmental measures at rivers such as fish passes and restoration
	Increase number of fish passes to 77 by 2025
	Continue ISO 14001 certification of existing sites and incorporate new sites

Occupational health and safety	Lost time injury frequency (LTIF) ≤ 5 by 2025
	Progressive ISO 45001 certification of all VERBUND sites by the end of 2025
Attractive employer	Employee turnover rate $< 5\%$
	38.5 hours of training per employee/year
	35 new apprentices each year
Diversity and inclusion in the Group	Proportion of women $> 20\%$
	Ensure balanced employee age structure (benchmark: employed wage and salary earners by age group in Austria) Fulfil statutory quotas for the employment of people with disabilities (currently 4% in Austria and 5% in Germany)
Compliance	100% participation rate in mandatory compliance training
	Implement a digital whistleblowing platform by 2022

¹ based on existing asset and value chain structure

² does not apply to regulated activities

Investor relations

International capital market environment in 2022

On the stock markets, 2022 was an exceedingly eventful year, impacted by the war in Ukraine, geopolitical tensions and the energy crisis, as well as by rocketing inflation and key rate hikes, marking the end to the central banks’ extremely loose monetary policy. It was inevitable that these factors would collectively create considerable volatility. The ongoing COVID-19 pandemic and its impact on supply chains also continued to have a negative impact even if the new variants of the virus brought some relief or a return to normality. For investors this meant a renewed bear market – with the exception of sectors that benefited from the issues mentioned above. Many countries found themselves in recession at the end of 2022 or were facing an economic crisis in 2023, though experts predict that some countries will ultimately not be that badly affected.

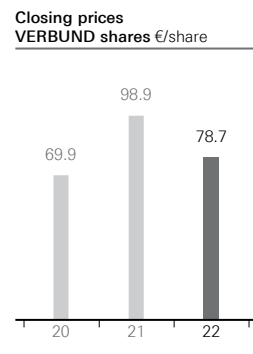
The US Dow Jones Industrial stock index ended 2022 down 8.8% after a turbulent year. The Eurostoxx50 performed worse, posting losses of 11.7% compared with the end of 2021. Japan’s Nikkei 225 index turned in a similar performance, ending the year down 9.4%. Share price performance in the emerging markets was significantly weaker. The MSCI Emerging Markets Index finished 2022 with losses of as much as 22.4%. The ATX also posted heavy losses in 2022, ending the year down 19.0%. The index finished trading in 2022 at 3,126.39 points.

VERBUND shares

In addition to the above-mentioned macroeconomic factors, VERBUND’s share price performance in 2022 was impacted in particular by the deep discussions and decisions on capping electricity prices and taxing windfall profits in both Austria and at a European level. After reaching their high on 28 February 2022, which was followed by a correction triggered by a debate in Europe on possible market intervention to combat soaring raw material prices in the international procurement markets, the shares witnessed a volatile sideways movement lasting until the end of quarter 1/2022. Having risen again at the start of quarter 2/2022, share prices plummeted once more in early May in response to public political statements made about taxing windfall profits at partly state-owned companies. However, VERBUND’s share price subsequently rebounded, especially once the news broke that VERBUND’s Executive Board was proposing a special dividend of €400m for financial year 2022. After a fresh all-time high of €113.6 was reached on 24 August 2022, there was a massive share price correction on 29 August 2022. Along with a slump in the wholesale prices for electricity, this was partially due to European Commission President von der Leyen’s announcement about emergency intervention in the electricity market coupled with statements by Federal Reserve Chair Jerome Powell about further imminent rate hikes to curb high levels of inflation. Even VERBUND’s shares were unable to escape this trend. A brief rally followed before the share price embarked on a downtrend – albeit not as pronounced as before – that lasted until the end of quarter 3/2022. Quarter 4/2022 experienced further considerable volatility caused among other things by the laws adopted in Austria on taxing windfall profits at energy companies. At the end of the year, VERBUND shares saw a further significant loss in value.

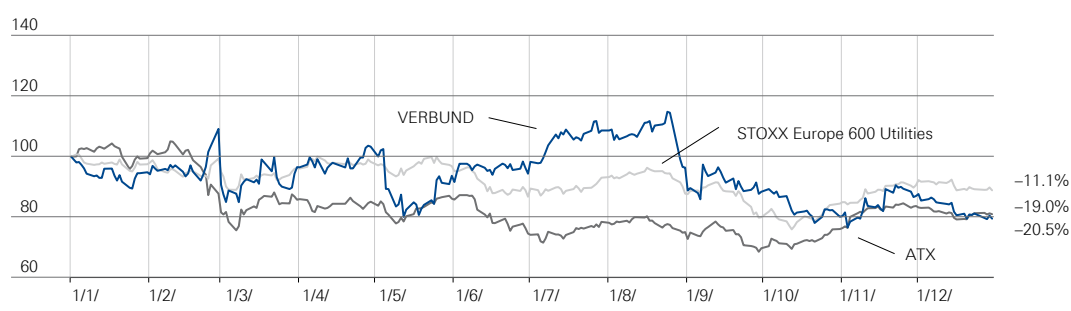
Upcoming dates:

- Record date for Annual General Meeting: 15 April 2023
- Annual General Meeting: 25 April 2023
- Ex-dividend date: 2 May 2023
- Record date for dividends: 3 May 2023
- Dividend payment date: 15 May 2023
- Results for quarter 1/2023: 11 May 2023



At 31 December 2022, the performance of VERBUND shares for 2022 was down 20.5%, which was slightly below that of the Austrian ATX (full-year performance -19.0%) but far below that of the European sector index STOXX Europe 600 Utilities (full-year performance -11.1%). With a market capitalisation of €27.3bn VERBUND was still Austria's largest listed company at the end of 2022 by a large margin.

VERBUND share price: relative performance 2022



KPIs – shares

	Unit	2021	2022	Change
Share price high	€	106.2	113.6	7.0%
Share price low	€	59.6	75.8	–
Closing price	€	98.9	78.7	-20.5%
Performance	%	41.6	-20.5	–
Market capitalisation	€m	34,359.4	27,324.2	-20.5%
ATX weighting	%	11.0	10.7	–
Value of shares traded	€m	7,753.0	7,354.1	-5.1%
Shares traded per day	Shares	401,333	312,606	-22.1%

Investor relations team activities in 2022

IR contact: Andreas
Wollein
Head of Group Finance
and Investor Relations
Tel.: +43 (0)503 13-
52604
E-mail: investor-
relations@verbund.com

Active, open communication with investors, analysts and individual shareholders during road shows, conference calls and in one-on-one conversations is important to VERBUND. The ongoing COVID-19 crisis, sharp increases in wholesale prices for electricity and the relevant prices for primary energy sources, as well as the resulting regulatory market intervention at national and EU level, required increased communications activities that took place in both virtual formats and once again in person. The IR team participated in several road shows in Europe and the United States in 2022, as well as in major investor conferences. Together with the Executive Board, the team briefed investors from all over the world on VERBUND's key performance indicators and its operational and strategic performance.

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

VERBUND shares are covered by 13 renowned Austrian and international investment banks, thus ensuring their visibility in the capital market. The following investment banks covered VERBUND as at 31 December 2022:

Alpha Value (Olivier de Wismes)	Erste Group (Petr Bártek)
Bank of America (Ekaterina Smyk)	Kepler Cheuvreux (Ingo Becker)
Barclays (Peter Crampton)	Oddo BHF (Louis Boujard)
Berenberg Bank (Andrew Fisher)	Raiffeisen Bank International
Citigroup (Piotr Dzieciolowski)	(Teresa Schinwald)
Credit Suisse (Wanda Serwinowska)	Société Générale (Neetika Gupta)
Deutsche Bank (Olly Jeffery)	Stifel (Martin Tessier)

Current ratings

As at 31 December 2022, VERBUND's ratings were as follows:

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

For more information on the rating, please refer to the section on [Finance > Financing](#)

VERBUND in sustainability indices and sustainability rankings

In 2022, the trend towards sustainable investment continued to benefit VERBUND's sustainable business model and led to excellent results in sustainability rankings.

VERBUND maintained B+ in the ISS ESG rating (formerly ISS-oekom) and is still among the top three companies in the electric utility sector. In the Climate Change CDP rating, VERBUND achieved a B, while in the ranking prepared by US financial services provider MSCI it held on to the top grade, AAA.

EcoVadis awarded VERBUND a platinum medal for the first time in 2022, which puts the Group in the top 1% of the over 100,000 companies ranked worldwide. The new whistleblower system (VERBUND Integrityline), risk analyses and training on compliance, as well as the introduction of an improved ESG supplier evaluation, received special praise.

The rating VERBUND was given by Sustainalytics also improved year-on-year to 17.8/100 points (2021: 18.9; note: the lower, the better). This classification puts the Group in the "low risk" range and was achieved, among other things, through the Code of Conduct for Sustainable Business published in 2022, which makes it easier to verify policies.

The platinum award from EcoVadis puts VERBUND in the top 1% of companies ranked worldwide.

See also:
www.voenix.at

VERBUND was included in the following sustainability indices as at 31 December 2022:

- VÖNIX (VBV Austrian sustainability index)
- Solactive Europe Corporate Social Responsibility Index
- FTSE4Good Index Series

Consolidated
Corporate Governance Report

Consolidated Corporate Governance Report

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

Corporate governance – framework

VERBUND AG is a listed stock corporation domiciled in Austria. Its corporate governance framework is derived from Austrian and European law, including, but not limited to, stock corporation and capital market law, the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) including the regulations governing employee co-determination, the Company's Articles of Association, the rules of procedure for the Company's Boards and, finally, the Austrian Code of Corporate Governance (Österreichischer Corporate Governance Kodex, ÖCGK).

Commitment to the Austrian Code of Corporate Governance

Declaration of conformity

VERBUND has declared its unconditional commitment to the Austrian Code of Corporate Governance (ÖCGK). The Executive Board and Supervisory Board see it as their primary duty to comply with all of the rules of the Code as fully as possible and to maintain and continue to develop the Group's high internal standards. The Code as amended in January 2021 was applied during financial year 2022 and adhered to in accordance with the explanatory notes in this report. Active implementation of the requirements of the Code is intended to ensure responsible management and control of the Group directed at sustainable, long-term value creation and to create a high level of transparency for all stakeholders. VERBUND will continue to actively adhere to the Code as amended during financial year 2023. (Although the Code was updated in January 2023, the changes were only minor.) Applying the Code as fully as possible is an essential building block for strengthening the trust placed in the Group by shareholders, business partners, employees and the general public.

Scope of reporting

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

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

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

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

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

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

Deviations

VERBUND complies with almost all the rules of the Austrian Code of Corporate Governance, including the R-Rules. The deviations applied in financial year 2022 are the same as those applied in the previous year. Of a total of 83 rules in the Code, there are slight deviations in the application of only two C-Rules, which are to some extent the result of legislative circumstances. In accordance with the “comply or explain” principle, those deviations are explained below.

C-Rule 2:

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

C-Rule 45:

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

The two Supervisory Board members in question each carry out leading functions on boards of companies which are shareholders of VERBUND AG. If there is a conflict of interest with them in a specific case, then the chairperson will institute appropriate measures (e.g. withholding certain documents or information, abstaining from voting or departing from the meeting). However, this was not necessary during the year under review.

Executive Board

Composition of the Executive Board

GRI 2-9
GRI 405-1

The Executive Board was composed of three members in financial year 2022.

Since 1 January 2021, the Executive Board has comprised Mag. Dr. Michael Strugl MBA (Chairman), Dr. Peter F. Kollmann and Mag. Dr. Achim Kaspar.

Executive Board

Name	Year of birth	Date of initial appointment	End of current term of office
CEO Mag. Dr. Michael Strugl MBA Chairman	1963	1/1/2019	31/12/2023
Dr. Peter F. Kollmann, Member of the Executive Board	1962	1/1/2014	31/12/2023
Mag. Dr. Achim Kaspar, Member of the Executive Board	1965	1/1/2019	31/12/2023

GRI 2-15

Board functions of Executive Board members within the Group

Name	Group company		Function
Mag. Dr. Michael Strugl MBA	VERBUND Energy4Business GmbH	Supervisory Board	Chairman
		Annual General Meeting	Chairman
	Austrian Power Grid AG	Supervisory Board	Member
		Annual General Meeting	Chairman
	VERBUND Hydro Power GmbH	Supervisory Board	Chairman
		Annual General Meeting	Chairman
	VERBUND Green Power GmbH	Annual General Meeting	Vice-Chairman
	VERBUND Energy4Customers GmbH	Annual General Meeting	Chairman
	VERBUND Thermal Power GmbH	Supervisory Board	Chairman
		Annual General Meeting	Chairman
Ennskraftwerke AG	Supervisory Board	1st Vice-Chairman	
	Supervisory Board	1st Vice-Chairman	
Dr. Peter F. Kollmann	Austrian Power Grid AG	Supervisory Board	Chairman
		Supervisory Board	Member
	VERBUND Hydro Power GmbH	Annual General Meeting	Chairman
	VERBUND Services GmbH	Annual General Meeting	Chairman
	VERBUND Energy4Business GmbH	Supervisory Board	Vice-Chairman
	VERBUND Green Power GmbH	Annual General Meeting	Member
	Gas Connect Austria GmbH	Supervisory Board	Chairman
VERBUND Ventures GmbH	Annual General Meeting	Member	

Board functions of Executive Board members within the Group

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

Supervisory Board appointments of Executive Board members outside the Group

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

¹ As at 31 December 2022, VERBUND held a 35.17% equity interest in KELAG.

Work procedures and allocation of responsibilities

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

The rules of procedure for the Executive Board govern the allocation of responsibilities and how the members of the Executive Board are to work together. In addition, they lay down the Executive Board's duties to notify and report, and contain a list of measures that require approval by the Supervisory Board. The measures requiring approval also include material transactions proposed by the Group's main subsidiaries. Additions and amendments were made to the rules of procedure at the 423rd meeting of the Supervisory Board. The additions and amendments, which took effect as at 22 September 2022, relate to deadlines and meeting calendars, changes to threshold levels, the possibility of holding meetings via video conference or in hybrid form where necessary and the use of gender-neutral language.

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

Allocation of responsibilities

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

Supervisory Board

GRI 2-9
GRI 2-11

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

GRI 2-10

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

The rules of procedure for the Supervisory Board were also amended at the 423rd meeting of the Supervisory Board and are effective from 22 September 2022. The changes related to deadlines for documents and meeting calendars, the possibility of holding meetings via video conference or in hybrid form where necessary and the use of gender-neutral language.

Personal details, chairpersons and other Board functions

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

As at 31 December 2022, the Supervisory Board had a total of 15 members – ten shareholder representatives elected by the Annual General Meeting and five employee representatives appointed by the Works Council. Until 25 April 2022, the Board consisted of 14 members due to the early departure of MMag. Thomas Schmid.

Effective 25 April 2022, Dr. Edith Hlawati and Dipl.-Ing. Robert Stajic were newly elected to the Supervisory Board, Prof. Dr. Barbara Praetorius was re-elected for an additional two years, and Dr. Susan Hennersdorf left the Supervisory Board. At the constituent meeting of the Supervisory Board following the election, Dr. Hlawati was appointed 1st vice-chairperson and Dr. Christine Catasta 2nd vice-chairperson of the Supervisory Board. Otherwise, there were no changes to the composition of the Supervisory Board in financial year 2022.

Name	Year of birth	Date of initial appointment	End of current term of office
Mag. Martin Ohneberg Chairman Managing partner of HENN Industrial Group GmbH & Co KG, HENN GmbH and HENN GmbH & Co KG Member of the boards of directors of Aluflexpack AG, Switzerland (president), and Montana Aerospace AG, Switzerland (vice-president); member of the supervisory boards of VARTA AG, Germany, and Getzner Werkstoffe Holding GmbH, Austria	1971	30/4/2019	AGM 2024
Dr. Edith Hlawati 1st Vice-Chairwoman (from 25/4/2022) Member of the board of directors of Österreichische Beteiligungs AG Member of the supervisory boards of Österreichische Post AG (chairwoman), Telekom Austria AG (chairwoman) and OMV AG (vice-chairwoman)	1957	25/4/2022	AGM 2026
Mag. Dr. Christine Catasta 1st Vice-Chairwoman (until 25/4/2022) 2nd Vice-Chairwoman (from 25/4/2022) Member of the supervisory boards of Telekom Austria AG (member), Erste Bank der oesterreichischen Sparkassen AG and Erste Group Bank AG (member), Bundesimmobiliengesellschaft m.b.H. (chairwoman), Austrian Airlines AG (member) and ÖLH Österreichische Luftverkehrs-Holding-GmbH (member)	1958	16/6/2020	AGM 2024
Dr. Susan Hennersdorf (until 25/4/2022)	1967	16/6/2020	25/4/2022
Prof. Dr. Barbara Praetorius Professor at the University of Applied Sciences (HTW), Berlin Member of the supervisory board of Berliner Wasserbetriebe (BWB) AöR (member)	1964	16/6/2020	AGM 2024
Mag. Jürgen Roth Managing partner at Tank Roth GmbH; member of the supervisory boards of ICS Internationalisierungszentrum Steiermark GmbH (chairman) and ELG (Erdöl-Lagergesellschaft m.b.H.) Member of the European Economic and Social Committee	1973	22/4/2015	AGM 2023
Dipl.-Ing. Eckhardt Rümmler Supervisory board member and corporate consultant Member of the supervisory board of PreussenElektra GmbH, Germany (member), and the board of directors of Northland Power Inc, Toronto (member)	1960	16/6/2020	AGM 2024
Mag. Christa Schlager 2nd Vice-Chairwoman (until 25/4/2022) Head of the economic policy department at the Vienna Chamber of Labour Member of the supervisory boards of Forschungsförderungsgesellschaft mbH (member) and Austria Wirtschaftsservice Gesellschaft mbH (aws) (member)	1969	16/6/2020	AGM 2023

Name	Year of birth	Date of initial appointment	End of current term of office
Dipl. Ing. Robert Stajic MBA Executive director of Österreichische Beteiligungs AG Member of the supervisory board of OMV AG (member)	1979	25/4/2022	AGM 2025
Mag. Stefan Szyszkowitz Spokesman for the managing board of EVN AG Member of the supervisory boards of Burgenland Holding Aktiengesellschaft (chairman), EVN Macedonia AD (chairman), RAG-Beteiligungs-Aktiengesellschaft (chairman), RAG Austria AG (chairman), Burgenland Energie AG (vice-chairman) and Netz Niederösterreich GmbH (vice-chairman) Member of the supervisory boards of Österreichische Post AG (member) and Wiener Börse AG (member)	1964	23/4/2018	AGM 2023
Dipl.-Ing. Peter Weinelt Managing director of Wiener Stadtwerke GmbH and Wiener Stadtwerke Planvermögen GmbH Member of the supervisory boards of Wien Energie GmbH (chairman), Wiener Netze GmbH (chairman), Bestattung und Friedhöfe Wien GmbH (chairman), WienIT GmbH (chairman), EVN AG (member), Burgenland Holding Aktiengesellschaft (member) and Wiener Gesundheitsverbund (member) Chairman of the gas and heating section of the Austrian Economic Chamber of Trade (WKÖ)	1966	5/4/2017	AGM 2023

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

Employee representatives

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

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

Of the Supervisory Board members, 13% are between the ages of 30 and 50 and 87% are over 50.

Independence

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

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

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

In addition, the following shareholder representatives on the Supervisory Board meet the criteria for independence contained in C-Rule 54 (not representing the interests of a shareholder with a stake exceeding 10%): Ohneberg, Catasta, Praetorius, Roth, Rümmler and Schlager. Both quotas required for independence by Rule 53 and Rule 54 of the Code have thus been met.

Supervisory Board meetings

Seven plenary meetings of the Supervisory Board were held during financial year 2022. Due to preventive measures in place in response to the COVID-19 pandemic, not all members of the Supervisory Board were physically in attendance at all of the meetings; some Supervisory Board members participated remotely by phone or video. The overall attendance rate for all Supervisory Board members (including remote attendees) was 95%. No member of the Supervisory Board attended fewer than half of the meetings in person (including virtual attendance).

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

- the consolidated financial statements and annual financial statements of VERBUND AG for 2021;
- proposals for resolutions for the Annual General Meeting;
- the proposal for profit appropriation in accordance with Section 96(1) of the Austrian Stock Corporation Act (AktG);
- election of the General Committee of the Supervisory Board and constitution of the committees;
- appointment of the auditor;
- acquisition of wind farm and solar power projects;
- a major industrial solar power project;
- loan approvals;
- appointment of managing directors at subsidiaries;
- the Digital Hydropower Generation innovation initiative;
- sustainably increasing efficiency at the Limberg II pumped storage power plant;
- the Ybbs-Persenbeug vocational training campus;
- entering the Italian market;
- expanding our strategic liquidity reserve (circular resolution);
- funding for projects in Spain (circular resolution);
- the Hesse-Bavaria battery storage chain investment (circular resolution);
- approving agreements with entities that are related parties of Supervisory Board members; and
- approving the Group budget for 2023

(Please also refer to the section describing the activities focused upon by the Supervisory Board's committees.)

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

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

Evaluation of the performance of the Supervisory Board

GRI 2-18

The performance of the Supervisory Board is evaluated annually during the Annual General Meeting, at which the shareholders vote to approve the actions of the Supervisory Board. At the 75th Annual General Meeting on 25 April 2022, the actions of all Supervisory Board members were formally approved.

As required by the Austrian Code of Corporate Governance (Rule 36), the Supervisory Board also performs a self-evaluation of its activities, in particular of its organisation and work procedures. In the reporting period, this self-evaluation was conducted on the basis of qualitative and quantitative interviews carried out by an external consultant with all Supervisory Board members and Executive Board members. The results of the self-evaluation and the ensuing recommendations for action were discussed in detail at the Supervisory Board meeting on 21 September 2022.

Composition and work procedures of the committees

In accordance with the provisions of the rules of procedure for the Supervisory Board (as amended on 21 September 2022), the Supervisory Board shall, following the Annual General Meeting, annually elect the members of an Audit Committee, a Strategy Committee, an Emergencies Committee, a Remuneration Committee, a Nomination Committee and a Sustainability Committee. In addition, it can form temporary or permanent committees specifically for certain projects and topics.

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

Audit Committee

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

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

Members of the Audit Committee

Name	Function
Mag. Dr. Christine Catasta	Chairwoman
Mag. Martin Ohneberg	Vice-Chairman
Mag. Jürgen Roth	Member
Mag. Christa Schlager	Member
Doris Dangl	Employee representative
Kurt Christof	Employee representative

The Audit Committee of the Supervisory Board held three meetings in the 2022 financial year. The activities of the Audit Committee focused on:

- preparing the resolution on the consolidated financial statements for 2021 and the annual financial statements of VERBUND AG for 2021 including appropriation of profit;
- the proposal for the election of the auditor;
- acknowledgement of the semi-annual financial statements for 2022;
- the audit process and 2022 audit areas of emphasis (auditor);
- the SAP status report;
- audit and non-audit services performed by the auditor;
- issuing a call for tenders for the audit of the financial statements from financial year 2023 onwards;
- acknowledgement of the reports of the Executive Board;
- the 2023 budget and financial report; and
- acknowledgement of the audit programme and audit reports of the Internal Audit department.

Strategy Committee

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

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

The Strategy Committee met four times during the reporting period.

Members of the Strategy Committee

Name	Function
Mag. Martin Ohneberg	Chairman
Dipl.-Ing. Eckhardt Rümmler	Vice-Chairman
Prof. Dr. Barbara Praetorius	Member
Mag. Jürgen Roth	Member
Dipl.-Ing. Robert Stajic	Member
Doris Dangl	Employee representative
Ing. Wolfgang Liebscher	Employee representative
Veronika Neugeboren	Employee representative

Emergencies Committee

The Emergencies Committee set up in accordance with Rule 39 of the Austrian Code of Corporate Governance (ÖCGK) is a committee for decision-making in urgent situations.

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

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

The committee did not meet during the reporting period.

Members of the Emergencies Committee

Name	Function
Dr. Edith Hlawati	Chairwoman
Mag. Martin Ohneberg	Vice-Chairman
Mag. Christa Schlager	Member
Dipl.-Ing. Robert Stajic	Member
Doris Dangl	Employee representative
Kurt Christof	Employee representative

Remuneration Committee

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

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

Members of the Remuneration Committee

Name	Function
Mag. Martin Ohneberg	Chairman
Dr. Edith Hlawati	1st Vice-Chairwoman
Mag. Dr. Christine Catasta	2nd Vice-Chairwoman

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

The Remuneration Committee met three times during financial year 2022. The meetings dealt with the agreements on targets and level of target achievement for the Executive Board's variable remuneration components as well as the 2021 remuneration report to be submitted to the Annual General Meeting. An external consultant was hired to evaluate the remuneration paid to the Executive Board.

Nomination Committee

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

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

Members of the Nomination Committee

Name	Function
Mag. Martin Ohneberg	Chairman
Dr. Edith Hlawati	Vice-Chairwoman
Mag. Dr. Christine Catasta	Member
Dipl.-Ing. Robert Stajic	Member
Doris Dangl	Employee representative
Ing. Wolfgang Liebscher	Employee representative

The Nomination Committee held two meetings in the year under review, at which it discussed preparations for the election of Supervisory Board members and preparations for putting out a call for applications for Executive Board positions.

Sustainability Committee

The Sustainability Committee established in 2020 is comprised, as per the rules of procedure, of four members of the Supervisory Board elected by the shareholders and two employee representatives in accordance with Section 92(4) AktG. The chairperson and vice-chairperson of the committee are elected from among its members.

The Sustainability Committee is responsible for the following tasks in particular:

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

Members of the Sustainability Committee

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

GRI 2-17

The Sustainability Committee met three times in financial year 2022. In addition to ongoing reporting on sustainability topics, the meetings dealt in particular with the following specific areas of emphasis: security of supply and gas, VERBUND hydropower ecology, impact of the EU taxonomy, sustainable investment to cover provisions for employee benefits relating to pensions and termination benefits (Sozialkapital), and gender balance and diversity.

Contracts requiring consent – conflicts of interest

GRI 2-15

In financial year 2022, contracts and/or transactions approved by the Supervisory Board of VERBUND AG in accordance with the Austrian Stock Corporation Act (AktG) and the Austrian Code of Corporate Governance (Rule 49) existed between the VERBUND Group and the following individual

Supervisory Board members or companies with which Supervisory Board members have close relationships:

Supervisory Board member Mag. Stefan Szyszkowitz

A number of contractual relationships, some of which have been in place for many years, exist between VERBUND and the EVN Group, of which Mag. Stefan Szyszkowitz is spokesman for the managing board. Most of these relationships had already been entered into before Mag. Szyszkowitz became a member of the Supervisory Board. The business transacted under these contracts and their volume are reported to the Supervisory Board on an annual basis. In financial year 2022, an order volume totalling €628k was processed on the basis of existing contracts (excluding transactions with grid subsidiaries Austrian Power Grid AG and Gas Connect Austria GmbH). These primarily involved electricity and grid purchases for various VERBUND companies. Contractual relationships for the supply of electricity also exist with ENERGIEALLIANZ Austria GmbH, in which EVN holds a 45% interest, and Group company SMATRICS has concluded a roaming agreement with EVN for the purpose of sharing charging infrastructure. In addition, the Supervisory Board approved the amendment and continuation of existing agreements involving VERBUND Innkraftwerke GmbH, the conclusion of standardised EFET trade agreements between VERBUND Energy4Business GmbH and EVN and the conclusion of a gas storage agreement between VERBUND Energy4Business GmbH and RAG Energy Storage GmbH (EVN) on an arm's length basis.

Supervisory Board member Dipl.-Ing. Peter Weinelt

A number of contractual relationships, some of many years standing, exist between VERBUND and the Wiener Stadtwerke Group, of which Dipl.-Ing. Peter Weinelt is managing director. Most of these had already been entered into before Dipl.-Ing. Peter Weinelt became a member of the Supervisory Board. The business transacted under these contracts and their volume are reported to the Supervisory Board on an annual basis. In financial year 2022, an order volume totalling €1.36m was processed on the basis of existing contracts (excluding transactions with grid subsidiaries Austrian Power Grid AG and Gas Connect Austria GmbH). These primarily involved grid purchases for VERBUND companies and participation in hydrogen testing. Contractual relationships for the supply of electricity also exist with ENERGIEALLIANZ Austria GmbH, in which Wiener Stadtwerke holds a 45% interest. In addition, a roaming agreement was entered into between Group company SMATRICS and Wien Energie GmbH for the purpose of sharing charging infrastructure, and VERBUND Energy4Business GmbH concluded an agreement with Wiener Netze GmbH aimed at holding balancing reserves and providing balancing services. In addition, the Supervisory Board approved the amendment and continuation of existing agreements involving VERBUND Innkraftwerke GmbH.

In financial year 2022, the Supervisory Board again looked at possible (other) conflicts of interest involving Supervisory Board members that could arise in particular as a result of activities or equity interests in the energy sector or in companies competing with the VERBUND Group or with individual projects. Supervisory Board members reported no conflicts of interest on their parts. According to the assessment of the Supervisory Board, there are no fundamental conflicts of interest that would require further measures. Should such conflicts arise, suitable measures, such as abstention from voting or from providing advice and voting on individual agenda items, would have to be implemented promptly.

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

Annual General Meeting

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

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

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

The 75th Annual General Meeting of VERBUND AG was held on 25 April 2022 as a virtual annual general meeting without shareholders or their proxies being present in person. The agenda and resolutions adopted at that Annual General Meeting and the voting results can be viewed on the website at www.verbund.com > Investor Relations > General Meeting.

Diversity concept for appointments to the Executive Board and Supervisory Board

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

GRI 405-1
SDG 5

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

Supervisory Board

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

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

Gender representation: Since the Supervisory Board elections at the Annual General Meeting of 25 April 2022, the Supervisory Board of VERBUND AG has included seven women (four shareholder representatives and three employee representatives). This share of almost 50% (overall) not only complies with the statutory quota requiring 30% of the less-represented gender to be represented on the

supervisory board (women, in the case of VERBUND). It also complies with the federal government's decision from 2011 according to which women are to make up at least 35% of the shareholder representatives on supervisory boards of state-owned companies.

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

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

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

These diversity criteria were amply taken into account in the election of the Supervisory Board at the Annual General Meeting on 25 April 2022, particularly the aspects of gender, internationality and specialist expertise.

Executive Board

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

Educational and career background: In addition to extensive managerial experience and comprehensive industry knowledge, members of the Executive Board shall have a sound education and relevant professional experience in either the technical or the commercial/administrative area.

Gender representation: The aim for the medium term is to have one female member on the Executive Board.

Internationality: Some members of the Executive Board shall have spent a significant part of their professional career abroad or have many years of experience in international business.

Duration of the composition: The composition and division of responsibilities of the Executive Board shall not remain unchanged for more than ten years.

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

Measures for the advancement of women

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

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

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

Since the selection of Supervisory Board members is solely the responsibility of the Annual General Meeting and depends on delegates being appointed as employee representatives, the Executive Board has no influence on whether there are any women on the Supervisory Board of VERBUND AG. With Christine Catasta, Edith Hlawati, Barbara Praetorius and Christa Schlager as well as the employee representatives Doris Dangel, Isabella Hönlinger and Veronika Neugeboren, the Supervisory Board of VERBUND AG has seven women members, which equates to a female membership of nearly 50%.

As at 31 December 2022, 16 women held management positions within the Group (first and second levels of management). The percentage of women in management positions is therefore 13.6%. The percentage of women among employees throughout the Group is 20.5%. One female executive has worked part time since 2012.

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

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

- Under the VERBUND diversity strategy, particular emphasis is placed on the dimension of gender, for which targets and measures have been defined and implemented.
- The Executive Board emphasises non-discrimination within the Group. Additional measures were developed and implemented in 2022 as part of the Gender Balance project initiated in 2021.
- The work in 2022 involved further developing the Gender Balance Network, whose parameters, internal structures and responsibilities (including the local points of contact) allow for and nurture debate on the topic of gender equity as a facet of a modern and supportive corporate culture.
- Since 2017, executives from the top level of management have also been measured against targets set to promote the equal treatment of women.
- The VERBUND women's network addresses the ongoing development of a sustainable strategy for the equal treatment of men and women within VERBUND.
- Each year, VERBUND awards a scholarship to highly qualified women studying technical subjects.
- VERBUND takes part in Take Your Daughter to Work Day to promote technical careers to girls while they are still at school and awaken their interest in the fascinating technical professions.
- In 2021, VERBUND received the Work and Family Audit certificate for the fifth time.
- On a regular basis, VERBUND prepares an income report comparing the salaries of men and women.

External evaluation

Pursuant to C-Rule 62 of the Austrian Code of Corporate Governance, the Company's compliance with the Code and accuracy of reporting shall be subject to regular external evaluation. The evaluation for the financial year under review was conducted by the Company's auditor, Deloitte Audit Wirtschaftsprüfungs GmbH, which raised no objections to the public statements regarding compliance with the Code. The Audit Committee evaluated compliance with the provisions of the Code concerning the auditor. In this regard, the Audit Committee reported to the Supervisory Board that the evaluation for 2022 found no deviations from the rules of the Code.

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

Vienna, 16 February 2023

Executive Board



Michael Strugl
Chairman of the Executive Board of
VERBUND AG



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



Achim Kaspar
Member of the Executive
Board of VERBUND AG

Group management report

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

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

General conditions

Energy prices rose sharply in financial year 2022, but even so the Austrian economy grew by 4.7% year-on-year amid a high inflation rate. Oil prices increased by more than 40%, gas prices were up 170% from an already high level, coal prices surged by around 134%, and even prices for emission allowances rose significantly. This in turn led to a sharp rise in wholesale prices for electrical energy on both the spot and futures markets.

Overall demand for electricity in Austria decreased by around 3% in 2022. Despite falling demand, net imports deteriorated, due in particular to lower output from hydropower plants.

**The climate crisis is the defining issue of our time and
the energy transition is the key to combatting it.**

General economic environment

Slower growth amid record inflation

Following strong growth in 2021, the momentum of the global economy tapered off considerably in 2022. Further economic deceleration is forecast for 2023, though the projections for 2023 are now less negative than before and the International Monetary Fund (IMF) no longer expects a recession. Europe is particularly affected by the war in Ukraine and its repercussions, which include high energy prices. Yet even the United States and China saw a marked slowdown in economic growth compared with 2021 due to weaker domestic demand in the case of the US and COVID-19 restrictions as well as a housing crisis in China.

The effects of high energy prices and the energy crisis in Europe on the economy and the downturn in the global economy with the associated decline in domestic goods exports are casting a shadow over economic growth. High inflation is leading to a drop in real income, which in turn is holding back consumer spending. All the same, many economies have shown considerable resilience, with surprisingly high levels of growth. Europe has therefore coped with the energy crisis better than expected.

Under these conditions, the IMF puts global inflation at 8.8% for 2022 (the Austrian Institute of Economic Research (WIFO) calculates a rate of 8.5% for Austria) and global economic growth at 3.4%. According to the IMF, economic output rose by 2.0% in the United States and by 3.5% in the euro area. For Germany, the IMF puts the figure at just 1.9% for 2022, a comparatively small increase.

WIFO calculations show economic growth of 4.7% for Austria, but expects the positive momentum to slow significantly in 2023 (+0.3%). A marked rise in employment was observed in the Austrian labour market in 2022, but growth here is expected to be only weak in 2023.

Energy market environment

Decrease in electricity consumption and generation

TCFD

Austria's electricity consumption (less pumped storage consumption, including grid loss and own use of electricity by power plants) in 2022 was down 2.9% year-on-year at 69.1 TWh. Quarter 1/2022 was the only period that saw higher electricity consumption year-on-year, and in October 2022 consumption was down by as much as 8.8% on the prior-year figure.

Generation of electricity from hydropower was down by a significant 8.3% on 2021 due in particular to the low water supply in the summer months (August: a decrease of 38% on the previous year). By contrast, generation from thermal power plants in Austria rose slightly by 1.5% in 2022 compared with 2021 (+0.2 TWh).

Electricity generation from wind power plants rose by around 7.5% on account of the higher wind supply in 2022. "Other generation" also recorded an increase (+5.2%). This figure includes other renewable energy sources (excluding biomass, which falls into the category of thermal generation) and from plants that cannot yet be allocated for statistical purposes. Overall, at 66.8 TWh, electricity production in Austria in 2022 was down 3.1% on the prior-year figure.

Net imports deteriorated year-on-year in 2022 owing to lower generation volumes despite declining demand and rising export volumes (+5.3%). In 2022, electricity imports rose by 8.2%, giving net imports of -8.7 TWh.

Further increase in oil prices

The price of Brent crude oil (front month) was trading just shy of \$100/bbl in 2022 compared with approximately \$71/bbl in 2021. This represents a price increase of 40%.

After plummeting during the COVID-19 crisis in 2020 (-33%), oil prices rebounded in 2021 (+64%) and continued their upward trend in 2022. The Ukraine crisis in particular drove up prices in 2022. Rocketing prices for gas and coal initially pushed up oil prices as well before the threat of an economic slowdown put increasing pressure on oil prices in the second half of 2022.

Surge in gas prices

Prices on the spot market at the European THE trading point (formerly NCG) averaged around €126/MWh in 2022, which was €79/MWh or 169% higher year-on-year. In futures trading, invoiced amounts for supplier contracts for the coming year (THE front year) were around €119/MWh in 2022 – approximately €85/MWh or 249% higher than prices for front year in 2021. Particularly the conflict between Russia and Ukraine and the resulting sharp drop in gas deliveries from Russia to Europe led to unprecedented price increases in the European gas markets.

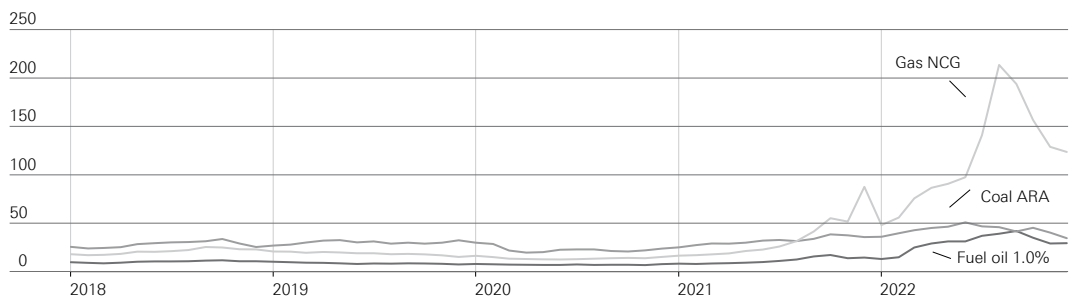
Increase in steam coal prices

Steam coal prices also surged in 2022 compared with the previous year. Coal prices on the futures market (ARA front year) were up \$127/t (134%) on the prior year at an average of \$222/t.

Coal prices on the spot market likewise rose sharply. Averaging around \$290/t in 2022, these were 139% higher than the average listing in the previous year.

Like gas prices, coal prices jumped as a consequence of the Ukraine crisis. In many cases, coal-fired electricity generation substituted production from gas power plants. Weak electricity generation from renewables and from nuclear power in France also led to an increase in coal-based power generation.

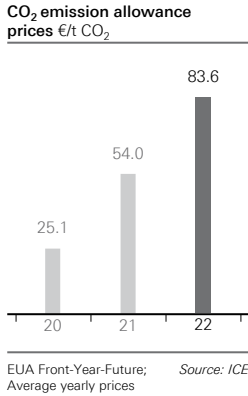
Coal, oil and gas price performance €/MWh thermal



Average monthly prices, futures market (front year)

Source: ICE, EEX

TCFD



Rising carbon prices

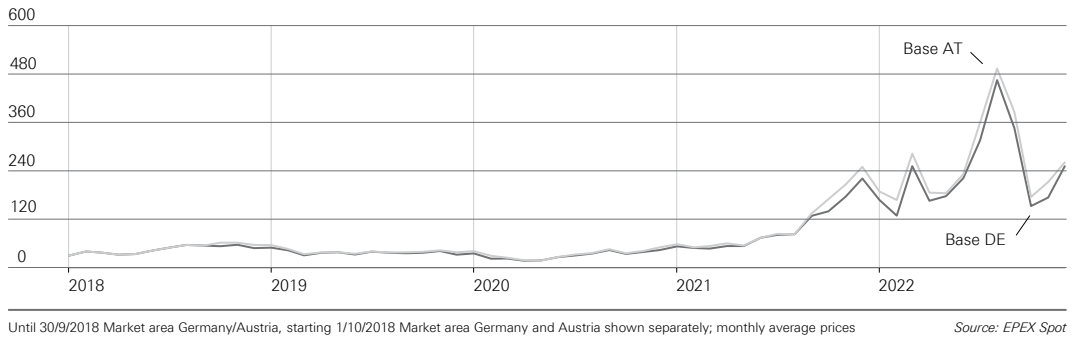
In the wake of 2020, a year that was dominated by the COVID-19 crisis, a significant recovery could be observed on the carbon market in 2021. A further increase was then seen in 2022, followed by a sideways movement at a high level: at around €84/t (futures market front year), prices were up by as much as 55% on the prior-year figure of €54/t. Factors behind this price increase were the EU’s tightening of climate targets and the increase in carbon emissions resulting from greater use of coal to generate electricity. This was countered by the fear of an economic slowdown and the resulting reduced demand for CO₂-certificates.

Sharp price increase in the market for wholesale electricity

In 2022, the market for wholesale electricity was affected by sharp price increases on the spot market as well as the futures market. Both of these markets were impacted by the steep rise in prices for gas and coal and to a lesser extent also by higher carbon prices.

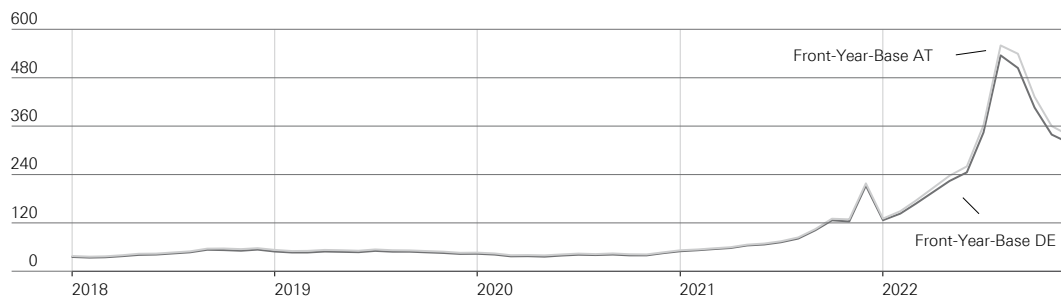
The average price for base load electricity deliveries in the Austrian market area on EPEX Spot, the European electricity exchange spot market, was up 145% year-on-year to €262/MWh in 2022. At €301/MWh, peak-load prices were 137% higher than the 2021 average. The average price for immediate base load electricity deliveries in the German market area in 2022 was €236/MWh (up 143% on the previous year), and the price for peak-load energy was €267/MWh (up 131%).

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



In the futures market at the European Energy Exchange (EEX), base load for 2023 (front year base) was traded at an average price of €316/MWh in 2022 in the Austrian market area and peak load (front year peak) was traded at €418/MWh. This represented an increase of over 246% (base) or 279% (peak) year-on-year. In the German market area, front year base traded at an average of €299/MWh (+238%), while front year peak traded at €400/MWh in 2022 (+273%).

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



Starting 2018 Market area Germany and Austria shown separately, the axis refers to the period of trading, delivery in the following year; monthly average prices

Source: EEX

VERBUND sells most of the electricity it generates in advance on the futures markets so as to reduce short-term selling and price risks. The price trend in the futures market in 2022 had only a minor influence on revenue in the reporting period.

Political and regulatory framework

EU energy policy

EU energy policy in 2022 was largely defined by Russia's attack on Ukraine on 24 February 2022. The huge upheaval this created in the energy markets spawned numerous political and legislative initiatives as well as emergency regulations that also have an impact on legislative processes already underway (legal acts for the Fit for 55 package and the Hydrogen and Decarbonised Gas Markets package). One example is the European Commission's RePowerEU Plan presented in May 2022, which is aimed at ending the EU's dependence on Russian fossils well before 2030. This is to be achieved through diversification of energy supplies – in the short term supplies of gas, oil and coal and in the medium to long term also supplies of renewable hydrogen. The plan also provides for a massive rollout of renewable energy in Europe and an acceleration of the green transition by increasing the ambition level for green hydrogen and significantly increasing energy efficiency.

(Contingency) measures in the gas sector

Measures designed to rapidly fill Europe's gas storage facilities ahead of the 2022/2023 heating season were initially prioritised. A proposal was presented at the beginning of March 2022 for the creation of a strategic gas reserve under which each member state must ensure that the underground gas storage infrastructures in its territory are filled up to at least 80% of their capacity by 1 November 2022, rising to 90% for the following years starting in 2023. The member states are encouraged to act in a spirit of solidarity. Furthermore, the national regulatory authorities are required to certify the gas storage operators in their national territory. Where risks to security of supply or filling targets are identified, the member state may also expropriate the storage operator as a last resort.

The European Commission published the "Save gas for a safe winter" package in July 2022. This package further supplements the EU's Gas Security of Supply Regulation in response to the possibility that Russia will suspend all gas deliveries. Among other things, the legislative package provides for the introduction of two additional warning levels, which will precede the already defined Union Alert and Regional Alert and will entail a 15% gas reduction that is initially voluntary and subsequently mandatory. The package also broadened the existing State aid Temporary Crisis Framework. Furthermore, the European Commission outlines additional savings potential in the gas sector, which will be realised in particular through a price-driven reduction in demand and by reducing general consumption for space heating.

The Commission published a further package in October 2022 to relieve the current strain in the energy markets. In addition to a communication, the package also contained proposals for a Council Regulation, concrete steps for organising EU-wide joint gas purchasing, the introduction of an alternative LNG gas price index, the introduction of a use-it-or-lose-it scheme for reserved gas transportation and LNG infrastructure capacity, an intraday volatility management mechanism, and default solidarity rules in case of supply shortages. With regard to joint gas purchases, member states will be required to pool gas demand equal to at least 15% of their storage-filling targets over the joint purchasing platform. The pooling does not generate a requirement to conclude a contract; the final purchase decision is left to the member states and the participating companies. The emergency regulation with the above contents was adopted by the EU Council of Energy Ministers on 19 December 2022 and entered into force on 30 December 2022. It is initially valid for one year.

Furthermore, the European Commission on 24 November 2022 published a draft for an emergency Council Regulation on a market correction mechanism for natural gas. The Commission's original draft

was significantly modified in the course of negotiations between the EU member states and now provides for the following regulations in principle: if the month-ahead price on the Dutch Title Transfer Facility (TTF) virtual gas trading platform exceeds the threshold of €180/MWh for natural gas on three consecutive trading days and at the same time the difference between the TTF month-ahead price and an LNG price average is more than €35/MWh, a price cap of €180/MWh for natural gas futures traded on the TTF will be introduced for an initial period of 20 working days. The price cap is based dynamically on the LNG price average and is raised automatically when this rises. If the sum of the LNG price average and a price premium of €35/MWh is less than €180/MWh for three consecutive working days, the price cap is automatically deactivated. Furthermore, the emergency regulation provides for safety mechanisms to suspend the market correction mechanism in the event that this generates significant distortion in the European internal market for natural gas. In December 2022 EU member states adopted the emergency regulation, which entered into force on 1 February 2023. The market correction mechanism cannot be triggered before 15 February 2023.

Adoption of a Council Regulation on an emergency intervention to address high energy prices

Following a brief consultation, the Council of Ministers on 30 September 2022 adopted an emergency Council Regulation (fast-track procedure without involving the EU Parliament) on emergency intervention in the energy markets. The main features of the regulation are taxing the excess revenues of electricity generators that rely on 'inframarginal' energy technologies and introducing a solidarity contribution from fossil fuel producers. Furthermore, demand reduction targets for electricity will be mandatory in some cases. The regulation sets an upper limit of €180/MWh on the permissible revenues of electricity generators. Any revenues above that level would pass to member states. The cap will apply to the following generation technologies: wind, solar, geothermal, hydropower without reservoir (with the exception of pumped storage and storage power plants), biomass (with the exception of biomethane), waste, nuclear, lignite, crude oil and peat. The revenue cap will apply to all trading periods and affects exchange trading and bilateral OTC transactions alike. The emergency regulation sets out that member states can adapt the revenue cap at a national level, i.e. reduce it or introduce upper limits for specific technologies. The regulation is fully effective until 31 December 2023. Some elements such as the inframarginal price cap are applicable for shorter periods. The revenue cap applies between 1 December 2022 and 30 June 2023. However, it may be extended following a review (no later than 30 April 2023).

The first demand reduction target, which applies from 1 December 2022 to 31 March 2023, is a voluntary target to reduce electricity consumption by 10% as compared to the average over the past five years ('reference period'). The second is a mandatory target to reduce peak electricity demand by 5% (at peak price hours, peak consumption or peak production from fossil fuels), whereby 10% of the total hours must be designated as peak price hours.

The solidarity contribution relates to companies that generate 75% of their Group revenues from the extraction or refining of oil products or the production of coke. The regulation became formally effective on 8 October 2022.

Emergency measures to accelerate the rollout of renewables

On 19 December 2022, EU energy ministers adopted an emergency regulation to speed up the permitting process for renewable energy projects. One of the main elements of the emergency regulation is that the construction and operation of plants and installations for the production of renewable energy, as well as their grid connections and the related necessary grid infrastructure plus the expansion of storage facilities is presumed to be in the overriding public interest. This will simplify the balancing of interests at the outset and during a permitting process for the authorities and the courts in connection with the above-mentioned infrastructure categories. Member states can limit the application of ‘overriding public interest’ to certain areas and technologies. The regulation entered into force on 30 December 2022 and is valid for 18 months. Member states can apply the faster permitting rules for ongoing permit requests.

Fit for 55 legislative package

European legislators continued their negotiations on the Fit for 55 legislative package during 2022. The “trilogue” negotiations on the Renewable Energy Directive (RED III) and the Energy Efficiency Directive are expected to be concluded in the first half of 2023 under the Swedish Council Presidency. RED III sets ambitious targets for renewable sources for the member states as well as quotas for the use of renewable hydrogen in industry and transport. The directive also provides for ambitious target adjustments for 2030 as regards energy efficiency, the exact form of which is a key element of the negotiations. In December 2022, policymakers agreed to a reform of the EU’s emissions trading system (EU ETS), which includes a reduction target for greenhouse gas emissions of 62% by 2030. They also agreed on the introduction of a Carbon Boundary Adjustment Mechanism (CBAM), which would end free allocations for sectors covered by the CBAM (including hydrogen) by 2034.

Hydrogen and Decarbonised Gas Market Package

Negotiations on gas market legislation were unable to be finalised in 2022. Both the Council and the European Parliament delayed the adoption of their respective positions. The focus of the debates so far has been on integrating renewable and decarbonised gases into the gas market as well as on questions concerning the conversion of gas grids and the future regulation of the construction and operation of hydrogen grids.

Sustainable Finance Taxonomy Regulation

After the European Commission presented the Complementary Delegated Act to the Sustainable Finance Regulation at the end of 2021 with assessment criteria for electricity generation from nuclear and gas-fired power plants, a vote was held in the European Parliament in July 2022. As the absolute majority required to oppose the Delegated Act was not achieved, it officially entered into force the same month. From January 2023, investments in electricity generation from nuclear and gas-fired power plants can thus be classified as sustainable under the EU taxonomy under certain circumstances. At the time this report was being prepared, the Commission had not made concrete proposals regarding the assessment criteria for the other four environmental objectives in the EU taxonomy (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems).

New legal framework for the energy sector in Austria

Implementation of the EU emergency regulation

TCFD

To transpose the EU emergency regulation into national law and specifically the windfall tax on inframarginal power generators, the Federal Act on the Electricity Energy Crisis Contribution (Bundesgesetz über den Energiekrisenbeitrag-Strom, EKBSG) was presented at the end of November 2022 and passed in December. Designed as a federal levy, the EKBSG covers the sale of electricity generated in Austria from wind, solar (solar thermal and photovoltaic), geothermal, hydropower, waste, lignite and hard coal, petroleum products, peat and biomass fuels (with the exception of biomethane) and takes into account electricity derivatives and electricity purchase agreements. It does not apply to pilot plants, electricity from plants that receive a market premium under the Renewable Energy Development Act (Erneuerbaren-Ausbau-Gesetz, EAG) or a feed-in or subsequent rate under the Green Electricity Act (Ökostromgesetz, ÖSG), control power, congestion management or domestic pumped storage facilities. The monthly excess revenues accrued between 1 December 2022 and 31 December 2023 will be used as the basis for assessment. Excess revenues are defined as the positive difference between market revenues and the price cap of €140/MWh; the revenue cap can increase up to a maximum of €176/MWh and 50% of the eligible investments in renewables are taken into account. Revenues above the price cap will be levied at 90%.

The Electricity Consumption Reduction Act (Stromverbrauchsreduktionsgesetz, SVRG) was also adopted at the end of the year. This aims to reduce electricity consumption at peak times by at least 5% on average. In addition to voluntary measures and the demand-reducing effects of higher electricity prices, market-based tenders can be put out to reduce electricity consumption and help achieve the target.

Electricity price cap for households and energy cost subsidy for companies

An electricity price cap was adopted in October 2022 to provide relief to households. This is effective from 1 December 2022 until 30 June 2024. Customers will be billed an energy price of EUR 0.10/kWh for annual consumption of up to 2,900 kWh per household. Where the energy price exceeds a threshold of EUR 0.40/kWh, any consumption above this limit will not be subsidised. The Enterprise Energy Cost Subsidy Act (Unternehmens-Energiekostenzuschuss-Gesetz, UEZG) was also passed. Enterprises whose energy costs amount to at least 3% of their production value can apply for the subsidy. The 3% limit does not apply to enterprises with annual revenues of over €700,000. At the end of the year, the federal government presented an adapted “energy cost subsidy 2” for 2023.

Strategic gas reserve for safeguarding gas supplies in Austria

In spring 2022, an amendment to the Gas Industry Act 2011 (Gaswirtschaftsgesetz, GWG 2011) was adopted on the introduction of a strategic gas reserve up to 1 November 2022. The federal government will provide the necessary funding. Austrian Gas Grid Management AG (AGGM) was put in charge of the procurement and management of the Austrian strategic gas reserve. AGGM has founded a subsidiary, ASGM Austrian Strategic Gas Storage Management GmbH, for the exclusive purpose of procuring the strategic gas reserve. The amount of the state-controlled reserve was ultimately set at 20 TWh.

EAG and EAG regulations

After being adopted by the parliament in July 2021, the Renewable Energy Development Act (EAG) only needed to be approved by the European Commission under state aid regulations. This took place in December 2021 with criticisms of the administrative allocation of market premiums for hydropower and wind power. The EAG was therefore amended in the National Council in January 2022 with revisions in these areas to fulfil the European Commission's requirements. The most significant change is a joint tender for wind and hydropower projects with an annual tender volume of 20 MW. The Supplementary Regulation on Granting Investment Subsidies for renewable electricity generation facilities was adopted in April 2022. The Supplementary Regulation on Awarding Market Premiums in the Renewables Sector was adopted in October. At the time this report was being prepared, the planned Green Gas Support Scheme Regulation and the Investment Subsidy Regulation for Promoting Electrolysis were still pending.

Amendment of the Environmental Impact Assessment Act

An amendment of the Environmental Impact Assessment Act (Umweltverträglichkeitsprüfungsgesetz, UVP-G) was submitted for review in summer 2022. The draft review principally sets out approaches for improving procedural efficiency in general and simplifications for accelerating energy transition projects in particular. These include, for example, incentives for spatial energy planning in the federal states, no suspensive effect of objections in the procedure and the recognition of significant public interest. Photovoltaic installations will continue not to be subject to an EIA obligation, but a new EIA position has been introduced for hydropower plants.

Government meeting on energy in January 2023

A corresponding government bill for the amendment of the Environmental Impact Assessment Act (UVP-G) was passed at a government meeting at the beginning of January 2023. Further course-setting in the energy sector was announced after the government meeting, namely the intention to draft a Renewable Energy Development Acceleration Act (Erneuerbaren-Ausbau-Beschleunigungsgesetz, EABG), which will also provide for procedural simplifications for renewable projects that are not subject to the EIA. The law is also expected to include provisions on spatial energy planning. In addition, the funding budget for photovoltaic projects is to be increased to nearly €600m in 2023. Likewise, the proposal for the Renewable Gas Act (Erneuerbare-Gase-Gesetz, EGG) was announced, which is to set a corresponding binding quota for gas suppliers. No bills are yet available for the EABG, the EGG and the Regulation on Increasing PV Subsidies.

Carbon pricing

The core part of the eco-social tax reform entered into force in October 2022. For this reason, a price for carbon emissions in Austria will be set outside the ETS for the first time. Companies that produce or import fuels in Austria will be taxed in the amount of €30 per tonne of CO₂. A climate bonus has been introduced as financial compensation.

Presentation of Austria's hydrogen strategy

Austria's hydrogen strategy was presented in June 2022. The strategy sets the main strategic direction, such as clarifying preferred application segments (especially energy-intensive industry and certain mobility segments). Use of hydrogen in space heating and in private transport (cars) is not deemed

efficient. Furthermore, capacity targets are set for the ramp-up: 1 GW of electrolysis capacity by 2030 is being targeted in Austria and 80% of domestic fossil H₂ consumption is to be substituted by climate-neutral H₂ (renewable and climate-neutral H₂). Because the quantities required by industry cannot be produced in Austria alone, imports of green hydrogen will be prioritised. For this reason, international hydrogen partnerships will be forged and import routes opened up. Since the hydrogen produced will generally be made available to industry in a pure form, the focus will also be on exclusive hydrogen networks for transportation of H₂. Therefore, with regard to the transport infrastructure, the aim is to convert the existing gas infrastructure into a hydrogen-only network. Blending thus plays a subordinate role and would only gain in importance if H₂ production were significantly increased. Carbon Contracts for Difference (CCfD) are planned as a new funding instrument to support the ramp-up.

The Energy Efficiency Reform Act 2023 (Energieeffizienz-Reformgesetz, EEff-RefG 2023) was submitted for review in December 2022. The amendment of the Electricity Industry and Organisation Act (Strommarktgesetz NEU; new Austrian Electricity Market Act) for implementation of the Clean Energy Package was not presented in 2022, nor was the Climate Change Act (Klimaschutzgesetz, KSG).

New legal framework for the energy sector in Germany

Act on Immediate Measures

In early July 2022, the German Bundestag and Bundesrat adopted the draft submitted by the federal government of an Act on Immediate Measures for Accelerated Development of Renewable Energy and Further Measures in the Electricity Sector (Gesetz zu Sofortmaßnahmen für einen beschleunigten Ausbau der Erneuerbaren Energien und weiteren Maßnahmen im Stromsektor, EEGAusbGuEnFG). Its aim is intended to align climate, energy and economic policies with the 1.5-degree climate action trajectory. The entire Renewable Energy Sources Act was completely revamped to achieve the new expansion targets.

To achieve the new expansion target for 2030, the expansion trajectories and tender quantities were defined for the individual technologies and significantly increased: for onshore wind energy to a level of 10 GW per year, so that in 2030 a total of around 115 GW of wind capacity will be installed in Germany. For solar energy, the target will be raised to 22 GW of capacity so that a total of around 215 GW of solar capacity has been installed in Germany by 2030.

The expansion targets for offshore wind energy will also be substantially increased to at least 30 GW by 2030, at least 40 GW by 2035 and at least 70 GW by 2045.

The law also postponed the goal of a climate-neutral electricity supply for 2035 until after coal has been phased out. It was also decided that the application of overriding public interest would apply to hydropower in the same way as it applies to all renewable energy sources.

Temporary continued operation of nuclear power plants

An amendment to the Atomic Energy Act (Atomgesetz, AtG) entered into force at the beginning of December 2022. This created the framework for the three nuclear power plants that are still operational to continue operating until 15 April 2023 at the latest.

Electricity, gas and heating price caps

Shortly before the end of 2022, the German Bundestag approved price caps for gas and electricity. The price caps aim to cushion rising energy costs and the most severe consequences for consumers and

TCFD

enterprises. Electricity, gas and heating prices are capped for a proportion of consumption and may no longer exceed these limits. The price caps are effective from March 2023 with retroactive price capping for January and February. As a result, the price caps will be effective for the whole of 2023 up until April 2024. The electricity, gas and heating price caps form the core of the economic 'shield' with a total volume of €200bn. Through the taxing of windfall profits, electricity producers will also participate in the financing.

Windfall tax on revenues from inframarginal power generation

With its renewable generation plants, VERBUND is also affected in Germany by market intervention in connection with the EU-wide revenue cap. The windfall tax on inframarginal power generators in Germany is based on differentiated limits depending on the generation technology and - in the case of renewable energy plants - also on the type of marketing. Tax is levied on 90% of the monthly excess revenues generated between 1 December 2022 and 30 June 2023, with the possibility of an extension from 30 June 2023 until 30 April 2024. The levy will be based on a self-computation for four months after the settlement period, with the first settlement period running from 1 December 2022 until 31 March 2023. The tax will be levied on a quarterly basis.

Finance

Factors affecting the result

Wholesale electricity prices

VERBUND contracted for most of its own generation for 2022 on the futures market back in 2020 and 2021. Ever since the split of the joint German-Austrian price zone in October 2018, separate, higher prices have prevailed in Austria.

Prices for AT 2022 front-year base load contracts (traded in 2021) averaged €91.3/MWh, and prices for DE 2022 front-year base load contracts averaged €88.4/MWh. Futures market prices thus increased significantly year-on-year by 113.0% (AT) and 120.1% (DE). Front-year peak load (AT) contracts traded at an average of €110.1/MWh and front-year peak load (DE) contracts traded at €107.2/MWh. Futures market prices in this area thus increased year-on-year by 111.7% (AT) and 118.6% (DE).

On both the Austrian and German spot markets, wholesale trading prices for electricity ballooned in quarters 1–4/2022 compared with the previous year. Prices for base load electricity increased by an average of 144.9% to €261.7/MWh in Austria and by 143.4% to €235.7/MWh in Germany. Prices for peak load rose by 136.8% to €301.3/MWh in Austria and by 131.4% to €267.4/MWh in Germany.

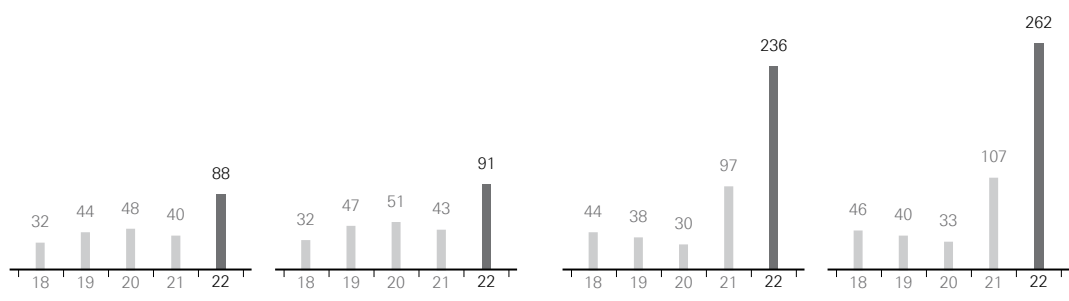
The spike in electricity prices is mainly fuelled by rising gas prices. Reasons for the higher gas prices included increased demand for gas following the pandemic, low stocks of gas and fears of shortages. The war in Ukraine and the uncertainty generated as a result further compounded the situation.

Futures prices €/MWh

Front Year Base DE Front Year Base AT

Spot market prices €/MWh

Spot Base DE Spot Base AT



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

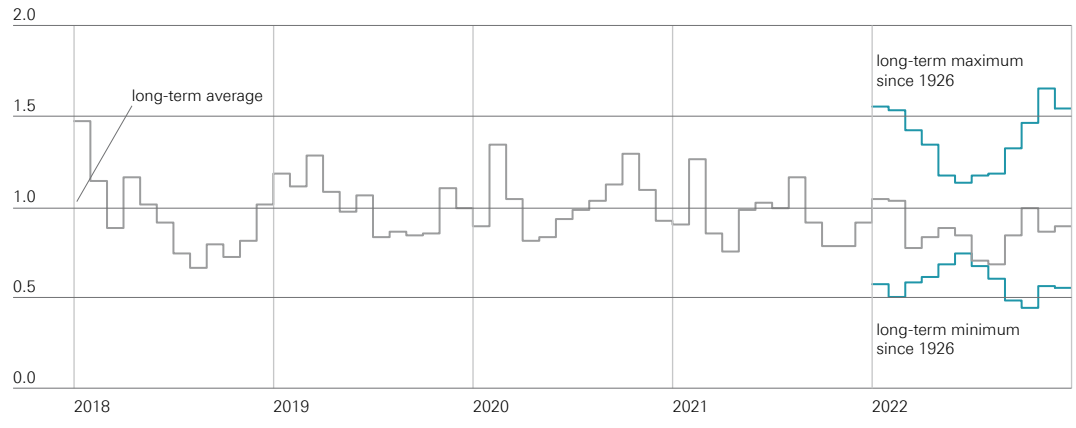
Source: EEX, EPEX Spot

Spot prices: 1/1/2018 – 30/9/2018 Market area Germany/Austria, starting 1/10/2018 Market area Germany or Austria respectively. Average prices.

Water supply

The water supply in rivers is of particular significance for VERBUND since around 92% of its electricity is produced using hydropower. Water supply is measured by means of a hydro coefficient, with the value of 1.00 representing the long-term average. In the 2022 reporting period, the hydro coefficient for run-of-river and pondage power plants was 0.86, which is 14 percentage points lower than the long-term average and 9 percentage points below the prior-year level (0.95). The hydro coefficients for the individual quarters differed as follows: quarter 1: 0.94 (previous year: 0.99), quarter 2: 0.86 (0.93), quarter 3: 0.75 (1.03) and quarter 4: 0.92 (0.83).

Hydro coefficient (monthly averages)



Electricity supply and sales volumes

VERBUND's own generation decreased by 2,264 GWh, or 7.2% in quarters 1–4/2022 to 29,042 GWh compared with the same period in 2021. Generation from hydropower decreased by 2,586 GWh compared with the previous year. The hydro coefficient for the run-of-river power plants dropped to 0.86, or 9 percentage points below the prior-year figure and 14 percentage points below the long-term average. Generation from our annual storage power plants fell slightly by 2.7% in quarters 1–4/2022 versus 2021. The effects from increasing reservoir levels and a lower inflow outweighed the higher generation from turbinning.

At 954 GWh, the volume of electricity generated by VERBUND's wind power plants in quarters 1–4/2022 was up 115 GWh on the figure for the previous year due in particular to the commissioning of wind power plants in Spain. A higher wind supply was also recorded in Germany and Romania. Austria was down slightly on the prior-year level. The volume of electricity generated by VERBUND's photovoltaic installations was 70 GWh in 2022. The new generation facilities in Spain also made a noticeable difference here.

Electricity generation from thermal power plants increased by 140 GWh year-on-year due in particular to the market-driven operations of the Mellach combined cycle gas turbine power plant (Mellach CCGT) in connection with the agreement to supply district heating.

Electricity purchased from third parties for trading and sales rose by 7,378 GWh in quarters 1–4/2022. Electricity purchased from third parties for grid loss and control power volumes was on a level with the previous year (+10 GWh).

Group electricity supply	GWh		
	2021	2022	Change
Hydropower ¹	29,340	26,754	-8.8%
Wind power	839	954	13.7%
Solar power	2	70	-
Thermal power	1,125	1,264	12.4%
Own generation	31,306	29,042	-7.2%
Electricity purchased for trading and sales	27,793	35,170	26.5%
Electricity purchased for grid loss and control power volumes	4,175	4,186	0.2%
Electricity supply	63,274	68,398	8.1%

¹ incl. purchase rights

VERBUND's electricity sales volume rose by 4,535 GWh, or 7.7%, in quarters 1-4/2022. The increase was spread across all segments. Sales to consumers were up marginally by 1.3% - the customer base at 31 December 2022 comprised around 526,000 electricity and gas customers -, while sales to resellers rose by 1,534 GWh and sales to traders by 2,816 GWh. In the case of sales to traders and sales to resellers, this resulted from an increase in deliveries to international customers. Own use of electricity rose by 608 GWh in quarters 1-4/2022. This increase is mainly due to increased operation of the power plants in turbinning mode.

Group electricity sales volume and own use	GWh		
	2021	2022	Change
Consumers	14,204	14,388	1.3%
Resellers	26,893	28,428	5.7%
Traders	17,799	20,615	15.8%
Electricity sales volume	58,896	63,431	7.7%
Own use	3,388	3,996	17.9%
Control power volume	990	971	-1.9%
Total electricity sales volume and own use	63,274	68,398	8.1%

Approximately 48% of the electricity sold by VERBUND in quarters 1-4/2022 went to the Austrian market (previous year: around 56%). International trading and sales activities focused on the German market, which accounted for around 84% of all volumes sold abroad in 2022.

Electricity sales by country

	GWh		
	2021	2022	Change
Austria	33,185	30,709	-7.5%
Germany	20,798	27,477	32.1%
France	4,191	4,369	4.3%
Romania	669	687	2.7%
Other	53	188	
Electricity sales volume	58,896	63,431	7.7%

Financial performance**Result**

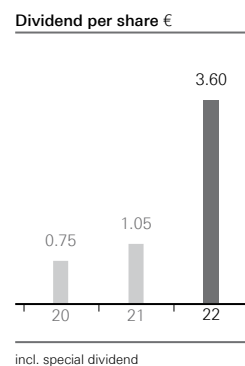
	€m		
	2021	2022	Change
EBITDA	1,579.0	3,160.7	100.2%
Adjusted EBITDA	1,579.0	3,160.7	100.2%
Operating result	1,266.8	2,626.2	107.3%
Group result	873.6	1,717.0	96.6%
Adjusted Group result	798.6	1,754.9	119.8%
Earnings per share in €	2.51	4.94	96.6%
(Proposed) dividend per share in €	1.05	2.44	132.4%
(Proposed) special dividend per share in €	-	1.16	-

Income trend

VERBUND saw a significant improvement in the results posted for financial year 2022. EBITDA climbed by 100.2% to €3,160.7m. The Group result surged by 96.6% to €1,717.0m compared with the same period of the previous year. Due in particular to the dry summer, the volume of electricity VERBUND generated from its run-of-river power plants in financial year 2022 was well below average. The hydro coefficient dropped to 0.86, or 9 percentage points below the prior-year figure and 14 percentage points below the long-term average. The reduced volume of electricity generated from hydropower had a pronounced negative impact on the development of earnings. The lower quantity of hydroelectricity produced made it necessary to purchase electricity so that the electricity volumes that had already been sold on the basis of the long-standing hedging strategy could be delivered. Due to the market conditions, these repurchases had to be made at exceedingly high prices in some cases, which put additional pressure on earnings. The measures in effect in Austria and Germany since December 2022 to tax windfall revenues of inframarginal power generators and those in effect in Spain and Romania to tax windfall profits also had a negative impact on the result. By contrast, the sharp increase in wholesale electricity prices on the futures and spot markets in particular gave a significant boost to earnings. Average sales prices obtained for VERBUND's own generation from hydropower rose by €60.2/MWh to €115.1/MWh. The New renewables segment also made a bigger contribution to earnings on the strength of higher average prices and the rise in output. The significantly higher contribution from flexibility products likewise had a positive effect. Moreover, the Group result for financial year 2022 was influenced by non-recurring effects totalling €-37.9m (2021: €+75.0m). Adjusted for these non-recurring effects, the Group result rose by 119.8% to €1,754.9m.

Dividend

A dividend of €3.60 per share for financial year 2022 will be proposed to the Annual General Meeting on 25 April 2023. This dividend consists of a regular dividend of €2.44 per share plus a special dividend of €1.16 per share. The one-off special dividend is intended to allow shareholders to participate in the Group's extraordinarily positive business performance for financial year 2022 by means of a higher payout. The payout ratio (regular dividend plus special dividend) for 2022 will be 72.8% of the reported Group result or 71.3% of the Group result after adjusting for non-recurring effects. The payout ratio for 2022 relating to the regular dividend will thus amount to 48.3% of the adjusted Group result. In 2022, a dividend of €1.05 per share was paid out to shareholders; the payout ratio amounted to 41.8% of the reported Group result or 45.7% of the adjusted Group result.



Revenue	2021	2022	Change
Electricity revenue	3,833.3	8,747.4	–
Grid revenue	735.0	1,309.3	78.1%
Other revenue	208.4	289.4	38.9%
Revenue	4,776.6	10,346.1	–

€m

Electricity revenue

VERBUND's electricity revenue rose by €4,914.2m to €8,747.4m in 2022. The sharp increase in electricity revenue can be attributed to the massive increase in wholesale prices for electricity. Both futures and spot market prices surged. The average sales price obtained for our own generation from hydropower rose by €60.2/MWh to €115.1/MWh. In terms of quantities, electricity sales volumes increased by 4,535 GWh, or 7.7%, year-on-year.

Grid revenue

Grid revenue rose by €574.3m year-on-year to €1,309.3m in 2022. The revenue increase at Austrian Power Grid AG (APG) of €348.8m is due in particular to higher revenue from control power and balancing services. In addition, significantly higher revenue was achieved from international auctions for cross-border capacity. An increase in national tariff revenue resulting from higher tariffs was also recorded despite a slightly negative volume effect. The consolidation of Gas Connect Austria GmbH (GCA), the regulated gas transmission and distribution system operator in Austria acquired with effect from 31 May 2021, also lifted grid revenue.

Other revenue and other operating income

Other revenue rose by €81.0m to €289.4m. District heating revenue rose significantly due to the inception of the new agreement to supply district heating from the Mellach CCGT at 1 October 2021. Higher income from the sale of green electricity certificates and the gas trading business also had a positive effect. Other operating income rose by €15.6m to €113.1m. This is mainly attributable to an increase in receivables as well as to changes in inventories in connection with green electricity certificates.

Expenses	€m		
	2021	2022	Change
Expenses for electricity, grid, gas and certificates purchases	2,612.6	6,802.4	–
Fuel expenses and other usage-/revenue-dependent expenses	250.1	522.1	–
Personnel expenses	383.7	428.4	11.7%
Other operating expenses	318.3	403.5	26.8%

Expenses for electricity, grid, gas and certificates purchases

Expenses for electricity, grid, gas and certificate purchases increased by €4,189.8m to €6,802.4m. A total of 7,388 GWh more electricity was purchased from third parties for trading and sales as well as for grid loss and control power volumes. The higher procurement prices arising from higher price levels for wholesale electricity gave rise to a significant increase in expenses. Expenses for electricity purchases thus increased by €4,039.3m compared with the previous year. Expenses for grid purchases rose by €4.1m and expenses for gas purchases increased by €142.4m.

Fuel expenses and other usage-/revenue-dependent expenses

Fuel and other usage-/revenue-dependent expenses were up €272.0m to €522.1m. There was a marked increase in gas expenses, precipitated in particular by the steep rise in gas prices. Production was also up year-on-year (for details please refer to the section entitled Electricity supply and sales volumes). The higher expenses for emission allowances, which were likewise attributable to the significant price increases and higher generation volumes as well as the consolidation of GCA, also pushed up expenses. The expenses incurred in connection with the measures to tax the windfall revenues of inframarginal power generators in Austria and Germany and corresponding windfall profits in Romania and Spain totalled €33.5m in financial year 2022 (2021: €0.0m).

Personnel expenses

Personnel expenses were up €44.7m year-on-year to €428.4m. This increase is due to the consolidation of GCA and SMATRICS GmbH & Co KG. In addition, the Company entered the Spanish market by incorporating the company VERBUND Green Power Iberia S.L.U with its personnel. The hiring of additional employees for the implementation of strategic growth projects in particular and the 3.6% to 4.0% increase in pay rates under the collective bargaining agreement also led to higher personnel expenses in the reporting period.

Other operating expenses

Other operating expenses rose by €85.2m to €403.5m. The increase was attributable to the first-time consolidation of GCA as at 31 May 2021, an increase in goods and services purchased for third-party maintenance of power plants and line systems, higher IT expenses plus higher legal, audit and consulting expenses, as well as expenses for donations.

Measurement and realisation of energy derivatives

Starting in the 2021 reporting period, results from the measurement and realisation of energy derivatives for which hedge accounting in accordance with IFRS 9 is not applied are no longer presented under revenue and electricity, grid, gas and certificates purchases but combined in a separate item entitled Measurement and realisation of energy derivatives. A gain of €858.0m was posted for financial year 2022 (2021: €269.7m). This account includes €641.6m (2021: €312.3m) from the realisation of energy derivatives, offset by countervailing effects in revenue and/or procurement cost. The measurement and realisation of energy derivatives for future delivery periods is €+216.4m (2021: €-42.6m). Further details are presented in the notes to the consolidated financial statements.

EBITDA

As a result of the above-mentioned factors, EBITDA rose by 100.2% to €3,160.7m.

Depreciation and amortisation

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €45.4m to €462.7m. Along with the first-time consolidation of GCA as at 31 May 2021 and the amortisation of the acquired Spanish companies, this is also due in particular to an increase in the investment volume at APG.

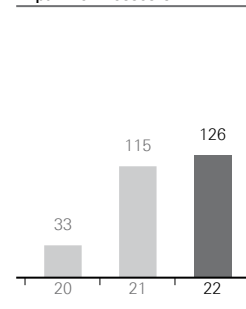
Impairment losses

Impairment losses of €197.8m mainly concerned the goodwill charge on the renewable portfolio in Spain (€94.2m), the cash-generating units of the renewable portfolio in Spain (€51.7m), the goodwill of GCA (€39.3m) and the Gratkorn run-of-river power plant (€10.4m). Further details on impairment testing are presented in the notes to the consolidated financial statements.

Reversal of impairment losses

Reversals of impairment losses of €126.0m resulted primarily from the reversal of the impairment losses recognised on the Mellach combined cycle gas turbine power plant. Further details on impairment testing are presented in the notes to the consolidated financial statements.

Reversal of
impairment losses €m



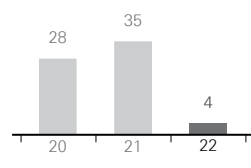
Financial result

	€m		
	2021	2022	Change
Result from interests accounted for using the equity method	34.8	4.3	-87.7%
Other result from equity interests	19.5	8.0	-59.0%
Interest income	38.4	40.1	4.6%
Interest expenses	-77.8	-101.7	30.7%
Other financial result	-15.8	1.6	-
Impairment losses	-18.3	-46.5	-
Reversals of impairment losses	16.8	0.0	-
Financial result	-2.4	-94.1	-

Result from interests accounted for using the equity method

The result from interests accounted for using the equity method decreased by €30.5m to €4.3m. This is mainly due to the earnings contributions from KELAG-Kärntner Elektrizitäts-Aktiengesellschaft in the amount of €4.3m (2021: €36.0m; see the section entitled All other segments for more information).

Equity result - domestic €m



Equity method accounting

Interest income and expenses

Interest income increased by €1.8m to €40.1m compared with 2021. Interest expenses rose by €23.9m to €101.7m. The increase was attributable to higher net interest charged on money market transactions and higher interest expenses for margining in connection with the electricity business. The new €500m promissory note issued in November 2022 and the €500m bond issued in April 2021 also raised expenses.

Other financial result

The other financial result rose by €17.5m to €1.6m in 2022. This was chiefly attributable to the measurement of an obligation to return an interest (€+54.9m) relating to the Jochenstein power plant on the Danube River as well as the measurement of a profit participation right with respect to material assets (€-19.1m) in respect of Trans Austria Gasleitung GmbH (TAG). In addition, the measurement of securities funds through profit or loss in accordance with IFRS 9 had a negative effect (€-16.8m).

Impairment losses in the financial result

The impairment losses of €46.5m resulted from the impairment charge on TAG (€46.2m) and on Ashta Beteiligungsverwaltung GmbH (€0.3m). Further details on impairment testing are presented in the notes to the consolidated financial statements.

Financial result

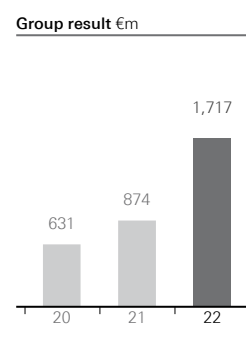
The financial result consequently declined by €91.7m, falling from €-2.4m to €-94.1m.

Taxes on income

Taxes on income rose by €304.0m to €583.4m. In financial year 2022, the figure for taxes on income includes a positive non-recurring effect in the amount of €56.6m. This effect results from the revaluation of deferred tax as a consequence of the decision to lower Austria's corporate income tax rate from 25% to 24% in 2023 and from 24% to 23% beginning in 2024 in connection with the Eco-social Tax Reform Act (Ökosoziales Steuerreformgesetz, ÖkoStRefG).

Group result

After taking account of an effective tax rate of 23.0% and non-controlling interests in the amount of €231.8m, the Group result amounted to €1,717.0m. This represents an increase of 96.6% against the previous year. Earnings per share amounted to €4.94 (2021: €2.51) for 347,415,686 shares. The Group result after adjustment for non-recurring effects was €1,754.9m, an increase of 119.8% on the prior-year period.



Financial position

Consolidated balance sheet (condensed)

	2021	Percent	2022	Percent	Change
Non-current assets	13,606.9	79%	15,244.6	80%	12.0%
Current assets	3,674.5	21%	3,912.0	20%	6.5%
Total assets	17,281.4	100%	19,156.6	100%	10.9%
Equity	6,362.9	37%	8,323.0	43%	30.8%
Non-current liabilities	5,139.2	30%	6,688.2	35%	30.1%
Current liabilities	5,779.2	33%	4,145.4	22%	-28.3%
Total liabilities	17,281.4	100%	19,156.6	100%	10.9%

Assets

SDG 8

The rise in non-current assets compared with 31 December 2021 is largely attributable to the initial recognition of the Spanish solar and wind power portfolio acquired in the reporting period. This and the other additions to property, plant and equipment of €1,180.9m were reduced by depreciation of €436.2m. Impairment testing of property, plant and equipment resulted in a need for a reversal of impairment losses of €126.0m on the Mellach CCGT, among others, after deduction of related government grants. This was offset by required impairment losses for property, plant and equipment, especially at Spanish solar and wind power plants in the amount of €49.7m. Besides the photovoltaic installations and wind power plants in Spain – some of which are still under construction – the main additions to property, plant and equipment related to capital expenditure for the Austrian transmission system and replacement investments at Austrian and German hydropower plants. Furthermore, impairment testing of the goodwill arising from the acquisition of Gas Connect Austria GmbH and the Spanish solar and wind power portfolio led to a need for impairment totalling €133.5m. The increase in current assets resulted in particular from higher trade receivables and higher gas stocks.

Equity and liabilities

The increase in equity is mainly attributable to the profit for the period generated in quarters 1–4/2022 and positive effects from the measurement of cash flow hedges recognised in other comprehensive income, which were offset by the dividend payment by VERBUND AG, reducing equity. The current and non-current liabilities essentially remained level with the previous year; higher financial liabilities mainly in connection with the acquisition of the Spanish solar and wind power companies, and higher liabilities for current and deferred taxes were offset by a sharp drop in negative fair values of derivative hedging transactions in the electricity business.

Cash flows

Cash flow statement (condensed)	€m		
	2021	2022	Change
Cash flow from operating activities	98.2	2,019.9	–
Cash flow from investing activities	–1,105.3	–1,591.2	–
Cash flow from financing activities	1,276.5	–338.0	–
Change in cash and cash equivalents	269.4	90.7	–66.3%
Cash and cash equivalents at the end of the period	318.6	409.3	28.5%

Cash flow from operating activities

Cash flow from operating activities amounted to €2,019.9m in the 2022 reporting period, up €1,921.7m on the prior-year figure. The increase was mainly fuelled by the significantly higher average prices obtained for electricity sales as well as by lower margining payments for hedging transactions in electricity trading. The much higher income tax payments had an offsetting effect.

Cash flow from investing activities

Cash flow from investing activities amounted to €–1,591.2m in the 2022 reporting period (2021: €–1,105.3m). The change compared with the prior year was mainly due to a higher cash outflow from capital expenditure for subsidiaries (€–231.3m) and higher cash outflows from capital expenditure for intangible assets and property, plant and equipment (€–237.2m).

Cash flow from financing activities

Cash flow from financing activities amounted to €–338.0m in the 2022 reporting period, a change of €–1,614.5m. This decrease is mainly due to the change in cash inflows and outflows from money market transactions (€–1,760.5m) and higher disbursements for dividends (€–158.5m). A reduction in the cash outflow from the repayment of financial liabilities (€+128.2m) and an increase in the cash inflow from the assumption of financial liabilities (€+143.8m) had a counteracting effect.

Key performance indicators and financial governance

VERBUND's principal management KPIs are net debt/EBITDA and free cash flow. VERBUND uses ROCE to measure value creation. Starting from the 2019 reporting period, ROCE will now only be calculated for VERBUND's unregulated business activities, with retroactive effect from 2018.

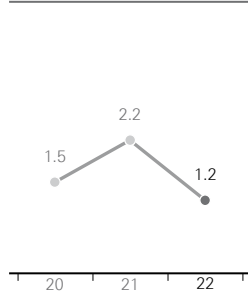
Net debt/EBITDA and free cash flow

VERBUND has made financial stability a priority and is aiming to reach a ratio of net debt to EBITDA of < 3.0. In order to continue to meet this target, particular attention will be paid to the development of free cash flow.

The ratio of net debt to EBITDA was 1.2 at 31 December 2022 (2021: 2.2). The improvement was mainly due to the sharp rise in EBITDA. Information on the change in EBITDA is presented in the Financial performance section. The increase in net debt primarily resulted from higher financial liabilities in connection with the acquisition of the Spanish solar and wind power portfolio.

Free cash flow after dividends amounted to €25.7m at the end of the reporting period (2021: €-1,329.5m). The change is principally attributable to the higher capital expenditure on property, plant and equipment and on consolidated equity interests, which eroded the significant increase in operating cash flow. Another reason for the change was the higher dividend payments than in 2021.

Net debt/EBITDA



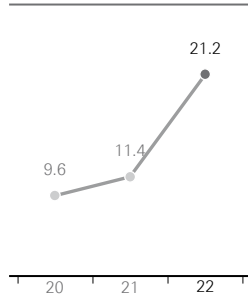
Return on capital employed (ROCE)

ROCE is an indicator of the profitability of the Group's operating assets. ROCE for VERBUND's unregulated business activities at the end of 2022 was 21.2% (2021: 11.4%). The objective is for this figure to exceed 9.0% in the long term. ROCE is calculated by dividing net operating profit after tax (NOPAT) by average capital employed.

NOPAT equates to operating profit before financing costs, including the result from equity interests net of income tax. At the end of financial year 2022, NOPAT for VERBUND's unregulated business activities was €1,891.0m (2021: €870.0m). The increase is mainly due to the change in profit before tax and is explained in the Financial performance section.

Capital employed corresponds to average total assets, net of those assets that do not contribute to performance or commercialisation, and less non-interest-bearing debt. Average capital employed for VERBUND's unregulated business activities amounted to €8,930.5m at the end of 2022 (2021: €7,624.1m). The Group return exceeded the weighted average cost of capital (WACC) of the Group's unregulated business activities in 2022 (31 December 2022: 6.25%).

ROCE



Gearing

Gearing is determined as follows:

Interest-bearing net debt (condensed)	€m		
	2021	2022	Change
Financial liabilities	2,849.4	3,515.0	23.4%
Interest-bearing provisions	825.7	612.1	-25.9%
Other interest-bearing liabilities	345.4	353.9	2.5%
Cross-border leasing	0.1	0.1	-1.5%
Cash and cash equivalents	-318.4	-409.1	-
Securities	-138.5	-160.9	-
Other liquid financial assets	-52.8	-12.7	-
Interest-bearing net debt	3,510.8	3,898.3	11.0%
Equity	6,362.9	8,323.0	30.8%
Gearing ratio	55.2%	46.8%	-

Financing

Financing strategy

In a highly volatile energy market environment marked by considerable uncertainty, VERBUND bases its financing strategy on three pillars: 1. safeguarding liquidity and ensuring suitable liquidity reserves; 2. securing a solid credit rating over the long term; and 3. implementing innovative financial transactions in the field of green finance.

Safeguarding liquidity and ensuring suitable liquidity reserves

TCFD

For VERBUND, ensuring that liquidity is available at all times has the highest priority. As at 31 December 2022, VERBUND had an ESG-linked syndicated loan in the amount of €500.0m at its disposal that had not been drawn down. The loan, which was taken out with twelve domestic and international banks with good credit ratings, matures in December 2023 with two additional extension options of one year in each case. VERBUND also had access to committed lines of credit amounting to €2,350.0m and uncommitted lines of credit amounting to approximately €2,740.0m at the end of 2022. As at 31 December 2022, €150.0m and €500.0m of these credit lines had been drawn down.

We also continue to support decarbonisation with our green financing measures.

As at 31/12/2022:
S&P: A/
positive outlook
Moody's: A3/
stable outlook

The better a company's credit rating, the easier and more inexpensive it is to benefit from full access to international capital markets. Having a solid credit rating gives VERBUND continuous access to various financing instruments in the capital market and safeguards the Group's business model. As at 31 December 2022, VERBUND had a long-term rating of A with a positive outlook from Standard & Poor's (S&P) and a rating of A3 with a stable outlook from Moody's. VERBUND is thus among Europe's most creditworthy energy suppliers. For the long term, VERBUND is aiming for a solid "A" category rating. VERBUND is therefore focusing primarily on optimising free cash flow and on the two key rating-related performance indicators of FFO/net debt and RCF/net debt.

Implementing innovative financial transactions in the field of green finance

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

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

In recent years, VERBUND has issued the following innovative green transactions:

- 1) the first corporate green bond in the DACH region;
- 2) the first green Schuldschein issued over a digital platform;
- 3) first ESG-linked syndicated loan whose margin structure is linked exclusively to VERBUND's ESG rating (sustainability ranking) over the term of the loan; and

TCFD

4) the first Green & Sustainability-linked Bond, which combines all four available sustainable components in green finance in a single transaction:

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

In the case of the Green & Sustainability-linked Bond (2021) issued, the figures for the KPIs increased as follows in the period from 1 January to 31 December 2022:

1. KPI 1 by 345 MW to a total capacity of 9,079 MW (basis: 31 December 2020: 8,692 MW) and for
2. KPI 2 by 1,670 MVA to a total of 33,630 MVA (basis: 31 December 2020: 30,810 MVA).

In November 2022, VERBUND supplemented its renewable financing portfolio and issued an ESG-linked Schuldschein with a volume of €500.0m. The amount, the interest rate and the maturities were tailored to VERBUND's needs, leading to two variable interest tranches with maturities of three and five years being chosen.

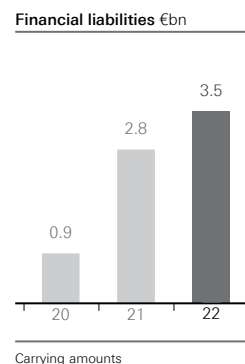
The ESG link refers to the ESG Risk Management Score of VERBUND AG, which is determined annually by the Sustainalytics ESG rating agency. In this way, VERBUND shows its commitment to its sustainable corporate strategy. This ESG-linked promissory note loan met with considerable interest among all investor groups, as reflected in the overwhelming development of our order book. International investors made up nearly two-thirds of the order book, underlining the worldwide interest in VERBUND's green financing instruments.

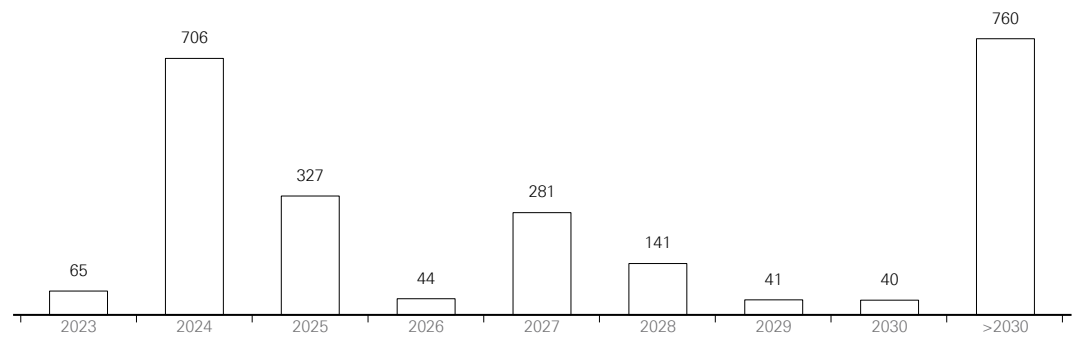
As at 31 December 2022, VERBUND's borrowing portfolio was composed as follows: 33.4% bonds and 66.6% loans.

The following key performance indicators refer to purely external financial liabilities, excluding former cross-border leasing transactions, exclusive financial guarantees and exclusive limited partnership interests. The carrying amount of VERBUND's financial liabilities was €3,455.7m as at 31 December 2022. The entire amount was financed in euros. A total of 40.6% of these financial liabilities had fixed interest rates and 59.4% had variable interest rates. As at 31 December 2022, the duration of all liabilities was 4.0 years and the average term to maturity was 5.2 years. The effective interest rate was 2.10%.

Repayments of principal and repayment structure

In financial year 2022, principal payments of €26.8m were made on long-term borrowings. A total of €64.8m will fall due in 2023, and €706.4m is scheduled to be repaid in 2024.



Repayments €m

Segment report

Hydro

Generation of electricity from hydropower is reported in the Hydro segment. VERBUND is one of Europe's biggest producers of hydroelectricity. Around 92% of the total electricity VERBUND generated in 2022 came from hydropower. Especially in Austria, hydropower is the basis for generating electricity from renewable energy sources. It has many advantages: it is renewable, clean, reliable and flexible and delivers high-value peak load and base load power. VERBUND's strong hydropower base with a very extensive portfolio provides an outstanding competitive basis.

Hydropower will play an important role in achieving Austria's climate targets and maintaining security of supply.

Business performance

KPIs – Hydro segment

	Unit	2021	2022	Change
Total revenue	€m	1,465.5	2,823.7	92.7%
EBITDA	€m	1,106.0	2,383.4	–
Result from interests accounted for using the equity method	€m	0.3	1.1	–
Capital employed	€m	5,920.6	6,180.5	4.4%

The increase in total revenue and EBITDA is due to higher average prices obtained for electricity on the whole. Generation from both storage power plants and run-of-river power plants declined. The hydro coefficient for the run-of-river power plants was 0.86 (2021: 0.95).

The increase in capital employed mainly resulted from an increase in property, plant and equipment and financial assets, offset by lower working capital and lower non-interest-bearing liabilities.

GRI EU1
GRI EU2

SDG 7

Energy supply

Energy generation overview

Electricity generation

	Number ¹	Maximum electrical capacity in MW ¹	Mean energy capability in GWh ³	2020 Generation in GWh	2021 Generation in GWh	2022 Generation in GWh ⁴
Hydropower ²	130	8,417	29,334	31,525	29,340	26,754

¹ as at 31 December 2022 // ² incl. purchase rights // ³ mean energy capability includes generation from natural inflow // ⁴ generation from natural inflow (run-of-river and storage power plants) as well as from pumping/turbining

As at the end of 2022, VERBUND electricity from hydropower came from 93 run-of-river power plants and 23 storage power plants. We also held purchase rights at 14 run-of-river power plants owned by Ennskraftwerke AG. The mean energy capability (annual generation potential assuming an average water supply in a standard year) was 29,334 GWh.

In the 2022 reporting period, the hydro coefficient for run-of-river and pondage power plants was 0.86, which is below the long-term average and also below the figure for the previous year (0.95). The hydro coefficients for the individual quarters differed substantially as follows: quarter 1/2022: 0.94 (Q1/2021: 0.99), quarter 2/2022: 0.86 (Q2/2021: 0.93), quarter 3/2022: 0.75 (Q3/2021: 1.03) and quarter 4/2022: 0.92 (Q4/2021: 0.83).

Generation from our annual storage power plants fell by 2.7% in quarters 1–4/2022 compared with the prior year. The effects from increasing reservoir levels and a lower inflow outweighed the higher generation from turbinning.

VERBUND's hydropower plants had a capacity of 8,417 MW (maximum electrical capacity = maximum capacity for sustained operations) as at 31 December 2022.

GRI EU10
GRI EU1

SDG 7

Capacity changes 2021–2024¹

	2021	2022	2023	2024
Hydropower ²	8,307	8,417	8,420	8,487

¹ as at 31 December of each year // ² incl. purchase rights

The capacity changes in the Hydro segment in 2022 are attributable to the commissioning of the new Töging plant and the Häusling small-scale power plant, as well as to completed rehabilitation projects for the Ybbs-Persenbeug, Arnstein, Kaprun-Oberstufe and Gerlos power plants. Additional increases in mean energy capability and capacity are expected for the coming years due to the new construction projects and rehabilitations underway.

Availability of hydropower plants

GRI EU30

SDG 7

The availability of hydropower plants was affected in 2022 by the large number of ongoing rehabilitations and new construction projects.

Overall, the Austrian power plants of VERBUND Hydro Power GmbH (run-of-river and storage power plants) had average availability of 92.2% in 2022. This availability level is lower than the mean for the last five years (93.3%); the ongoing overhaul of the generator sets at the storage power plants (Malta-

Hauptstufe and Kaprun-Oberstufe) had a particularly significant impact here. Of the run-of-river power plants, the rehabilitations of Ybbs-Persenbeug and Ottensheim-Wilhering deserve special mention.

The Grenzkraftwerke power plants on the Inn and Danube rivers (Bavaria/Austria) achieved overall availability of 90.1% in 2022, falling significantly short of the average for the last five years of 93.6%. The rehabilitation measures in Ering-Frauenstein were particularly decisive here.

The Bavarian run-of-river power plants operated by VERBUND Innkraftwerke GmbH achieved an overall availability level of 88.9% in 2022 (commissioning of the new Töging power plant from the end of February 2022), which is thus lower than the average of 90.2% for the last five years but significantly higher than the prior-year figure of 85.6% (decommissioning of the old power plant in connection with the construction of the new Töging power plant from mid-September 2021).

Plant management and environment

In 2022, all operation and maintenance work as well as all ongoing new build, expansion and rehabilitation projects were conducted in compliance with the COVID-19 regulations. These provided for four degrees of protection, with different regulations in relation to masking, access rules, remote working, specifications on the organisation of collaboration (separation of teams) and limits on the numbers of participants in work meetings. This continuously ensured reliable operations at the hydropower plants.

As a result of the dramatic events in Ukraine, there has been further significant market distortion in the purchase of supplies and services since February 2022 on top of the pandemic-related price increases. Supply shortages also led to considerable delays. To be able to continue the ongoing projects that are important for the future of energy and the Group's growth, it was necessary to increase the project budgets accordingly.

New power plant projects

New construction of the Gratkorn power plant on the Mur River

The investment decision was taken in December 2020 for the Gratkorn power plant on the Mur River (a partner project between VERBUND Hydro Power GmbH (50%) and Energie Steiermark Green Power GmbH (50%)) with a maximum electrical capacity of 11 MW and a mean energy capability of 54.2 GWh. An investment grant for the entire project of up to €7.2m was awarded under the Green Electricity Act (ÖSG). In addition, VERBUND Hydro Power GmbH (VHP) received an assistance agreement concerning the COVID-19 investment premium in the amount of €3.6m for its 50% share of the project.

Following various preparatory projects starting in spring 2021, the actual construction work began in November 2021. The next important milestone – diversion of the Mur River – came in spring 2022, and excavation of the building pit for the main structure began. Then the excavation pit was sealed and concreting was initiated at the end of July. Work was carried out on the right embankment at the same time (among other things to divert the drainage water and impound the millstream). Excavations for this were completed in 2022. In September 2022, work began on the left bank of the reservoir. On the whole, the very low water supply throughout most of the year was beneficial for the work.

Assembly of the generator sets is scheduled for 2023, with commissioning expected to take place by summer 2024.

GRI 413-1

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

Before the actual work began, public briefings on the project and on the planned construction measures were initiated, and a “construction platform” was installed for maintaining regular contact with the local communities, neighbours and stakeholders. The large number of enquiries for tours of the construction site underlines the keen interest among local residents and the general public.

Construction of the new Reißeck II plus pumped storage power plant

The Reißeck II plus project will expand and improve the existing power plant system in the Reißeck group through the construction of a 45 MW pumped storage power plant. In an endeavour to improve the system further, the Small Mühlendorf Lake will be connected to the Reißeck II headwater channel. The centrepiece of the plant is formed by an underground cavern power plant where two speed-controlled pump-turbines together with ancillary facilities are installed.

All of the tunnelling work for around 1 km of tunnel structures plus the excavation of the 37-metre-long and 25-metre-high cavern was completed in 2021. The finishing work (lining and sealing) on the headwater channel was performed in 2022 and the inlet and outlet structure was built. Expansion of the cavern started in parallel, and the first 2 km-long structural section of the underground 110-kV energy transmission system was also implemented.

Expansion and installation work continued in 2023, and commissioning is planned for quarter 1/2024.

The principal environmental measures in the project have already been completed. The storage space has been fully planted using the seed-sod technique and new substitute spawning grounds have been created.

Construction of the new Limberg III pumped storage power plant

Limberg III is a kind of “twin project” to the existing Limberg II pumped storage power plant. Two pump-turbines with a total capacity of 480 MW will be built in a separate power plant cavern. The Limberg Dam will also be raised to increase storage capacity in addition to flexibility. Commissioning is scheduled for 2025.

Construction work is proceeding largely according to plan. Excavation work of the power plant chamber (62 x 25 x 43m) and the transformer cavern (65 x 15 x 15m) was completed by mid-2022, as was the tunnelling work on the generator busbars. Finishing work then began. The housings for the draft tube flap gates for generator set 1 and the related draft tube have already been lifted in. Installation of the pipes of the generator set laid in the concrete is largely complete. The first main crane was installed and put into operation in December 2022.

One of the most delicate and challenging stages of construction, i.e. excavation of the pressure/riser shaft inclined at 42° using a tunnel boring machine, has also been completed. Tunnelling work was finished in October 2022. The tunnelling work for the upper chamber of the surge tank has likewise ended; this required construction of a special material ropeway across the entire width of the Wasserfallboden reservoir (1.2 km). However, the tunnelling work for the headwater channel using a tunnel boring machine has been delayed by around 3.5 months because a geological fault zone with significant water ingress and unstable rock formations needed to be dealt with. The tunnelling work is

expected to be finished by mid-April 2023. The impact on the overall schedule can be largely compensated by rescheduling individual operations.

Austria's Dam and Reservoir Commission approved the plans to raise the Limberg Dam on 30 March 2022 and the completeness of the documents submitted was confirmed by this authority in October 2022. The hearing is scheduled for quarter 1/2023.

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

A dedicated central communications department updates the local community on the construction work. What is more, the project's stage of completion is explained at town meetings. Local and national media in Austria regularly visit the construction site and report on progress there.

Construction of the new Stegenwald power plant on the Salzach River

The investment decision was adopted by the boards in December 2022 for the Stegenwald power plant on the central Salzach River (a partner project between VERBUND Hydro Power GmbH (50%) and Energie Salzburg AG (50%)) with a maximum electrical capacity of 14.3 MW and a mean energy capability of 72.8 GWh, and an application for an investment grant under the Renewable Energy Development Act (EAG) was submitted to Förderstelle OeMAG Abwicklungsstelle für Ökostrom AG. All permits for the project have been obtained; however, the Salzburg Ombudsman for the environment has lodged an extraordinary appeal with Austria's Supreme Administrative Court (VwGH) against the ruling under nature conservation law, without suspensive effect.

While the power plant is being built, a number of measures will also be implemented for the region. These include improvement of flood protection and the removal of two ungated railway crossings.

Other new construction projects

In addition to the new construction projects described above, in 2022 VERBUND put the Häusling small-scale power plant (2.7 MW and 7.5 GWh) in the Zillertal Valley into operation and continued working on the Spiegelwald small-scale power plant (3.2 MW and 9.5 GWh).

Other power plant projects are at the planning and/or approval stage and will help to further the energy targets in Austria and Bavaria in the spirit of the Group strategy. The public will be engaged in accordance with the principles of stakeholder management described in the section entitled Sustainable planning and stakeholder management.

On the border between Bavaria and Austria, VERBUND continues to work hard on obtaining approval for the Riedl energy store, an efficient pumped storage power plant with 300 MW of flexible capacity. The application documents were made available to the public in summer 2022, which allowed the public hearing to be held in early 2023.

The Group is giving further consideration to implementing an ecological innovation project at the Tittmoning basin of the Salzach River near the German-Austrian border entailing a combination of river restoration for riverbed stabilisation plus river enhancement for the creation of habitats and energy use (run-of-river power plant). The preparatory work is focusing on a site at river kilometre 40, where the integration of innovative compact turbines into a ramp structure that could be used to stabilise the riverbed will generate around 30 GWh of hydropower. In autumn 2022, this flagship project received

public funding from the Bavarian state government as a contribution to the future of electricity in Bavaria.

Expansion and rehabilitation projects

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

The project comprises construction of the new Töging power plant and the Jettenbach weir, raising the sealing capacity of the Inn channel to raise the maximum water level, implementing flood protection measures at the Jettenbach reservoir and building an Archimedes screw turbine in combination with the fish pass.

Construction began in 2018 and commissioning took place in 2022. This will increase total generation by 133 GWh to a total of 698 GWh and raise installed power plant capacity by 34.7 MW to 120 MW.

The project was accompanied by a variety of protective, preventative and compensatory environmental measures. These include standing water bodies used as spawning habitats and fish habitats, grassland development along the embankments to promote biodiversity, establishment of reptile habitats and structural and hydromorphological improvements. The measures taken to permanently maintain the environmental function at the Jettenbach reservoir were continued. Based on the agreement with the Free State of Bavaria, supplementary environmental measures for the diversion channel were developed and implemented in cooperation with the water management authorities.

Project information events were held throughout the project in compliance with the applicable COVID-19 protocols for local residents, political representatives and educational institutions, for example. The public hotline as the first point of contact for local residents was available year-round.

Modernisation of the Bösdornau power plant

Modernisation work at the Bösdornau power plant in connection with the construction of the Tuxbach diversion tunnel began in quarter 2/2021. The renovated Bösdornau power plant was successfully put into operation at the end of September 2022. Further restoration and compensatory measures will be finalised in 2023.

Rehabilitation projects

Ybbs-Persenbeug rehabilitation

Austria's oldest Danube power plant at Ybbs-Persenbeug has been undergoing progressive modernisation since 2012. After the three main generators at the North power plant had been replaced by 2018, modernisation of the three remaining generator sets of the South power plant began in autumn 2019. Commissioning of the last generator set was completed in July 2022. This increases the maximum electrical capacity by 13.5 MW and the mean energy capability by 77 GWh.

Ottensheim-Wilhering rehabilitation project

In the Ottensheim-Wilhering rehabilitation project, the second of nine generator sets to be refurbished was successfully commissioned in June 2022. Renovation work on generator set 7 commenced in September 2022. Once the rehabilitation measures have been completed in 2029 for all nine generator sets, the plant will have an additional mean energy capability of 56 GWh and an additional maximum electrical capacity of 29 MW.

Ering-Frauenstein rehabilitation project

In the Ering-Frauenstein rehabilitation project, the first of three generator sets to be refurbished (GS 3) came on stream in June. Renovation of the next generator set (GS 2) started in September 2022. Once the rehabilitation measures have been completed in 2024, the plant will have an additional mean energy capability of 42 GWh and an additional maximum electrical capacity of 16 MW.

Kaprun-Oberstufe rehabilitation projects

In the Kaprun-Oberstufe rehabilitation project, the second of two generator sets to be refurbished was successfully put into operation in August 2022. Work is continuing on solving the temperature issues in the generators in specific operating conditions. This will increase turbinning capacity by 47.2 MW, pumping capacity by 30 MW and the mean energy capability by 3.6 GWh.

Malta power plant group rehabilitation programme

The Malta rehabilitation programme consists of sub-projects to rehabilitate the Malta-Oberstufe and the Malta-Hauptstufe stations and to replace the existing Hattelberg pumping station with a new pumping station in Reißeck.

The Malta-Oberstufe rehabilitation sub-project was finished in December 2021 with the commissioning of the second of two generator sets. In the Malta-Hauptstufe sub-project, renovation of the second of two pumps was completed in July 2022. It is especially worth mentioning that, in addition to the increase in efficiency, the noise problem caused by the old pumps was also resolved. Commissioning of the new pumping station in Reißeck began in August 2022. During commissioning, however, noise and vibration problems occurred at two neighbouring houses during starts and stops, which were resolved by the end of the year using special start-up methods. The plant is expected to become fully operational in quarter 1/2023. The turbinning capacity of all of the above-mentioned plants will increase by 40 MW, the pumping capacity by 195 MW and the mean energy capability by 7 GWh.

Additional rehabilitation projects at the implementation stage

In the Gerlos generator set 6 rehabilitation project, the new generator set with output of 80 MW was put into operation in November 2022. The project involves replacing the four existing generator sets with total output of 65 MW that have reached the end of their technical lifetime. Moreover, the Arnstein rehabilitation project was successfully completed in March, increasing the mean energy capability by 7.1 GWh.

In the other rehabilitation projects, including those at the Laufnitzdorf and Roßhag power plants, planning and design work continued and implementation measures began, respectively.

In order to implement VERBUND's corporate strategy, the boards also decided in December to implement further rehabilitation projects for the Jochenstein, Eggfling-Obernberg, Braunau-Simbach and Rosenheim power plants.

Digital Hydropower Plant

In the Digital Hydropower Plant innovation project launched in 2017, the technical suitability of new digital technologies for hydropower and also their economic viability is being evaluated at the Rabenstein pilot plant.

The focus is on refining the processes to make inspection and maintenance of the plants more efficient and prevent generation losses further down the line. The range of topics addressed extends from platform solutions for a multitude of areas, smart sensor designs, mobile assistance systems, artificial intelligence, digital twins, drones and 3D printing to innovative inspection devices. Digital solutions will contribute to further improvements in operations and the maintenance of hydropower plants, the transfer and broadening of expert knowledge, and personal and plant safety. A number of solutions are already being used outside of the pilot power plant.

The Digital Hydropower Plant project was successfully completed on schedule at the end of 2022. Since a large number of project ideas and visions were developed in the project that will further the goals of the 2030 Group strategy, a Digital Hydropower Generation innovation programme was developed and approved by the responsible VERBUND committees. This will focus primarily on rolling out digital innovations that received a positive evaluation and developing them into products and services. The programme will run until 2030.

Environmental measures: excellent track record in restoration maintained

VERBUND Hydropower expects to incur total costs of around €400m for implementing the requirements of the EU Water Framework Directive in force from the time measures were initiated in 2001 up to 2027. Unlike the previous cost estimate of €280m, this one includes the expenditure of €120m to fulfil the requirements of the third National River Basin Management Plan. This is in addition to ongoing expenses for operation and maintenance, particularly for monitoring and conservation of the fish passes built.

Selected nature conservation activities are presented on the VERBUND website, and the EU-funded LIFE projects each have their own project website with comprehensive relevant information for the public.

On the Danube, the LIFE project entitled “Passability and habitat enhancement at the Altenwörth power plant” was inaugurated in the spring. The occasion was also marked by the book launch of “LIFE & The Danube, restoration projects on the Danube”.

The most extensive individual project carried out in 2022 was the completion of the fish pass at the Feistritz-Ludmannsdorf power plant on the Drau River. This means that the Drau is once again passable along its length from the state border to Paternion.

Fish passability on the Mur River has likewise been almost completely achieved, and on the Enns River passability has been restored at the Hieflau-Erbach and Altenmarkt power plant facilities. As of the end of 2022, a total of 69 power plant sites have fish passes.

Work is currently focused on planning additional, predominantly semi-natural fish passes on the Danube River, the Inn River to the German border and the Inn River in Bavaria (which are combined, among others, in the two LIFE projects entitled “Blue Belt Danube-Inn” and “Riverscape Lower Inn”), as well as on monitoring the fish ladders already constructed. Planning for the completion of passability also continued at the plants in the Central Enns valley.

GRI EU13
GRI 304-1

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

SDG 15

Fish passes

		2020	2021	2022
Locations	Number	62	66	69

The technical possibilities for limiting hydropeaking at VERBUND’s storage and pumped storage power plants are currently being evaluated in detailed feasibility studies, particularly at the Salzach, Enns and Teigitsch and Pack rivers.

Other outstanding issues relating to implementation of the EU Water Framework Directive specifications will be comprehensively evaluated in extensive research projects. Through the Christian Doppler Laboratory for Sediment Research and Management, for example, the Vienna University of Natural Resources and Life Sciences (BOKU) is systematically reviewing options for improving river sedimentation along the bodies of water impacted by power plants in Austria. The project will continue until 2024. In the ÖkoResch project, BOKU is evaluating the opportunities and limitations of residual flow release in high mountain areas in pilot projects and providing scientific support for hydropeaking tests. Initial specific implementation projects for reducing hydropeaking effects are planned for 2023. In addition, the MERI CD Laboratory opened its doors in spring 2022; here, BOKU will research the long-term effects of the semi-natural measures implemented on the riverine floodplain forest habitat over a period of several years.

Sustainable planning and stakeholder management

In all major projects, VERBUND considers its responsibility to society and the environment right from the start. Great importance is placed during all stages of planning and implementation on executing construction work with the utmost consideration and ensuring that the effects of plant operation on the environment are minimal. In all projects, a strong focus is placed on dialogue with citizens (beginning as early as the planning stage). Wherever possible, VERBUND also seeks to leverage synergies in planning and execution to provide direct advantages for those affected (for example by improving local flood protection installations and through appropriate transportation infrastructure).

GRI 2-29
GRI 3-3
GRI 413-1

After nearly all interactive events had been cancelled in 2021 owing to the COVID-19 pandemic, personal interaction was possible once again in 2022. Forums included local resident briefings, meetings with mayors and tourism associations, local council information sessions and other stakeholder dialogue formats, which number among VERBUND’s standard communication tools. Digital formats, which had been used during the COVID-19 pandemic to maintain contact, also continued to be used in 2022. It is likely that VERBUND will offer a mix of in-person meetings on site and location-independent online formats going forward.

VERBUND was particularly happy to be able to hold festive events once more. For example, the completion of the Ybbs-Persenbeug rehabilitation project, the ground-breaking ceremony for the Gratkorn power plant on the Mur River and the commissioning of the Töging power plant on the Inn River were celebrated with a ceremony followed by an open day for around 5,000 visitors. Other functions were organised for the inauguration of the Altenwörth fish pass along with the launch of the book entitled “LIFE & The Danube, restoration projects on the Danube” and the ground-breaking ceremony for the new vocational training campus, an important forward-looking project on the site of the Ybbs-Persenbeug power plant.

In addition to information on the VERBUND website, there are therefore separate project websites for larger projects and separate websites for the LIFE projects. In addition, social media communication

activities were further intensified and professionalised. Use of content across different media is also particularly important.

The national and international exchange on technical issues was likewise continued in 2022, for example through attendance at national and international conventions and conferences, such as HYDRO 2022 or the experts workshop on digitalisation in hydropower organised jointly with vgbe, the technical association of energy plant operators. In addition to the exchange of information on past experience for building up expertise for the conservation or expansion of proprietary generation capacity, this enabled the highly specific expert knowledge to be disseminated in the hydropower community. It also helps to generate new orders and projects for the Group's own service business (Hydro Consulting).

The implementation of environmental management systems ensures compliance with the most stringent environmental standards and continuous improvement of a company's environmental performance. VERBUND Hydropower has been introducing environmental management systems in accordance with the international ISO 14001 standard at all its operating sites for years. These are regularly reviewed by internal and external auditors. So that the advantages provided by these systems benefit all areas of VERBUND Hydropower, an environmental management system is currently being set up across VERBUND Hydropower that will incorporate all organisational units. The preparatory work has essentially been completed. The two-stage certification by an external auditor is scheduled to take place in financial year 2023.

Examination of the flooding on the Drau River in 2012

A total of around 90 civil proceedings for possible damages are still pending in Austria and Slovenia as a result of the Drau flooding in 2012. Most of the Slovenian proceedings are still in the first-instance evidentiary stage. In ten Slovenian proceedings, the actions were dismissed or rejected in quarter 3/2022. In one Slovenian action, an interlocutory judgement was issued in favour of the plaintiff, against which an appeal was filed.

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

GRI 413-1

Through the implementation of technical measures, the noise emissions from the Malta-Hauptstufe pumped storage power plant had already been reduced considerably by 2018 to within healthy limits.

Far greater noise reduction was achieved by replacing existing pumps with new, more efficient, quieter pumps. Once the first pump had been renovated, an initial report testing the noise levels confirmed the effectiveness of the measure. After renovation of the second pump, the noise levels were re-measured, which was overseen by an expert in environmental medicine. The report on noise levels and the report prepared by the expert in environmental medicine confirm the further very significant reduction in noise emissions.

Hydro Consulting

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

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

A total of 24 service contracts with an order backlog of around €12.3m (2022-2026) were processed in 2022.

Of particular note are the ongoing technical project management contract for the construction of the 89 MW joint power plant on the Inn River on the border between Tyrol and Switzerland, which came on stream in autumn 2022, plus several orders for large-scale power plants in Laos, including Xayaburi, Luang Prabang and Nam Ngum II.

In March 2022, work also began on providing the agreed services for the Manara pumped storage power plant being built in Israel (156 MW), for which a management agreement was signed in 2021. VERBUND Hydro Power GmbH (VHP) will contribute its operating expertise to this construction project. Beyond this, VHP has assisted the general contractor since June 2022 by providing technical expertise in the planning and coordination of electromechanical components.

In addition, several smaller orders were processed in 2022, some of which have already been completed. Examples include a cyber security audit in Laos, technical advisory for a pumped storage power plant in Norway and a plant inspection for a power plant in Iceland.

New renewables

VERBUND aims to make a significant contribution to the Austrian and European climate and energy strategy. Its goal is therefore to accelerate profitable growth in electricity generation from wind and solar power. By 2030, electricity generation from new renewables is expected to account for around 20–25% of VERBUND's total generation (around 4% as at 31 December 2022).

Rapidly ending our dependence on fossil fuels is crucial.

KPIs – New renewables segment

	Unit	2021	2022	Change
Total revenue	€m	126.4	238.4	88.6%
EBITDA	€m	53.3	127.6	–
Result from interests accounted for using the equity method	€m	0.3	0.0	–
Capital employed	€m	455.2	1,356.6	–

The New renewables segment was expanded during the reporting period through the addition of solar and wind farms in Spain, most of which are currently still under construction or at the planning stage.

The increase in total revenue and EBITDA mainly resulted from higher average prices obtained for electricity as well as a rise in generation volumes. The new renewables coefficient was 0.96 (2021: 0.91).

The sharp rise in capital employed was due primarily to the higher amounts of intangible assets, property, plant and equipment and financial assets resulting from the acquisition of the solar and wind farms, which were offset by higher deferred tax liabilities arising from the acquisition.

Energy supply

Energy generation overview

Electricity generation

	Number ¹	Maximum electrical capacity in MW/MWp ¹	2020 Generation in GWh	2021 Generation in GWh	2022 Generation in GWh
Wind power	163 ²	468	924	839	954
Solar power ⁴	443	253	1	2	70
Total		721	925	841	1,024

¹ as at 31 December 2022 // ² refers to the number of wind power plants // ³ refers to the number of solar farms // ⁴ excl. leased/contracted installations

VERBUND generated 1,024 GWh of electricity from the renewable energy sources of wind and solar power in financial year 2022, up 183 GWh on the previous year's level of 841 GWh. The increase in wind power generated is attributable to a largely higher wind supply at the existing plants and to the commissioning of new wind power plants in Spain (+72 GWh). The higher volumes of electricity generated from photovoltaic installations are mainly attributable to the commissioning of the acquired installations in Spain (+66 GWh).

The electrical capacity of VERBUND's wind power installations as at 31 December 2022 was 468 MW, while the capacity of its photovoltaic installations was 253 MWp (excluding installations for industrial customers).

Capacity changes 2021–2024¹

	2021	2022	2023 ²	2024 ²
Wind power	418	468	569	569
Solar power	3	253	253	253
Total	421	721	822	822

¹ at 31 December of each year, excl. B2B PV projects // ² 2023/2024 expansion includes only projects for which there is already a starting date for construction

Capacity changes in VERBUND's wind and solar power projects are shown based on the current investment plan for the next year (only projects for which there is already a starting date for construction) and include all existing installations that had been put into operation by 31 December 2022.

Solar and wind power

With wind power plants and photovoltaic installations in Austria, Germany, Romania and Spain, VERBUND had 721 MW of installed capacity at its disposal as at 31 December 2022.

Operations management staff in Austria were the first to complete the internationally recognised Global Wind Organisation (GWO) training. Among the things the participants learned during the four-day course were how to identify hazards and take the necessary steps in an emergency situation (for example, how to give first aid or put out a fire).

In the reporting period, the team in charge of project development and asset acquisition worked hard on developing the wind power and solar photovoltaic project pipeline in and outside Austria.

Further open spaces of around 162 hectares in total were secured in Austria for photovoltaic installations. Work also continued on the development of a wind farm in Styria, among other things.

GRI EU1
GRI EU2

SDG 7

GRI EU10
GRI EU1

SDG 7

GRI EU1
GRI EU30

SDG 7

Along with continuous wind measurements, the planning work for the reclassification of the land is currently being carried out.

Individual solar photovoltaic projects from the portfolio (up to 1,400 hectares) have been developed further in the collaboration with JLW/Visiolar in Germany. As things stand today, the first project is scheduled to come on stream in early 2025, subject to regulatory approvals. In addition, development of wind power projects in western Germany continued in partnership with EFI/Felix Nova GmbH. Along with the EFI I portfolio comprising eight wind farms with a potential capacity of up to 72 MW, with the first turbines to be put into operation in 2025, work continued apace on the EFI II portfolio of up to 155 MW signed at the end of February 2022. The first projects from this portfolio are not expected to become operational until 2026 at the earliest.

The subsidiary VERBUND Green Power Iberia S.L.U. was established in Spain in quarter 2/2022. In relation to the projects, the open-field solar installations acquired at the end of 2021 were completed (three installations with installed capacity of 148 MW). Trial operation of the three installations commenced in quarter 4/2022. Four wind farms and one photovoltaic farm with total capacity of 171 MW were also acquired in quarter 1/2022. One wind power plant and the photovoltaic farm were put into operation in the first two quarters of 2022. According to the current schedule, the three remaining wind power plants should come on stream in 2023. A further deal was finalised in Spain in July 2022. This entails a renewable generation portfolio that comprises systems in operation (photovoltaic installations of 82 MW) and a project pipeline with projects in different stages of development. In the course of the acquisition, a team of employees in Madrid was taken on who are primarily involved in development of the project pipeline.

Work in Albania continued on developing the first wind power and PV projects. A subsidiary of VERBUND Green Power (VGP) was also established in Albania in quarter 1/2022 to simplify legal and administrative processes in project development (VERBUND Green Power Albania Sh.p.k.).

In late 2022, VERBUND AG entered the Italian market after signing a cooperation agreement with the PV-Invest Group and acquiring a solar photovoltaic project portfolio of up to 250 MWp in Apulia.

Research and special projects

Automated early detection of faults at photovoltaic installations

In photovoltaic data analysis, methods and algorithms for early detection of faults at photovoltaic installations before starting preventive maintenance work were put into test operation. The early warning system uses a physical model that was specially developed for this purpose and is supplemented by a statistical model. The system makes it possible to effectively identify any deviations from the target parameters for the installations as faults to be categorised further. The methods developed will ensure a high degree of automation in data analysis of photovoltaic installations and make it possible to optimise the installations' energy output. Once test operation has been successfully completed, rollout will take place.

Environmental measures

At the Bruck-Göttlesbrunn wind farm in Austria, an expert conducts ornithological monitoring annually in order to examine the effects on the habitat and the breeding behaviour of various bird species. The most recent monitoring did not reveal any abnormalities.

Noise emission and noise pollution readings at the wind power plants after commissioning ensured that the surrounding area is not adversely impacted to a significant degree. Introduction of an environmental management system certified to ISO 14001 and environmental certification of the operation of the Austrian wind farms also ensure that the most stringent environmental standards are maintained over the entire life cycle of the wind power plants. At the end of November 2022, the ISO 14001 certification was reviewed by an external auditor and reconfirmed. Since 2020, the photovoltaic installations that came on stream in Austria have been included in the scope of the environmental management system and certified.

Stakeholder management

VERBUND places strong emphasis on engaging with the local population in the development and operation of wind farms and photovoltaic installations. At the Bruck/Leitha wind farm, guided tours of a wind turbine with an observation platform are offered. This provides visitors with a unique opportunity to gain an alternate perspective on wind power. In addition, VERBUND is currently working on a number of different models that will enable members of the public to participate in the expansion of new renewable sources of energy.

SDG 15
GRI 304-1

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

GRI 413-1

Sales

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

TCFD

The focus of VERBUND's electricity trading is on the following areas: optimising utilisation of its own power plants, achieving the best possible results from marketing the Group's own generation, optimising electricity purchasing and securing sales. VERBUND furnishes its customers with energy market expertise in the form of new products and services. Thus VERBUND assists customers with marketing their facilities for renewable energy and offers them – for example – flexibility products to reduce their risk exposure arising from balancing energy. In addition, VERBUND allows its customers to participate directly in the balancing services and intraday markets. Products and services relating to solar power, electromobility, batteries and hydrogen expand the offerings, and VERBUND customers are supported in actively participating in the energy transition.

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

Business performance

KPIs – Sales segment

	Unit	2021	2022	Change
Total revenue	€m	3,865.5	8,880.5	–
EBITDA	€m	59.6	242.4	–
Result from interests accounted for using the equity method	€m	–2.0	–0.7	–
Capital employed	€m	1,609.0	1,413.4	–12.2%

The rise in total revenue is primarily attributable to significantly higher prices in the electricity market, which were offset by correspondingly higher expenses for the purchase of electricity, however. The increase in EBITDA was due to the better result from the measurement of energy derivatives for future energy deliveries and higher earnings contributions from flexibility products, among other factors, while higher prices for purchasing electricity and gas for consumers had a counteracting effect.

The decline in capital employed is principally attributable to a decrease in deferred tax assets, especially from the measurement of derivative financial instruments.

Electricity trading and sales

An established partner in the European energy market

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

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

VERBUND's customers primarily include European wholesale partners, other energy trading companies, resellers and municipal utilities as well as major consumers. The customer portfolio of VERBUND Energy4Business GmbH (VEB) also comprises grid and power plant operators and producers of electricity from renewable sources, particularly in the areas of wind power, solar power and small-scale hydropower.

Efficient marketing of VERBUND's own generation

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

VEB ensures market-driven management and optimisation of the use of all VERBUND power plants. The precise forecasts of inflow and weather required for this are prepared using models, some of which were developed within the Group. Optimisation calculations using the appropriate electricity pricing models round off the system landscape to enable the best possible marketing of assets. VERBUND is expanding its marketing of its own generation to include the countries in which the Company is carrying out its own renewable energy projects or has acquired such projects (such as in Spain).

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

Marketing renewable energy projects with the help of VERBUND expertise

Not only does VERBUND pursue an ambitious growth strategy in its wind and solar power activities, but it is also expanding its hydropower activities by building new power plants in addition to renovating existing ones. The marketing of new renewable energy sources on behalf of third-party plants is designed to support this growth. These activities focus on wind power, small-scale hydropower and solar power. VERBUND's market share in Austria has grown and its market share in Germany has been maintained in recent years in spite of strong price pressure and intense competition. In Luxembourg, VERBUND is still the market leader in marketing electricity from wind power.

Marketing green electricity – an important component of the product portfolio

VERBUND's product portfolio includes trading in emission allowances and guarantees of origin (green electricity). In Austria and Germany, VERBUND is one of the leading providers of certified renewable generation (hydropower from Austria and Germany) and supplies more than 160 municipal utilities and resellers in these markets.

Dynamic markets call for flexibility products

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

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

Innovative services and products

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

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

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

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

VERBUND works with industrial customers to develop and construct photovoltaic installations – either as rooftop systems or as open-field solar installations – whose power customers can use directly for their own purposes. Despite persistent supply chain issues in 2022, VERBUND took advantage of subcontracting solutions to install and commission photovoltaic projects in a volume of approximately 23 MWp and to complete additional projects that will be implemented in 2023.

Activities in the solar power segment have been heavily impacted by supply chain interruptions and delays and sustained high prices for components due to higher raw material and freight costs. However, the current energy market nonetheless supports the high demand at present and the profitability of photovoltaic systems.

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

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

Industrial flexibility assets are marketed separately on the control power and intraday market through VERBUND-power pool, which concentrates the largest portfolio of industrial loads and producers as well as green electricity plants in Austria across all industries. VERBUND supports industrial companies in generating added revenue while retaining full operational autonomy. This also serves to stabilise the power grid while making a significant contribution to integrating renewable energy into the energy system.

The reorganisation of the energy infrastructure requires new, intelligent and cross-sectoral solutions with the highest standards of flexibility and availability. Battery storage units support conventional energy storage (pumped storage and storage power plants). In 2022, VERBUND commissioned three of its own battery projects with a total capacity of 52 MW in addition to a large-scale battery for an industrial customer in Germany despite ongoing supply chain challenges. VERBUND also entered into a master agreement with a project developer to support the Company's long-term objectives.

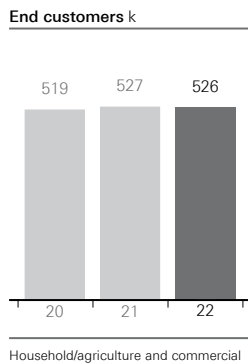
Electromobility – attracting anchor customers in Austria and Germany

VERBUND gained numerous industrial customers in 2022 thanks to its “business charging” product. Development of the charge controller system continued at SMATRICS, which also intensified its role as implementer of the construction project and technical operator of the system.

In the context of photovoltaics and energy services, the first pilot projects were executed and are already showing promising results in terms of the rollout. By bundling products and services in this way, VERBUND is able to expand its product portfolio beyond actual electromobility services, which enables it to differentiate itself from the competition.

Work is also underway on a residential charging product intended to be marketed to the promising housing construction segment. Here too, VERBUND works with a subcontracting model under which it assumes responsibility for all of the services required, from structural inspections through planning and construction to monthly invoicing.

Thanks to this attractive product, the first contracts with a number of customers were initiated in 2022. We plan to substantially expand this line of business in financial year 2023.



GRI EU3

Electricity sales – 100% hydropower with outstanding service for consumers

In the 2022 “Service Champions” study, VERBUND achieved “Gold” status in its household/agriculture and commercial segments for the eighth time in a row. In Austria, the service survey findings were based on opinions from more than 220,000 customers. VERBUND also repeated its impressive showing in the “Industry Monitor 2022” study. More than 250,000 customer opinions were collected in this extensive online survey. In terms of customer satisfaction, VERBUND again ranked the highest of all electricity and gas providers and was named the 2022 industry champion. In addition, VERBUND was among the best brands in Austrian industry to receive the “MARKET Quality Award” in 2022.

VERBUND also felt the effects of the highly volatile energy market in new customer acquisition. Some sales channels had to be discontinued for the time being, especially direct sales channels. At the end of the year, around 452,000 customers in the household/agriculture and commercial segments were receiving VERBUND electricity generated from 100% Austrian hydropower. Market share in the household segment amounted to around 8% in 2022. As at the end of 2022, natural gas from VERBUND had been supplied to approximately 74,000 customers in the household/agriculture and commercial segments.

GRI 417-1

Guarantees of origin for electricity from VERBUND power plants

VERBUND is a pioneer when it comes to guarantees of origin for electricity. In 1999, VERBUND became the first Austrian utility to have all of the hydroelectricity it generates certified by the TÜV SÜD inspection authority. VERBUND thus played a key role in developing the guarantee of origin scheme for electricity in Austria. As a neutral institution, TÜV SÜD uses its seal of approval to certify that VERBUND hydropower plants generate green electricity and feed it into the grid in appropriate quantities and in the quality required by consumers (industrial, household/agricultural customers and commercial customers), resellers (municipal utilities and energy providers) and traders. In 2021, VERBUND’s entire electricity generation from hydropower certified by TÜV SÜD amounted to 20,468 GWh in Austria and 3,581 GWh in Germany. The figures for 2022 are not yet available because TÜV SÜD does not publish its calculations until the second quarter of the year following the reporting period. The net calculations from TÜV SÜD essentially correspond to gross generation from hydropower, less own use, easement agreements and power for pumping.

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

GRI 417-1

SDG 12

Electricity labelling in Austria

In Austria, the electricity label is displayed on the consumer’s electricity bill. In 2021, 99.88% of the electricity VERBUND supplied in its household/agriculture and commercial segments came from hydropower. VERBUND also supplied electricity generated from photovoltaic installations owned by other VERBUND customers to its customers in these segments in 2021. Rounded off, this share accounts for 0.12% and was reported separately on the electricity label.

A total of 68.77% of the electricity VERBUND supplied in its business and industrial segments in 2021 came from renewable energy sources. Of the guarantees of origin issued, 32.98% related to electricity from hydropower, 13.31% to electricity from wind power, 15.33% to electricity from solid or liquid biomass, 2.33% to electricity from solar energy, 4.80% to electricity from biogas and 0.02% to other renewable energy sources. The remaining 31.23% related to natural gas.

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

Electricity labelling in Germany

VERBUND supplies industrial customers in Germany through VERBUND Energy4Business in Austria as well as directly through VERBUND Energy4Business Germany.

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

In regard to the electricity mix described below, it should be noted that demand for certified electricity is low among industrial customers in Germany. Therefore, the electricity supplied to those customers reflects the overall German generation mix, which includes electricity from coal-fired and nuclear power plants in addition to electricity from wind and solar power.

VERBUND Energy4Business GmbH

The origin of the electricity volumes supplied by VERBUND Energy4Business GmbH to business and industrial customers in Germany in 2021 breaks down as follows: 0% renewable energy (financed through the EEG levy), 32.6% electricity from renewable energy with guarantees of origin (not financed through the EEG levy), 2.8% other fossil fuels, 12.7% natural gas, 36.2% coal and 15.8% nuclear energy.

VERBUND Energy4Business GmbH Germany

The origin of the electricity volumes supplied by VERBUND Energy4Business GmbH Germany to business and industrial customers in Germany in 2021 breaks down as follows: 0% renewable energy (financed through the EEG levy), 42.7% electricity from renewable energy with guarantees of origin (not financed through the EEG levy), 1.3% other fossil fuels, 11% natural gas, 31.3% coal and 13.6% nuclear energy.

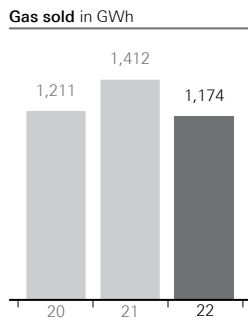
In the coming years, VERBUND plans to offer electricity deliveries primarily to industrial customers in Austria and Germany with the goal of supporting VERBUND customers on their way to a sustainable energy supply.

GRI 417-1

SDG 12

GRI 417-1

SDG 12



Natural gas from VERBUND

As a full-service energy provider, VERBUND has offered natural gas since 2014. A total of 1.2 TWh of natural gas was sold in the reporting period. No new natural gas customers have been acquired since quarter 1/2022.

Attractive product range in photovoltaics and electromobility

Residential customers benefit from VERBUND expertise in photovoltaic installations for the home. In 2022, we gained approximately 1,500 new customers for our solar (leasing) plans. Around 50% of the orders included battery storage. Demand was so high that in August 2022, we had to stop taking new orders. The VERBUND eCharging portfolio includes various wallboxes and installation/service options. In quarter 4/2022, we launched an additional eCharging product for business customers. On the whole, however, our eCharging business performed below expectations in 2022.

Customer satisfaction and customer relationships

Continued strong customer satisfaction and loyalty among VERBUND customers

Especially in times of high uncertainty and turbulent energy markets, we at VERBUND offer strong support to our customers and endeavour to find the right solutions for them.

Even so, the overall level of satisfaction with the market dropped slightly from 1.9 to 2.1 (on a scale of 1–5, with 1 being the best). Higher energy prices were the main reason for the decrease in customer satisfaction. Although responses from customers negatively impacted the residential and commercial customer segment, earnings on the whole were good. Loyalty among VERBUND customers has been heavily affected by the current market situation, with the loyalty index dropping from approximately 74% to approximately 66%. Our competitors are also experiencing a downward trend, and the benchmark values have likewise deteriorated.

Fortunately, interest in solar power and in electromobility charging solutions is growing. Social awareness is changing rapidly, and people are increasingly searching out alternative solutions. Little by little, the added value of self-generated electricity and of electromobility is being recognised by the market. Storage solutions and energy services for customers have likewise become more important. The Austrian population is also becoming more aware of the need to reduce energy consumption and is increasingly focused on options for lowering consumption.

Customer care

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

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

Price adjustments

In May 2022, we were forced to raise our energy prices for existing customers due to sharp increases in prices for electricity and gas. The price adjustments were accompanied by a number of social measures. We also had to adapt conditions for new customers at several points during the year due to price volatility.

Energy consulting

Throughout all federal states of Austria, certified energy consultants are available free of charge to support clients of Caritas in connection with the VERBUND Electricity Relief Fund run by Caritas. These consultants provide valuable tips on saving energy to support needy people in sustainably lowering their energy costs. Not only that, but VERBUND increased the volume of the Caritas Electricity Relief Fund in order to support those in need. The commitment in connection with the Caritas Electricity Relief Fund is just one of many examples of how VERBUND fulfils its social responsibility. More on this topic can be found in the section entitled Stakeholder engagement and social responsibility.

Late payment

When customers encounter difficulties in paying their bills, VERBUND assists them by offering payment by instalments, calculated without adding default interest for terms of up to 18 months. Customers who are in payment arrears are given notice via a three-step reminder system before the energy supply account is terminated due to late payment. VERBUND additionally established a hardship fund in 2022 to help fight energy poverty.

The electricity or natural gas supply accounts of around 7,520 household and commercial customers had to be terminated in 2022. This equates to a decrease of 14% in account terminations compared with 2021 (8,707).

Grid

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

Austria's national electrical grid is operated by Austrian Power Grid (APG), VERBUND's independent grid subsidiary and a certified Independent Transmission Operator (ITO). APG's infrastructure ensures a reliable supply of electricity in Austria, making it one of the lifelines for the country, its residents and its businesses. The APG grid encompasses a route length of around 3,400 km and is operated, maintained and continually adjusted to the growing needs of the economy and society by a team of around 700 specialists. The capacity of the APG grid and the use of state-of-the-art technologies are pivotal to ensuring a sustainable and secure supply of electricity for Austria and to reaching Austria's climate and energy targets as well as to achieving increasing electrification of society, the economy and the industrial sector. With an investment volume of €388.5m for expanding and upgrading the grid infrastructure in 2022, APG is providing a powerful stimulus to the domestic economy. All in all, APG will be investing around €3.5bn in expanding and converting the power grid by 2032. That equates to around 19% of the €18bn total that the Austrian e-economy will be investing in grid infrastructure over the next ten years. The main projects include the Salzburg, Ennstal and Germany lines and the Upper Austria (Central region) Electric Transmission Infrastructure project.

GRI 2-6

Gas Connect Austria (GCA) is an Austrian gas transmission and distribution system operator and, as such, plays a key role in the Austrian and Central European energy supply. Since 31 May 2021, VERBUND has held a 51% stake in independent grid operator Gas Connect Austria. Out of the central Baumgarten hub, GCA operates a state-of-the-art, powerful high-pressure network with connections to and from Germany and Slovakia and to Slovenia and Hungary, as well as to domestic storage and production facilities. There are five compressor stations, 56 metering and transfer stations and over 100 transfer measuring points along the approximately 900 km-long pipeline system. GCA's main responsibility is to operate those facilities and to sell transport capacity. Along with Trans Austria Gasleitung GmbH (TAG), GCA operates the import and distribution station at Baumgarten an der March, through which an average of around 40 billion m³ of gas has flowed annually for many years.

Business performance

KPIs – Grid segment

	Unit	2021	2022	Change
Total revenue	€m	1,246.9	2,212.9	77.5%
EBITDA	€m	331.3	297.6	-10.2%
Result from interests accounted for using the equity method	€m	0.2	-0.4	-
Capital employed	€m	2,647.8	2,740.4	3.5%

Since 31 May 2021, the Grid segment has also comprised GCA, Austrian Gas Grid Management AG (AGGM) and the investment in TAG.

Total revenue increased – besides the companies included for just seven months in the same period of the previous year – primarily due to higher revenue for APG from the auctioning off of cross-border capacities and higher revenue from the recharging of expenses for congestion management. However, this was offset by an equally sharp increase in expenses arising from congestion management and from the purchase of grid loss energy. The result from interests accounted for using the equity method was generated mainly from TAG.

The change in capital employed was mostly attributable to the increase in net property, plant and equipment, the impairment on the goodwill of GCA and a profit participation right with respect to material assets as well as higher other non-interest-bearing debt.

AUSTRIAN POWER GRID AG (APG)

Technical developments

APG power grid data

Voltage level	Power lines Route length/km	Power lines System length/km	Substations/grid switching stations
Overhead power lines			
380-kV	1,204	2,678	
220-kV	1,549	3,078	
110-kV	674	1,191	
Cable			
110-kV	6	11	
Total	3,433	6,959	65

GRI EU4

Operational developments

As the control area manager in Austria, APG is responsible for identifying bottlenecks in the transmission grid and taking appropriate countermeasures. In financial year 2022, it was necessary to take measures within the grid area and at power plants (redispatching) in this context.

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

TCFD

Relatively little redispatching was required in the APG grid in 2022 as a result of the decrease in long-range electricity transmission, which was connected to power plant unavailability in France and advances in the development of renewable energy in Eastern and Southern Europe, among other things.

In 2022, power plants in Austria were widely used for managing grid congestion outside of Austria (mainly in Germany). The bulk of redispatch quantities in the year under review were attributable to these measures (see Redispatch quantities table below).

Redispatch quantities

	2020	2021	2022
Redispatch quantities (in GWh) ¹	1,455.2	1,800.0	1,536.0

¹ only volumes from increased production

Contractual safeguarding of systemically important power plants – grid reserve (“Netzreserve”)

System security in APG’s power grid depends to a large extent on the availability of power plant flexibilities in combination with consumers participating in voluntary energy reduction programmes in Austria. However, due to the difficult market situation this availability is inadequate and must be contractually safeguarded to ensure that it can be used for necessary redispatch activation. To safeguard the necessary redispatch capacity, the availability of the required power plants has been contractually safeguarded by APG in close consultation with E-Control. In this regard, the statutory regulations in accordance with Sections 23(a) ff. of the Austrian Electricity Industry and Organisation Act (ElWOG) (as amended in the Federal Legal Gazette I [BGBl.] No. 17/2021) have applied since October 2021. As of August 2022, grid reserve requirements of up to 3,007 MW had been contractually secured for the period from October 2022 to the end of September 2023. The contracted reserve capacity was regularly used for redispatching in 2022.

Interruptions to supply

GRI EU28
GRI EU29

One interruption to supply occurred in the APG grid in 2022, affecting consumers for around ten minutes. The effects on consumers of a component failure in APG’s transmission grid are quantified using the “megawatt hours (MWh) not supplied” indicator. Counting of the supply interruption duration starts from the time supply to consumers is interrupted if this can be clearly attributed to a preceding fault in the transmission grid.

In 2022, APG transmitted around 46,592 GWh at grid level 1 (380-kV and 220-kV). A total of 4.6 MWh, i.e. 0.000001% of the volume transmitted, was not supplied. Interruptions impacting consumers occurred twice in 2019, once in 2020 and once in 2021.

Electricity transmission and grid loss

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

In financial year 2022, the transmission volume at grid level 1 (380-kV and 220-kV grid) increased by 2.7% over the previous year. Domestic delivery came to 31,966 GWh. Based on the reported transmission schedules of the Austrian and international market participants, the APG control area imported 30,843.0 GWh and exported 20,647.3 GWh in 2022. This results in an import surplus of 10,195.7 GWh.

Transmission losses

	Unit	2020	2021	2022
Electricity transmitted ¹	GWh	44,863	45,349	46,592
Grid loss ¹	GWh	731	674	732
Grid loss as a percentage of electricity transmitted	%	1.63	1.49	1.57

¹ grid level 1

GRI EU12

Projects and stakeholder management

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

Starting in 2011, APG was legally required to prepare a Network Development Plan (NDP) each year. Now, following the addition of the amended Renewable Energy Development Act (Erneuerbaren-Ausbau-Gesetz, EAG) to the Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und Organisationsgesetz, EIWOG), the report is required to be published every two years (the current version is from 2021 and the next update will be in 2023). The NDP provides information on which important transmission infrastructures will have to be built or expanded in the next ten years (in accordance with Section 37 of the Austrian Electricity Industry and Organisation Act (EIWOG) of 2010).

The 2021 NDP published by APG provides for structured expansion of Austria's grid. In particular, the projects and measures included in the plan focus on managing trends in the energy market (primarily the integration of renewables and new power plants into the grid, grid connections for distribution system operators and customers, the Renewable Energy Development Act (EAG) and climate change targets, market integration, etc.). In addition to 20 new (green field) substations by 2030, the plan calls for additional expansions to existing switching stations, general overhauls of 220-kV lines and further expansion of the 380-kV grid (e.g. completion of the 380-kV ring). These projects are intended to ensure high-performance integration of renewable energy into the grid in areas such as eastern Austria and to strengthen western Austria's link to the pumped storage power plants along with a strong connection to the load centres in Austria and to the neighbouring countries.

Four APG line projects have been classified by the European Commission as TEN (Trans-European Networks for Energy) projects and within the scope of the European Energy Infrastructure Regulation as projects of common interest (PCIs), which makes them priority projects (fifth PCI list: Commission Regulation (EU) 2022/564 of 19 November 2021). In addition, the line projects in the NDP 2021 have been coordinated on a pan-European basis as part of the Ten-Year Network Development Plan (TYNDP) of the European Network of Transmission System Operators for Electricity (ENTSO-E).

APG's 2021 Network Development Plan provides for gross investments of around €3.5bn by 2031. These investments will serve to develop the grid infrastructure capable of providing secure electricity transmission in Austria going forward. In 2022, APG invested a total of €388.5m (gross) in intangible assets and property, plant and equipment (2021: €374.1m).

GRI 413-1

The largest investments of 2022 were as follows:

SDG 8	Investments in grid expansion	€m
	380-kV Salzburg line St. Peter–Tauern grid hub	164.8
	Reschen Pass project	33.3
	Weinviertel grid area	30.1
	Maintenance CAPEX	€m
	New construction of substation replacements	36.4
	Structural substation measures (e.g. new construction of plant buildings)	14.0
	Modernisation of secondary technology (control system/protection/counting)	8.1

APG's top-priority line construction projects currently under construction include the Salzburg line, the Germany line and the Reschen Pass project. The Upper Austria (Central region) Electric Transmission Infrastructure project is currently undergoing the EIA process.

Support within the project environment

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

Salzburg line

Commissioning of the 128 km-long 380-kV Salzburg line between the Salzburg and Tauern substations represents a significant step in the highly efficient connection of load centres and metropolitan areas to the major (pumped storage) power plant sites in Austria. The Salzburg line makes it possible for plants in eastern Austria feeding in renewable energies (wind and solar power in particular) to interact with the pumped storage power plants and thus to store surplus renewable energy generation and provide balancing services in the event of deviations in the forecast. Meeting the climate targets and other

targets of the Austrian federal government in the electricity sector would not be possible without the Salzburg line.

The project has been in the implementation phase since October 2019 and construction is progressing on schedule. The Austrian Supreme Administrative Court granted final approval for the project in October 2020. Commissioning of the Salzburg line is planned for quarter 2/2025.

Germany line

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

Commissioning of the Weinviertel line

APG's new Weinviertel line was successfully commissioned on schedule in July 2022 and, with it, the new substation in Neusiedl an der Zaya went into operation. The new line makes a decisive contribution to security of supply in Austria, including Lower Austria, in APG's high-voltage grid. The line will enable up to 2,400 MW of renewable energy from Lower Austria to be fed into APG's trans-regional power grid for use throughout Austria – a capacity equal to eight Danube hydropower plants. The Weinviertel line is therefore essential for the success of the energy transition in terms of security of supply and for the continuing electrification of industry, the economy and society in the entire eastern region of Austria. APG invested some €200m in implementation of the new Weinviertel line, which runs from Seyring to the substation at Neusiedl an der Zaya as a 380-kV line and from Neusiedl an der Zaya to the Czech border and onwards into the Czech Republic as a 220-kV line. Thanks to optimised planning, the new replacement line has 53 fewer pylons and 15 km less cable than the existing line and puts much less of a burden on environmentally sensitive areas (ESAs). Work is currently underway to dismantle the old 220-kV line and will be completed in the spring of 2023.

Security of electricity supply in Upper Austria (Central region)

APG's joint venture with Netz Oberösterreich GmbH (Netz OÖ) and LINZ NETZ GmbH (LINZ NETZ) will make central Upper Austria fit for the future energy market. A 220-kV supply ring will ensure a secure supply of electricity going forward in addition to supporting the energy transition and the ongoing electrification of the region.

At present, central Upper Austria is supplied with electricity via a 110-kV power grid whose oldest line section was built in the 1940s. The line is not designed to handle future demand in the region. In the future, the planned 220-kV supply ring will link up the APG substations in Ernstshofen, Pichling, Hütte Süd, Wegscheid and Kronstorf. The project also involves expanding and increasing feed-in to the 110-kV substations in Franzosenhausweg, Kleinmünchen, Tillysburg and Kronstorf West that are operated by APG's project partners (including construction of two partial 110-kV power grids). The construction measures necessary to complete the project include replacing existing lines, converting voltage from 110 kV to 220 kV on line sections already prepared for conversion and carrying out expansion and conversion work at a total of eight substations. The new lines will be installed along existing route corridors operated by APG, Netz OÖ and LINZ NETZ in order to keep the impact on people and the

GRI 413-1

environment as minimal as possible. Construction is set to start in 2024, with phased commissioning occurring between 2026 and 2030.

The hearing on the environmental impact assessment (EIA) took place from 29 November 2022 to 2 December 2022. A ruling on the petition for approval (i.e. the result of the hearing) is expected to be issued by the EIA authority (the federal state of Upper Austria) in the form of a formal notice by approximately the end of quarter 1/2023.

Reschen Pass project

Built in 1953, APG's connecting line currently in place between Austria (Lienz) and Italy (Soverzene) is no longer able to handle the requirements of today's European electricity market. Increasing hydropower generation in Austria's western Alpine region (with mainly pumped storage power plants), the further expansion of wind power and the developments in the energy market in Italy (including massive expansion of renewable energy projects) require higher capacities between the two countries. Establishing a new 220-kV connection from Nauders/Reschen Pass to Premadio (in the Lombardy region) will create another connection between the APG and TERN transmission grids with greater capacity. Construction is on schedule and the project is slated to come on stream by the end of 2023.

Other projects and maintenance CAPEX

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

Sustainable habitat management

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

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

GRI 102-43

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

GRI 304-2

Please refer to the DMA
for details on sustainable
route management

Savings from wind marketing

To reduce imbalances in the eco balancing group and in the entire APG control area, APG has been marketing volumes arising from deviations in the forecast of green electricity generation on the European intraday market on behalf of Abwicklungsstelle für Ökostrom AG (OeMAG) since 2015. As a result, the OeMAG balancing group saved around €2.5m in balancing energy in 2022. In addition, marketing electricity from wind power generated further indirect savings of €9.1m in 2022 due to lower activation of balancing services by APG. Marketing electricity from wind power generated total savings of around €12.4m in the financial year now ended, proving the added value of efficient, market-based solutions.

Electricity balancing in Austria – flexibility platform

In a project called Electricity balancing in Austria, APG is working to develop a comprehensive mechanism that will make it easier to integrate – via energy aggregators – small-scale flexibilities into system services/future electricity markets. The first real use case scenario will be put into operation for secondary control power (aFRR) over the course of the second quarter of 2023. In the coming years, the comprehensive overall concept will be refined further with additional functions and use cases added. It will be important to coordinate with distribution system operators, market participants and selected partners within the industrial sector in this context. The project will be implemented using EQUIGY's established crowd balancing platform, which other TSOs have already used for similar projects with success (TenneT NL/DE, TransnetBW, Terna, Swissgrid).

Developing the international market

APG continues to be one of the leading transmission system operators (TSOs) in Europe when it comes to opening up the balancing services market to other countries. Following the pioneering work APG has been doing in past years – for example as a founding member of the cross-border FCR Cooperation for procuring frequency containment reserve power (primary control power), which today manages some 50% of the electricity used in continental Europe – APG again focused on development projects with far-reaching implications in 2022. For example, APG was one of the first TSOs to participate in the European PICASSO platform for coordinating secondary control power (aFRR) along with its counterparts in Germany and the Czech Republic. The bilateral cooperation with Germany was the model for this in Europe. The same applies to the exchange of tertiary control energy via the MARI platform, which APG will join in mid-2023, making Austria the third country to participate. Preparations for expanding existing initiatives were likewise made in 2022, for instance by adding CEPS, the Czech TSO, to the FCR Cooperation.

With respect to the wholesale markets, flow-based market coupling was implemented in the core region in 2022. This means that APG calculates the capacity and sensitivity of specific grid elements each day together with the other TSOs in the core region. The data is then provided to the European Market Coupling Mechanism, which optimises the allocation of cross-border capacities in European electricity trading.

Tariff system changes

Financial year 2022 was dominated by negotiations with the regulatory authority on urgently needed adjustments to APG's tariff system. In the past, APG's primary source of income came from the weighted average cost of capital (WACC) on its network infrastructure investments (regulatory asset base, or RAB). However, the regulatory authority was required to redefine WACC in connection with the V KOS 003/22 tariff setting process. In a notice dated 6 December 2022, E-Control established separate rates for calculating the cost of capital for existing plants and for new plants, starting with financial year 2023 and lasting until the end of the next regulatory period on 31 December 2028. In the process, the prospect of an annual adjustment of interest rates on borrowed capital was offered.

In addition to the WACC rate, the regulatory authority reviewed the level of incentives already granted in light of the entirely new lines of business that APG was forced to either develop or adapt, in addition to expanding the transmission system, in connection with energy transition (innovations, smart/digital solutions, electricity product volatility, etc.). It is to be hoped that the Austrian Electricity Market Act (Strommarktgesetz, SMG) will soon be amended, thus transposing the Clean Energy Package (CEP) into national law, as the European legal framework contains far more options for providing incentives for system operators.

GAS CONNECT AUSTRIA GMBH (GCA)

Business performance

Financial year 2022 was characterised by strong fluctuations in the extremely high energy prices for electricity and gas as well as in prices for emission allowances. Due to high demand ensuing from strategic stockpiling at Austrian gas storage facilities, demand for gas transports to Austria via GCA's transmission network was high in the past financial year, especially at the points of entry into Austria from Germany. The Ukraine conflict and the attack on Nord Stream put additional upward pressure on EU gas prices. Although revenue from the sale of pipeline transport capacity performed well in 2022's volatile business climate, the higher revenue was offset by substantial expenses, especially expenses for fuel gas to operate the compressors. Because it was only possible to cover some of those expenses through the newly approved, volume-based fee that took effect in June 2022, E-Control Austria raised the fee yet again with effect from November 2022 in order to compensate transmission system operators for additional increases in energy prices.

After being finalised, the regulatory methodology for the distribution area took effect on 1 January 2023 for a term of five years. The new tariffs for the distribution area were officially set and took effect on 1 January 2023.

Earnings from the equity interest in TAG GmbH, which is accounted for using the equity method, performed better than projected due to lower fuel gas prices, through the volumes transported fell.

Marketing capacity

GCA always keeps its sights on the satisfaction of its customers and continually works to adapt products and services to the requirements of the market. One example of this is GCA's introduction of its TRUD!Y concept. GCA has thereby demonstrated its ability to develop innovative and flexible transport solutions even against the backdrop of a tense market environment. A professional, customer-centric sales

management team is responsible for developing the transport capacity business and for marketing transport capacity. Sales management conducts regular surveys of customer satisfaction for the purpose of checking service quality and subsequently initiating continuous improvement measures. The most recent survey found that customer satisfaction was higher than at any point since measurement began back in 2010 with a score of 1.49 (with 1 being “extremely satisfied” and 5 being “extremely dissatisfied”). Moreover, the number of transport customers for the transmission pipeline increased slightly on the previous year in 2022. The number of capacity auctions conducted on the PRISMA and RBP booking platforms in 2022 was similar to the prior-year level with an average rate of 24 auctions per hour, or approximately 217,000 auctions per year.

The transport volumes marketed in 2022 were slightly above the volumes for 2021. The number of contracts concluded on the basis of auctions doubled in 2022. The increase in contracts was basically due to the flow situation changing from east-west to west-east due to the partial substitution of Russian gas with liquefied natural gas (LNG) and North Sea gas from north-western Europe. The introduction of a strategic gas reserve in Austria and the European regulation mandating replenishment of gas storage facilities also contributed to the increase in auction-based contracts.

Grid development

GCA's network development plan secures the future of Baumgarten as an energy hub. E-Control approved the 2022–2031 network development plan in April 2022. In its new network development plan, GCA has focused on innovation projects relating to renewable gases, addressed current challenges in Austrian gas supply and presented options for solutions through its “VersorgungssicherH2zeit & REPower EU” capacity scenario and the included projects.

GCA has also defined its future focus and is willing to actively contribute to the energy transition at a European level too by submitting the first hydrogen infrastructure project (H2 Backbone + Penta West) to the European network development plan (Ten-Year Network Development Plan, TYNDP 2022).

Technical data

GCA power grid data

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

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

Installed compressor capacity

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

Abbreviations: compressor station (CS), Lower Austria (LA), Upper Austria (UA)

Operational developments

Ongoing operations and maintenance

Maximum technical transport capacity was provided in 2022 with no restrictions. Machine availability (measured in compressor units) was at nearly 88%. All regulatory and statutory maintenance requirements were met in full. Expanded to include all of GCA's maintenance plans, the level of fulfilment amounted to nearly 97%. It was only possible to manage the high volumes of gas transports from Germany eastwards through the West Austria gas pipeline (WAG) by pushing the technical limits of the installed gas turbines, which consumed a correspondingly high amount of fuel gas. In addition, capital spare parts were acquired for the compressor units (power turbine and gas generator) to minimise downtime.

Dispatching (system management)

GCA's dispatching centre ensures smooth and efficient management of gas flows in the pipeline systems around the clock. Here, too, the COVID-19 pandemic presented particular challenges in the 24/7 operation of commercial and physical dispatching in 2022. Specific safety concepts were used to avoid potential infections within the teams and guarantee safe and reliable operations. In October 2022, Austria's updated model for the gas market was successfully launched after having been in development for several years.

Strict safety and quality standards

GRI 3-3

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

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

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

GCA – five years without an accident

GCA has not had any workplace injuries (LTIs) involving its own employees since 2017. This is all the more remarkable considering that one of the biggest projects of recent years – new construction of the Baumgarten hub – was finished in 2022. Completion of the new hub, which gives Baumgarten a high-performance distribution system that is already more than 10% hydrogen compatible, also clears up the last remaining damage from the 2017 incident.

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

Information security and cyber security

To increase protection levels for network and information systems, the European Parliament issued a directive that was transposed into Austrian law in the form of the Network and Information Systems Security Act (NISG).

The NISG imposes far-reaching requirements of both a technical and an organisational nature on the operators of essential services. A qualified body ensures that the requirements have been met and certifies the results to the regulatory authority.

GCA was audited by the qualified body in 2022. The findings thus far indicate that GCA has met all of the necessary requirements and is well prepared for potential cyberattacks. However, the requirement to comply with new directives means that costs are constantly increasing.

Additional information on ecological measures can be found in the section entitled Digitalisation, information security and data protection

GCA projects

The key investments in the project area relate to replacement investments to maintain the existing gas grid.

Activities in the transmission pipeline segment were dominated by the modernisation of the Neustift compressor station. The Neustift compressor station is allocated to the Penta-West pipeline system and can be operated bidirectionally. The three installed electric compressor units can be used to compress natural gas from the West Austria gas pipeline (WAG) system into the Penta-West system. The gas is then transferred to Germany at the Überackern entry/exit point. In reverse flow operation, the Neustift compressor station is needed to transfer natural gas from the Penta-West system to the WAG system. Because essential systems had reached the end of their service life, the entire process control system for the Neustift compressor station (station control) was renewed in 2022 along with the unit control system (machine control), among other things, to ensure the safe transport of gas between Austria and Germany via the Penta-West system.

In the distribution network segment, the main project involves reconstruction of the primary distribution system (PDS) hub at the Baumgarten station. The PDS hub connects the transmission pipelines with the Austrian distribution network at the Baumgarten station. Several sections of the plant had been impacted by mechanical and thermal effects due to a serious workplace accident that occurred in December 2017. Based on an in-depth study, a decision was made to build a new, improved state-of-the-art PDS hub. The project was completed on schedule in quarter 4/2022.

Sustainable route management

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

GRI 304-2

SDG 15

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

Support for local youth

GRI 413-1

Since 2010, GCA has partnered with the Austrian Youth Book Club (Österreichischer Buchklub der Jugend). Various projects have been implemented throughout the years including Children Exploring History (“Kinder erforschen Geschichte”) and a reading community with reading fluency practice (“Lesetheater”), workshops and numerous book donations to promote the joy of reading among the young people of GCA’s neighbouring communities. In 2022, GCA launched its newest project to encourage a love of reading among children – an audiobook project called “Reading for all of the senses” – in communities in Lower Austria and Burgenland.

Innovation, research and development

SDG 9

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

Monitoring the gas network

The use of optical fibre sensing to monitor the gas network was expanded to cover a total of 100 km of pipelines, and the evaluation and analysis software was further improved.

After a promising pilot project, a German start-up company was commissioned to conduct satellite monitoring of 120 km of transmission pipelines (SOL, PENTAWEST) for one year in order to be able to gauge the reliability and accuracy of the process over a significant period of time.

As part of a pilot project aimed at using drones to monitor the pipeline route, a BVLOS (Beyond Visual Line Of Sight) drone flight along 25 km of pipelines was authorised and carried out by Austro Control GmbH.

Trial operation of an online outdoor gas detection system using Enhanced Laser Diode Spectroscopy (ELDS) technology proved promising, and the installed systems were approved for continuous operation.

Reducing methane emissions

GCA has continually implemented measures to reduce methane emissions for many years and is a voluntary participant in the United Nations’ international environmental programme culminating in the Oil and Gas Methane Partnership (OGMP) initiative. In 2022, OGMP again awarded GCA gold standard certification (the highest level) for its methane reporting, including the associated reduction measures such as carrying out leak detection and repair (LDAR) programmes.

In order to minimise methane emissions at the GCA plants as far as possible, an acoustic detection camera was acquired in 2021. The camera has delivered highly encouraging results in operational tests and was also used for detecting compressed air leaks. Based on the positive results, additional cameras will be purchased for other maintenance sites in order to test for leakage in the systems during

maintenance activities or when new equipment is being put into operation. This represents an important contribution to reducing methane emissions.

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

Future developments

Security of supply – forward-looking energy sources

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

Contribution to the energy transition

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

Company performance

In 2023, GCA will be working on finding potential solutions for ensuring security of supply for Austria and the region using existing infrastructure. GCA’s medium-term plans involve enabling the use of alternative sources of supply by developing the corresponding logistics options.

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

In this period up to 2050, renewable gases such as biogas and hydrogen from green electricity and synthetic methane (including from imports) will play an additional role in utilising the capacity of the gas infrastructure. Furthermore, because of the transit character of its pipelines, it is important for GCA

to consider the climate and energy plans of neighbouring countries. This will help to ensure that it will have the corresponding range of products and services available (to meet demand that changes over time). The currently untapped potential of carbon capture and storage at the place of consumption may also become more interesting. In the years to come, GCA will continue to focus on being involved in designing the future role of gas infrastructure in a decarbonised environment, including by working with ENTSOG and GIE, the international gas infrastructure associations, as well as with the Association of Gas and District Heating Supply Companies (FGW) at a national level.

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

GCA is a member of the European Hydrogen Backbone (EHB) initiative, which aims to accelerate Europe's path to decarbonisation by defining how the hydrogen infrastructure will look in the future based on existing and planned pipelines. The EHB has identified five pipeline corridors that can be used to accelerate achievement of the hydrogen demand and supply targets set out in the REPowerEU 2030 plan. Thanks to GCA's active participation, Austria was established as an important hub for two of the five hydrogen corridors. The southern corridor is intended for the transport of hydrogen to Austria from North Africa or (by ship) via Italy. The western corridor permits deliveries to Austria from Ukraine or via the Balkans.

All other segments

“All other segments” is a combined heading under which the Thermal generation, Services and Equity interests segments are brought together (because they are below the quantitative thresholds). Electricity and heat generation from gas is reported under the Thermal generation segment. The primarily intra-Group business activities of VERBUND Services GmbH are reported under the Services segment. Interests accounted for using the equity method which have not been allocated to any other segment are reported under the Equity interests segment. As at the reporting date of 31 December 2022, this only comprised the equity interest in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

Business performance

KPIs – All other segments

	Unit	2021	2022	Change
Total revenue	€m	383.4	566.8	47.8%
EBITDA	€m	72.5	186.0	–
Result from interests accounted for using the equity method	€m	36.0	4.3	–88.0%
Capital employed	€m	512.6	655.2	27.8%

The sharp rise in total revenue stemmed mainly from increased use of the Mellach CCGT in the reporting period which, on account of high sales prices, led to higher electricity and district heating revenue. The increase in revenue – in combination with significant positive effects from the measurement of energy derivatives relating to future energy deliveries – led to a sharp rise in EBITDA as well, despite the fact that procurement prices for gas also increased. The result from interests accounted for using the equity method was generated by KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

The increase in capital employed is largely attributable to the rise in property, plant and equipment as a consequence of the reversal of impairment losses charged on the Mellach CCGT.

Thermal generation

At the end of 2022, VERBUND was operating one thermal power plant (the Mellach CCGT) at the Mellach/Werndorf site. Because the site houses Austria’s most cutting-edge combined cycle gas turbine power plant, which is used to maintain security of supply in Austria, it is planned to solidify the instrumental nature of the site as a bridge technology to a lower-carbon energy future going forward.

Energy supply

Energy generation overview

GRI EU1
GRI EU2

Electricity generation

	Number ¹	Maximum electrical capacity in MW ¹	2020 Generation in GWh	2021 Generation in GWh	2022 Generation in GWh
Mellach CCGT (natural gas)	1	848	687	1,124	1,264
Mellach district heating power plant (natural gas) ²	1	165	346	1	-
Total	2	1,013	1,033	1,125	1,264

¹ as at 31 December 2022 // ² reduction in output from 246 MW to 165 MW in April 2020 due to conversion from hard coal to natural gas

Generation from thermal power (net) rose by 12.4% to 1,264.4 GWh in the 2022 reporting period. The Mellach district heating power plant was out of service throughout 2022. At 383.4 GWh, generation of district heating was 26.0% higher in 2022 than in the prior-year reporting period.

Capacity changes

GRI EU1

The maximum electrical capacity of the thermal power plant operated by VERBUND – the Mellach combined cycle gas turbine plant (Mellach CCGT) – totalled 848 MW as at 31 December 2022. Generator 10 of the Mellach CCGT was contracted out for congestion management purposes. Generator 20 of the Mellach CCGT was available in 2022 to supply district heating to Graz and the surrounding area and for congestion management. The Mellach district heating power plant was out of service throughout 2022.

Restructuring the thermal segment

The dismantling work being carried out at the former Werndorf power plant site was completed in 2022.

At the Dürnröhr site, dismantling of the former VERBUND Thermal Power facilities continued in 2022. It is not planned to dismantle the entire plant block that used to be operated by VTP but only to remove all of the mechanical and electrical equipment. In cooperation with the power plant partners, a concept was finalised for voluntarily securing/rehabilitating the N64 contaminated areas at the Moosbierbaum industrial site.

Availability of existing thermal power plants

GRI EU30

The average time availability of the Mellach CCGT reached 89.0% in financial year 2022. The decrease from the prior-year figure of 92.6% was due to extensive (scheduled) renovations of Generator 10 at the Mellach CCGT. The reliability factor surpassed the prior-year figure at an average of 98.4% (2021: 95.2%).

Other project topics

Regarding the Werndorf gas boiler plant project, work to repair the three boiler bodies was successfully completed in 2022 and the plant was handed over to the new owners at the end of the year.

In addition, the ambitious HOTFLEX research project kicked off at the Mellach power plant site in 2019 was completed in financial year 2022. A pilot plant for high-temperature electrolysis and fuel

cell operations was constructed on the premises of the gas turbine power plant. A follow-up project was also carried out in 2022. Discussion is currently underway to determine the next steps.

In future, projects for decarbonisation of thermal generation will be developed, tested and implemented at the Mellach/Werndorf power plant site. This is already occurring in the HOTFLEX, Hy²Power, RECPP, GreenDealCO₂ and HyTechonomy projects, for example, and in a cooperation on a hydrogen field test. The existing infrastructure at the site and the operational expertise can be used for these projects. The objective of the projects is to gradually reduce the specific carbon emissions per generated MWh of electricity and heat.

The Hy²Power project, aimed at developing a technology concept for a power plant to provide grid services, and the Re-Purposing Coal Power Plants (RECPP) project, aimed at developing a strategy for subsequent use of coal-fired power plants in the energy transition, were completed in 2022. In addition, the HyTechonomy project for the further development of key technologies for hydrogen and the GreenDealCO₂ project for the integration of power-to-fuel plants in former coal-fired power plants were continued in 2022.

Achievement of the targets defined for VERBUND Thermal Power GmbH & Co KG (VTP) was confirmed in the last external sustainability audit. An external extension audit was completed for the environmental management system (in line with ISO 14001:2015 and in accordance with the EMAS Directive) in September 2022.

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

Allocation and purchase of emission allowances

Direct CO₂ emissions from VERBUND's thermal power plants are subject to European emissions trading (EU ETS). In other words, a valid allowance must be acquired for every tonne of CO₂ emitted. Free allocations of emission allowances amounted to 17.1 kt CO₂ in 2022, as only a small portion of the free allocations went to district heating plants in the fourth phase of ETS. For VERBUND, this amounted to just 3.5% of the quantity needed for its emissions totalling 484.6 kt CO₂. Emission allowances were acquired through auctions or in the market to cover the remaining share of 96.5%.

In addition, the expenses for national emission trading allowances were charged to VERBUND Thermal Power GmbH & Co KG (VTP) from October 2022 based on the newly enacted National Emission Allowance Trading Act 2022 (Nationales Emissionszertifikatehandelsgesetz, NEHG 2022). VTP is entitled in principle to apply for an exemption since VTP's plants are subject to the EU ETS system, which prohibits double taxation. However, this was not yet technically possible in 2022.

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

KPIs – direct CO₂ emissions from thermal power plants

	Unit	2020	2021	2022
CO ₂ emissions from thermal power plants ¹	kt CO ₂	648	432	485
Free allocations of emission allowances	kt CO ₂	42	29	17

¹ preliminary figures before ETS audit

Services

As VERBUND's shared services organisation, VERBUND Services GmbH (VSE) continued to process central Group services efficiently, cost-effectively and with a high level of customer satisfaction in financial year 2022, including providing the following services in key fields of activity:

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

In quarters 1-4/2022, the COVID-19 pandemic presented challenges for VERBUND throughout the Group and therefore also for VERBUND Services. With its core competencies, VERBUND Services GmbH plays a role in securing the electricity supply (as part of the critical infrastructure) and makes significant contributions to VERBUND's Group crisis management. A variety of services were provided by Group crisis management in financial year 2022, in particular preparing the Group management report depicting the situation of the Company and providing safety equipment and self-tests. In addition, Group crisis management is responsible for coordinating the operation of the COVID-19 test facility at VERBUND's corporate headquarters at Am Hof in Vienna and for the coordination of company vaccination stations for COVID-19 vaccinations.

Facility management continued the COVID-19 prevention measures to the best of its ability in line with VERBUND's strategic safety concept. Critical workspaces at more than 50 of VERBUND's power plant and administrative office locations were disinfected regularly and furnished with protective equipment.

A general overhaul and redesign of the Group's headquarters at Am Hof was also initiated in 2022 in addition to the ongoing maintenance activities. The conversion work is slated to start in 2023. Energy-saving measures were also put into effect at the administrative locations during the winter months of 2022/2023 in a show of solidarity. The measures included reducing office temperatures to 19 degrees Celsius along with reducing lighting and the operation of electronic devices.

Technical implementation of the migration to SAP S/4 Hana is proceeding on schedule.

In human resources services, the requirements necessitated by the COVID-19 pandemic continued to be implemented. These included assumption of crisis unit functions and ongoing processing of claims against VERBUND and government grants to cover absences due to COVID-19, such as special care arrangements and risk groups, as well as processing quarantines, potential contacts and absences related to COVID-19. In addition, many legislative changes (mainly arising from "eco-social" tax reform) were implemented within the time period provided.

In the area of telecommunications, the new zone-based access control systems needed at VERBUND Hydro Power GmbH (VHP) were set up in designated plant areas. The aforementioned measures have

been supplemented by a concept to ensure physical safety, the implementation of which was initiated during conversion of the Kaprun site. At the Limberg III large-scale construction site, the entire site area was provided with telecommunications equipment. In addition, the in-house mobile radio systems were also expanded at power plant sites. Work to equip the new VERBUND locations in Madrid and Berlin with IT and telecom equipment was initiated upon entering the Spanish and German markets. The rollout of special multi-year projects in the telecom networks also continued apace. This involves:

- renovating the IT switch network architecture; and
- replacing the central, digital wide-area data transmission network at more than 100 operating sites and minimising the risk associated with delivery delays in our international markets.

As an operator of critical infrastructure, we paid special attention to ensuring that the process of upgrading the network went smoothly and without causing downtime.

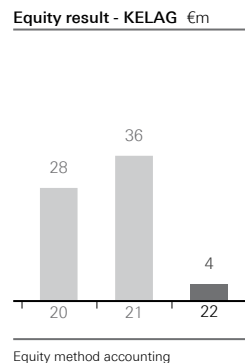
Equity interests

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

At €4.3m, the contribution from KELAG to the result from interests accounted for using the equity method was significantly below the prior-year level in 2022 (2021: €36.0m). The decline was mainly due to extremely low average water supply over a sustained, long-term period. In addition, higher procurement expenses in sales regarding household customers contributed negatively.

The dividend attributable to VERBUND for 2022 was €21.1m (2021: €17.6m). As at 31 December 2022, VERBUND held a 35.17% equity interest in KELAG.

KELAG generates electricity from 100% renewable energy and along with VERBUND is among the major Austrian producers of hydroelectricity. It also operates in the field of wind power and implements selected solar power projects. KELAG generates district heating mostly from industrial waste heat and biomass and the remainder from natural gas. KELAG has been awarded an EcoVadis GOLD rating.



Opportunity and risk management

GRI 2-23

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

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

Further development

One of the areas of activity of VERBUND risk management in financial year 2022 was weighing risk/return factors and preparing risk analyses in connection with planned projects and investments. Risk management also carried out a multi-year review of the risk inherent in ongoing operation and identified and (re)measured strategic risk in addition to preparing an analysis of risk bearing capacity and a stress test analysis. In addition, an early warning system was added to the existing risk management system to improve the system's ability to assess future risk potential. On the one hand, the early warning system helps to gauge current sentiment in the various areas of business through regular data collection and monitoring. On the other hand, it supports risk management in detecting possible signs of potentially occurring risk at an early stage to enable countermeasures to be taken proactively and quickly. The risk reporting system was also adapted and expanded as part of these improvement processes.

Under this approach, VERBUND's risk management agendas extend to the management of current operations and project management as well as activities aimed at supporting strategic decision-making processes.

Significant opportunities and risks as well as measures

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

Category	Description/measures	Impact on earnings	
Financial statements impact		Opportunity	Risk
Value adjustment	Increase/decrease in assets (impairment losses/reversal of impairment losses on power plants as well as carrying amounts of equity interests) and provisions recognised to account for changes in the (energy) market and economic environment (long-term electricity price forecasts), the cost of capital and other assumptions for calculations (e.g. remaining lifetime expectation, pension obligations)	X	X

Category	Description/measures	Impact on earnings	
	Measures: - Conclusion of long-term agreements with customers and for grid support		
Price risk		Opportunity	Risk
Price variation	Difference between expected (projected) and realised sales prices		
	Measures: - Pricing-in strategy - Conclusion of long-term supply agreements - Options transactions	X	X
Volume risk		Opportunity	Risk
Fluctuations in volume Hydro/wind/solar	Difference between expected and actual production volume from hydro, wind and solar power generation – necessary short-term purchase or sale of energy volumes		
TCFD	Measures: - Balancing on the short-term futures and spot markets - Maintaining weather insurance policies	X	X
Contribution margin risk Power grid	Planning risk in relation to the products grid usage, congestion management, grid loss and control power in the Grid segment		
	Measures: - Discussion/agreement with regulators - International collaborations	X	X
Contribution margin risk Gas grid	Planning risks: revenue (transmission pipeline, distribution network), energy costs and maintenance expense		
	Measures: - Continuous monitoring	X	X
Flexible products	Variation in the contribution margin from congestion management, control power, intraday trading and pumping/turbining at the storage power plants		
	Measures: - Participation in tenders for the provision of capacity for short-term and multiple-year stability of grid operation - Optimisation of trading activity	X	X
Asset/infrastructure risk		Opportunity	Risk
Asset/infrastructure risk	Potential effects of outages, damage and consequential losses on power plants		
	Measures: - Maintenance - Audits - Insurance policies		X
Legal risk		Opportunity	Risk
Pending legal disputes	Litigation risk from various pending legal actions/ legal disputes	X	X

Category	Description/measures	Impact on earnings	
	Measures: - Legal advice - Financial provisions - Insurance - Out-of-court talks		
Regulatory risk	Opportunities and risks arising from changes in the political, legal or regulatory environment		
TCFD	Measures: - Increased collaboration with national and international interest groups, associations and authorities	X	X
Windfall tax	Legal/regulatory intervention in market electricity prices Measures: - Regular dialogue with stakeholders		X
Financial risk		Opportunity	Risk
Counterparty risk	Payment default by business partners Measures: - Requesting of recent business reports - Realisation of existing collateral - Strict scoring of business partners based on a conservative system for evaluating credit ratings - Regular monitoring		X
Securities risk	Currency gains/losses on investment positions (e.g. funds) Measures: - Monitoring through regular value-at-risk calculations	X	X
Derivatives measurement risk	Measurement risk involving futures/forward positions – positive/negative measurement effects as well as liquidity effects ensuing from changes in market electricity prices Measures: - Maintaining sufficient credit lines to enable access to liquidity at short notice - Continuous monitoring	X	X
Equity interest risk	Gains/losses from equity interests, deviations from profit/dividend targets for equity interests Measures: - Monitoring and early warning systems	X	X
Rating risk	Changes in the rating lead to lower or higher refinancing costs Measures: - Ongoing assessment of projects with respect to their impact on ratings	X	X
Interest rate risk	Rising or falling interest expenses/interest income due to changing market interest rates Measures: - Hedging instruments - Long-term fixed-interest agreements	X	X
Contingent liabilities	Financial losses caused by crystallisation of contingent liabilities (e.g. liabilities, guarantees)		X

Category	Description/measures	Impact on earnings	
	Measures: - Selective issue of contingent liabilities - Continuous monitoring		
Operational risk		Opportunity	Risk
Extreme weather	Possible effects of extreme weather such as flooding on third parties and the Group's own plants		
TCFD	Measures: - Structural protection measures - Regular training sessions and courses (e.g. as part of crisis management) - Insurance		X
Cyber risk	Deliberate, targeted IT-based attack on data and IT systems. Possible consequences include loss of control (security of supply), data theft and cyber extortion		
	Measures: - Internal Group projects to improve security of IT systems and IT infrastructure - Insurance		X
Compliance risk	Violations of internal and external regulations (such as financial market compliance and competition/antitrust law)		
	Measures: - Compliance training, annual risk analysis - Defined processes, regulations and code of conduct in relation to compliance and antitrust law		X
Pandemic risk	Effects of pandemics on internal processes and workflows and ensuring security of supply		
	Measures: - Internal guidelines and defined processes - (Pro)active crisis management - Ongoing internal coordination and coordinating with authorities in the event of an incident - Continuous monitoring		X
Project risk		Opportunity	Risk
Project risk	Exceeding of or failure to meet projections with regard to time, costs and quality		
	Measures: - (Pre-)project analysis, project management, project management accounting and project monitoring - Optimisation of contractual arrangements	X	X
Other risks		Opportunity	Risk
Reputational risk	Negative economic effects caused by damage to the Group's reputation		
	Measures: - Brand Monitor - Internal and external communication guidelines as well as strict compliance guidelines		X
Strategic risk		Opportunity	Risk
Technology/innovation risk	Negative/positive effects from technological innovations and changing customer needs	X	X

Category	Description/measures	Impact on earnings	
	Measures: - Intensive collaboration with external research projects - Agile adaptation to new technologies - Investment in in-house research and development		
Strategic risk business model	Negative/positive effects on the business model caused by changes in conditions in the energy market or in climatic, legal or macroeconomic conditions	X	X
TCFD	Measures: - Regular monitoring - Holding regular strategy meetings		

Current opportunity and risk situation in 2022

The material drivers of opportunities and risks in the 2022 financial year were in the following risk categories: volume risk, price risk, project risk, financial risk and operational risk.

GRI 201-2

Volume opportunities/volume risks

SDG 13

TCFD

Hydropower generation is subject to seasonal and regional fluctuations in water supply at the catchment areas. Options to compensate for these effects by means of the (annual) storage power plants are very limited. The year 2022 saw a decrease in precipitation levels, which led to less water supply. Monthly generation volumes were well below the long-term average in some cases, including when analysing the year as a whole. By contrast, generation from wind and solar power nearly reached the long-term average.

GRI 201-2

Electricity price opportunities/electricity price risks

TCFD

In addition to the risks of fluctuations in output, electricity price trends also represent a significant risk and opportunity factor for VERBUND. In order to reduce risk potential, long-term agreements were entered into with customers in some cases. Prices for electricity in 2022 continued the upward trend that had already set in during the second half of 2021. The trend was exacerbated by Europe's dependence on Russian gas supplies as well as by the Ukraine crisis and the resulting uncertainty on the markets regarding gas supply quantities and prices.

In general, rising electricity prices have a positive impact on VERBUND's earnings situation. However, it is also possible for higher electricity prices to negatively impact the return on some long-term contracts with customers, thus making it necessary to modify those contracts. In addition, the fact that electricity generation fell below the forecast volumes in 2022 meant that VERBUND had to buy back electricity volumes that had already been pre-sold, in some cases at high market prices.

Financial opportunities/financial risks

In 2022, macroeconomic developments such as high inflation and the associated increases in energy prices as well as rising interest rates had a correspondingly negative impact on many companies, which led to an increase in default/counterparty risk. In order to minimise risk potential, VERBUND relies on an established system of credit limits and a strict scoring of business partners based on a system for evaluating creditworthiness. VERBUND also monitors credit risk on a regular basis.

The increasing volatility of electricity prices also influences the measurement of forward contracts concluded in the electricity market, which can lead to short-term liquidity inflows or outflows depending on whether the effect is positive or negative. All positions are therefore monitored on an ongoing basis and the necessary liquid funds are kept in reserve or increased as a precaution.

Regulatory opportunities/regulatory risks

Increasing unrest on the European energy markets and the related culmination of the energy crisis has negatively impacted the economic and financial situations of companies and private households alike. Therefore, pressure is growing on both international and national regulatory authorities to implement appropriate relief measures. One measure under discussion is introduction of a tax on windfall profits, and it has already been decided to introduce a temporary cap on electricity profits in Austria. This measure will negatively impact VERBUND's earnings situation.

Project opportunities/project risks

Price levels continued to increase in 2022 due in particular to high inflation, rising energy costs and supply chain difficulties. The higher prices were reflected in higher expenses for various VERBUND construction projects. Previously concluded fixed price contracts provided a partial buffer to these negative effects. Supply chain problems also caused delays in the implementation of various projects.

Operational opportunities/operational risks

Following on the heels of the recent COVID-19 crisis, the Ukraine crisis in 2022 led to an increase in the potential risk of cyberattacks. VERBUND responds to the heightened challenges (mainly from the perspective of critical infrastructure) by continually improving the existing security mechanisms. VERBUND counteracts risks from cyber space by implementing preventive security strategies and internal projects to increase the security of IT systems and IT infrastructure as well as internal guidelines and correspondingly defined and secured processes. A number of factors could lead to prolonged and widespread grid failure.

<p>GRI 201-2</p> <p>TCFD</p>	<p>Strategic opportunities and risks</p> <p>Climate change, changes in the legal/regulatory environment, technological developments and changes in the market environment can have a major impact on a company's business model and strategy (as described above to some extent). Close examination of medium- and long-term strategic risks at an early stage is therefore important to ensure successful continuation of the direction in which the Group is moving. The relevant strategic risks at VERBUND are therefore continuously identified and assessed. This proactive management of long-term risks allows their effects on the Group to be limited accordingly and opportunities for additional growth to be consciously exploited.</p>
------------------------------	---

VERBUND relies on regional and technological diversification to counteract risk related to climate change.

Effects of aspects of climate change

Due to the generation and transmission technologies used, VERBUND's plants are highly exposed to weather events that cannot be influenced. This applies in particular to VERBUND's partially exposed generation infrastructure (the VERBUND hydropower plants, wind power plants and photovoltaic installations) as well as its transmission infrastructure (in particular APG's high-voltage lines).

Over the long term, changes in the climate can have a lasting effect on the water/wind supply and photovoltaic output, which may cause greater seasonal or annual deviations in generation to occur in the future. To counter this trend and spread potential risks, VERBUND relies on both regional and technical diversification in its generation processes. For instance, VERBUND focuses on maintaining the value of and increasing efficiency at existing hydropower plants and constructing promising new ones as well as on increasing generation from wind and solar farms. Each year, the long-term positive and negative impacts that climate change could have on the sustainability of VERBUND's business model and on VERBUND's long-term strategy are analysed and discussed in the context of identifying and (re)measuring the strategic risk landscape. This includes integrating the possible short-term and medium-term effects of climate change into internally defined stress scenarios in the context of the annual stress test analysis and then assessing the risk level and reporting to VERBUND management.

Risk-bearing capacity

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

Forecast – performance in financial year 2023 (sensitivity)

All else remaining equal, a change in the factors shown below would be reflected in the projected Group result for 2023 as follows (based on the hedging status as at 31 December 2022 for generation output and interest rates):

- +/- 1% generation from hydropower plants: +/- €36.4m
- +/- 1% generation from wind power: +/- €2.3m
- +/- €1/MWh wholesale electricity prices (renewable generation): +/- €5.7m
- +/- 1 percentage point in interest rates: -/+ €15.5m

Internal control and risk management system

In accordance with Section 243a(2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB), the internal control and risk management systems for the accounting process must be described. VERBUND's internal control system includes all measures for ensuring the reliability, effectiveness and profitability of this process, as well as compliance with external regulations. The structure of the risk management system is explained in detail in the Disclosures on Management Approach (DMA) and the risk position is described in the section of this VERBUND Integrated Annual Report 2022 entitled Opportunity and risk management.

GRI 3-3

Organisational framework

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

Corporate philosophy at www.verbund.com >
[About VERBUND >](#)
[Company >](#)
 Corporate philosophy

Basic principles of the internal control and risk management system

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

GRI 3-3

Reporting in compliance with unbundling provisions

VERBUND's quarterly reports and the VERBUND integrated annual report consolidate information from the management accounting, corporate accounting, financial management and risk management functions as well as from the area of corporate responsibility. All reports are based on uniform Group-wide rules for preparation and measurement. The liberalised European energy market requires an unbundling of the grid from the generation, trading and sales of formerly integrated electric utilities. Therefore, VERBUND subsidiary Austrian Power Grid (APG) has been operating in the electricity market since 2012 as an independent transmission system operator. An external equal treatment officer monitors compliance with the unbundling provisions specified in the contract. VERBUND AG acquired a 51% stake in Gas Connect Austria GmbH (GCA) effective 31 May 2021. VERBUND subsidiary GCA performs the duties of an independent transmission system operator in the gas market and continues to be subject to the statutory unbundling provisions. Compliance is likewise monitored by an external equal treatment officer.

Periodic monitoring

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

Shareholder structure and capital information

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

1. At the reporting date of 31 December 2022, the called and paid-in share capital of VERBUND AG comprised:

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

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

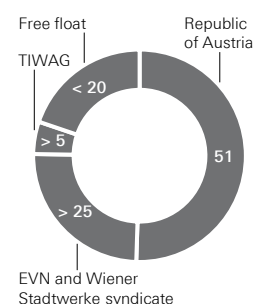
3. The shareholder structure of VERBUND AG is largely defined by the majority holding of the Republic of Austria. In accordance with constitutional law, 51% of the share capital is owned by the Republic of Austria. A syndicate of the state energy companies Wiener Stadtwerke GmbH and EVN AG owns more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

4. There are no shares with special control rights.

5. VERBUND does not offer any employee participation programmes.

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

Shareholder structure %



GRI 2-15

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

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

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

VERBUND's Consolidated Corporate Governance Report, which is included in this 2022 Integrated Annual Report, is also available on the VERBUND website.

Consolidated Corporate
Governance Report
available at
www.verbund.com >
[Investor Relations](#) >
[Financial reports](#)

Innovation, research and development

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

	Unit	2020	2021	2022
Number of IR&D projects	Number	91	127	105
Total project volume ¹	€m	257.0	266.4	245.1
of which EU projects ¹	€m	152.2	103.5	65.9
Total VERBUND share ¹	€m	77.6	110.4	102.0
Annual VERBUND expenses	€m	9.5	11.3	10.2
Annual VERBUND investment	€m	4.1	2.4	10.2

¹ over the entire duration of the projects

The economic and energy system is currently undergoing radical transformation, as generating 100% of electricity from renewable energy by 2030 means that the energy system will have to be completely restructured. As an energy transition leader, VERBUND has taken on the task of driving transformation that will help mitigate the climate crisis.

Research, development and innovation contribute significantly to implementing climate action projects and initiatives. With its strategic commitment to innovative technologies and business models, VERBUND has demonstrated its responsibility for decarbonisation – in which it relies on cooperation with universities and research institutes, businesses and start-up companies in Austria and the international arena.

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

For the latest generation of electric cars, VERBUND is relying on development of a high-performance charging infrastructure network through its investment in SMATRICES-EnBW. In conjunction with European partners, a network of charging opportunities is being established along European mobility corridors. The interoperable network thus provides cross-border mobility services based on electricity from renewable energy sources. The high-performance charging network is being built under the Central European Ultra Charging (CEUC) project – co-funded by the European Commission – in Austria and with partners in Italy and South-Eastern Europe. The project will run until June 2023. Once the project is completed, the network will have more than 120 ultra-fast charging stations.

The eCharge4Drivers research project is testing and demonstrating potential new use cases for smart, user-friendly charging stations using funds provided by the European research programme Horizon 2020. VERBUND’s focus is on efficient management of unused charging infrastructure flexibilities and the interaction of charging infrastructure with the energy infrastructure. In addition to publicly accessible charging infrastructure, VERBUND is focusing on innovative charging solutions for private individuals and corporate customers. The solutions centre on creating smart links between energy provision and energy management, with charging solutions in each respective environment.

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

VERBUND relies on innovation and research projects in the field of new storage systems as a result of the growing share of volatile renewable energy sources in the power grid and local users as well as for the purpose of combining different generation and storage technologies at a local level.

GRI EU DMA,
formerly EU8

SDG 7
SDG 9
SDG 17

SDG 11

SDG 9

For that reason, a comprehensive market and technology monitoring system was established in 2022. This made it possible to identify more than 130 technology providers in 21 countries, more than a dozen of whose innovative, long-term storage technologies were evaluated in detail before expressions of interest were submitted to promising tech providers. VERBUND wants to take the lead in developing market-ready storage solutions for the energy future together with technology partners.

In autumn 2022, VERBUND initiated a partnership with German start-up Kraftblock through the Company's start-up initiative, the VERBUND X Accelerator. Kraftblock is working to make energy transition and the decarbonisation of industry cost-effective through high-temperature energy storage. In the coming months, a "power2heat" use case will be evaluated in detail at the Mellach power plant site. The net-zero heat system will convert green energy into heat so that clean process heat can be supplied directly to turbines for their operation.

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

SDG 15

Completion of the LIFE Network Danube Plus project in April 2022 and the improvements made to habitats in the vicinity of the Altenwörth and Greifenstein hydropower plants have re-connected habitats in a variety of NATURA 2000 protected areas, all the way to the Kamp and Krems valleys and the Schmieda River. In addition to restoring passability and improving habitats at Danube tributaries, completion of the project has brought highly diverse habitats to the river, the river banks and the riparian zones, thus significantly improving the biodiversity and species diversity of the Danube habitat. The bulk of the project involved restoring continuity by building a fish pass of more than 12.5 km in length (making it the longest fish pass in Lower Austria). In addition, as a power plant operator VERBUND is working with the market municipality of Kirchberg am Wagram to improve the bathing quality of the old course of the Danube at Altenwörth. An artificial biotope was constructed on the left bank of the old course in order to filter out and reduce the excess quantity of nutrients. This will reduce the growth of algae to a natural level.

Other LIFE projects involve collaborating with partners on new, large-scale measures intended to strengthen the natural environment and improve biodiversity.

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

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

VERBUND is developing methodologies and algorithms for analysing photovoltaic data that will enable early fault detection so that preventative maintenance measures can be implemented. The early warning system uses a physical model that was specially developed for this purpose and is supplemented by a statistical model. The system makes it possible to effectively identify any deviations from plant target parameters as faults to be further categorised. The high degree of automation in the data analysis process makes it possible to optimise the energy yield from the plants and ensures lean and efficient operational management.

In the Track and Charge project, a photovoltaic demonstration system (including electromobility charging infrastructure) is being set up as a dual-use tracker photovoltaic system. The system was developed by Anywhere Solar, an Austrian start-up, and the project entails using a single-axis tracking photovoltaic system to cover over existing car parking spaces. In the future, the installation of dual use trackers in neighbouring communities could increase acceptance of and improve attitudes towards large-scale photovoltaic installations and enable bundling with other VERBUND products.

Focus on digitalisation: Project Zerberus – smart technology for energy generation

Zerberus is a digital assistant that serves as a support platform for personnel at critical infrastructure facilities. The project entails developing and piloting energy generation use cases with the objective of having potentially hazardous activities that are currently carried out by humans taken over by a robotic dog in order to improve occupational safety. The project also aims to identify additional tasks that are simple or monotonous.

The findings concerning implementing the digital assistant in power plant operations can be taken as a basis for procuring additional digital assistants or for considering implementation of the digital assistant at other VERBUND sites. VERBUND thus continues to advance digital transformation and automation within the Group in line with information security requirements.

**VERBUND has been supporting climate tech start-ups since 2022
with its own corporate venture capital unit.**

VERBUND X Ventures: investing in energy transition at VERBUND

VERBUND has massively expanded its start-up portfolio in recent years. The VERBUND X Accelerator has become one of the leading innovation platforms in the Austrian energy and infrastructure sector. Since 2019, more than 1,600 start-ups have applied to join initiatives developed by VERBUND and its partners. VERBUND has also initiated and implemented proof-of-concept projects and pilot projects with selected start-ups. VERBUND Ventures GmbH was established in 2022 in order to further increase the impact and added value of VERBUND's activities in the start-up environment. As VERBUND's corporate venture arm, VERBUND Ventures invests in start-ups and is building a portfolio of internal and external start-ups and rapidly growing enterprises.

The first company to be added to the portfolio of VERBUND Ventures was HalloSonne GmbH. HalloSonne offers a rent-to-buy model that does not require any investment and allows homeowners to lease high-quality, yet technically flexible, photovoltaic systems for a fixed monthly fee. The electricity produced is available to the homeowner. During the term of the lease, HalloSonne covers maintenance and replaces panels or inverters when necessary at no risk to the customer.

Innovation in the power grid: innovations in the transmission system to enable full integration of renewable energy sources

As the control area manager, Austrian Power Grid (APG) is responsible for keeping consumption of electrical energy in balance with generation at any given moment in Austria. APG is faced with the task of integrating 100% renewable energy sources into the electricity system by 2030, which is a mammoth task even for APG as the Austrian transmission system operator. In addition to grid expansion, research and innovation (R&I) play an essential role in overcoming the challenges of energy transition while maintaining security of supply at the highest level.

Monitoring ice accumulation on wind turbines

Critical situations can arise when more than one wind farm in a region suffers a sudden failure and cannot supply the foreseen quantities of energy. Ice build-up on large sections of wind turbine rotor blades can lead to such critical situations. To avert the resulting risk for the power grid, APG is pursuing a set of initiatives aimed at improving the forecasting of ice events and expanding the real-time detection system. Weather-based models for day-ahead and intraday forecasting are being developed and pilot tested in cooperation with the Central Institution for Meteorology and Geodynamics (ZAMG). The effectiveness of the models is improved by the real-time detection system, which was developed in cooperation with Austro Control Digital Services and already includes more than 600 plants.

Digital substation

Substations act as hubs within the Austrian transmission system. Because they are able to convert voltage levels, they are essential for the trans-regional transport of renewable energy.

While substations are already operated remotely, advances in smart technology now make it possible to monitor and control the use of operating supplies more precisely. This enables critical situations (e.g. involving transformers) to be detected early, avoids costly downtime and ensures that operating supplies are used effectively.

Climate check: innovations in climate-resilient power infrastructure

Conversion of the energy system is intended to limit global warming, as some consequences of climate change have already become inevitable. Among other things, these include an increased likelihood of extreme heat events and forest fires, landslides due to heavy rain or melting glaciers, and severe storms. Because electricity pylons and power lines can be located in places where they are exposed to the elements, improving risk awareness and taking the appropriate countermeasures is essential to ensuring functional efficiency for the next decades.

The findings obtained in the project conducted jointly with the Central Institution for Meteorology and Geodynamics (ZAMG) will be displayed as an additional layer in the geographic information system (GIS). The data will enable early planning of measures to reduce risk associated with the existing infrastructure, optimise maintenance processes and enable proactive planning of grid expansion.

Innovations in the gas network

Gas Connect Austria (GCA) works continually on new innovations and on improving the status quo. To this end, new technologies and concepts aimed at improving safety and availability and increasing efficiency are regularly implemented.

Further progress was made in digitalising pipeline safety in the form of continuous monitoring based on fibre optic technology in cooperation with a technology partner, and drone research was added together with stationary cameras and satellite monitoring.

GCA is also investigating opportunities for continuously available fire detection using infrared cameras that are connected to a central fire alarm system. At the same time, the possibility of continuous gas detection using laser technology is being tested further in pilot projects.

Green hydrogen

GRI 2-6

VERBUND – a decarbonisation partner

VERBUND's positioning as a player in the European hydrogen economy constitutes one of its three strategic pillars. In 2022, VERBUND again stepped up its efforts to implement a focused hydrogen strategy by establishing a new Hydrogen division. Green hydrogen generated from renewable electricity forms the main pillar of VERBUND's hydrogen activities, thus extending the value chain from sustainable electricity production all the way to green hydrogen. Both short-term and long-term demand for green hydrogen to aid in decarbonisation, especially the decarbonisation of industrial sectors that are difficult or impossible to electrify (hard-to-abate sectors), is being developed and implemented in two focus areas: implementation of local hydrogen generation projects and development of diversified import routes.

Developing a green hydrogen economy through focused implementation

VERBUND is pursuing a two-pronged approach to positioning the Company as a player in the European hydrogen sector. When carrying out hydrogen projects together with industrial partners, the focus is on generating green hydrogen in the vicinity of major buyers. The majority of the partners and the buyers operate in hard-to-abate sectors, such as the chemical industry, the fertiliser industry and the steel industry or even refineries.

The knowledge applied in these projects was supplied by findings from research and innovation projects in the field of hydrogen, for instance H2FUTURE, HOTFLEX, H2Pioneer, USS2030 and GreenHydrogen@BlueDanube. VERBUND develops joint projects in the industrial sector using its expertise as an integrated energy company and its knowledge of hydrogen. Projects include the Borealis hydrogen initiative in Linz, which is listed as an Important Project of Common European Interest (IPCEI). The project aims to replace parts of the grey hydrogen required for the production of fertilisers, melamine and technical nitrogen with green hydrogen from a 60 MW proton exchange membrane (PEM) electrolysis plant. This will set the stage for environmentally friendly production at the Borealis site in Linz.

Regarding the project with Burgenland Energie, a phased approach is being developed for the production of green hydrogen (primarily from wind and solar power). A critical element of the project is renewable electricity generated on site in northern Burgenland, and the heart of the project will be a 60 MW to 300 MW electrolyser. The first project phase (output of 60 MW) is expected to go into operation in 2026 to supply major buyers in the east of Austria with green hydrogen. Additional electrolyser projects are currently in development in VERBUND's core markets, each of them with the goal of using green hydrogen to meet short-term demand.

Importing hydrogen as a long-term strategy

Along with developing local hydrogen projects, VERBUND is pursuing the development of diversified hydrogen import routes in order to cover expected future demand for power that cannot be generated locally. The goal is to strengthen the region's standing as a business location by securing a long-term supply of green hydrogen at competitive conditions. Efforts focus on those regions that offer cost-efficient generation conditions for renewable electricity and green hydrogen. Another focal point is on existing infrastructure that can be used or converted for use in the future transport of hydrogen to Austria and southern Germany. Against this backdrop, VERBUND has identified specific import

corridors across various regions that it is steadily developing. Together with its implementation partners, VERBUND will define the entire value chain, from production and transport to sales to major industrial buyers, and develop activities along the value chain. To additionally strengthen its network of partners, VERBUND also joined the Dii Desert Energy network, which focuses on developing the hydrogen economy in the MENA region (Middle East and North Africa). VERBUND moreover became a member of the AquaVentus association, which aims to use renewable electricity to generate hydrogen in northern Europe. A critical factor in all of this will be the ability to transport hydrogen, without which it cannot be traded on the market.

Infrastructure as the backbone for a green hydrogen economy

Project Fit4HyT - Fit for H₂ Transportation was initiated with the objective of getting all of GCA's pipelines ready for hydrogen transport and ultimately becoming part of the European hydrogen network. The project involves creating a detailed conversion roadmap and calculating the cost of conversion on the basis of two existing pipelines, one new and one older. GCA has taken a role in numerous committees and initiatives with the aim of ensuring that the timeline for its conversion roadmap lines up with planning at the European level, especially planning by Austria's neighbouring countries. Those committees and initiatives include Hydrogen Europe, Clean Hydrogen Alliance, H2Austria, NetZeroAlliance, Hydrogen Cluster and the European Hydrogen Backbone. In the committees, GCA is part of numerous working groups that focus on jointly planning the future hydrogen network and evaluating and developing potential hydrogen import routes to Austria based on domestic demand.

GCA is executing one hydrogen project in the context of the IPCEI initiative (H2EART). That project focuses on the conversion of the pipeline network for hydrogen, the construction of hydrogen pipelines to major industrial buyers and establishment of the Baumgarten station as a European hydrogen hub. Since 2021, the project has been a key element in numerous other European hydrogen initiatives and has thus helped to drive development of a European hydrogen infrastructure.

Together with partners from the WIVA Power & Gas energy model region, GCA is working to make an integrated hydrogen economy feasible in a joint research project called "H2REAL - East Austria Hydrogen Region Goes Live". The project involves developing an integrated hydrogen network (a "Hydrogen Valley") as the key to hydrogen technologies and hydrogen applications in eastern Austria.

In addition to activities aimed at the conversion of pipelines for hydrogen transport, the preliminary study for the Power2Gas4Austria project was completed in 2022. The study focused on large-scale sector coupling between transmission system operators GCA and APG.

Outlook

After the strong growth seen in 2021, the global economy slowed down significantly in 2022 with growth of 3.2% amid record inflation (globally: 8.8%). For 2023, the International Monetary Fund is forecasting a continued slowdown in growth (+2.7%), with the global economy not expected to pick up until 2024. The 2023 projections are predominantly based on the ongoing war in Ukraine and its fallout (including high energy prices) as well as declines in real income due to record inflation, which is dampening consumer spending.

The Austrian economy performed comparatively well in 2022 with growth of 4.7% amid high inflation (+8.5%). For 2023, WIFO has forecast growth of just 0.3%. However, inflation is expected to ease in 2023 as the energy markets gradually become less tense.

Prices for raw materials continued to climb in 2022, with prices for oil, coal, gas and electricity well over the respective prior-year levels. The higher prices were reflected in both the spot and futures markets. However, the situation in the commodities markets eased towards the end of 2022. The price of oil had already started declining in the summer of 2022, and high gas stockpiles caused the price of gas to decrease.

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

Investment plan 2023–2025

VERBUND's updated investment plan for the 2023–2025 period provides for capital expenditure in the amount of €4,554m. Of that total, around €3,096m will be spent on growth CAPEX and around €1,457m on maintenance CAPEX. Most of the growth CAPEX (approximately €1,402m) will go towards expanding the regulated Austrian high-voltage grid. In addition, VERBUND will be investing primarily in projects involving new renewables, in selected hydropower plant projects and in increasing the efficiency of existing power plants. The investments will mainly involve VERBUND's domestic markets of Austria and Germany. In financial year 2023, VERBUND plans to invest a total of approximately €1,385m, around €905m of which will be invested in growth and around €481m in maintenance.

Dividend

VERBUND plans to distribute a dividend of €3.60 per share for financial year 2022. The dividend breaks down into a regular dividend of €2.44 per share and a special dividend of €1.16 per share. The one-off special dividend is intended to allow shareholders to participate in the Group's extraordinarily positive business performance for financial year 2022 by means of a higher payout. The total payout ratio (regular dividend and special dividend) calculated on the basis of the adjusted Group result amounts to 71.3% for the 2022 reporting period (previous year: 45.7%). The payout ratio for the regular dividend only, calculated on the basis of the adjusted Group result, amounts to 48.3% for the 2022 reporting period (previous year: 45.7%). Distribution of the dividends must be approved by the Supervisory Board at the meeting at which the annual financial statements are to be approved and also requires the approval of the shareholders of VERBUND AG at the 2023 Annual General Meeting.

Earnings projection for 2023

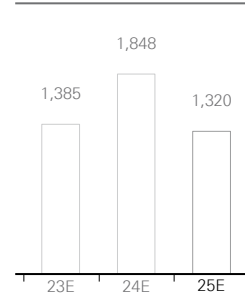
VERBUND's earnings performance is significantly influenced by the following factors: wholesale prices for electricity, the Group's own generation from hydropower, wind power and solar power, the contribution to earnings from flexibility products and ongoing developments in the energy market. Otherwise, the measures enacted to implement a windfall tax on inframarginal power generators will impact the earnings trend in financial year 2023.

Around 65% of the planned own generation for 2023 was already contracted as at 31 December 2022. The price obtained for this was approximately €85/MWh above the sales price achieved in 2022.

The outlook for VERBUND remains highly uncertain given the still precarious energy situation in many countries, recurring waves of COVID-19, geopolitical uncertainties, measures to enact a tax on windfall profits and high volatility of the key factors influencing VERBUND's results.

SDG 8

Investment plan €m



Events after the reporting date

There were no events requiring disclosure between the reporting date of 31 December 2022 and authorisation for issue on 16 February 2023.

Vienna, 16 February 2023

Executive Board



Michael Strugl
Chairman of the Executive Board
of VERBUND AG



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



Achim Kaspar
Member of the Executive Board
of VERBUND AG

Report on non-financial information
(NFI Report)

Report on non-financial information

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

GRI 2-3 VERBUND takes its social responsibility as Austria's leading utility and an important player in the European electricity market very seriously. Back in 1994, VERBUND was one of the first companies in Austria to prepare an environmental report, thus anticipating the trend towards reporting on environmental factors. That annual publication was followed in 2002 by VERBUND's first sustainability report. From then on until 2014, a sustainability report was published annually as a supplement to the annual report. Since 2015, VERBUND has published an integrated annual report in response to the rising demand from different groups of stakeholders for comprehensive company information. The annual sustainability report is now included in VERBUND's integrated annual report.

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

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

This report covers the activities of all of the companies included in the Group's consolidated financial statements. Significant events occurring at unconsolidated companies are also reported to provide a complete picture of the Group. The reporting period comprises the 2022 calendar year.

Sustainability information has been subjected to an external review in the scope specified by the Independent Assurance. The GRI and TCFD Index indicate where information on sustainability at VERBUND can be found. As provided for in the GRI guidelines, we have refrained from including information on topics of minor relevance in this Integrated Annual Report. Supplementary information on sustainability topics is available in our Disclosures on Management Approach (DMA) document and on the VERBUND website.

GRI 2-2
GRI 2-3
GRI 2-5

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

VERBUND's business model

GRI 2-6 VERBUND is one of the largest producers of hydroelectricity in Europe and makes a significant contribution to maintaining security of supply in Austria. Its value chain comprises the generation, transportation, trading and sale of electrical energy and other energy sources as well as the provision of energy services. VERBUND's sustainable business model revolves around the generation of carbon-free electricity from hydropower, wind power and solar power, as well as the electricity and gas grid. Details are provided in the segment reporting on the Hydro and New renewables segments. The segment reporting on the Grid segment also contains key information on sustainability. All ongoing projects and current events from financial year 2022 are presented here in a condensed format and supplemented by information on selected activities relating to the environment and society. For further details and background information, please refer to the additional sources referenced in the margins.

GRI 2-1 Since VERBUND operates in Europe, Europe is regarded as a single region/regulatory regime. VERBUND's main business sites are located in Austria and Germany. Maps of the power plant sites and grid facilities are provided at the end of this report.

Materiality

Materiality analysis

The update to the GRI Universal Standards and in particular the European Sustainability Reporting Standards (ESRSs) to be reported from financial year 2024 bring with them significant changes for the identification and assessment of material topics. VERBUND thus already started to familiarise itself with the new requirements for the materiality analysis in 2022. The EU reporting standards were only available as drafts in 2022 and contain new methodological requirements for materiality compared with the GRI. Due to the uncertainties, the focus in 2022 was on reconciling the 20 material VERBUND topics with those of the ESRSs and identifying positive and negative impacts on the Company and the environment and society. Together with experts a longlist of impacts for environmental, social and governance topics was developed. This list shall be used from 2023 as a basis for the realignment of the materiality analysis and assessment in accordance with the ESRSs. This will be realised within the Group-wide project running from 2023 to implement the requirements of the Corporate Sustainability Reporting Directive (CSRD) and the ESRSs.

GRI 3-1
GRI 3-2

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

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

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

	ENVIRONMENT AND ENERGY	ECONOMICS	SOCIAL PERFORMANCE	GOVERNANCE
	Waste and waste water	Information security and data protection	Occupational health and safety	Compliance and transparency
	Biodiversity	Innovation	Attractive employer	Corporate governance
	Renewable energy	Customer relations	Diversity and inclusion	Stakeholder engagement
	Climate change	Security of supply	Commitment to society	International commitment
GRI 3-2	Resource and energy consumption	Increasing enterprise value	Sustainable supply chain	Human rights

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

GRI 2-29

The quantitative survey was conducted by means of a questionnaire querying the expectations of the stakeholder groups in relation to the 20 material topics. Both internal (employees, Works Council, Supervisory Board) and external stakeholders (corporate customers, representatives of industry and professional associations, neighbouring communities, suppliers, science and research, politics and public authorities, capital market, media) had the opportunity to complete the questionnaire. The survey collected responses from 255 people to questions about VERBUND's current performance level in respect of the material topics and on the future need for action by VERBUND concerning these topics.

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

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

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

— Performance 2019
— Future need for action
 1 very high 2 high 3 medium

Governance

Environment and energy



Social performance

Economics

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

[SDG 4](#)
[SDG 9](#)
[SDG 13](#)
[SDG 15](#)
[SDG 17](#)

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

[GRI 3-2](#)

MATERIAL TOPIC AT VERBUND/SDG	GRI STANDARDS	SECTOR SUPPLEMENTS	ADDITIONAL INFORMATION
Environment and energy			
Waste and waste water (SDG 6)	GRI 303: Water and Effluents GRI 306: Waste		
Biodiversity (SDG 15)	GRI 304: Biodiversity		Number of fish passes
Renewable energy (SDG 7, SDG 13)	GRI 201: Economic Performance		Expansion and efficiency improvement of hydropower, wind power and solar power
Climate change (SDG 13)	GRI 305: Emissions	EU5	Emissions avoided through generation from renewable energy sources
Resource and energy consumption (SDG 7, SDG 12)	GRI 301: Materials GRI 302: Energy GRI 303: Water and Effluents		Percentage of sites certified to ISO 14001/EMAS
Economics			
Information security and data protection	GRI 418: Customer Privacy		
Innovation (SDG 7, SDG 9, SDG 11, SDG 17)	Innovation, Research and Development	EU DMA, formerly EU8	Number of R&D projects, VERBUND's annual expense
Customer relations (SDG 12)	GRI 2: Stakeholder Engagement	EU3, EU27	
Security of supply (SDG 7, SDG 9, SDG 12)		EU1, EU2, EU4, EU10, EU28, EU29, EU30	Risk and crisis management
Increasing enterprise value (SDG 7, SDG 8)	GRI 201: Economic Performance GRI 203: Indirect Economic Impacts	EU10, EU11, EU21	Financial governance
Social performance			
Occupational health and safety (SDG 3)	GRI 403: Occupational Health and Safety		
Attractive employer (SDG 4, SDG 8)	GRI 2: Organisational Profile GRI 201: Economic Performance GRI 401: Employment GRI 402: Labour/Management Relations		Percentage of university graduates, employee survey
Diversity and inclusion (SDG 5, SDG 10)	GRI 405: Diversity and Equal Opportunity ¹		

MATERIAL TOPIC AT VERBUND/SDG	GRI STANDARDS	SECTOR SUPPLEMENTS	ADDITIONAL INFORMATION
Commitment to society (SDG 1, SDG 4, SDG 11)	GRI 203: Infrastructure Investments and Services Supported		VERBUND Empowerment Fund run by Diakonie
			VERBUND Electricity Relief Fund run by Caritas
			VERBUND Climate School, VERBUND Electricity School
Sustainable supply chain (SDG 12)	GRI 204: Procurement Practices GRI 308: Supplier Environmental Assessment GRI 414: Supplier Social Assessment	EU18	
Governance			
Compliance and transparency (SDG 16)	GRI 205: Anti-corruption GRI 206: Anti-competitive Behaviour GRI 307: Environmental Compliance GRI 406: Non-discrimination GRI 415: Public Policy GRI 419: Socioeconomic Compliance		
Corporate governance (SDG 16)	GRI 2: Statement from Senior Decision-makers GRI 405: Diversity and Equal Opportunity		
Stakeholder engagement (SDG 12, SDG 17)	GRI 413: Local Communities GRI 102: Stakeholder Engagement		
International commitment (SDG 17)			Sustainable Development Goals, UN Global Compact
Human rights (SDG 16)	GRI 414: Supplier Social Assessment		Group policy on human rights, commitment to the UN Global Compact

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

Impact of activity

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

The tables below provide an overview of the significant impact of the activity of VERBUND as well as of how the related risks are managed within the meaning of the Austrian Sustainability and Diversity Improvement Act (NaDiVeG). VERBUND's material topics have been assigned to the following five categories: environmental matters, social matters, employee matters, respect for human rights, anti-corruption and bribery matters. The most significant impacts, risks and opportunities are regularly assessed by VERBUND's sustainability team (at least every two years). The findings of the assessment

GRI 2-23

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

TCFD

are reported to the Corporate Responsibility Committee. More detailed information can be found in the sections entitled Environmental performance, Human resources, Stakeholder engagement and social responsibility, Human rights, Occupational health and safety, and Supply chain.

Environmental matters:	Waste and waste water, biodiversity, renewable energy, climate change, resource and energy consumption
Impact of activity	Significant environmental impact under normal operations, principally due to the effect of hydropower plants on habitats in relation to river morphology and biodiversity and the effect of thermal power plants in relation to airborne emissions.
Significant risks	Under normal operations, no significant risks to the plants with potentially negative effects for the environment; the likelihood that these risks will arise is minimised by operating the facilities in compliance with the laws.
Management of the risks	Certified environmental management systems; for extreme events (severe flooding, earthquakes, etc.) there are specific contingency plans and a crisis management team.
Social matters:	Security of supply, increase in enterprise value, customer relations, innovation, information security and data protection, stakeholder engagement, commitment to society, international commitment
Impact of activity	System security in the Austrian transmission grid; direct economic value generated and distributed (wages and salaries, taxes, dividends, interest, capital expenditure); safe, affordable products and services for customers; consideration of concerns of stakeholders; long-term participation in social and education-related activities.
Significant risks	Failure of critical infrastructure; risks involving information security, cyber security and data protection.
Management of the risks	Group-wide organisational structures for opportunity and risk management as well as crisis management; implementation and refinement of Group-wide information security and data protection management systems (ISMS, DPMS).
Employee-related matters:	Occupational health and safety, attractive employer, diversity and inclusion
Impact of activity	Performance-based, productive corporate actions for securing the core business over the long term and exploiting new business opportunities with the goal of safeguarding and ideally creating skilled employment.
Significant risks	Risks can be minimised through extensive personnel management and continuous further development of the high safety standards and occupational health management, as well as through the development of socially acceptable solutions (in the case of job cuts) in conjunction with the employee representatives.
Management of the risks	Group-wide management systems for occupational safety and occupational health management; incorporation of the employee representatives; personnel development; diversity strategy and concept; Gender Balance project; demographic and knowledge management; employer branding.

Respect for human rights: Human rights, sustainable supply chain, occupational health and safety, diversity and inclusion	
Impact of activity	As a signatory to the UN Global Compact, VERBUND exercises a positive influence on its business partners in and outside Austria and on its employees.
Significant risks	The aspects of equal opportunity and freedom of association have been identified as human rights issues in the direct sphere of influence; there are no significant risks here. Consulting activities relating to power plant projects in emerging markets give rise to a risk of human rights being violated by third parties. Risks in the upstream supply chain cannot be entirely ruled out, which is why due diligence must be exercised in procurement.
Management of the risks	Code of Conduct prescribes equal opportunity; sanctions will be imposed for violations of the Code of Conduct; diversity management encourages equal opportunities for all people; workplace training sessions on the corporate values will be provided; hot spot analysis of the supply chain; regular evaluation of corporate policies, Group policy on human rights and instructions for Procurement; Supplier Code of Conduct as integral part of contract; review of the integrity of business partners prior to collaboration on projects.
Anti-corruption and bribery matters: Compliance and transparency, corporate governance	
Impact of activity	Use of fair business practices has a positive impact on society.
Significant risks	The annual Group-wide compliance risk survey collects information on significant corruption risks.
Management of the risks	Group-wide management system for compliance and Group-wide opportunity and risk management, reviews of the integrity of business partners, compliance training.

Sustainable topics and projects in 2022

Communication and raising awareness of the Code of Conduct

The new VERBUND Code of Conduct for Sustainable Business was published at the beginning of 2022. This combines and supplements content from the original Code of Conduct and the sustainability mission statement. The specifics of the code and what it means for the employees were the focus of a communication and awareness-raising initiative for employees in 2022. Monthly posts on this were published on the intranet in the form of interviews, videos and quizzes. In addition, new employees were given training on the contents of the Code and external stakeholders were informed by means of videos on social media.

GRI 2-24
GRI 412-2

ESG due diligence in M&A projects

In 2022, a dedicated workstream for due diligence review of ESG risks was introduced for M&A projects. A list of different focus points to be reviewed was developed for this in the environmental, social and governance areas. In the governance area, a particular focus is on compliance issues. Based on these focal points, attention is paid to guidelines and measures in potential acquisitions. Depending on the target, specific focus areas are considered, which depend, for example, on whether there are staff or if the project is currently under construction. The main contracting partners are also subject to an integrity check. The results are included in the general evaluation of the M&A project submitted to the Executive Board and Supervisory Board.

GRI 2-25

Raising awareness among apprentices

As part of the Climate Impact Week organised by Glacier in October 2022, VERBUND again set up a number of initiatives to raise awareness of climate action. In addition to numerous presentations on climate action and a meat-free lunch menu at the cafeteria in Vienna, the main focus was the apprenticeship workshop at VERBUND's Ybbs site on raising awareness among apprentices. An entire morning was dedicated to imparting knowledge to the young people on the topic of sustainability and giving them some scientific background on the greenhouse effect and climate change. They themselves were then asked to work together to develop measures to achieve the SDGs and compile social media posts on sustainability topics such as nutrition, extreme weather events or plastics. These workshops were also held beyond the Climate Impact Week in the other VERBUND apprentice workshops in Kaprun and Töging am Inn.

Definition of report content

GRI 3-1

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

EU taxonomy

Disclosures pursuant to Article 8 of the EU Taxonomy Regulation (2020/852)

Based on this regulation and the previously published delegated act, VERBUND has evaluated which of the Group's activities qualify as environmentally sustainable economic activities. It should be noted that the formulations and terminology contained in the delegated acts are still subject to uncertainty in interpretation because the European Commission has so far published official interpretative communications only to a limited extent. The legal conformity of the disclosures is therefore fraught with uncertainty, so subsequent adjustments to the assessments made may be necessary.

In a first step, VERBUND identified the activities listed in the regulation that are classified as generally eligible for taxonomy alignment. Taxonomy eligibility means that these economic activities can make a significant contribution to at least one of the six EU environmental objectives if they meet defined criteria, although criteria have only been published for the first two EU environmental objectives: climate change mitigation and climate change adaptation. The other EU environmental objectives relate to the topics of sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. In March 2022, a Complementary Delegated Act relating to nuclear energy and gas was published for the energy sector.

Based on the assessment conducted, the following activities carried out by VERBUND are taxonomy-eligible economic activities:

- electricity generation from hydropower
- electricity generation from wind power
- electricity generation using solar photovoltaic technology
- transmission and distribution of electricity
- storage of electricity
- transmission and distribution networks for renewable and low-carbon gases
- high-efficiency co-generation of heat/cool and power from fossil gaseous fuels

The aforementioned activities may potentially contribute substantially to both the EU environmental objective of climate change mitigation and the EU environmental objective of climate change adaptation. For VERBUND, the focus is on combating climate change by way of the energy transition, which is why its activities are assigned to the EU environmental objective of climate change mitigation. This avoids double-counting of the reported contributions.

The initial reporting for financial year 2021 was only required to disclose the proportion of the Group's total revenue, capital expenditures (CAPEX) and operational expenditures (OPEX) associated with activities included in the taxonomy. The share of taxonomy-aligned activities that fully meet the technical, environmental and social criteria of the regulation and delegated acts must also be reported from financial year 2022 onwards.

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

Technical screening criteria and Do No Significant Harm (DNSH) criteria

The procedure for determining the taxonomy alignment of identified taxonomy-eligible activities and for the documentation and generation of the relevant data comprises several steps at VERBUND. Economic activities may only be reported as taxonomy-aligned if they contribute to one or more of the six EU environmental objectives, do no significant harm to the other environmental objectives and meet minimum social safeguards and technical screening criteria. Only if all criteria are met in full can the activity be called a taxonomy-aligned activity. The following key questions were therefore asked in the evaluation and documented accordingly if the criteria were met:

1. Does the activity meet the technical screening criteria listed in the delegated regulations issued?
2. Does the activity meet the DNSH criteria listed in the delegated regulations issued?
3. Are the minimum social safeguards met in accordance with Article 18 of the EU Taxonomy Regulation?

To determine compliance, workshops were held with the affected subsidiaries, integrating climate experts, controllers, risk managers and technical specialists as well as environmental and sustainability experts. The documentation was prepared using standardised evaluation forms and checklists for all relevant plants and locations. The assessment of the minimum social safeguards took place at the higher corporate level and is described below.

Minimum social safeguards

To meet the minimum social safeguards in accordance with Article 18 of the Taxonomy Regulation, VERBUND has introduced effective procedures in the relevant divisions of the Group.

In so doing, VERBUND is guided in particular by the OECD Due Diligence Guidance for Responsible Business Conduct. This recommends six steps with supporting measures for the implementation of effective due diligence processes:

1. embedding responsible business conduct into policies and management systems;
2. identifying and assessing actual and potential adverse impacts associated with the enterprise's operations, products or services;
3. ceasing, preventing and mitigating adverse impacts;
4. tracking implementation and results;
5. communicating how impacts are addressed; and
6. providing for or cooperating in remediation when appropriate.

How VERBUND implements these process steps is described below.

VERBUND's Code of Conduct for Sustainable Business forms the basis of our responsible action in our quest to fulfil all legal, contractual, ethical and voluntary requirements. In its Code of Conduct VERBUND undertakes to respect human rights, to comply with labour standards, to protect the environment and climate, to fight corruption, to support fair competition and to comply with tax regulations. The Code applies to all executives and employees and supports them in their everyday decisions and actions at work and in their dealings with colleagues, customers, suppliers, neighbours and all other stakeholders. The Code explains the topics using examples, provides in-depth definitions and makes reference to other mission statements, information and internal guidelines, for instance the Group's "Human rights due diligence" guideline. In addition, with its Supplier Code of Conduct (SCoC) VERBUND also obligates suppliers and business partners to comply with the above principles.

In order to systematically anchor the concept of responsible business conduct within the Group, VERBUND has implemented a Corporate Responsibility (CR) management system in accordance with the requirements of ONR 192500 (Social Responsibility of Organisations). ONR 192500 is the Austrian standard implementing the international ISO 26000 standard for corporate social responsibility and defines the following core topics:

- organisational governance;
- human rights;
- labour practices;
- the environment;
- fair operating practices;
- consumer issues; and
- community involvement and development.

A variety of approaches are used to measure the effectiveness of the CR management system. VERBUND provides transparency, among other things by means of the numerous KPIs calculated and published in its integrated annual report. Once a year, the CR management system is reviewed in the context of an evaluation performed by the top management level. Periodic internal audits are also conducted to ensure that the CR management system complies with the regulatory standard and the principle of appropriateness. Where issues are identified, corrective action is taken to ensure continuous improvement of the CR management system and the underlying targets.

Based on the unbundling regulations, grid companies APG and GCA have implemented independent integrated management systems for sustainability, environmental, safety and health management and drawn up equivalent codes and guidelines.

In the course of the materiality analysis, positive and negative impacts of the activity on the environment and society are identified, analysed and periodically updated (see the Materiality section).

Sustainability risks in the supply chain are identified and evaluated by means of regular hotspot analyses. Information from recognised external sources, such as the Business and Human Rights Resource Center, for example, is also consulted. The latest update of the hotspot analysis at VERBUND was in financial year 2022. Risk mitigation measures and processes were derived from this and integrated in the regulatory system and in contracts with business partners. Other risk-mitigating measures are described in the Supply chain section.

The implementation and results of measures are tracked within the described CR management system.

The Group-wide whistleblower system plays a key role in the due diligence obligations; this was extended in 2022 to include an electronic reporting channel over the verbund.integrityline.com platform. The VERBUND Integrityline enables anonymous information to be submitted easily and securely by external parties, for example by employees of business partners. All reports are treated in confidence, independently and objectively, with special attention being paid to data protection and personal privacy for the whistleblowers and the individuals concerned. Reported suspected cases are presented in the Compliance section.

Disclosures on taxonomy-eligible and taxonomy-aligned revenue

Group revenue has been allocated to the individual economic activities:

- The revenue of the Hydro segment has been allocated to the economic activities “electricity generation from hydropower” (run-of-river power plants and daily and weekly storage facilities that are not pumped storage power plants) and “storage of electricity” (pumped storage power plants).
- The revenue of the New renewables segment has been allocated per production technology to the economic activities “electricity generation using solar photovoltaic technology” and “electricity generation from wind power”.
- The revenue from the Grid segment has been allocated to the economic activities “transmission and distribution of electricity” (APG’s power grid) and “transmission and distribution networks for renewable and low-carbon gases” (GCA’s gas grid). In the case of the economic activity “transmission and distribution networks for renewable and low-carbon gases” (relates to GCA’s gas grid, Grid segment), the taxonomy-eligible and taxonomy-aligned activities consist of measures to reduce methane, as well as green hydrogen and renewable gas projects.
- Revenue from thermal electricity generation from gas-fired power plants (Other segment) can be allocated to the economic activity “high-efficiency co-generation of heat/cool and power from fossil gaseous fuels”. This economic activity is taxonomy-eligible, but currently not taxonomy-aligned, as the defined criteria are not met.
- To avoid double-counting, revenue from the Sales segment (electricity trading and sales) has not been taken into account. Excluded from this are activities related to battery storage systems, which have been allocated to the economic activity “storage of electricity”, as well as activities in the photovoltaic business.

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

Disclosures on taxonomy-eligible and taxonomy-aligned capital expenditures (CAPEX)

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

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

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

Companies that have issued environmentally sustainable bonds or debt securities to finance certain defined taxonomy-aligned activities must also publish the CAPEX KPI, which has been adjusted for taxonomy-aligned capital expenditures financed with these bonds or debt securities. A Green & Sustainability-linked Bond was issued in 2021 that combines the following sustainable components of green finance in a single transaction:

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

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

The proceeds from this bond will be used to finance the rehabilitation and expansion of a hydropower plant in Germany and high-voltage power line projects in Austria. In its annual Green Bond Impact Report, VERBUND reports on the taxonomy-aligned use of proceeds. The Impact Report 2022 will present the CAPEX KPI adjusted for these proceeds.

Disclosures on taxonomy-eligible and taxonomy-aligned operational expenditures (OPEX)

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

In accordance with the Regulation, only specific types of operational expenditures may be taken into account. These include maintenance expenses as well as directly attributable research and development expenses that do not constitute capital expenditures. Overhead costs may not be taken into account. Maintenance expenses are by far the largest attributable operational expenditures incurred in the operation of power plants and grids.

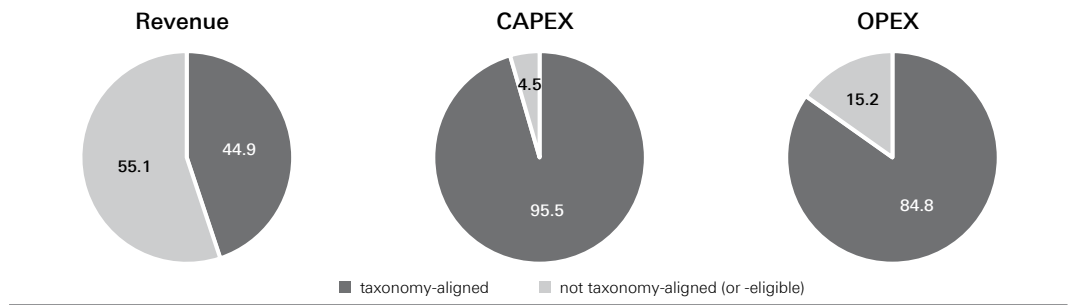
The definition of operational expenditures conforms to the definitions provided in IAS 16 and IAS 38.

Result of VERBUND's taxonomy assessment

It was already pointed out at the beginning of this section that the results of the taxonomy alignment assessment are still subject to uncertainty in interpretation. In order to reduce this uncertainty, VERBUND focused in particular on the exchange within the industry with national and European industry associations, including Oesterreichs Energie, Eurelectric and vgbe.

The charts below provide an overview of VERBUND's current proportion of taxonomy-aligned economic activities.

Proportion of taxonomy-aligned economic activities in %



While the proportion of taxonomy-aligned economic activities amounts to 95.5% for the CAPEX KPI and 84.8% for the OPEX KPI, the proportion for revenue is significantly smaller at 44.9%. This is mainly attributable to the fact that the revenue of the Sales segment, which primarily relates to the trading and distribution of electricity, is not taken into account to avoid double counting with the revenue from electricity generation. The largest proportion of the taxonomy-aligned revenue comes from the Hydro segment (relates to the economic activities “electricity generation from hydropower” and “storage of electricity”), followed by the Grid segment. The largest proportion of the taxonomy-aligned CAPEX comes from the New renewables segment (consists of the economic activities “electricity generation using solar photovoltaic technology” and “electricity generation from wind power”), followed by the economic activity “transmission and distribution of electricity” (Grid segment). The capital expenditures relate to expansion and maintenance CAPEX. The largest proportion of the taxonomy-eligible OPEX comes from the Hydro segment, followed by the Grid segment.

The following tables provide a detailed overview of the taxonomy alignment of VERBUND’s individual taxonomy-eligible economic activities. As it is the first time the comprehensive reporting obligation has been in place, there is no comparative information available for 2021.

Taxonomy disclosures

Proportion of revenue from products or services associated with taxonomy-aligned economic activities — disclosure covering 2022

Economic activities (1)	Substantial contribution criteria								
	Code(s) (2)	Absolute revenue (3) €m	Proportion of revenue (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1 Envir. sustainable activities (taxonomy-aligned)									
4.1 Electricity generation using solar photovoltaic technology	D.35,11	19.6	0.2%	100%	0%	n/a	n/a	n/a	n/a
4.3 Electricity generation from wind power	D.35,11	242.6	2.3%	100%	0%	n/a	n/a	n/a	n/a
4.5 Electricity generation from hydropower	D.35,11	1,601.5	15.5%	100%	0%	n/a	n/a	n/a	n/a
4.9 Transmission and distribution of electricity	D.35,12	1,810.8	17.5%	100%	0%	n/a	n/a	n/a	n/a
4.10 Storage of electricity	-	966.2	9.3%	100%	0%	n/a	n/a	n/a	n/a
4.14 Transmission and distrib. networks for renewable and low-carbon gases	D.35,22	0.0	0.0%	100%	0%	n/a	n/a	n/a	n/a
Revenue of environmentally sustainable activities (taxonomy-aligned) (A.1)		4,640.6	44.9%	100%	0%	n/a	n/a	n/a	n/a
A.2 Taxonomy-eligible but not envir. sustainable activities (not taxonomy-aligned activities)									
4.14 Transmission and distrib. networks for renewable and low-carbon gases	D.35,22	253.6	2.5%						
4.30 High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	D.35,11	484.3	4.7%						
Revenue of taxonomy-eligible but not envir. sustainable activities (not taxonomy-aligned activities) (A.2)		737.9	7.1%						
Total (A.1 + A.2)		5,378.5	52.0%						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
Revenue of taxonomy-non-eligible activities (B)		4,967.5	48.0%						
Total (A + B)		10,346.1	100.0%						

Taxonomy disclosures

Proportion of CAPEX from products or services associated with taxonomy-aligned economic activities — disclosure covering 2022

Economic activities (1)	Substantial contribution criteria								
	Code(s) (2)	Absolute CAPEX (3) €m	Proportion of CAPEX (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1 Envir. sustainable activities (taxonomy-aligned)									
4.1 Electricity generation using solar photovoltaic technology	D.35,11	1,047.7	46.4%	100%	0%	n/a	n/a	n/a	n/a
4.3 Electricity generation from wind power	D.35,11	266.0	11.8%	100%	0%	n/a	n/a	n/a	n/a
4.5 Electricity generation from hydropower	D.35,11	160.1	7.1%	100%	0%	n/a	n/a	n/a	n/a
4.9 Transmission and distribution of electricity	D.35,12	410.1	18.2%	100%	0%	n/a	n/a	n/a	n/a
4.10 Storage of electricity	-	273.2	12.1%	100%	0%	n/a	n/a	n/a	n/a
4.14 Transmission and distrib. networks for renewable and low-carbon gases	D.35,22	0.1	0.0%	100%	0%	n/a	n/a	n/a	n/a
CAPEX of environmentally sustainable activities (taxonomy-aligned) (A.1)		2,157.3	95.5%	100%	0%	n/a	n/a	n/a	n/a
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)									
4.14 Transmission and distrib. networks for renewable and low-carbon gases	D.35,22	13.7	0.6%						
4.30 High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	D.35,11	46.0	2.0%						
CAPEX of taxonomy-eligible, but not envir. sustainable activities (not taxonomy-aligned activities) (A.2)		59.7	2.6%						
Total (A.1 + A.2)		2,217.0	98.2%						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
CAPEX of taxonomy-non-eligible activities (B)		41.5	1.8%						
Total (A + B)		2,258.5	100.0%						

VERBUND's CAPEX KPI

DNSh criteria (Does Not Significantly Harm)

Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CAPEX, 2022 (18)	Taxonomy-aligned proportion of CAPEX, 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
Y	Y	Y	Y	Y	Y	Y	46.4%	n/a		
Y	Y	Y	Y	Y	Y	Y	11.8%	n/a		
Y	Y	Y	Y	Y	Y	Y	7.1%	n/a		
Y	Y	Y	Y	Y	Y	Y	18.2%	n/a	E	
Y	Y	Y	Y	Y	Y	Y	12.1%	n/a	E	
Y	Y	Y	Y	Y	Y	Y	0.0%	n/a		
							95.5%	n/a		
							2.6%	n/a		
							98.2%	n/a		

Taxonomy disclosures

Proportion of OPEX from products or services associated with taxonomy-aligned economic activities — disclosure covering 2022

Economic activities (1)	Substantial contribution criteria								
	Codes(s) (2)	Absolute OPEX (3) €m	Proportion of OPEX (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1 Envir. sustainable activities (taxonomy-aligned)									
4.1 Electricity generation using solar photovoltaic technology	D.35,11	2.8	1.4%	100%	0%	n/a	n/a	n/a	n/a
4.3 Electricity generation from wind power	D.35,11	1.6	0.8%	100%	0%	n/a	n/a	n/a	n/a
4.5 Electricity generation from hydropower	D.35,11	93.5	47.9%	100%	0%	n/a	n/a	n/a	n/a
4.9 Transmission and distribution of electricity	D.35,12	35.9	18.4%	100%	0%	n/a	n/a	n/a	n/a
4.10 Storage of electricity	-	30.0	15.4%	100%	0%	n/a	n/a	n/a	n/a
4.14 Transmission and distrib. networks for renewable and low-carbon gases	D.35,22	1.7	0.9%	100%	0%	n/a	n/a	n/a	n/a
OPEX of environmentally sustainable activities (taxonomy-aligned) (A.1)		165.4	84.8%	100%	0%	n/a	n/a	n/a	n/a
A.2 Taxonomy-eligible but not envir. sustainable activities (not taxonomy-aligned activities)									
4.14 Transmission and distrib. networks for renewable and low-carbon gases	D.35,22	15.7	8.0%						
4.30 High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	D.35,11	7.4	3.8%						
OPEX of taxonomy-eligible, but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		23.1	11.8%						
Total (A.1 + A.2)		188.5	96.7%						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
OPEX of taxonomy-non-eligible activities		6.5	3.3%						
Total (A + B)		195.0	100.0%						

Stakeholder engagement and social responsibility

VERBUND's corporate success is founded on the professional relationships based on trust with its customers, employees, local residents, business partners and owners, as well as with political stakeholders, public authorities, interest groups and NGOs.

GRI 2-29
Please refer to the DMA
for fundamentals of
stakeholder
management

VERBUND strives to achieve regular engagement with all relevant stakeholder groups. In doing so, VERBUND supplies information via various channels on developments in energy and climate policy, engages in discourse on current and future challenges in the energy market and proposes constructive solutions. In 2022, the focus was on the energy crisis triggered by Russia's attack on Ukraine as well as measures to get a handle on it. VERBUND, along with Oesterreichs Energie, has been particularly involved in the drafting of the federal government's electricity price cap. In addition, various measures were taken to provide relief to customers, for example granting two months of free electricity and increasing VERBUND's contribution to the Caritas Electricity Relief Fund for initiatives to support consumers affected by energy poverty.

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

Relationships with VERBUND's stakeholders are planned and managed centrally at the holding company. Operational implementation of the measures is handled by the respective departments within VERBUND and by the VERBUND subsidiaries, depending on the stakeholders in question.

GRI 2-29
GRI 3-3

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

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

The contact at the project site for all kinds of information (from tour requests to suggestions and complaints) is either the responsible regional communications manager or the responsible project head. The contact details for the responsible person will be published in all media. VERBUND reports any additional information and project progress online on project-related websites within www.verbund.com.

Selected stakeholder activities in 2022

GRI 413-1

The established VERBUND stakeholder formats were also successfully continued in 2022. These included, for example, the VERBUND morning talks, the Hydropower Dialogue with district administrators in Bavaria, the dialogue with environmental organisations and the EU energy forums. Due to the measures implemented to combat the COVID-19 pandemic, some individual formats were switched to online events, depending on the pandemic situation.

**VERBUND, with its power to transform, is calling time on climate change.
Commit, connect and change is our approach.**

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

Depending on the infection situation, citizens' information events were held to a limited extent regarding new construction projects or planned projects, e.g. the Gratkorn project in Styria or the Burgschleinitz project in Lower Austria.

Advocacy of interests

VERBUND closely followed the developments and changes in the regulatory framework at EU level as well as in Austria and Germany again in 2022. In terms of content, the following topics were at the forefront at EU level in 2022: the European Fit for 55 legislative package and the Hydrogen and Decarbonised Gas Market Package, the RePowerEU plan to ensure a secure, affordable and sustainable energy supply in response to Russia's attack on Ukraine, as well as all contingency measures for combatting the energy crisis (in particular the European Commission proposals for ensuring sufficient gas storage, the EU's emergency regulation for taxing windfall profits of inframarginal power generators and the Council Regulation on accelerated approval processes for renewables). At national level, VERBUND commented on various legislative projects, including the EAG (Renewable Energy Development Act) regulations on investment subsidies and market premiums and the amended Environmental Impact Assessment Act (Umweltverträglichkeitsprüfungsgesetz, UVP-G). VERBUND also participated in the kick-off of both Austrian hydrogen platforms, H2Austria and Hydrogen Austria.

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

Social responsibility

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

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

SDG 1
SDG 4
SDG 7
SDG 17

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

Caritas and Diakonie

The VERBUND Electricity Relief Fund in collaboration with Caritas provides assistance quickly with no red tape and, above all, for the long term, by offering immediate financial assistance to pay outstanding electricity bills, professional on-site energy consulting and a free exchange service for old, inefficient electrical appliances. With a donation of €5m, VERBUND increased its support payment in 2022, enabling additional emergency aid to be provided to people who are now turning to Caritas because inflation is pushing them to their financial limits.

Since the project began in 2009, the VERBUND Electricity Relief Fund in collaboration with Caritas has offered assistance to a total of 6,075 households with 15,200 persons altogether living in these households.

KPIs – VERBUND Electricity Relief Fund run by Caritas

	Unit	2020	2021	2022
Interim financing	Number	320	510	519
Interim financing	€	45,000	35,000	45,000
Energy consultations	Number	521	432	330
Appliances exchanged	Number	328	353	312

GRI 203-1

SDG 7
SDG 11

In 2022, 100 people with disabilities received immediate assistance from the VERBUND Empowerment Fund run by Diakonie. The total amount provided by VERBUND from 2009 up to and including 2022 amounted to €3.2m. The VERBUND Empowerment Fund run by Diakonie has made it possible, in times of great uncertainty, to build new and innovative “bridges of communication” and therefore to consistently provide non-verbal people with LIFEtool counselling and support.

KPIs – VERBUND Empowerment Fund run by Diakonie

	Unit	2020	2021	2022
Individual assistance	Number	95	96	100
Consultations	Number	740	765	720

VERBUND Electricity School kindles enthusiasm for technology

VERBUND helps teachers to make their physics lessons exciting and interactive by providing a range of physics teaching materials. The unabated interest from schools in power plant tours was evident during the phases of relaxation of the COVID-19 protective measures. The editorial traineeship with the daily newspaper “Die Presse” will also continue in the coming year. As in the previous year, 30 school classes from all over Austria participated in this initiative. VERBUND presents the thematic world of energy.

VERBUND Electricity School on the VERBUND website and in the DMA

GRI 203-1

VERBUND COLLECTION

The exhibition on the FEMINIST AVANT-GARDE has been touring across Europe for more than ten years now and has already been hosted by Rome, Madrid, Brussels, Hamburg, London, Vienna, Karlsruhe and Brno, Novi Sad and Arles. The issues addressed by this exhibition include the reduction

of women to the role of mother/housewife/wife, the feeling of being trapped and wanting to break free, questioning beauty ideals, the exploration and portrayal of female roles and the question of identities.

In 2022, the exhibition was presented at two international locations. In May, the Museum of Contemporary Art of Vojvodina in Novi Sad, this year's European Capital of Culture, displayed the FEMINIST AVANT-GARDE in Serbia. Shortly afterwards, the exhibition made a guest appearance from 4 July to 25 September 2022 at the internationally renowned photography festival Les Rencontres de la Photographie d'Arles in France, which was seen by 127,000 visitors.

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

The VERBUND COLLECTION exhibits its works in museums and in the stairwell of VERBUND's headquarters at "Am Hof". These premises remained closed for the past three years due to the COVID-19 measures. Employees nevertheless had the opportunity at an open day in 2022 to learn more about the collection and to take a look behind the scenes. The next exhibition project is planned for March 2023.

Compliance

New Code of Conduct as basis for the compliance management system

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

The Code of Conduct, which forms part of the corporate mission statement, was newly enacted at the beginning of the 2022 reporting period after a fundamental revision. In addition to updates and various clarifications, the Code also underwent extensive content enhancements and was expanded to include specific examples of responsible conduct by employees. The integration with the sustainability mission statement also resulted in the new name "Code of Conduct for Sustainable Business", which is an expression of the fundamental importance of sustainability for the Group.

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

GRI 3-3
GRI 2-23

The VERBUND Code of Conduct can be viewed at www.verbund.com >
[About VERBUND >](#)
[Company >](#)
[Corporate philosophy](#)

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

Digital VERBUND whistleblower platform: verbund.integrityline.com

Communication measures and whistleblower system

The Group continued to actively refine its compliance management system (CMS) in financial year 2022, in spite of a number of COVID-19 restrictions. This refinement process was underpinned in particular by Group-wide communication measures, such as standardised compliance meetings with Group executives as well as continuous internal and external exchange of information.

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

Compliance risk survey

GRI 205-1

SDG 16

As in prior years, a systematic Group-wide compliance risk survey was again conducted in 2022. All divisions of the VERBUND holding company and the principal consolidated subsidiaries were involved in the survey in their capacity as risk owners. The total of 23 risk owners carried out a qualitative compliance risk assessment based on the criteria of materiality, probability of occurrence and maturity of existing measures using a standardised questionnaire. These assessments were then discussed at compliance meetings by the risk owners and the Chief Compliance Officer.

Following the evaluation of these risk analyses, an overall appraisal was carried out using a risk-based approach. This provided the basis for defining the risk areas for which the specific and targeted compliance measures being focused on are developed and implemented. This is to avoid any potential damage to the Group. The findings of the compliance risk survey were incorporated into the Group's risk management. It is planned to update the risk survey each year.

As part of this process, the corruption risks, in particular, in all areas of the Group were examined and documented in 2022. The findings indicated no significant risks of corruption for VERBUND.

Training, consulting and provision of information

GRI 2-26

GRI 205-2

VERBUND's compliance management system focuses on preventive measures. In this vein, conducting training sessions and presentations, providing one-on-one consulting on numerous occasions and disseminating information on specific matters were important focal points of VERBUND's compliance work again in 2022. The Chief Compliance Officer and the compliance officers of the Group companies provided information on correct conduct in person, by phone or by e-mail in response to all of the more than 320 queries received (2021: more than 210 queries). The most frequently mentioned topics were invitations, participation in events, gifts and other benefits, as well as the handling of confidential information and potential conflicts of interest. The frequent queries show that the management and employees are highly sensitive to compliance issues.

In order to further improve the ability to deal with such matters, the compliance rules were addressed in a tailored training programme throughout the Group. The main focal points of these training sessions were the new Code of Conduct and the whistleblower system. The Chief Compliance Officer held 16 training sessions in the reporting period (some via video conference due to COVID-19). Target groups were various departments of the holding company and subsidiaries of VERBUND, as well as new

employees and new executives. The compliance officers at the subsidiaries also held 60 training sessions on compliance topics.

The intranet-based e-training programme was once again a key pillar of the training programme in 2022. The compliance e-learning programme comprises the courses compliance basics, anti-corruption and financial market compliance and has now been integrated into the Group-wide Learning Management System (LMS), along with the related surveys. All Group executives and all employees at the holding company as well as those in departments that are particularly affected (e.g. Key Account Management, Trading, Purchasing) are required to complete the relevant online surveys on an annual basis. APG and GCA have their own online training programmes.

VERBUND not only briefs all of its Board members and employees on anti-corruption strategies and measures internally, but also provides information to all external stakeholders via its website. In addition, compliance and anti-corruption topics are communicated to suppliers over the ASTRAS electronic supplier platform and via the General Terms and Conditions of Purchase Orders. The Group's own Supplier Code of Conduct has also been in force since 2020. This formulates VERBUND's requirements for its contractors with respect to sustainability and compliance and along with the general terms and conditions is a binding part of all of the Group's orders in the procurement process.

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

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

Business partner integrity checks

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

The most important business partner compliance measures include standardised business partner integrity checks, which are implemented throughout the VERBUND Group. They are used to actively manage integrity risks. Aside from fulfilling legal requirements, VERBUND's primary aim is to safeguard the Group's reputation. The results of the analysis underpin the more extensive assessment of business partners. The business partner integrity checks also review in particular their exposure to sanctions and embargoes.

No contracts with business partners had to be terminated due to corruption-related breaches in 2022.

GRI 205-3
GRI 412-3

Prevention of corruption and compliance incidents

VERBUND's objective is to avoid any compliance incidents. Corruption prevention therefore plays a key role in its CMS. The topic of corruption prevention was therefore once again the subject of the extensive internal communication and training measures in financial year 2022. A total of 2,250 individuals (equivalent to around 57% of all employees, including executives) received training on the subject of anti-corruption, around two-thirds of whom via the compliance e-learning programme. Of 79 executives (excluding the Executive Board of VERBUND AG), 77 completed an online training course; two executives attended a training course in person. Apart from receiving reports on anti-corruption strategies and measures, the Supervisory Board of VERBUND AG did not take part in any additional training in 2022.

GRI 205-2

- GRI 2-26 When implementing the Anti-corruption Policy, the Chief Compliance Officer ensures strict compliance with the rules relating to giving and receiving benefits, gifts and invitations in particular. He monitors whether mandatory value limits and authorisations are being observed and whether the documentation requirements are met. He is supported in this by the officers at the individual Group companies. In the reporting period, the Chief Compliance Officer approved around 30 cases involving the giving or receiving of invitations or participation in events and denied three of these.
- GRI 205-3 No violations or cases of corruption were identified in the reporting period. Nor were there any complaints against the Group or its employees. Seven reports (one of them external) on cases of alleged or suspected compliance breaches were received by the Group in 2022 and were investigated immediately.
- GRI 406-1 Four of these reports pertained to suspected cases of discrimination, which were addressed by the Diversity and Inclusion Manager. The matters were investigated, discussions were had with the parties affected or involved, the facts were presented, and solutions were worked out and implemented for the affected parties.
- GRI 415-1 VERBUND encourages dialogue with all political parties and their organisations. This does not extend to support for political parties and their delegates or election candidates, however. VERBUND makes no financial donations to political parties, grass-roots political organisations or holders of political office.
- SDG 16

Financial market compliance and market abuse law

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

In the 2022 reporting period, an increasing number of project-related areas of confidentiality were established based on the Group's growth strategy. Inside information had to be published as an ad hoc disclosure on one occasion (previous year: three occasions).

Legal compliance

Four years after an accident in Baumgarten an der March on 12 December 2017, in which one person was killed, 22 others were injured and major property damage was caused, the trial began on 13 December 2021 at Korneuburg Regional Court. A total of twelve individuals were charged with causing death due to negligence resulting in a fire. Two of the accused are employees of Gas Connect Austria (GCA). The counsel for the prosecution also requested the court to impose fines on four companies based on the Austrian Law on the Responsibility of Associations (Verband-verantwortlichkeitsgesetz), including GCA. The judgement was finally rendered on 18 May 2022. The employees of GCA and GCA itself were acquitted and a private party claim of €520,000 has already been awarded. A total of four guilty verdicts were passed down against natural persons and one guilty verdict against an association. The judgement is not final, as both the public prosecutor and the lawyers defending the parties found guilty have filed an appeal; the public prosecutor has asked for a twelve-week extension, which has also been granted. It remains to be seen whether the charges against the employees of GCA and the association will be upheld.

GRI 2-27

There were neither proceedings nor incidents of non-compliance or complaints filed against VERBUND in the 2022 reporting period with regard to the following disclosures based on the standards of the Global Reporting Initiative: GRI 206-1 (Legal actions for anti-competitive behaviour, anti-trust and monopoly practices), GRI 416-2 (Incidents of non-compliance concerning the health and safety impacts of products and services), GRI 417-2 (Incidents of non-compliance concerning product and service information and labelling) and GRI 417-3 (Incidents of non-compliance concerning marketing communications).

GRI 206-1
GRI 416-2
GRI 417-2
GRI 417-3
GRI 2-27

For information on the examination of the flooding on the Drau River in 2012 and the associated proceedings, please refer to the Hydro section.

Environmental performance

GRI 3-3

For further information on the management approach, please refer to the DMA and www.verbund.com > About VERBUND > Responsibility > Environment

SDG 16

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

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

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

Impacts on the environment

GRI 3-3

Please refer to DMA section entitled Crisis management

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

Certification of environmental management systems

GRI 3-3

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

For details see NFI download

VERBUND operates certified environmental management systems in accordance with ISO 14001 for generation and grid facilities of all consolidated companies and for large administrative sites under its own ownership. At facilities managed by other companies, these companies must prove that they have a certified environmental management system. The Mellach thermal generation facilities are also validated in accordance with the EMAS Regulation. A separate environmental statement is published annually on VERBUND's website for these facilities. Thus 100% of VERBUND's sites are certified since 2017.

New facilities of the consolidated companies or new sites under ownership should be integrated into the respective existing environmental management system within an appropriate time period. For equity investments of 50% or less, VERBUND strives, in coordination with all co-owners, to obtain environmental management system certification.

Generation and use of power

In 2022, 95.6% of electricity generated at VERBUND originated from hydropower, wind power and solar power, and 4.4% from thermal generation. VERBUND's total energy consumption increased to 23.1 million GJ in 2022 compared with 18.9 million GJ in 2021, with an approx. 7% reduction in total generation.

Fossil fuels accounted for 44% of total use of power at 10.2 million GJ. Natural gas was the only fossil fuel used for thermal generation to generate electricity for grid support for congestion management purposes as well as for district heating. Neither hard coal nor sewage sludge (biomass as a substitute fuel) has been used since 2021. Natural gas is also used in the gas compressor stations to operate GCA's gas grid. Around 28% more natural gas was used in 2022 than in 2021 (2021: 7.9 million GJ, 2022: 10.2 million GJ). The volume of fuels used for the fleet and equipment was equivalent to around 0.6% of the total use of power from fossil fuels. The rest was natural gas.

Internal electricity consumption by VERBUND comprises grid purchases for administration, power plants, pumps and grid facilities. In 2022, the share of electricity purchased amounted to 56% of total use of power. At around 9.5 million GJ of electricity, a higher volume of electricity was drawn from the grid than in financial year 2021, mainly for pumping and turbinning and for compensating grid losses. More than 74% of this electricity came from renewable energy sources.

The key performance indicator energy intensity, which is expressed as the ratio of power use to net electricity and district heating generated, increased to 0.20 GWh/GWh in 2022 (2021: 0.16 GWh/GWh).

GRI 302-1

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

SDG 12

GRI 302-3

KPIs – generation and energy

	Unit	2020	2021	2022
Generation				
Electricity generation (total, net) ¹	GWh	33,482	31,306	29,042
Share of generation from renewables	%	97	96	96
Generation of district heating (net)	GWh	486	304	383
Direct use of power, total²				
Total fuels from non-renewable sources	GJ	9,161,226	7,983,925	10,212,992
Hard coal	GJ	3,861,230	0	0
Natural gas	GJ	5,237,540	7,926,514	10,153,235
Fuels	GJ	62,456	57,410	59,757
Total fuels from renewable sources	GJ	2,107	0	0
Electricity (grid purchase) ³	GJ	10,318,314	10,867,736	12,829,725
District heating/cooling (grid purchase)	GJ	6,443	7,661	6,879
Energy intensity⁴				
	GWh/GWh	0.16	0.16	0.20

GRI 302-1
GRI 302-3

¹ incl. purchase rights // ² own power used in all operating segments; 2021: retrospective adjustment // ³ volume drawn from the grid for consumption in power plants, administration, gas grid, electricity used for pumping and electricity purchased for grid losses in the transmission grid (all grid levels); 2021: retrospective adjustment // ⁴ ratio of use of power excl. GCA to electricity generated incl. purchase rights

Use of materials

GRI 301-1

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

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

Total material requirements increased by 25% year-on-year in 2022. This increase is largely attributable to the use of additives and consumables such as oils and greases in power plants and grid facilities.

SDG 12

KPIs – use of materials

	Unit	2020	2021	2022
Total use of materials	t	1,889	421	525
Use of additives and consumables	t	1,879	406	512
Use of copier paper	t	10	15	13

Greenhouse gas emissions

GRI 305-1

GRI 305-2

GRI 305-3

GRI 305-4

GRI 305-5

The Group's focus on electricity generation from renewable energy is a crucial factor for both VERBUND and its customers for reducing and avoiding greenhouse gas emissions.

VERBUND's GHG reporting meets the criteria of the Greenhouse Gas Protocol (GHG Protocol) and, since 2020, also those of EN ISO 14064-1:2018. In accordance with the GHG Protocol, GHG emissions are divided into three scopes. Scope 1 emissions are all direct emissions generated from internal company activities and operations at VERBUND. Scope 2 emissions are generated indirectly from internal electricity and district heating consumption and electricity consumption from grid losses. Scope 3 emissions comprise other indirect GHG emissions in the upstream and downstream value chain.

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

SDG 13

TCFD

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

GRI 3-3

VERBUND has already ceased using lignite (2006), oil (2015) and hard coal (2020) as fuel and therefore counts as one of the pioneers of decarbonisation among electric utilities. Since 2005, VERBUND has been significantly reducing its CO₂ emissions from thermal power plants that fall under the European Emissions Trading System (EU ETS). In fact, VERBUND's ETS emissions decreased by 85% between 2005 (3.8 million tonnes CO₂) and 2022 (0.6 million tonnes CO₂). VERBUND is thus contributing to the avoidance and reduction of emissions as well as to SDG 13 "Climate action". By reducing thermal production volumes and switching fuels to natural gas, VERBUND has also massively reduced its airborne emissions (dust, NO_x, SO₂).

Due to the transformation of the energy sector and the implementation of VERBUND's strategy, the business model that has evolved with it, and new calculation methods, there is a new GHG emission forecast for VERBUND for the years ahead. By generating electricity from hydropower, wind power and solar power as well as with the Mellach site and as an operator of electricity and gas transmission networks, VERBUND tries best to secure the electricity supply as a reliable partner. Use of the state-of-the-art Mellach combined cycle gas turbine power plant is therefore necessary to continue to provide

and maintain a secure supply in Austria. On the one hand, the Mellach power plant is called upon as a grid reserve for the necessary congestion management and, on the other, it serves to supply district heating for the greater Graz area. Consequently, the use of the thermal power plant and the associated emissions are dependent on external factors and cannot be influenced by VERBUND.

VERBUND's climate targets are as follows: by 2030, direct Scope 1 GHG emissions are to be reduced relative to 2015 (around 1.8 million tonnes CO₂e) by 16% to around 1.5 million tonnes CO₂e. In electricity trading, VERBUND contributes to emissions avoidance for its customers with its green electricity products, as VERBUND sells and delivers electricity with a guarantee of origin from renewable sources. In this connection, VERBUND provides its customers with comprehensive advice and raises their awareness on the topic of green electricity. VERBUND is aiming to reduce the upstream GHG emissions from the sale of purchased electricity to consumers by 5% to around 3.5 million tonnes CO₂e by 2030 compared with base year 2020 (around 3.7 million tonnes CO₂e). By doing so, VERBUND will also contribute to the EU-wide objective of reducing GHG emissions by 55% from 1990 to 2030.

VERBUND's corporate strategy takes national and global decarbonisation efforts into account.

VERBUND takes CO₂, CH₄ and SF₆ emissions into account in direct Scope 1 GHG emissions. Due to the increased use of the Mellach CCGT and a change of the main transport direction in the gas grid from west to east, which increased consumption of fuel gas, Scope 1 emissions increased by around 29% in 2022 compared with 2021, to 0.58 million tonnes CO₂e. A total of 83% of these emissions are CO₂ emissions arising from the use of natural gas in the Mellach power plant and 14% from the gas compressor stations in the gas grid, which fall under the EU ETS. There are no direct emissions from the generation of electricity using renewable energy sources.

GRI 305-1

The remaining Scope 1 emissions do not fall under the EU ETS. The share of process emissions was 1.8%. Less than 1% of the emissions originated from the use of fuels in our own vehicle fleet and a further less than 1% were caused by volatile SF₆ and CH₄ emissions from grid facilities. Direct GHG emissions from the consumption of fuel by the vehicle fleet have been offset through emission allowances since 2020. VERBUND has been working on the electrification of its vehicle fleet for years. An internal regulation stipulates that primarily vehicles with zero-carbon drive technologies must be purchased as company vehicles.

The specific value of own emissions from electricity and district heating generation and electricity transmission amounted to just 17 g CO₂e/kWh total electricity generation in 2022. The GHG intensity in 2022 was therefore significantly below the specific value of 118 gCO₂/kWh for direct CO₂ emissions of the Austrian production mix in 2021 according to the Association of Issuing Bodies (AIB). VERBUND is therefore even further below the value of the European generation mix 2021 according to the International Energy Agency (IEA) of 243 g CO₂/kWh, 21% of which consists of nuclear power generation, however. VERBUND, on the other hand, achieves its entire specific emission value without

GRI 305-4

any nuclear power generation. These comparisons show how successful VERBUND has been in its drive to achieve nuclear-free decarbonisation of its electricity generation. VERBUND's strategic focus envisages a further increase in generation from renewable energy, which will serve to additionally improve this figure.

The KPI emissions avoided through renewable generation shows the CO₂ emissions that would theoretically be generated if all of VERBUND's own generation from renewable energy sources were produced in thermal power plants. This is calculated based on average thermal generation emissions in Europe in accordance with the IEA of around 720 g CO₂/kWh. In 2022, emissions avoided amounted to around 20 million tonnes of CO₂.

KPIs – greenhouse gas emissions Scope 1

	Unit	2020	2021	2022
Scope 1 direct emissions ¹	kt CO ₂ e	654	454	585
Specific Scope 1 emissions ²	g CO ₂ e/kWh	20	14	17
Emissions avoidance:				
GHG emissions avoided through renewable generation ³	kt CO ₂	24,726	22,055	20,006

¹ preliminary figures before ETS audit // ² from electricity generation and transmission (excl. GCA) in relation to total electricity generated (incl. purchase rights excl. electricity generated for district heating) // ³ calculated using emissions from thermal generation in Europe based on IEA values

GRI 305-2

Indirect GHG emissions from electricity supply in Scope 2 purchases arise from grid losses, from electricity consumption (grid purchases) and from district heating and cooling. Two different figures are reported for these emissions: a location-based figure and a market-based figure. Corresponding upstream emissions are accounted for in Scope 3 in accordance with life-cycle assessment.

The location-based figure is calculated using the CO₂ emission factor of the local power grid. Therefore, this figure will only change if there are modifications in the quantities of electricity purchased and/or changes in the national or European generation landscape. In the reporting period, both the emission factor of Austria's electricity grid and electricity consumption increased due to the use of hydropower plants in pumping/turbining mode and due to grid losses in the electricity grid. VERBUND's location-based figure in Scope 2 amounted to 0.23 million tonnes CO₂e in 2022 (2021: 0.15 million tonnes CO₂e).

The market-based figure, however, can be reduced through strategic procurement of electricity generated from sources with lower emissions per kWh purchased. For years now, VERBUND has exclusively used electricity with guarantees of origin from 100% renewable energy to operate pumped storage power plants, which has helped it to substantially reduce its market-based emissions. These emissions increased compared with previous years due to the higher consumption of electricity in the electricity and gas grid and amounted to 0.28 million tonnes CO₂e in 2022.

KPIs – greenhouse gas emissions Scope 2

	Unit	2020	2021	2022
Scope 2 indirect emissions (market-based)	kt CO ₂ e	265	255	278
Scope 2 indirect emissions (location-based)	kt CO ₂ e	176	146	228

Within the Corporate Carbon Footprint project, a significance assessment was carried out for all Scope 3 categories to determine the significant indirect emissions for VERBUND in the entire value chain. The reporting on VERBUND's upstream emissions includes purchased goods and services, capital goods, fuel and energy-related activities and business trips. The category fuel and energy-related activities consists of upstream emissions from fuel usage, location-based emissions from VERBUND's internal electricity consumption and from electricity sales to end consumers. Most GHG emissions from the total volume of upstream GHG emissions of 5 million tonnes CO₂e in 2022 (2021: 3.7 million tonnes CO₂e) are attributable to this category. The emissions from the combustion of natural gas by customers are reported as downstream activities. These amounted to 0.23 million tonnes CO₂e in 2022.

GRI 305-3

KPIs – greenhouse gas emissions Scope 3

	Unit	2020	2021	2022
Scope 3 upstream indirect emissions	kt CO ₂ e	4,096	3,699	4,995
Scope 3 downstream indirect emissions	kt CO ₂ e	221	249	233

Airborne emissions

The table “KPIs – airborne emissions” shows other emissions from VERBUND's thermal power plants and from GCA's gas grid as absolute amounts.

The phase-out of thermal generation from hard coal at the Mellach site eliminated sulphur dioxide (SO₂) emissions from April 2020. Dust emissions were also reduced to zero. Nitrogen oxide (NO_x) emissions increased by 44%. Carbon monoxide (CO) emissions increased by a total of 10% compared with 2021. The higher NO_x and CO emissions originate from the higher consumption of natural gas in the gas grid in the reporting period.

GRI 305-7

For further information, please refer to the DMA

SDG 3
SDG 13

KPIs – airborne emissions

	Unit	2020	2021	2022
CO	t	47	37	41
SO ₂	t	51	0	0
NO _x	t	285	122	175
Dust	t	11	0	0

Conservation and biodiversity

Some VERBUND power plants and grid facilities are partly located in nature conservation areas or other protected areas. The following table contains the sites that are located in protected areas, divided according to types of protected area. The locations of the protected areas can be found on publicly accessible geodata portals.

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

KPIs – conservation and biodiversity (as of 2022)

	Unit	
Sites in protected areas		
Sites in Natura 2000 areas	ha	3,828
Sites in Ramsar areas	ha	854
Sites in national parks	ha	87
Sites in conservation areas	ha	1,172

Water and effluents

Water withdrawals at VERBUND sites totalled 50.4 million m³ in 2022 and were therefore 24% lower than the figure of 66.6 million m³ recorded in 2021. Approximately 87% of this total volume of water was used as cooling water in the Mellach CCGT plant. This share is withdrawn from the surface water, used for cooling and returned chemically unchanged. Around 13% are volumes of service water. Only 0.5% of the total water volume withdrawn is actually consumed.

Details on treatment methods used and the water quality, including the review of the main substances of concern and compliance with limits, are published for the thermal power plants in the annual environmental statement. Compliance with the limits for effluent treatment plants at all other sites is also monitored. In 2022, there were no findings of limits being exceeded at any sites.

In order to determine whether sites are located in areas with a water stress level above 40%, the location of VERBUND operating sites was compared with the location of areas of high or extremely high water stress as defined in the Aqueduct Water Risk Atlas of the World Resources Institute (WRI).

GRI 304-1
GRI EU13

For more on the topic of biodiversity, please refer to the DMA and information provided at www.verbund.com, www.apg.at, www.life-traisen.at, www.life-netzwerk-donau.at, www.life-network-danube-plus.at, www.life-riverscape-lower-inn.eu, www.life-blue-belt-danube-inn.eu

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

SDG 15

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

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

SDG 6
GRI 2-27

This review found that all of VERBUND’s hydropower and thermal power plants are located in areas with a water stress level significantly below 40%.

The KPI water intensity, which presents the water withdrawals as a percentage of total electricity generated, decreased by 18% compared with 2021.

KPIs – water input and output

	Unit	2020	2021	2022
Total water withdrawal by source ¹	1,000 m ³	116,706	66,663	50,406
from surface water	1,000 m ³	107,023	58,127	43,911
from groundwater and well water	1,000 m ³	9,573	8,396	6,365
from public water supply	1,000 m ³	110	140	130
Total water discharge	1,000 m³	116,483	66,473	50,135
of which cooling water returned from thermal power plants into surface water	1,000 m ³	105,763	57,077	42,777
other water discharge	1,000 m ³	10,720	9,396	7,359
Water discharge by quality¹	1,000 m³	116,483	66,473	50,135
fresh water discharge (≤ 1,000 mg/l TDS)	1,000 m ³	116,465	66,473	50,135
other water discharge (> 1,000 mg/l TDS)	1,000 m ³	18	0	0
Water consumption	1,000 m³	223	191	271
Water intensity²	1,000 m³/GWh	3.49	2.13	1.74

¹ all water withdrawals are from fresh water (≤1,000 mg/L TDS). TDS = total dissolved solids // ² from total water withdrawals (excl. GCA) relative to total electricity generated (incl. purchase rights excl. generation of district heating)

Waste and by-products

At approximately 207 kt, the total waste volume was 34 kt higher in 2022 than the volume recorded in 2021. This increase is mainly attributable to the approximately 34% higher volume of non-hazardous waste from projects compared with the previous year. At 89%, this category also accounted for the highest proportion of the total volume and resulted from increased project activities. Waste was mainly disposed of during the course of the many construction projects, rehabilitations and after dredging, demolition or dismantling work. Around 3% of the total volume was non-hazardous waste from ongoing operations.

Hazardous waste accounted for 1.7 kt or 1% of the total waste volume, with a higher volume of waste from projects of 1.1 kt also recorded this year. No electrical materials containing PCBs were disposed of in 2022.

The mass of screened debris collected totalled 16.7 kt in 2022, thus accounting for 8% of the total volume of waste. This volume of waste depends primarily on water supply and on the occurrence of flooding in the reporting period. It is not caused by power plant operations and therefore cannot be prevented or influenced by VERBUND.

The partial softening of the treatment of the cooling water in the Mellach CCGT (generator 20) results in lime sludge as a by-product. This lime sludge goes to cement plants as a raw material additive. As the Mellach district heating plant no longer burns hard coal, the by-product fly ash is no longer produced. During the course of 2022, the small amount of remaining fly ash that had been temporarily stored was

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

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

SDG 12

disposed of. The total volume of by-products was 2.8 kt, which is significantly lower than the previous year's volume of 20.1 kt.

KPIs – waste and by-products

	Unit	2020	2021	2022
Total waste	kt	134.2	173.0	207.0
Total hazardous waste	kt	6.1	1.5	1.7
from ongoing operations	kt	0.9	0.9	0.6
from projects	kt	5.2	0.6	1.1
Total non-hazardous waste	kt	98.0	144.9	188.6
from ongoing operations	kt	7.8	8.0	5.4
from projects	kt	90.1	136.9	183.2
Screened debris – hydropower plants	kt	30.2	26.7	16.7
By-products				
by-products – thermal power plants	kt	42.3	20.1	2.8

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

GRI 2-27

SDG 16

Other environmental KPIs

No environmental fines were imposed in 2022, nor were any environmental fines incurred from 2019 to 2021.

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

Human resources

VERBUND's employees make a vital contribution to the Group's success. Their commitment and entrepreneurial actions enable continuous further development and implementation of VERBUND's strategy, which was redefined in 2022.

After financial years 2020 and 2021, which were dominated by the global COVID-19 pandemic, financial year 2022 also brought numerous challenges for VERBUND to overcome. The fourth wave of the COVID-19 pandemic, the tense political situation caused by the Ukraine conflict, the energy crisis and the inflation rates had a significant impact on 2022.

The financial year now ended again showed very clearly how important the dedication and flexibility of VERBUND's employees are to the Group's success. In spite of the crises, all of VERBUND's projects went ahead and VERBUND continued to consistently pursue its strategy.

Crisis management

As an Austrian industry leader and an operator of critical infrastructure, VERBUND has a responsibility to be as best prepared as possible for crisis situations and to take the appropriate action quickly in case of emergency. The past few years have been exceptional years and have shown that the good preparation of the established crisis management system pays off. Aside from protecting the health of all of its employees, VERBUND's priority in the financial year under review was once again to maintain the electricity supply and ensure continuity of the necessary business processes. A professional and flexible crisis management system ensured that the year 2022 was also successfully weathered.

New works agreement on remote and mobile working

Since 2021 VERBUND has had a new, modern works agreement on remote and mobile working. The new regulations, which were drawn up in successful collaboration with the employee representatives, have set a milestone in the direction of modern working and more flexible working conditions – both during and after the COVID-19 pandemic. This should also make an important contribution to boosting VERBUND's attractiveness as an employer.

To send out a positive signal during the energy crisis, VERBUND decided to implement a bundle of measures for saving energy within the Group and reducing electricity and gas consumption in the administration by up to 20% (e.g. by turning down the heating in the office premises to 19°C). In consultation with the employee representatives, the regulations on working from home were made more flexible in the course of this, and the upper limit on work-from-home days per week at the administrative sites was lifted for the duration of the 2022/2023 heating season.

Personnel planning and management

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

VERBUND's central personnel management function has the authority to issue guidelines concerning all personnel management matters in the Group. Focal points of the activities include personnel planning and development, personnel controlling, recruitment, personnel marketing and employer branding, labour and social law, company pension management, employer representation in interactions with employee representatives, compensation and benefits, and strategic guidelines

GRI 3-3

SDG 5
SDG 8
SDG 16

relating to occupational health care, as well as diversity and inclusion management.

GRI 3-3

For information on age and gender, see the Diversity management section

VERBUND uses a variety of methods such as external audits, internal reviews and analyses of KPIs, including the observation of internal and external benchmarks, to assess the effectiveness of these management approaches. Based on the results of these feedback and performance review processes, compliance with the guidelines is regularly reviewed and adapted if necessary.

Types of employment and benefits offered

GRI 2-7

SDG 3

GRI 2-30 and EU DMA: Freedom of association and collective bargaining as well as the Human rights section GRI 401-2

VERBUND operates nearly exclusively in Central Europe, a region which has high standards in terms of labour law and social welfare. VERBUND generally offers permanent contracts to all of its employees. Temporary employment contracts are only entered into when there are objective reasons for doing so (e.g. to replace employees on parental leave). VERBUND seeks to retain employees for the long term. Apart from probationary periods, fixed-term employment contracts are only used in exceptional cases. The majority of employment contracts at VERBUND are therefore open-ended. Various working-time models, including full-time, part-time and part-time during parental leave, accommodate the different phases of an employee's life while meeting the requirements of the labour market. Around 25% of part-time employees are men. Temporary workers are also hired to cover capacity peaks, during project work and for temporary leave replacements.

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

GRI 2-30

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

Employment of highly and very highly qualified employees entails corresponding personnel costs. VERBUND therefore offers remuneration in line with the market and according to employees' performance. Remuneration is based on minimum salaries stipulated in collective bargaining agreements. A total of 98.6% of the employees are subject to a collective agreement. The salary of those employees who are not subject to a collective agreement is above comparable minimum entitlements under collective agreements. To meet this commitment, we have had a performance-based remuneration model in place since 2010. This model uses targets based on both individual performance and the Group's profitability and ensures fair pay at all levels. The performance-related remuneration scheme which expired at the end of 2021 was revised and renegotiated in 2022. Among other things, a new "Performance & Goals" tool was introduced. The continuation of the performance and results-based remuneration is in keeping with VERBUND's belief in rewarding the individual achievements of its employees.

Takeover of leased staff

The effects of demographic change within the Group and on the external market are also perceptible for VERBUND. In light of this tense situation on the labour market, the proven measures of apprenticeship training and succession planning will be continued. Furthermore, it was decided to accelerate the takeover of leased staff. Leased staff who hold a core function, whose know-how retention is desirable and whose takeover is expedient shall be taken over in two-year increments.

KPIs – employees

	Unit	2020	2021	2022
Average number of employees	Number	2,870	3,184	3,516
Number of employees under labour law ¹	Number	2,980	3,497	3,712
of which in Austria	Number	2,602	3,118	3,306
of which in Germany	Number	366	367	363
of which in other European countries	Number	12	12	43
Full-time employees	Number	2,790	3,282	3,457
Part-time employees	Number	190	215	255
New employee hires	Number	296	326	415
Leased staff	Number	182	174	159
Employee turnover excluding retirements	Number	45	83	115
Employee turnover rate excluding retirements	Percent	1.5	2.4	3.1
Employee turnover including retirements	Number	174	189	224
Employee turnover rate including retirements	Percent	5.8	5.4	6.0
Average duration of employment ²	years	16.1	15.0	13.6
University graduates	Percent	28.2	30.9	35.0

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

GRI 27
GRI 2-8
GRI 4011

Refocusing of employer image – employer branding

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

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

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

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

In addition, new career websites were produced for all VERBUND companies and holding company divisions with intensive participation of the employees. This will enable potential applicants to obtain differentiated information and gain authentic insights into job diversity at VERBUND in future. For the apprentices and skilled professionals, regional career sites and advertising materials for the power plant groups in Austria and Germany were produced for a more effective target group approach. The VERBUND POWER:GAME was developed to give young people a better insight into the job profile of a

power plant operator. This is an online learning game that gives interested users the opportunity to see what the job of a power plant operator is like and get to know the VERBUND working environment. Anchoring of the #lead(ing) the way slogan internally has also been driven forward by measures such as the job ambassador programme, ongoing training programmes as well as publications on the intranet. In support of Mission V and the determined approach of VERBUND to the climate crisis, job stories were published featuring employees who are making a contribution to the energy transition.

Existing measures – with the strategic focus on maintaining long-term contact with top-performing students from the Vienna University of Technology (TU) and on measures for the advancement of women – were also continued in 2022. COVID-19 continued to make it more difficult to hold events such as Take Your Daughter to Work Day in Vienna, the Women in Technology (“Frauen in die Technik,” FIT) initiative and Girls! Tech up in 2022. As in the previous year, the selection process for awarding the VERBUND women’s scholarship was held virtually. Once again, this allowed VERBUND to give three highly qualified and committed female technicians additional personal and professional training beyond their everyday university life in 2022.

Recruitment – virtual, but not impersonal

Dealing with the challenges of COVID-19 made it even clearer that the recruitment process needs to be flexible and that digital solutions offer crucial advantages, particularly in times of crisis.

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

In order to meet the digital requirements of a seamless recruitment process, the online application process was further optimised and a new applicant management tool was rolled out in 2022. This tool is simple and intuitive to use, which increases user friendliness for internal and external users.

To bring VERBUND’s image into closer alignment with target groups, a new exhibition stand concept was also developed – a modular system that can be adapted as required. By having job ambassadors at events, VERBUND fulfils the wish of candidates to be able to exchange ideas with peers and superiors.

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

The continuous efforts to maintain the high level of professionalism of recruitment quality, even at this challenging time, were validated in 2022, when VERBUND was once again acknowledged in the Careers Best Recruiters study and awarded the gold seal in the energy sector. This award demonstrated that VERBUND was able to overcome the diverse challenges of recruiting with professionalism once more in 2022.

Personnel development

Due to the COVID-19 crisis, personnel development also required numerous versatile solutions in 2022. Nevertheless, in 2022 each VERBUND employee took part in more than 34 hours of training. This means sustainable development at the pre-crisis level of 2019. Personnel development in financial year 2022 focused on training in the areas of safety, technology and IT. In addition, after the COVID-19 restrictions had been lifted, numerous team and organisational development workshops were held.

The year 2022 was characterised by a mix of different types of events. Training courses were held both online and face-to-face as well as in a hybrid format for the first time, as appropriate and expedient. The courses requiring attendance postponed from 2021 (e.g. first aid courses, working from height, etc.) were made up for in the financial year under review. To ensure employee safety, antigen tests were used at all attended events.

GRI 404-1
GRI 404-2
SDG 4

KPIs – skills development

	Unit	2020	2021	2022
Continuing education per employee (total workforce) ¹	Hours	20.0	26.4	34.4
Continuing education per employee (without executive function)	Hours	19.2	25.2	33.6
Continuing education per executive	Hours	48.0	54.4	60.0
Continuing education hours for women	Hours	21.6	28.8	34.4
Continuing education hours for men	Hours	19.2	25.6	34.4
Employee performance review ratio	Percent	94.5	96.5	96.2
Apprentices, total	Number	164	182	180
of which new apprentices taken on	Number	51	45	46

GRI 404-1
GRI 404-3
SDG 4

¹ incl. executives and long-term leased staff, excl. apprentices, apprentices in post-qualification retention period (Behaltestrifen), employees seconded to third parties and those on long-term leave; excl. safety instruction

Digital learning

By continuing to adhere to the measures put in place due to the COVID-19 pandemic – for example remote working for employees and the associated increase in online training courses – VERBUND strengthened and expanded its existing basis for digital learning opportunities.

The Learning Management System (LMS) that went live at the start of 2020 laid the foundations for digital learning formats and created a platform for virtual training and continuing education. In-person and online training courses (webinars) and e-training courses were managed in a routine and stable manner on the platform.

During the COVID-19 crisis, numerous e-training courses were produced and purchased, which are available to employees free of charge. In 2022, more and more in-house productions with VERBUND-specific content were added, which were increasingly designed as comic-style explanatory videos. Furthermore, VERBUND-specific content was developed together with external providers and offered to the employees as e-training courses free of charge. These courses included, for example, an informative e-training course on the VERBUND product “Powerflex” to increase awareness of VERBUND products. In addition, an e-training course was developed with Swiss company AI Business School and the VERBUND Digitalisation department. The focus of this training course was on the digital

GRI 404-2

transformation and artificial intelligence in the energy industry. In addition to many practical and informative examples from the energy sector and related industries, this course put in particular VERBUND projects with a high degree of digitalisation on the stage.

Content purchased in previous years (e.g. LinkedIn Learning, GetAbstract, etc.) was enriched by the providers with courses on current topics and was increasingly promoted within the Group. The rate of uptake of this external content showed continually growing acceptance and a greater need among our employees.

In addition, during the “COVID-free period” (period when measures were relaxed) in-person events were held in compliance with strict safety requirements. The main focus at these events was to protect our employees. Numerous events were held as hybrid events during this time. This format was promoted in almost all areas of training and continuing education and the necessary technology was acquired and implemented.

Many events remained in the virtual format of webinars, in spite of the option to hold in-person or hybrid events. Training on how to use new software, in particular, was increasingly given in this format. However, events in other areas were also organised exclusively virtually, as this allowed them to be planned more reliably and independently of changes in policy.

The onboarding of new employees was partly accomplished via virtual workshops and partly in attendance (or in hybrid form) in 2022, due to the COVID situation. Plant tours were also on offer again for new employees during the “COVID-free period”.

The ongoing global COVID-19 pandemic continued to restrict personnel development, the management and the employees in their daily lives in 2022. Experience from the previous years nevertheless helped them to respond more flexibly and with new solutions to changing circumstances.

Apprenticeship training

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

The apprenticeship at VERBUND is as attractive to girls as it is to boys, which is reflected by the fact that VERBUND once again received the amaZone-Award for outstanding performance in training girls and women in technology in 2022. Every year, the best businesses demonstrate that women apprentices are an enrichment to every workplace and embracing their presence wholeheartedly can serve the common good. This sets an example of modern, innovative worlds of work beyond traditional gender stereotypes.

Further development of the corporate culture

In order to drive cultural development, VERBUND continued with its Group-wide cultural process, with the aim of initiating behavioural changes and changing mindsets and ways of thinking,

Mindset project 2.0

In the financial year under review, top-level managers successfully continued the personnel and team development process they started together in 2021 as part of the Mindset project. In the course of this process, a common direction, strategic clarity and a shared vision of the future were established, the necessary basis of trust was built up and strong connections were forged between the executives. Based on these achievements, the aim was to maintain the level reached as a solid foundation for further development, in order to develop the team into a high-performing team with a role model function for all VERBUND management teams.

The way this team works was purposefully developed further by introducing and applying useful methods and tools such as co-creation, peer coaching, supportive dialogue and a systematic best practice exchange, but also by identifying and breaking free of systemic patterns.

The successful Mindset project was also rolled out to second-tier managers in 2022. Here, too, the main aim was to build trust and create connection by getting to know and applying various useful methods and tools.

Characteristic of this process was the work with a design team composed of selected second-tier managers, who designed the process together by way of co-creation, stipulated the procedure and developed the formats and content of the meetings and workshops.

The concept for this year's management conference and the top-tier management meetings was also based on this approach. This year's conference and meeting designs were thus likewise created together with the design teams. New formats and lots of joint work in breakout sessions created connection and promoted trust.

Leadership call

Transparency and trust: The leadership call was introduced in 2022 with the goal of strengthening the exchange and discussion between the Executive Board and all managers and thus creating transparency and trust.

This one-hour virtual format takes place periodically, three to four times a year, in order to also reach out to and include managers from the external locations. The Executive Board members use this format to report on the current situation within the Group. Afterwards, the managers then have the opportunity to ask questions and join in the discussion. Regular 270-degree feedback processes are carried out to further improve leadership. The third round was successfully completed in financial year 2022 with the expansion of the group of participants to specialist area leaders.

The ModernWork@VERBUND initiative is another measure aimed at achieving an open, transparent and trusting collaborative culture.

Communication on equal terms: The ModernWork team started the "#gernperDu" initiative in 2022. Employees can now decide themselves if they wish all their colleagues to address them using German's informal "Du" or if they would prefer to continue to be addressed using the more formal "Sie". The hashtag is an open yet discreet invitation to go straight to the informal "Du". Respectful interaction and communication on equal terms is, however, always the goal. Addressing each other using the informal

More information available at www.verbund.com >
[About VERBUND >](#)
[Responsibility >](#)
[Social issues >](#)
[Added benefits for employees](#)

“Du” can simplify working life in many respects and can also foster a stronger team spirit. Because “Du” connects people!

Networking and exchange: In October and November 2022, the ModernWork team launched the test phase of Workdate, a smart networking tool. Workdate is a networking format that uses a random generator to invite registered employees to meet for lunch or a coffee – in person or virtually – and thus enables a simple informal exchange beyond team, site, generational and hierarchical boundaries.

To measure the success of cultural development, VERBUND will once again participate in the “Great Place to Work” survey in 2023. This survey delivers important findings about the state of the perceived quality and attractiveness of the workplace culture.

Value development: setting orientation and action anchors

During the course of the strategy revision and the formulation of VERBUND’s “Mission V” strategy, a coherent umbrella was developed in a multi-stage process and corporate values were defined as a transparent framework. In this context, three core values were etched out that are essential for the implementation of Mission V and give managers and employees guidance in their daily activities: commit, connect and change.

These three core values were developed in two phases. In the first phase, around ten participants comprising top-level managers and selected experts from the specialist fields developed a first rough draft of the values in a two-day workshop. This first draft of the corporate values was then validated with the top-level managers. In a one-day workshop, the top-level managers carried out a field trial of the values, further validating and ultimately confirming them.

The management conference in 2022 was also held under the umbrella of these three core values. All executives met in October to discuss forward-looking topics over two days and to get to know the values for the first time and experience them in a joint team challenge – also with the participation of the new Spanish colleagues.

The values from Mission V are intended to give all employees guidance in their daily work. The focus of the conference was therefore on the theme of how these values can be put into practice. The three Executive Board members Michael Strugl, Peter Kollmann and Achim Kaspar gave their personal insights into the three values:

- How can we move forward? By committing to our chosen path.
- How can we change? By proactively taking the first steps.
- How can we connect? By listening and connecting people.

The executives were set a team challenge to implement the new values straight away. The aim was to set off a chain reaction as a team. Thus, the executives had to tackle the task resolutely and proactively in order to connect the individual pieces together well.

Going forward, the aim will be to roll out the defined values in a streamlined, practice-oriented process and embed them throughout the entire Group. In a further step, the values will then be explored in greater depth with all employees. Further initiatives and workshops are planned in financial year 2023 for this purpose.

Competency model

Shaping the future at VERBUND also means shaping and continuously developing a future of competency.

The new competency model is embedded in the new performance-related salary model "SmartLOG", in the form of the competency check. The competency check supersedes the portfolio valuation and also represents a target category in the target agreement form. The criteria for the competency check include several types of behaviour that apply to all employees within the Group and describe the behaviours in the work process that are relevant to success. In this way, the competency model is established as a guideline for employees across the board. Competency criteria are assigned to various workforce groups in different contexts – tailored to the respective function. Three types of behaviour are assigned to each of these criteria, which are assessed using a five-point rating scale in the system. The competency model provides the framework for many personnel development processes. VERBUND has therefore made it its mission to anchor several innovations at the same time in order to make employees at VERBUND fit for the future. Five areas of competency and a total of 30 competencies show what is important in cooperation at VERBUND.

The competency model makes a distinction between basic competencies and future competencies. Basic competencies are competencies that tend to be conducive to performance in the here and now and are more short-term and operative in nature. Their purpose is to ensure efficient and effective business processes. However, future competencies are also relevant for each employee. These focus more on the (re-)design of the medium and long-term future. They increase VERBUND's ability to learn and adapt.

In addition, executives in particular are considered based on a separate, additional set of competencies. In the best-case scenario, executives can act as a kind of catalyst or supporter. They therefore help to make the aforementioned competencies a reality.

The strategic focus in personnel development is strengthened by the implementation and stringent application of the competency model in the various processes relating to personnel development and personnel work. Under the new name "competency check", the new competencies are also included in the performance review. Furthermore, all processes are being updated and adapted to the new competency model, for example the documents for the performance review, the inclusion of the competency areas in the selection decision for internal and external audit procedures, as well as initial adjustments to the 270-degree feedback process. Targeted competency development is also taken into consideration in the creation of the management development programme.

Spain integration project

Within the scope of the Spain integration project, a special focus in 2022 was placed on the onboarding of the new employees from Spain and on building sustainable working relations, internal communication and tailored personnel development measures.

Onboarding encompasses all phases of integration and was geared to welcoming the new employees as early as possible and helping them to quickly find their feet in the new VERBUND working environment. Therefore, in addition to a welcome get-together and a formal kick-off meeting, individual visits were also organised to strengthen the connections between the various departments. These measures were complemented by the participation of all managers of VERBUND Green Power Iberia in the 2022 management conference and by intensive onboarding of the HR business partners from Spain on site in Vienna.

Intensive communication measures also aim to help provide employees within the Group with targeted information and present the contribution that the activities of VERBUND Green Power Iberia will make to the 2030 targets that have been set. Reports were provided on the onboarding measures, the team in Spain and the projects of VERBUND Green Power Iberia. A culinary connection was also established during the Spanish weeks held in some VERBUND cafeterias.

The Strategic Personnel Development department continued to implement measures for the development of employees and managers in Spain, with a view to meeting the specific requirements.

High potential programme

VERBUND's new high potential programme provides a development space for its employees who are forward-looking, like to work on themselves and lead collaboratively. The programme, which was developed as a measure based on the "Great Place to Work" survey as part of the Gender Balance project, kicked off at the beginning of 2023 for two years and will be offered every two years from now on. The objective is to provide motivated employees with a special development programme – including mentoring – that they can help shape. VERBUND will thus stay in shape for the future and interested employees will be offered exciting development opportunities.

For two years, high-potential employees will have time to network across the Group, work on their own personal development and engage in intensive exchange of ideas with senior executives as part of the mentoring scheme. The programme intensively supports individual development, but does not preempt any future application processes.

In a first run, 40 high-potential employees were selected. The application phase started in June 2022. By way of self-nomination via the specially developed high potential platform, 79 individuals from various companies applied. In the self-nomination phase, applicants had to answer questions about their attitude and methods of working and upload a one-minute video about themselves.

The 79 applications were then evaluated by around 35 voluntary jurors (first- and second-tier managers). This was done based on predefined criteria such as collaboration, commitment, willingness to learn, forward-looking approach, willingness to change and power of persuasion.

The top 54 participants from the final evaluation feedback from the jurors were invited to audit interviews, which were held in October 2022. During these audits, jurors, observers and Personnel Development assessed how the applicants solved tasks in a group or individually. At the end of the audit, the 40 participants in the VERBUND high-potential programme had been decided. The first run of the high potential programme commenced in February 2023.

Diversity management

VERBUND considers diversity management both holistically and in individual dimensions and takes both aspects into account. The diversity strategy defined in 2016 was endorsed in 2018 with the ZukunftVIELFALT® certification and in 2019 with the implementation of planned measures placing particular emphasis on the dimensions of age, gender and disability. The focus from 2020 to 2021 was on gender balance. However, since diversity can by no means be reduced to gender, the focus was turned, from 2022, to another sub-sector of diversity management: people with disabilities. It is not just the social responsibility that VERBUND clearly sees that is crucial here, but above all the firm conviction that diversity makes VERBUND more successful and more resilient. VERBUND aims to support this by making the Group more accessible (for more details please refer to the accessibility management content) and creating more incentives for people with disabilities employed by VERBUND.

The aim of this is to expand the circle of diversity bit by bit and to give a better reflection of the reality of our society, because as a company VERBUND in no way wants to neglect the success factors of diversity and inclusion. VERBUND therefore renewed its ZukunftVIELFALT® certification in 2021. In addition, executives continue to be set diversity targets so as to ensure continuous implementation. Communication on the other dimensions of diversity management is also being developed further.

SDG 10

Focus on gender

KPIs – gender dimension

	Unit	2020	2021	2022
Men	Number	2,436	2,822	2,951
Women	Number	544	675	761
Total proportion of women	Percent	18.3	19.3	20.5
Proportion of women full-time	Percent	14.3	15.4	16.4
Proportion of women part-time	Percent	76.3	79.1	75.7
Proportion of women among new employee hires	Percent	20.6	26.4	26.0
Proportion of women among executives	Percent	9.0	13.5	13.6
Proportion of women among apprentices	Percent	6.7	9.3	13.3

GRI 2-7
GRI 405-1

Information on diversity in the Executive Board and Supervisory Board can be found in the Corporate Governance Report

Although the proportion of women in a technical company like VERBUND is traditionally small, the effect of the measures taken under the Gender Balance project has been evident since 2021. In 2020 and 2021, a multi-dimensional corporate analysis identified the key issues for change in the corporate culture that bring the greatest and fastest added value in achievement of gender balance. The first of these is the development of the KPIs and the second is the development of the corporate culture. As a result of these measures, the target set for 2025 to increase the proportion of women to a total of 20% was already exceeded ahead of schedule in financial year 2022, with 20.5%. There has also been an extremely positive development of the proportion of women among apprentices.

The proportion of women at management level is also to be increased to 20%. A detailed quota calculation showed, based on strategic personnel planning and labour market data, how the proportion of women can be increased to the target quota by 2025 and forms the basis for the annual targets for the

individual operating segments. The actual development will be continuously monitored. Based on the status quo in 2022, the Group is currently on course to achieve its targets.

Sustainable change in corporate culture can only be achieved by continuously developing new procedures and maintaining supporting processes. A clear objective and the stipulation of results criteria will ensure efficient implementation. Thus, measures developed in 2021 were continued or implemented in 2022: fixed quotas for new hires; projects and committees; expansion of flexibility with respect to working hours and remote working; increased communication on job vacancies, tools and internal processes; webinars for executives and employees; new gender rules that include all genders, as well as a gender-responsive high potential programme. By firmly anchoring these main focus areas, VERBUND aims to bring about a lasting change in corporate culture and thus appeal to people of different talents in the labour market. This will ensure the recruitment of qualified personnel in the long term.

GRI 405-2

Equal pay for women and men is a matter of concern for VERBUND. The basis for ensuring fair pay is strict classification according to the collective agreement as well as standardised payment based on the performance-based remuneration scheme "SmartLOG", which was introduced in 2022. In addition, every two years we analyse the salaries of men and women in the Group in the context of preparing an income report. Furthermore, in 2022, a detailed analysis of salaries – taking more comprehensive parameters into account than in the income report – was started, which reviews the average salaries of men and women. All employment contracts recorded by the VERBUND modelling system (excluding APG) are examined, with a review of the actual wages/salaries paid to men and women based on their specific activities within comparable groups. This review was still incomplete at the end of the reporting period. However, initial results showed discrepancies in individual comparison groups. These discrepancies will be examined in 2023 on the basis of additional criteria, which may objectively justify a difference in salary. The individual prerequisites of each person shall be referenced for this. If no objective reason for a discrepancy is identified, individual measures to establish pay equity will be taken.

Focus on people with disabilities

SDG 5
SDG 8
GRI 405-1

VERBUND assumes its social responsibility to offer equal opportunities and has set itself the goal of continuing to fulfil the quotas stipulated in the Austrian Disabled Persons Employment Act (Behinderteneinstellungsgesetz, BEinstG) and to recruit and employ people with disabilities even beyond that. Together with the accessibility management programme, the diversity management programme continually works towards improving the employment of people with disabilities. For VERBUND, the mandatory quota is 151. As at 31 December 2022, VERBUND employed 126 people who qualify. However, as a further decline is expected in the next few years due to many retirements, 2022 was all about employing people with disabilities. In a Group-wide project, more than 30 employees with and without disabilities developed a series of measures to improve the inclusion of people with disabilities even further. A number of measures were already implemented in 2022 – including an information campaign based on a series of articles on the intranet, information sheets on infoscreens at the VERBUND power plants and a series of talks, a reference to inclusivity on all VERBUND job advertisements, participation in the myAbility Talent programme (which connects companies to students with disabilities), the specific search for apprentices with disabilities and the gradual subtitling

of VERBUND videos. Further measures are to be implemented in 2023 as well, such as actual recruitment of apprentices with disabilities.

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

Focus on age

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

GRI 405-1

KPIs – age dimension, total

	Unit	2020	2021	2022
Total average age	Years	42.2	41.6	41.2
< 30 years	Percent	21.1	21.5	21.5
30–50 years	Percent	43.3	46.0	48.5
> 50 years	Percent	35.6	32.5	30.0

KPIs – age dimension, executives

	Unit	2020	2021	2022
< 30 years	Percent	0.0	0.0	0.0
30–50 years	Percent	48.3	50.5	48.3
> 50 years	Percent	51.7	49.9	51.7

The demographic trend observed for many years continued during the reporting period. Around 7% of VERBUND employees will retire in the next five years. Over the next ten years, around 19% will retire.

GRI EU15
For disclosures on pension obligations, please refer to the notes to the consolidated financial statements

SDG 10

Occupational health and safety

GRI 3-3

SDG 3

Healthy and motivated employees are very important to the Group's success. Occupational health and safety are therefore also key pillars of VERBUND. Work-related injuries, occupational diseases and work-related illnesses are counteracted with targeted measures to protect employees. VERBUND applies high occupational health and safety standards to protect its own employees and staff employed by external contractors. In addition to complying with the prevailing legal requirements and obligations, considerable attention is paid to providing safe and healthy working conditions, eliminating hazards, and mitigating risks.

For more information
please refer to the
Human resources
section

Health protection during the COVID-19 pandemic

COVID-19 rapid antigen tests as well as mandatory PCR testing on particular occasions have been carried out at VERBUND since November 2020 as a support measure to mitigate risks. In line with established safeguards, VERBUND's late summer festival in September 2022 was organised with an appropriate COVID-19 prevention concept, demonstrating the practicability of the safety measures at a major event.

During those phases when the Group's crisis management was deactivated due to a low level of pandemic activity, the situation was nevertheless continuously monitored. The management therefore had an adequate basis for decision-making regarding COVID-19 protection measures at its disposal at all times.

A key cornerstone in the fight against the pandemic in 2022 was the offer and administration of company COVID-19 vaccinations (boosters with adjusted vaccine). As in the two previous years, the focus of the free vaccination campaign for employees was on flu and pneumococcal vaccinations to protect against additional infections.

KPIs – occupational safety

GRI 403-9 (2018)

	Unit	2020	2021	2022
Fatal injuries (total)	Number	0	0	0
Fatal injuries (own staff)	Number	0	0	0
Fatal injuries (external contractors)	Number	0	0	0
Fatal injury frequency (total)		0.0	0.0	0.0
Fatal injury frequency (own staff)		0.0	0.0	0.0
Fatal injury frequency (external contractors)		0.0	0.0	0.0
Serious injuries (total)	Number	1	0	0
Serious injuries (own staff)	Number	1	0	0
Serious injuries (external contractors)	Number	0	0	0
Serious injury frequency (total)		0.1	0.0	0.0
Serious injury frequency (own staff)		0.2	0.0	0.0
Serious injury frequency (external contractors)		0.0	0.0	0.0
Injuries (total)	Number	55	75	109
Injuries (own staff)	Number	34	35	41
Injuries (external contractors)	Number	21	40	68
Lost time injury frequency/LTIF (total) ¹		5.6	6.8	8.9
Lost time injury frequency/LTIF (own staff) ¹		5.6	5.3	5.7
Lost time injury frequency/LTIF (external contractors) ¹		5.6	9.1	13.5
No. of hours worked (total)	Hours	9,861,859	11,021,160	12,278,036
No. of hours worked (own staff)	Hours	6,083,040	6,613,740	7,254,060
No. of hours worked (external contractors)	Hours	3,778,819	4,407,420	5,023,976
Injury severity (total) ²		18.3	24.0	13.9
Total injury-related calendar days lost (total)	Days	1,008	1,799	1,518

¹ ratio of workplace injuries from first day of leave to 1 million working hours; excl. injuries only requiring first aid and excluding fatal injuries. The basis for calculating the working hours is defined for the industry at 1,740 working hours per year. // ² average lost days per injury

Accidents in 2022

The calculation of occupational safety KPIs is based on the number of VERBUND employees under labour law, including employees in partial retirement, leased staff and all employees of proportionately consolidated equity interests, regardless of the type of consolidation over which VERBUND exercises a controlling influence. On this basis for calculation, VERBUND had 4,169 employees at the end of 2022. This number also included 164 leased staff, 143 semi-retired employees as well as the entire workforces of Ennskraftwerke Aktiengesellschaft, VUM Verfahren Umwelt Management GmbH, VERBUND Tourismus GmbH, Lestin & Co. Tauch- Bergungs- und Sprengunternehmen Gesellschaft m.b.H, Energji Ashta Shpk and the newly consolidated companies Gas Connect Austria GmbH and SMATRICS GmbH & Co KG.

GRI 3-3
GRI 2-8
GRI 403-8

LTIF is used as an international KPI. This enables a comparison with national and international companies. To allow the use of external contractors to be evaluated as well, VERBUND has also tracked their hours worked at all work sites since 2018 and reports the number of accidents in the “Lost time injury frequency/LTIF (external contractors)” KPI.

The number of accidents among our own staff unfortunately increased again slightly in financial year 2022. In terms of injury severity, figures improved by almost half compared with financial year 2021.

The rapidly increasing number of projects with a greater risk of accidents, such as efficiency improvement programmes and new power plant construction, was highly noticeable from an increase in the LTIF at external contractors, however. Projects where the work is mainly in construction (and especially in underground construction) are particularly responsible for the increase in the LTIF, as these industries are the most accident prone. For the number of accidents to be properly interpreted, absolute accident figures must be considered in relation to the number of employees and lost days per accident. The accident frequency and injury severity can then be derived from this. VERBUND engages external contractors for clearly defined construction, overhaul and maintenance contracts in particular. The employees at these firms are subject to the same safety regulations as VERBUND personnel. These persons therefore receive the same safety briefings. Contractors awarded work related to the construction of plants are responsible for managing their own work. However, they are also required to comply with the safety standards prescribed by VERBUND and are briefed in accordance with VERBUND’s rules.

GRI 3-3

The total accident frequency of 8.9 (LTIF including external contractors) increased by 2.1 compared with 2021. The medium-term corporate goal is an $LTIF \leq 5$. Improvement measures are identified and implemented based on the analysis of accidents within the Group and involving external contractors. As in previous years, neither third-party fault nor organisational shortcomings were identified as the cause of any work-related injuries in 2022. This shows that safety standards within the Group are very high and that safeguards for employees are being implemented as best possible.

Injury type

GRI 403-9 (2018)

	Unit	2020	2021	2022
Impairment of sensory functions (own staff)	Number	0	1	2
Impairment of sensory functions (external contractors)	Number	0	0	0
Unconsciousness, circulatory failure (own staff)	Number	0	0	0
Unconsciousness, circulatory failure (external contractors)	Number	0	0	1
Electrification (own staff)	Number	1	0	1
Electrification (external contractors)	Number	0	0	0
Foreign object injury (own staff)	Number	2	1	0
Foreign object injury (external contractors)	Number	2	2	1
Skin injury, wound (own staff)	Number	9	11	15
Skin injury, wound (external contractors)	Number	9	10	11
Bone fracture (own staff)	Number	6	5	4
Bone fracture (external contractors)	Number	1	13	10
Multiple types of injury (own staff)	Number	0	2	0
Multiple types of injury (external contractors)	Number	0	2	7
Contusion, bruising (own staff)	Number	7	7	12
Contusion, bruising (external contractors)	Number	3	7	27
Other and unknown injury types (own staff)	Number	1	1	1
Other and unknown injury types (external contractors)	Number	1	1	2
Burn, scald, chemical burn, freezing (own staff)	Number	1	1	1
Burn, scald, chemical burn, freezing (external contractors)	Number	0	0	1
Poisoning (own staff)	Number	0	0	0
Poisoning (external contractors)	Number	0	0	0
Loss of body part (own staff)	Number	0	0	0
Loss of body part (external contractors)	Number	0	0	0
Sprain, pull, dislocation, ligament tear, meniscus injury, torn muscle (own staff)	Number	7	6	5
Sprain, pull, dislocation, ligament tear, meniscus injury, torn muscle (external contractors)	Number	5	6	8

GRI 403-9 (2018)

Serious injuries are counted as those injuries from which employees cannot recover within six months to the extent that their state of health prior to the injury is regained. These include, for example, complicated fractures right through to limb amputations. The following were identified at VERBUND as general work-related hazards with risks that could have very serious consequences or cause irreversible damage to health or result in death: hazardous work materials, atmospheres with oxygen deficiency, falls on level ground and from heights, electrocution and work on live parts, drowning, cut injuries from hand-held chainsaws, high-pressure jets, harmful noise and mechanical injuries. The most frequent causes of injury in serious accidents in recent years were as follows: trapping and crushing, falls on level ground, falls from height and falling objects. There were no workplace accidents resulting in serious injury in financial year 2022. In the reporting period there were also ten accidents involving VERBUND personnel on the way to or from work.

GRI 403-2 (2018)

Details on the evaluation
can be found in the
DMA

The risks to the health and safety of employees are identified and assessed as part of the workplace evaluation. Based on this evaluation, measures are defined to prevent hazards and then the implementation of these measures and their effectiveness is monitored. A review and, if necessary, an adjustment of the evaluation shall take place if there are any changes in circumstances, but also after accidents at work in particular. Employees are briefed accordingly about frequently occurring accident risks.

Accident prevention

GRI 3-3
GRI 403-5 (2018)

Preventive measures are based on the analyses of work-related injury statistics at VERBUND. As in 2020 and 2021, the annual continuing education measures for 2022 were heavily influenced by COVID-19. The focus topic in 2021 “Working on the water” was largely continued in 2022; specific events were postponed until 2023. Training on the focus topic for 2022 “Hand and finger injuries” was given in all areas.

Every year, as was the case in financial year 2022, legally mandated safety briefings are successfully completed by close to 100% of the workforce, either in person or via an e-learning programme that includes a final test. COVID-19 likewise posed a considerable challenge for the individual events with respect to briefings. The maximum permitted number of participants had to be continuously adjusted in line with the current COVID-19 case numbers. Some of the briefings were also held as video conferences.

In the area of occupational safety, VERBUND has a large number of internal and national regulations in place that are continually updated and promptly amended as soon as changes in the law come into effect. These regulations relate to the following topics, for example: management of working materials, accident reporting and behaviour after an accident occurs, briefings and instruction, fire safety, personal protective equipment, coordination on construction sites and in projects and dealing with external contractors, occupational health and safety documentation as well as coordination and responsibilities of the occupational health service. These regulations are intended to guarantee that the same standards are available and applied throughout the Group.

In 2022, the existing technical safety guideline for external contractors was extensively revised by the responsible specialist departments and Procurement and expanded into an “Occupational safety and environmental protection guideline”. This guideline, which is mandatory for all deliveries and services, includes additional safety requirements for contractors for extensive work and work involving specific hazards, to promote accident prevention, particularly on construction sites. In the event of non-compliance or infringement of the provisions of the Occupational safety and environmental protection

guideline, a four-step escalation scenario shall apply. In addition, all regulations relating to occupational safety were updated for gender equality and the scope and contact persons for the individual regulations were amended.

In the area of personal protective equipment, new protective workwear was introduced. Following extensive testing and wearing trials, standardised workwear was commissioned for VERBUND. This will be rolled out in 2023.

Certification of management systems for health and safety at the workplace

All employees are covered by appropriate health and safety management systems. As many as 27% of the employees work at companies with externally certified management systems in accordance with ISO 45001. VERBUND's medium-term objective is to achieve Group-wide ISO 45001 certification by the end of 2025. In 2020, initial preparatory work and ISO readiness audits were carried out in this respect in a hydropower plant group and at an administrative site, before the construction of a pilot management system according to ISO 45001 commenced in 2021 for the sites of VERBUND AG in Vienna. After all standard points had been processed and the required documentation developed, including a management manual, this pilot management system was subjected to an internal pre-audit in autumn 2022. External certification of the pilot management system and the start of the Group-wide rollout are planned for 2023.

GRI 403-1
GRI 403-8

Safety culture

Occupational health and safety has reached a high technical level at VERBUND thanks to the great efforts made and extensive measures implemented in recent years. The accident KPIs for the last five years until 2017 stagnated at an average LTIF value of ten. This figure was reduced significantly to below seven when the "We Live Safety" project was launched. The aim of this project, in addition to protection of technical workers, is to invest in the further development of behaviour-based occupational safety.

GRI 403-4

Besides numerous workshops for executives, 36 safety coaches from all areas were trained, who have the task of conveying to their colleagues the idea of behaviour-based occupational safety as well as the importance of setting a good example.

This project has been continued as a permanent project since 2020. In addition to ongoing activities, core areas are increased safety communication, installation and use of a wide range of tools, such as a near miss database, safety walks by executives, the introduction of a safety award, a calendar of occupational safety issues for 2022 and 2023, a sub-project entitled "five minutes for safety" or the new regulation for the evaluation of workplace accidents, and much more.

VERBUND aims to achieve Group-wide ISO 45001 certification by the end of 2025.

GRI 403-6 (2018)

For further information
on health management,
please refer to the DMA

Promoting health among employees

The “Fit and Healthy at VERBUND” initiative is designed to promote a healthy lifestyle among employees. On the one hand, the aim is to increase general health awareness, while, on the other hand, specific measures are offered that enable everyone to become proactive about their own health. Ideally, these services will be free of charge for employees and they will be able to use them directly at their place of work.

In 2022, as in the previous two years, there was a focus on medical screening. Together with a preventive medicine association, health lanes (consisting of a cardiovascular check-up, a physical check-up and a nutrition check) were offered during working hours directly at external site locations in Styria, Tyrol and Bavaria. Another focus was mental health, as stress awareness and resilience are important, particularly during a pandemic. A “Mental Journey” disseminated throughout the year, consisting of 16 motivational webinars, each lasting 15 minutes and accessible to all employees, conveyed scientifically based mental motivation and success strategies as well as tools for more mental strength and stress resilience.

On the Training and Continuing Education side, the offering included webinars on the subject of healthy eating, online visual training sessions, as well as presentations on brain-friendly working and physiotherapy training days at four locations, with a focus on maintaining a healthy back.

An app-based motivation platform introduced in 2021 was used to run a number of challenges in 2022 to promote movement and health and to raise awareness for various sustainability issues. As in the previous year, VERBUND participated via this platform in the Companies Challenge Austria 2022, where minutes of exercise had to be collected.

Accessibility

Breaking down barriers is an important aspect for the inclusion of people with disabilities. The accessibility management programme at VERBUND addresses the three main topics of structural accessibility, digital accessibility and everyday accessibility in the mind.

In 2022, the focus was on accessible information and communication technologies. In the course of regular meetings of the Digital Accessibility Team (DAT) – an intercompany and cross-divisional group of experts from various specialist departments – relevant expertise was built up and needs for improvement were identified. Internal training on the topic of accessibility management raised awareness of accessibility in the DAT.

There was also the annual Purple Light Up Day, the international day raising awareness for people with disabilities, which was held on 3 December 2022. To save energy, the purple lighting was dispensed with at VERBUND Group headquarters and the VERBUND power plants. However, extensive internal communication measures were implemented and posts were made on social media as a visible sign of the inclusion of people with disabilities. For further information on the focus on people with disabilities, please refer to the Human resources section.

Digitalisation, information security and data protection

Digitalisation

Digitalisation is an essential component of VERBUND's strategic focus, an important driver of the Group's strategy and a regular companion in the everyday life of VERBUND employees. A future-proof digitalisation function with a professional and technical development perspective is therefore a critical success factor throughout the entire Group. Thus, digital projects were also continued in financial year 2022 under the Digitalisation master plan, and new ones were started. These projects include projects from the categories of digitalisation, auto machine learning, big data, digital workforce management, digitalisation in power plants and modern working practices. The master plan thus encompasses all strategically relevant digitalisation projects in the Group and serves to help plan and coordinate digital innovations.

In mid-2022, the Digital Workforce Management (DigiWFM) project relating to the introduction of new software solutions to provide digital support for administrative and operational workflows in VERBUND Hydropower came to an end. Driven by the fundamental guiding principle of standardising and streamlining the multitude of necessary operating and maintenance processes, three comprehensive software packages have been developed and successively launched in the past four years. At the end of 2022, the Digital Hydro Power Plant project was also completed in the course of this. The purpose of this innovation project was the technical and commercial testing of new digitalisation technologies to further develop technical processes in hydropower plants. A follow-up project for 2023 has already been approved.

AI applications and machine learning

The Digital Deep Dive project completed in 2021 also gave rise to a number of digital follow-on projects, one of which involved the development of an employee app for VERBUND Thermal Power. The aim was to develop a modern and simple app for centralised presentation of required data for employees. Development was completed in 2022 and the app went live. Another follow-on project was dedicated to the development of an aerial drone strategy. In this project, special maintenance applications are being tested in the power plant area using drones. A key aspect of the testing of the applications is automated AI evaluation, which is to be used to build knowledge within the Group. Yet another project in the area of digitalisation is Project Zerberus. The project entails modelling and piloting specific use cases with the objective of having potentially hazardous activities and processes that are currently carried out by humans taken over by a robotic dog in order to improve occupational safety.

Automated machine learning (AutoML) has also been successfully employed at companies within the Group. In addition, VERBUND's customer support will soon be made even more customer-focused and more efficient using AI. Numerous university collaborations enable continuous knowledge transfer with the associated opening of new AI use cases.

Use and efficient management of data was another area of focus. Specialised data models were created based on the foundations established in financial year 2022, which promote a common understanding. VERBUND is also increasingly using cloud and edge computing technologies.

Modern Work@VERBUND initiative

Modern Work@VERBUND is an initiative started by an interdisciplinary intercompany core team with the aim of creating a new, open, transparent and trusting culture of cooperation throughout the entire Group. The Modern Work team started this initiative in times when there was a mix of working from home and working at the VERBUND sites, with a survey on the topic of hybrid working. As result, a new “Hybrid working” tab was created in the internal KnowledgeHub and filled with tips and tricks for hybrid working. A key message from the results of the survey was that networking with colleagues was missing. This led to the creation of Workdate, a platform for professional networking. Workdate provides an uncomplicated way to make contacts, exchange knowledge and network better internally across companies, divisions, generations and hierarchies.

Information security

Information security is a high priority at VERBUND and extends through all areas of the Group. With the identification of VERBUND and some of its subsidiaries as operators of essential services, the obligations that arise for critical infrastructure companies from the Network and Information Systems Security Act (Netz- und Informationssystemssicherheitsgesetz, NIS-Gesetz) play an important role. In the 2022 reporting period, the central information security management system was once again certified to ISO 27001 and ISO 27019. In addition, the evidence required by the Network and Information Systems Security Act (NISG) was also audited by an external qualified body.

IT and digitalisation projects at VERBUND are always carried out with information security in mind. Information security is therefore a key driver of progress and makes an essential contribution to the achievement of the objectives of the Group’s strategy.

The Information Security department was expanded further. The first of three phases of the Information Security master plan adopted by VERBUND’s Executive Board in 2019 was thus completed. The second phase of the “Masterplan Information Security 2.0” was launched at the same time in 2022. The aim of the entire programme is to maintain but also continuously increase the degree of maturity in all areas of information security.

Cyber security

The Security Operation Center (SOC) plays a central role in achieving targets and in countering the significant increase in cybercrime. The SOC was therefore expanded further, the visibility of attempted cyberattacks on VERBUND was further increased and contingency plans were developed and updated. The sphere of action encompasses not only the entire IT landscape, but also the systems for controlling electricity generation.

When warlike activities began in Ukraine, cybersecurity risk assessment was analysed and updated. As a result, the InfoSec task force was set up in May 2022, implementing a number of work packages by the end of the year to increase the effectiveness of information security.

A variety of measures and projects were also implemented to safeguard operational infrastructure. Apart from medium-term planning and the execution of penetration tests and red teaming activities, these also include, for example, the establishment of an efficient vulnerability management system across the entire Group landscape. This identifies vulnerabilities from an internal and external perspective so that they can be handled and processed according to their criticality.

The Security Awareness Programme was intensified in 2022 to raise awareness among employees. Firstly, this provides for individual training when new recruits join the Group, but also obliges the

existing staff to complete an online training course on cybersecurity.rs once a year. In-person training courses were also offered, particularly to employees at the companies. These training sessions are supported by, among other things, targeted phishing simulations and the offering of presentations in the form of webinars on various key topics in the area of information security.

The activities are rounded off by domestic and national networking in relevant communities, for example active membership in the Austria-wide working group Energy CERT (Computer Emergency Response Team), in which around 20 companies from the energy sector are involved.

Data protection

VERBUND takes the implementation of the provisions of the EU General Data Protection Regulation (GDPR) very seriously.

Internally, an integrated data protection management system has been established which includes all Group companies and was subjected to a legal compliance check by a law firm in 2022. The Group Data Protection Officer manages and coordinates all of the Group's data protection-related matters and is assisted in this by the data protection officers at the individual companies.

The data protection tool TOM&PIA developed by VERBUND supports the data protection officers in updating the records of processing activities, protecting the rights of data subjects and managing the notifications to the supervisory authority.

GRI 418-1

In financial year 2022, 18 enquiries from data subjects were processed and responded to, compared with 30 in 2021. There were no cases of personal data breaches that had to be reported to the supervisory authority and no cases of data leaks, data theft or data loss in connection with customer data.

Due to COVID-19, the mandatory awareness and training programme was restricted to online channels and therefore to an e-training course and the proprietary online courses "Stories of TOM&PIA".

Human rights

VERBUND is aware of its responsibility to protect human rights in all Group divisions and in any other areas within its sphere of influence. This holistic responsibility is defined in the internal guideline on respect for human rights. As a result, VERBUND respects all types of civil, political, economic, social and cultural rights. VERBUND also considers human rights to include adherence to laws and standards pertaining to the environment, occupational safety, health and compliance. Information on the topic of human rights can therefore also be found in other sections of this Integrated Annual Report.

All executives and all employees at VERBUND are responsible for respecting human rights and reporting any violations to the Chief Compliance Officer. Four cases of suspected discrimination were reported in 2022. Any significant incidents of environmental pollution and severe deficiencies in occupational health and safety must be reported to the head of the Corporate Responsibility department. There were no such reports in 2022.

Human rights at VERBUND

VERBUND is committed to ensuring due diligence in the protection of human rights in all Group divisions. To this end, VERBUND provides safe and healthy working conditions and relies on preventive measures to minimise hazards and risks in the work environment. Forced and compulsory labour, and child labour in particular, are forbidden.

Under freedom of association and collective bargaining, employees can communicate openly about working conditions and have the right to join a union. They earn wages and salaries that allow them and their families to have a dignified life. VERBUND rejects any form of discrimination, bullying and sexual harassment and works with all people regardless of gender, age, disability, religious beliefs, culture, skin colour, education, social background, sexual orientation or nationality. VERBUND also considers the protection of the environment to be an important part of human rights. Human rights that are at risk from damage to the environment include the right to a reasonable standard of living and the right to health.

Human rights in VERBUND's sphere of influence

Even in its cooperation with business partners and within its supply chain, VERBUND is concerned with the protection of all human rights. Human rights are therefore an important aspect of the Supplier Code of Conduct. However, due to VERBUND's activities in some regions, challenges can arise in the area of human rights. Special attention is required in the event of conflicts, political instability, failure of the rule of law and lack of civil rights. In an environment of corrupt structures, extreme poverty, natural disasters or proximity to vulnerable groups, extreme caution must be exercised in entering into or maintaining business relationships with customers or suppliers. To ensure this, VERBUND carries out business partner integrity checks prior to commencing cooperation in projects, supplier discussions and regular hot spot analyses within the supply chain, among other things.

GRI 2-23
GRI 3-3

SDG 1
SDG 4
SDG 10

Please refer to the DMA for detailed information on the principles

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

Details on this topic can be found in the Human Resources, Health and Safety and Compliance sections and in the DMA

The compliance management system is also described in the DMA

GRI 414-1

Supply chain

Supply chain excl. APG,
GCA

GRI 2-6

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

GRI 2-23
SDG 12

The supply chain at VERBUND is characterised by the construction of new power plants and the investment, management and maintenance measures for existing properties and technical facilities. Depending on the investment or maintenance programmes planned, the main services purchased involve construction and construction-related work as well as electromechanical technology. Services are also outsourced in the following areas, among others: other maintenance-related services, information and communications technology, customer service, communications and marketing. Procurement of primary energy (gas) for thermal generation is another component in the supply chain.

An integral part of all tenders is a Supplier Code of Conduct (SCoC), which regulates, among other things, the topics of organisational governance/corporate governance, anti-corruption, fair competition, human rights, labour practices and the prohibition of discrimination, occupational health and safety, environmental protection, information security and data protection, protection of intellectual property and supply chain.

Procurement statistics¹

GRI 204-1

The number of suppliers commissioned by VERBUND in financial year 2022 totalled around 5,300. VERBUND placed 93% of its orders in its core markets of Austria and Germany. The remaining 7% of orders were awarded to suppliers in other countries (mainly within the EU). In 2022, orders totalling around €645m were placed with suppliers in 35 countries.

Procurement statistics¹

	Unit	2020	2021	2022
Commissioned suppliers (number rounded)	Number	4,800	5,100	5,300
Order volume	€m	430	815	645
Austria	%	80	76	71
Germany	%	15	19	22
Rest of the world	%	5	5	7

¹ excl. APG, GCA

Our A-suppliers are evaluated using a renowned ESG rating system.

Sustainable supplier management

Sustainable management does not end at VERBUND's door, which is why VERBUND also sets high economic, social and environmental standards in its supply chain. Attention is paid to this in our collaboration with suppliers and in our procurement processes. Due to the integration of the SCoC into supplier contracts, VERBUND suppliers are bound to behave responsibly and ethically. In supplier meetings VERBUND enters into dialogue with selected suppliers to identify risks and build a mutual understanding of sustainability issues such as occupational safety, the environment, compliance and human rights.

VERBUND is also working on refining the sustainability assessment of its suppliers, which has been based on the ESG ratings of a renowned rating agency since 2022. This will also indicate to suppliers areas in which there is potential for development and improvement with respect to sustainability aspects in their supply chain. Rollout will initially be to the top A-suppliers. Other strategic suppliers selected on the basis of a risk-oriented approach, among other things, were subsequently invited to participate in the rating. An important basis for the selection is the hotspot analysis of the supply chain, which identifies sustainability risks and is used to derive measures to mitigate risks. After being first carried out in 2017, the analysis was updated in 2022 to take account of changes in general conditions and viewpoints. This focused on the product groups defined by VERBUND, which are combined under the umbrella groups "Construction technology", "Power plant technology" and "Infrastructure and general". Hotspots with high relevance were identified for construction services, uninterrupted power supply, inverter, rectifier and battery systems. Specific risk-mitigating measures were derived for these hotspots. These include the special focus on anti-corruption, environmental protection and occupational safety, local building inspections to monitor construction work, as well as conducting focused discussions with suppliers.

To minimise risks in the supply chain, VERBUND suppliers are also subject to integrity checks (ICs). These ICs are carried out prior to a possible award of a contract when certain thresholds are reached. The aim of ICs is to ensure that all statutory requirements are met at both the EU and national levels and to safeguard VERBUND's good reputation. By performing ICs, VERBUND fulfils its corporate due diligence obligations and actively takes preventive measures to prevent financial crime, corruption and money laundering. Furthermore, to ensure compliance with the requirements of the Network and Information Systems Security Act (NISG), the suppliers are evaluated for certain projects with respect to their need for protection and a cyber risk rating is obtained.

GRI 3-3

GRI 308-1
GRI 308-2
GRI 414-1
GRI 414-2

Vienna, 16 February 2023

Executive Board



Michael Strugl
Chairman of the Executive Board
of VERBUND AG



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



Achim Kaspar
Member of the Executive Board
of VERBUND AG

Independent Assurance

Courtesy Translation of the Audit Report of the Independent Assurance on Non-Financial Reporting*

Introduction

We have performed procedures to obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the consolidated non-financial report as of December 31, 2022 has not been prepared, in all material respects, in accordance with the reporting criteria. The reporting criteria consist of the GRI Standards issued by the Global Sustainability Standards Board (GSSB) and the reporting requirements mentioned in § 267a UGB (NaDiVeG).

GRI 2-5

Furthermore, we have performed procedures to obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the EU taxonomy information disclosed is not prepared, in all material respects, in accordance with Regulation (EU) 2020/852 (Taxonomy Regulation).

Responsibility of the management

The legal representatives of VERBUND AG are responsible for the preparation of the report content in accordance with the reporting criteria and for the selection of the disclosures to be verified. The reporting criteria consist of the GRI Standards issued by the Global Sustainability Standards Board (GSSB) and the reporting requirements mentioned in § 267a UGB (NaDiVeG). Furthermore, they are responsible for reporting the disclosed information on the EU taxonomy in accordance with Art. 8 of Regulation (EU) 2020/852 (Taxonomy Regulation).

This responsibility includes the selection and application of appropriate methods for preparing the report, making assumptions and estimates of individual non-financial disclosures that are plausible under the given circumstances. The responsibility further includes the internal controls, which have been determined as necessary by the management to enable the preparation of a consolidated non-financial report that is free from misstatement, whether due to fraud or error.

Responsibility of the auditor

Our responsibility is to express a limited assurance opinion as to whether any matters have come to our attention that cause us to believe that the consolidated non-financial report as of December 31, 2022 has not been prepared, in all material respects, in accordance with the reporting criteria. The reporting criteria consist of the GRI Standards issued by the Global Sustainability Standards Board (GSSB) and the reporting requirements mentioned in § 267a UGB (NaDiVeG).

Furthermore, it is our responsibility to express a limited assurance opinion as to whether any matters have come to our attention that cause us to believe that the EU taxonomy information disclosed is not prepared, in all material respects, in accordance with Art. 8 of Regulation (EU) 2020/852 (Taxonomy Regulation).

We conducted our engagement in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised), “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board (IAASB) in order to obtain limited assurance on the subject matters.

ISAE 3000 (Revised) requires us to plan and perform the engagement in a way that enables us to obtain limited assurance that nothing has come to our attention that causes us to believe that the consolidated non-financial report has not, in any material aspect, been prepared in accordance with the GRI Standards and § 267a UGB (NaDiVeG), and that the disclosed information on the EU taxonomy has not been prepared in accordance with Art. 8 of Regulation (EU) 2020/852 (Taxonomy Regulation).

In a limited assurance engagement, the evidence-gathering procedures are more limited than in a reasonable assurance engagement and therefore, less assurance can be obtained. The choice of audit procedures lies in the due discretion of the auditor.

As part of our audit, we have performed, inter alia, the following audit procedures and other activities as far as they are relevant to the limited assurance engagement:

- Interview of the employees named by VERBUND AG regarding the sustainability strategy, the sustainability principles and the sustainability management
- Interviews of employees of VERBUND AG to assess the methods of data collection, data processing and internal controls
- Matching the non-financial disclosures shown in the consolidated non-financial report with the documents provided
- Site Visit to power plant Wallsee Mitterkirchen
- Conducting a media analysis
- Review of the disclosed information according to § 267a UGB and GRI standards
- Review of the disclosed information on the EU taxonomy for compliance with Art. 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)

We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our assessment.

The objective of our engagement is neither an audit of financial statements nor an auditor's review of financial statements. Likewise, neither the detection and clarification of criminal offences, such as embezzlement or other acts of breach of trust and administrative offenses, nor the assessment of the effectiveness and efficiency of the management is the object of our engagement.

Summarized Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the consolidated non-financial report has not, in any material aspects, been prepared in accordance with GRI Standards.

Furthermore, nothing has come to our attention that causes us to believe that the reporting requirements of § 267a UGB (NaDiVeG) are not met by the consolidated non-financial report.

Additionally, based on our audit procedures, nothing has come to our attention that causes us to believe that the disclosed information on the EU taxonomy has not been prepared in accordance with Art. 8 of Regulation (EU) 2020/852 (Taxonomy Regulation).

Engagement approach

The basis for this engagement is the “General Conditions of Contract for the Public Accounting Professions”, as issued by the Chamber of Tax Advisers and Auditors in Austria (according to annex). In accordance with chapter 7 of these terms and conditions, our liability shall be limited to intent and gross negligence. In cases of gross negligence, the maximum liability is limited to a maximum of five times the fee. This amount constitutes a total maximum liability cap, which may only be utilized once up to this maximum amount, even if there is more than one claimant or more than one claim has been asserted.

Vienna

February 17, 2023

Deloitte Audit Wirtschaftsprüfungs GmbH

(signed by:
Mag. Walter Müller
Austrian Certified Public Accountant

(signed by:
Dr. Stefan Merl

*) **Attention:** This letter has been translated from German to English for referencing purposes only. Please refer to the officially legally binding version as written and signed in German. Only the German version is the legally binding version.

Consolidated financial statements

Contents of the consolidated financial statements

of VERBUND

Contents of the consolidated financial statements	211
Income statement.....	212
Statement of comprehensive income	213
Balance sheet	214
Cash flow statement.....	216
Statement of changes in equity.....	218
Notes to the consolidated financial statements	220
1. General information on the preparation of the financial statements.....	220
2. Discretionary judgements and key assumptions concerning the future	230
3. Performance in the financial year.....	231
4. Non-current assets	249
5. Financial instruments	277
6. Working capital	295
7. Equity.....	299
8. Liabilities.....	300
9. Provisions	306
10. Taxes	316
11. Risk management	317
12. Capital management	327
13. Other.....	328
14. Responsibility statement of the legal representatives	349
Independent auditor's report (translation)	350

Income statement

of VERBUND

		€k	
In accordance with IFRSs	Notes	2021	2022
Revenue		4,776,633	10,346,088
Electricity revenue	3.2.1	3,833,260	8,747,422
Grid revenue	3.2.1	734,988	1,309,254
Other revenue	3.2.2	208,386	289,412
Other operating income	3.2.3	97,414	113,055
Expenses for electricity, grid, gas and certificates purchases	3.2.4	-2,612,555	-6,802,383
Fuel expenses and other usage-/revenue-dependent expenses	3.2.5	-250,134	-522,109
Personnel expenses	3.2.6	-383,733	-428,446
Other operating expenses	3.2.7	-318,332	-403,487
Measurement and realisation of energy derivatives	3.2.8	269,667	857,961
EBITDA		1,578,959	3,160,679
Depreciation and amortisation	3.2.9	-417,269	-462,694
Impairment losses ¹	3.2.10	-9,869	-197,761
Reversal of impairment loss ¹	3.2.10	115,009	125,973
Operating result		1,266,830	2,626,196
Result from interests accounted for using the equity method	3.2.11	34,837	4,293
Other result from equity interests	3.2.12	19,534	8,013
Interest income	3.2.13	38,381	40,132
Interest expenses	3.2.14	-77,814	-101,703
Other financial result	3.2.15	-15,836	1,642
Impairment losses	3.2.16	-18,297	-46,455
Reversals of impairment losses	3.2.16	16,817	0
Financial result		-2,378	-94,077
Profit before tax		1,264,452	2,532,119
Taxes on income	3.2.17	-279,365	-583,352
Profit for the period		985,087	1,948,767
Attributable to shareholders of VERBUND AG (Group result)		873,556	1,717,012
Attributable to non-controlling interests		111,531	231,754
Earnings per share in €²	3.2.18	2.51	4.94

¹ The impairments and reversals of impairment losses have been reduced by the amount of any change in related deferred contributions to building costs and government grants. // ² Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

of VERBUND

		€k	
In accordance with IFRSs	Notes	2021	2022
Profit for the period		985,087	1,948,767
Remeasurements of the net defined benefit liability	9.2	86,476	172,041
Measurements of financial instruments	3.3.1, 5.1	23,471	2,984
Other comprehensive income from interests accounted for using the equity method ¹	4.5.1	5,076	13,682
Total of items that will not be reclassified subsequently to the income statement		115,022	188,707
Differences from currency translation	3.3.1	-3,466	300
Measurements of cash flow hedges	3.3.1, 5.1	-1,819,916	465,079
Other comprehensive income from interests accounted for using the equity method ²	3.3.1	-11,937	-9,902
Total of items that will be reclassified subsequently to the income statement		-1,835,319	455,478
Other comprehensive income before tax		-1,720,296	644,184
Taxes on income relating to items that will not be reclassified subsequently to the income statement	3.3.2	-27,899	-51,979
Taxes on income relating to items that will be reclassified subsequently to the income statement	3.3.2	454,979	-136,626
Other comprehensive income after tax		-1,293,217	455,579
Total comprehensive income for the period		-308,129	2,404,346
Attributable to shareholders of VERBUND AG (Group result)		-428,019	2,163,812
Attributable to non-controlling interests		119,889	240,534

¹ deferred taxes included therein in the 2022 reporting period: €-5.6m (previous year: €-2.0m) // ² deferred taxes included therein in the 2022 reporting period: €2.9m (previous year: €4.0m)

Balance sheet

of VERBUND

In accordance with IFRSs	Notes	1/1/2021¹	31/12/2021¹	31/12/2022
€k				
Non-current assets		11,337,739	13,606,885	15,244,650
Intangible assets	4.1	668,157	788,750	1,244,773
Property, plant and equipment	4.2	9,407,623	10,672,047	11,876,444
Right-of-use assets	4.3	110,663	103,826	146,613
Interests accounted for using the equity method	4.5	282,724	404,053	365,522
Other equity interests	4.6, 5.1	145,748	177,128	192,664
Investments and other receivables	4.7, 6.2, 5.1	606,877	900,075	945,454
Receivables from derivative financial instruments	4.7, 6.2, 5.1	115,946	525,196	437,341
Deferred tax assets	10.0	0	35,811	35,839
Current assets		670,320	3,674,480	3,911,994
Inventories	6.1	33,036	49,918	122,997
Receivables from derivative financial instruments	6.2, 5.1	144,338	1,972,632	1,833,683
Trade receivables, other current receivables and securities	6.3, 5.1	443,743	1,333,368	1,546,061
Cash and cash equivalents	6.4	49,203	318,562	409,252
Total assets		12,008,058	17,281,365	19,156,644

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8.

		€k		
In accordance with IFRSs	Notes	1/1/2021 ¹	31/12/2021 ¹	31/12/2022
Equity		6,807,399	6,362,949	8,323,019
Attributable to shareholders of VERBUND AG	7.0	6,151,179	5,461,640	7,275,986
Attributable to non-controlling interests	7.0	656,220	901,309	1,047,033
Non-current liabilities		4,102,763	5,139,206	6,688,214
Financial liabilities	5.1, 8.1	1,202,154	1,834,155	2,844,559
Provisions	9.0	886,219	832,928	619,486
Deferred tax liabilities	10.0	797,055	486,851	800,452
Contributions to building costs and grants	4.2.2	760,992	788,378	791,160
Liabilities from derivative financial instruments	5.1, 8.2	57,342	734,780	1,069,177
Other liabilities	5.1, 8.2	399,001	462,114	563,379
Current liabilities		1,097,896	5,779,210	4,145,411
Financial liabilities	5.1, 8.1	84,056	1,462,453	1,109,297
Provisions	9.0	39,586	44,650	50,855
Current tax liabilities	10.0	197,407	222,384	457,867
Liabilities from derivative financial instruments	5.1, 6.5	215,091	3,313,346	1,491,588
Trade payables and other liabilities	5.1, 6.6	561,755	736,376	1,035,805
Total liabilities		12,008,058	17,281,365	19,156,644

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8.

Cash flow statement

of VERBUND

		€k	
In accordance with IFRSs	Notes	2021 ¹	2022
Profit for the period		985,087	1,948,767
Depreciation of property, plant and equipment and amortisation of intangible assets (net of reversals of impairment losses)		301,551	534,483
Impairment losses on investments (net of reversals of impairment losses)		-6,533	11,833
Result from interests accounted for using the equity method (net of dividends received)		-29,393	17,259
Result from the disposal of non-current assets		-2,901	4,914
Change in non-current provisions and deferred tax liabilities		-2,943	-35,247
Change in contributions to building costs and grants		27,386	2,782
Other non-cash expenses and income		-81	31,340
Subtotal		1,272,174	2,516,130
Change in inventories		-9,895	-73,079
Change in trade receivables and other receivables		-1,068,208	-192,271
Change in trade payables and other liabilities		166,966	339,687
Change in non-current and current receivables from derivative financial instruments		-1,762,735	548,678
Change in non-current and current liabilities from derivative financial instruments		1,480,968	-1,360,527
Change in current provisions and current tax liabilities		18,893	241,241
Cash flow from operating activities²		98,162	2,019,859

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8. // ² Cash flow from operating activities includes income taxes paid of €343.1m (previous year: €238.2m), interest paid of €36.1m (previous year: €17.9m), interest received of €6.1m (previous year: €2.1m) and dividends received of €29.9m (previous year: €13.1m).

In accordance with IFRSs	Notes	2021¹	2022
€k			
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		-854,044	-1,091,227
Cash inflow from the disposal of intangible assets and property, plant and equipment		2,749	19,111
Cash outflow from capital expenditure for investments		-4,462	-75,851
Cash inflow from the disposal of investments		7,437	52,427
Cash outflow from capital expenditure for subsidiaries		-247,203	-478,517
Cash outflow from capital expenditure for interests accounted for using the equity method and other equity interests		-9,800	-17,140
Cash flow from investing activities		-1,105,324	-1,591,196
Cash outflow from shifts between shareholder groups		0	16,421
Cash inflow from money market transactions		1,430,235	1,049,727
Cash outflow from money market transactions		-50,000	-1,430,000
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		489,075	632,871
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		-245,942	-117,716
Cash outflow from the repayment of lease liabilities		-27,523	-11,447
Dividends paid	3.4.1	-319,324	-477,828
Cash flow from financing activities		1,276,520	-337,973
Change in cash and cash equivalents		269,359	90,690
Cash and cash equivalents as at 1/1		49,203	318,562
Change in cash and cash equivalents		269,359	90,690
Cash and cash equivalents as at 31/12		318,562	409,252

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8.

Statement of changes in equity

of VERBUND

In accordance with IFRSs	Called and paid-in share capital	Capital reserves	Retained earnings	Remeasurements of net defined benefit liability
Notes	7.0	7.0	7.0	9.2
As at 1/1/2021	347,416	954,327	5,325,505	- 388,753
Profit for the period	-	-	873,556	-
Other comprehensive income	-	-	0	60,931
Total comprehensive income for the period	-	-	873,556	60,931
Change in the basis of consolidation	-	-	- 1,104	0
Dividend	-	-	- 260,562	-
Other changes in equity	-	-	59	0
As at 31/12/2021	347,416	954,327	5,937,454	- 327,822
As at 1/1/2022	347,416	954,327	5,937,454	- 327,822
Profit for the period	-	-	1,717,012	-
Other comprehensive income	-	-	0	122,367
Total comprehensive income for the period	-	-	1,717,012	122,367
Change in the basis of consolidation	-	-	552	0
Shift between shareholder groups	-	-	10,513	0
Dividend	-	-	- 364,786	-
Other changes in equity	-	-	4,254	0
As at 31/12/2022	347,416	954,327	7,305,000	- 205,455

€k					
Difference from currency translation	Measurement of financial instruments	Measurement of cash flow hedges	Equity attributable to the shareholders of VERBUND AG	Equity attributable to non-controlling interests	Total equity
7.0	3.3,4.5-4.7,5.1	3.3, 5.1		7.0	
-15,241	7,694	-79,768	6,151,179	656,220	6,807,399
-	-	-	873,556	111,531	985,087
-3,352	17,834	-1,376,988	-1,301,575	8,358	-1,293,217
-3,352	17,834	-1,376,988	-428,019	119,889	-308,129
86	0	0	-1,017	183,962	182,944
-	-	-	-260,562	-58,762	-319,324
0	0	0	59	0	59
-18,507	25,528	-1,456,756	5,461,640	901,309	6,362,949
-18,507	25,528	-1,456,756	5,461,640	901,309	6,362,949
-	-	-	1,717,012	231,754	1,948,767
300	3,426	320,706	446,800	8,779	455,579
300	3,426	320,706	2,163,812	240,534	2,404,346
0	0	0	552	834	1,387
0	0	0	10,513	0	10,513
-	-	-	-364,786	-95,421	-460,207
0	0	0	4,254	-222	4,032
-18,206	28,954	-1,136,050	7,275,986	1,047,033	8,323,019

Notes to the consolidated financial statements

of VERBUND

1. General information on the preparation of the financial statements

1.1 Reporting company

VERBUND AG with its registered office at Am Hof 6a, 1010 Vienna, Austria, is the parent company of the VERBUND energy group, which operates in Austria and abroad. VERBUND AG is entered in the commercial register at the Commercial Court of Vienna under number FN 76023z.

VERBUND generates, trades and sells electricity to market participants from energy exchanges, traders, electric utilities and industrial companies as well as household and commercial customers. In addition, VERBUND trades and sells gas to market participants from energy exchanges, traders and household customers and provides energy-related services. Furthermore, VERBUND operates the Austrian electricity transmission network via Austria Power Grid AG (APG) as well as the gas transmission and distribution network via Gas Connect Austria GmbH (GCA). In addition, VERBUND holds investments in Austrian and foreign electric utilities.

1.2 Financial reporting principles

Basic principles

VERBUND prepares its consolidated financial statements in accordance with Section 245a(1) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) in compliance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union. The additional requirements of Section 245a(1) Austrian Commercial Code (UGB) were also satisfied. The separate financial statements of the subsidiaries included in the consolidated financial statements are based on uniform accounting policies. The reporting date is 31 December 2022 for all consolidated subsidiaries.

The consolidated financial statements are prepared in thousands of euros (€k) (with the exception of the notes to the annual financial statements, in which amounts are generally indicated in millions of euros (€m)). Rounding differences can arise when adding rounded amounts and when calculating percentages.

Consolidation methods

All material companies directly or indirectly controlled by VERBUND AG (subsidiaries) are included in the consolidated financial statements of VERBUND by means of consolidation. Inclusion in the consolidated financial statements begins when control is achieved and ends when it ceases. Subsidiaries are initially consolidated using the acquisition method.

Joint ventures and associates that are directly or indirectly substantially influenced by VERBUND AG are accounted for using the equity method. Investees accounted for using the equity method are recognised with their proportional IFRS profit or loss taken from (consolidated) interim or annual financial statements for which the reporting date is not more than three months prior to VERBUND's reporting date.

Intra-Group transactions, receivables, liabilities and intercompany profits are eliminated taking account of deferred taxes. With respect to intra-Group business acquisitions and mergers of joint ventures, the historical carrying amounts of the acquired entity are carried forward to the new entity, i.e. they are not remeasured at fair value.

In the case of investees that are controlled together with another joint operator, if VERBUND has rights to the assets attributable to the investee as well as obligations for its liabilities, VERBUND recognises its share of the assets and liabilities and/or revenue and expenses.

A list of all of VERBUND's subsidiaries, joint ventures and associates is presented in the section entitled Group structure. The group of subsidiaries, joint ventures and associates included in the consolidated financial statements changed as follows in the 2022 reporting period:

Basis of consolidation

	Consolidation	Accounted for using the equity method	Accounted for as a joint operation
As at 31/12/2021	30	8	1
Additions from newly formed entities	2	0	0
Additions from business acquisitions	9	0	0
Other additions	5	0	0
Disposals by means of merger	-1	0	0
As at 31/12/2022	45	8	1
of which domestic companies	16	7	1
of which foreign companies	29	1	0

VERBUND Ventures GmbH and VERBUND Green Power Iberia S.L.U. were newly established and consolidated for the first time in financial year 2022.

In the course of an acquisition, the following nine Spanish companies were included in the basis of consolidation for the first time (see Business acquisitions): Anselma Issuer, S.A.; Sica Desarrollos Totanes, S.L.U.; Sica Desarrollos Albarreal, S.L.U.; Sica Desarrollos Cuerva, S.L.U.; Sica Desarrollos Los Navalmorales, S.L.U.; Topacio Energy, S.L.U.; Catalpa Solar, S.L.U.; Tejo Solar, S.L.U.; and VERBUND Green Power Renewable Projects, S.L.U.

The other additions show the five companies - Parque Eólico Buseco, S.L., Parque Eólico Loma de los Pinos, S.L., Parque Eólico El Barroso, S.L., Parque Eólico Ayamonte, S.L. and Lusitania Renovables, S.L. - that were included in the basis of consolidation for the first time as part of an acquisition of assets.

VERBUND AG transferred its limited partnership interest (100.0 %) in VERBUND Green Power Hunsrück GmbH & Co. KG to its general partner VERBUND Green Power Deutschland GmbH by way of a contribution agreement dated 18 July 2022. As a result of the transfer, VERBUND Green Power Hunsrück GmbH & Co. KG ceased to exist and its assets and liabilities were transferred to VERBUND Green Power Deutschland GmbH. In a further step, VERBUND AG contributed its shares in VERBUND Green Power Deutschland GmbH as well as its limited partnership interest in Infrastrukturgesellschaft Bischheim GmbH & Co. KG and Infrastruktur Oberheimbach I GmbH & Co. KG to VERBUND Green Power GmbH (VGP). The acquisition of a non-controlling interest in Infrastrukturgesellschaft Bischheim GmbH & Co. KG increases VERBUND Green Power GmbH's stake in this company to around 80.6 %.

**Business
acquisitions****Acquisition of an operational renewables portfolio and development platform in Spain**

VERBUND acquired a portfolio of Spanish project companies effective 28 July 2022 (nine of which were included in the basis of consolidation; see Basis of consolidation) from the Q-Energy Group. The consideration transferred for the acquisition of the companies amounted to approximately €509.9m, taking into account a cash payment and the assumption of reciprocal receivables and liabilities. As part of the transaction, VERBUND entered into the outstanding upstream loans in the amount of approximately €73.3m (loans payable from VERBUND's perspective) and shareholder loans in the amount of around €76.2m (loans receivable from VERBUND's perspective).

In the transaction, an operating photovoltaic (PV) portfolio with total installed capacity of 82 MWp and an extensive development platform (wind and PV projects) were acquired along with a development team. The projects are being implemented in different regions of Spain. On the basis of the planned capacity, the geographic focus of the projects lies in the Castilla-La Mancha region (central Spain) and in Andalusia (southern Spain).

The transaction will help to implement the VERBUND Group's current strategy through an intense build-up and further expansion of the renewable generation portfolio, as well as to diversify with respect to markets and technologies in selected European countries. This in turn will improve the risk profile and build on a position of strength for renewable generation technologies on the Iberian Peninsula.

The acquired companies have been allocated to the New renewables segment.

The final fair values of the identifiable assets and liabilities were broken down as follows at the acquisition date:

Assets acquired and liabilities assumed	€m
	Acquisition date fair value
Intangible assets and property, plant and equipment	808.1
Right-of-use assets	13.4
Investments and other receivables	101.4
deferred tax assets	23.6
Trade receivables and other current assets ¹	53.5
Cash and cash equivalents	31.4
Total assets acquired	1,031.4
Non-current financial liabilities	394.5
Other non-current liabilities and provisions	98.8
Deferred tax liabilities	165.4
Current financial liabilities	18.4
Trade payables and other current liabilities	16.8
Total liabilities assumed	694.0
Total identifiable net assets at fair value (100 %)	337.4
Goodwill	172.6
Total consideration transferred	509.9
of which in cash	512.8
of which loans payable to previous shareholders	73.3
of which loans receivable from previous shareholders	-76.2

¹ For trade receivables and current other receivables, the carrying amounts represented a realistic estimate of their fair values (due to the short maturities); they also correspond to the gross value of the receivables.

Goodwill in the amount of €172.6m can be attributed in particular to future development projects (that were not separately identifiable during the purchase price allocation), to the platform value of the acquired employee base, and to deferred tax liabilities recognisable in accordance with IFRS 3.

VERBUND's new subsidiaries contributed €13.0m to VERBUND's revenue from the time of initial consolidation to the 31 December 2022 reporting date; their contribution to VERBUND's profit for the period was €-37.8m. If the business acquisition had taken place at the beginning of the reporting period, the new subsidiaries would have contributed €50.7m in revenue and €-52.8m in net profit for the period to the corresponding line items of VERBUND's income statement.

In light of the complexity of the accounting policy issues in connection with this transaction and the fact that it took place close to the reporting date, the initial accounting treatment of this business acquisition was classified as "provisional" in the interim consolidated financial statements published since 28 July 2022. As at 31 December 2022, adjustments were made to the preliminary purchase price allocation for the measurement of right-of-use assets as defined under IFRS 16, the detailed allocation of the fair values of financial liabilities and receivables, the analysis of provision requirements and the presentation of equity interests. This completes the purchase price allocation.

**Effect of the adjustment on the acquired assets and liabilities classified as
“provisional”**

	€m
Intangible assets and property, plant and equipment	397.0
Right-of-use assets	13.4
Other equity interests	-315.4
Investments and other receivables	1.2
Deferred tax assets	6.8
Trade receivables and other current assets	26.5
Cash and cash equivalents	0.5
Total assets acquired	130.0
Non-current financial liabilities	-1.4
Other non-current liabilities and provisions	15.5
Deferred tax liabilities	109.6
Current financial liabilities	1.7
Trade payables and other current liabilities	-12.4
Total liabilities assumed	113.0
Total identifiable net assets at fair value (100 %)	17.0
Goodwill	-17.0

In the separate financial statements of Group companies, all transactions denominated in foreign currency are measured at the spot exchange rate on the transaction date. Monetary balance sheet items are subsequently measured at the respective spot exchange rate at the reporting date. Exchange gains and losses are recognised through profit or loss under other financial result.

The Group's reporting currency is the euro. The functional currency of VERBUND AG, the consolidated subsidiaries (with the exception of VERBUND Wind Power Romania SRL) and all investees accounted for using the equity method is the euro. For the consolidated financial statements of VERBUND, the annual financial statements of the Romanian subsidiary are translated into euros using the functional currency method.

Assets and liabilities of foreign Group companies with a functional currency other than the euro are translated using the foreign exchange reference rate of the European Central Bank (ECB) or exchange rates published by local national central banks prevailing at the reporting date. Income and expenses are translated at average monthly exchange rates. Differences arising from translation at exchange rates prevailing at the reporting date are recognised in other comprehensive income and shown as a separate item in equity.

The exchange rates underlying the currency translation changed as follows:

Foreign exchange rates used for currency translation

Country	Currency	31/12/2021 Closing rate	31/12/2022 Closing rate	2021 Average rate	2022 Average rate
Romania	€1 = RON	4.9481	4.9474	4.9202	4.9346

Regulatory assets and liabilities result from temporarily higher/lower revenue due to the grid tariffs set by the regulator. With its Grid operating segment, VERBUND is subject to such a rate structure regulated by Energie-Control Austria für die Regulierung der Elektrizitäts- und Erdgaswirtschaft (E-Control). If the general criteria for recognition under IFRSs are not met, neither regulatory assets nor regulatory liabilities are recognised in the consolidated financial statements of VERBUND.

Currency translation

Regulatory assets and liabilities

Newly applicable or applied accounting standards

In the 2022 reporting period, the following new or amended standards and interpretations had to be applied for the first time or were applied early by VERBUND:

Newly applicable or applied accounting standards

Standard or interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Material effects on the consolidated interim financial statements of VERBUND
IFRS 3	Business Combinations – Reference to the Conceptual Framework	14/5/2020 (28/6/2021)	1/1/2022	None
IAS 16	Amendment: Proceeds before Intended Use	14/5/2020 (28/6/2021)	1/1/2022	None
IAS 37	Amendment: Onerous Contracts – Cost of Fulfilling a Contract	14/5/2020 (28/6/2021)	1/1/2022	None

New accounting standards not yet applicable or applied

The IASB has also issued new standards that were not applied by VERBUND in the 2022 reporting period because they have either not yet been endorsed by the European Union or their application was not yet mandatory:

New accounting standards not yet applicable or applied

Standard or interpretation		Published by the IASB (endorsed by the EU) ¹	Mandatory application for VERBUND	Expected material effects on the consolidated financial statements of VERBUND
IAS 1	Amendment: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	23/1/2020 (open)	1/1/2024	None
IFRS 16	Amendment: Lease Liability in a Sale and Leaseback	22/9/2022 (open)	1/1/2024	None
IAS 1 and IFRS Practice Statement 2	Amendment: Disclosure of Accounting Policies and Making Materiality Judgements	12/2/2021 (2/3/2022)	1/1/2023	None

New accounting standards not yet applicable or applied

Standard or interpretation		Published by the IASB (endorsed by the EU) ¹	Mandatory application for VERBUND	Expected material effects on the consolidated financial statements of VERBUND
IAS 8	Definition of Accounting Estimates	12/2/2021 (2/3/2022)	1/1/2023	None
IAS 12	Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	7/5/2021 (11/8/2022)	1/1/2023	None
IFRS 17	Amendment: First-time Adoption of IFRS 17 and IFRS 9 – Comparative Information	9/12/2021 (8/9/2022)	1/1/2023	None
IFRS 17	Insurance Contracts (First-time Adoption) including Amendment	18/5/2017 (19/11/2021)	1/1/2023	None

¹ basis: EU Endorsement Status Report from 22 December 2022

The impact of climate change on the measurement of VERBUND’s assets is evaluated at regular intervals, using scenarios that focus on meteorology and hydrology. The climate-based scenario analysis directly affects VERBUND’s strategy in that the investment programme focuses on the construction of regenerative power plants, the expansion of transmission systems and steps to increase efficiency at existing power plants. No significant measurement effects as a result of changes in the quantities relevant for energy production have been identified to date in connection with the evaluated climate scenarios. Estimates and assumptions made when the targeted carbon neutrality is implemented politically in the gas sector influence the measurement of relevant assets.

Effect of climate change

The beginning of hostilities on the part of Russian forces in Ukraine in February 2022 represents a watershed event. The potential financial impact on VERBUND’s assets was analysed in the course of preparing the consolidated financial statements for the period ended 31 December 2022. Higher electricity and gas prices compared with the previous year as well as the increase in the cost of capital had direct effects on asset measurement. The updating of these parameters resulted in changes in the value of assets recognised by VERBUND as at 31 December 2022 (see section 3.2.10 Impairment losses and reversals of impairment losses in the operating result and section 3.2.16. Impairment losses and reversals of impairment losses in the financial result).

Effects of the war in Ukraine

In addition to the changes in the energy industry environment, the effects of the war in Ukraine in financial year 2022 particularly impacted the gas network operating subsidiary Gas Connect Austria GmbH (GCA) and the investment in Trans Austria Gasleitung GmbH (TAG). The tight gas supply led to rapidly rising energy prices, which made the operation of the gas grid considerably more expensive. The aspired filling of gas storage facilities and the newly introduced volume-based charge to cover additional energy costs had a stabilising effect on the grid business. The development of the war in Ukraine is expected to continue to have a significant impact on the energy market. Uncertainties exist mainly due to potential future expansion of the European Union’s sanctions against Russia and the

related volatile Russian gas deliveries to Austria. The associated future financial impact is difficult to estimate from the current perspective.

Developments in Ukraine, the resulting risks and the financial impact on VERBUND continue to be evaluated on an ongoing basis.

Impact of the tax on excess profits

The Federal Act on the Electricity Energy Crisis Contribution (Bundesgesetz über den Energiekrisenbeitrag-Strom (EKB-S)) in Austria provides for electricity revenues to be capped at €140 per MWh, in particular for the hydropower, wind power, solar (PV and solar thermal) and hard coal generation technologies. If encouraged investments in renewable energies and energy efficiency are made, a deduction amounting to 50 % of the actual costs may be claimed, up to a maximum of €36 per MWh of electricity (based on the supplied volume underlying the market revenue). Revenue above the price cap will be taxed at 90 %. The monthly excess revenue accrued between 1 December 2022 and 31 December 2023 will be taxed. The reference value for the excess profit tax is the revenue that results when electricity derivatives and electricity purchase agreements are taken into account (average monthly price).

In addition to the windfall profit tax in Austria, VERBUND and its renewable generation plants are also affected by market interventions in Germany, Spain and Romania; above all the new law in Germany is expected to result in significant windfall taxes. The windfall profit tax system in Germany is based on differentiated limits depending on the generation technology, as well as on the type of marketing in the case of renewable energy plants. In Germany, 90 % of the excess revenues accrued between 1 December 2022 and 30 June 2023 will be subject to the tax - with the possibility of an extension from 30 June 2023 until 30 April 2024.

The windfall tax is 100 % tax-deductible. The windfall tax is presented in the income statement under other revenue-related expenses.

Accounting treatment of power purchase agreements

VERBUND enters into medium and long-term electricity supply agreements (Power Purchase Agreements, PPAs) for the marketing of generation in the renewable energy business. A basic distinction is made here between physical PPAs and virtual PPAs. Physical PPAs provide for the actual delivery of the output either directly to the customer or via the public power grid. In contrast, virtual PPAs decouple the flow of electricity from financial cash flows. VERBUND sells the output on the spot market, whereby the difference between the individually contracted electricity price and the respective market price achieved is settled between VERBUND and the customer. Depending on the structure of these bilateral contracts, they are accounted for either as a pending contract (IAS 37 for onerous contracts), as a derivative (IFRS 9) or as a lease (IFRS 16).

Adjustments in accordance with IAS 8.14 (b) and IAS 8.41

Balance sheet presentation of derivative financial instruments

Due to the significant increase in prices on the electricity and gas markets in the current and previous financial years, the resulting high measurement effects in other receivables and liabilities led to large increases in these items. The presentation of derivative financial instruments in the balance sheet was adjusted in order to continue providing a true and fair view in addition to ensuring comparability with the financial statements of companies in the same or similar industries. The measurement gains and losses from derivative financial instruments previously presented in trade receivables, other receivables and securities or trade payables and other liabilities are broken down in application of IAS 8.14 (b) into a current and non-current portion and presented separately in the new items Receivables from

derivative financial instruments and Liabilities from derivative financial instruments. These items have so far not been broken down into current and non-current components, which will be corrected in application of IAS 8.41. This did not have any effect on earnings. The changes and corrections presented were made retrospectively in accordance with IAS 8 by adjusting all comparative information.

Adjustment amounts		€m		
	1/1/2021		1/1/2021	
	Before adjustment	Adjustment	After adjustment	
Non-current assets	670.4	52.4	722.8	
Investments and other receivables	670.4	-63.5	606.9	
Receivables from derivative financial instruments	0.0	115.9	115.9	
Current assets	620.1	-32.0	588.1	
Receivables from derivative financial instruments	0.0	144.3	144.3	
Trade receivables, other current receivables and securities	620.1	-176.3	443.7	
Effect of the adjustment on assets	1,290.5	20.4	1,310.9	
	1/1/2021		1/1/2021	
	Before adjustment	Adjustment	After adjustment	
Non-current liabilities	399.0	57.3	456.3	
Liabilities from derivative financial instruments	0.0	57.3	57.3	
Other liabilities	399.0	0.0	399.0	
Current liabilities	813.8	-37.0	776.8	
Liabilities from derivative financial instruments	0.0	215.1	215.1	
Trade payables and other liabilities	813.8	-252.0	561.8	
Effect of the adjustment on liabilities	1,212.8	20.4	1,233.2	

Adjustment amounts		€m		
	31/12/2021		31/12/2021	
	Before adjustment	Adjustment	After adjustment	
Non-current assets	695.8	729.5	1,425.4	
Investments and other receivables	695.8	204.3	900.1	
Receivables from derivative financial instruments	0.0	525.2	525.2	
Current assets	3,865.7	-559.7	3,306.0	
Receivables from derivative financial instruments	0.0	1,972.7	1,972.7	
Trade receivables, other current receivables and securities	3,865.7	-2,532.4	1,333.3	
Effect of the adjustment on assets	4,561.5	169.8	4,731.3	

	31/12/2021 Before adjustment	Adjustment	31/12/2021 After adjustment
Non-current liabilities	462.1	734.8	1,196.9
Liabilities from derivative financial instruments	0.0	734.8	734.8
Other liabilities	462.1	0.0	462.1
Current liabilities	4,614.7	-565.0	4,049.7
Liabilities from derivative financial instruments	0.0	3,313.3	3,313.3
Trade payables and other liabilities	4,614.7	-3,878.3	736.4
Effect of the adjustment on liabilities	5,076.8	169.8	5,246.6

2. Discretionary judgements and key assumptions concerning the future

Preparers of financial statements are granted various options in connection with the application of IFRSs. For this reason, the management must make discretionary decisions as well as estimates and assumptions regarding future developments that can have a significant influence on amounts shown in these consolidated financial statements. The amounts actually realised can differ from the amounts recognised based on the decisions and assumptions that were made. Estimates and the underlying assumptions are regularly reviewed and adjusted if necessary.

The following discretionary decisions and assumptions regarding the future have a significant influence on the financial statements:

Discretionary decisions and assumptions regarding the future

Assessment of the terms of leases	Section 4.3
Determination of the discount rate for impairment testing	Section 4.4
Determination of the expected cash flows for impairment testing of goodwill	Section 4.4.1
Determination of the expected cash flows for impairment testing of power plants	Section 4.4.2
Determination of the discount rate for the measurement of pensions and similar obligations as well as statutory termination benefits	Section 9.2
Determination of measurement parameters for other provisions	Section 9.3
Determination of the likelihood of contingent liabilities	Section 13.1
Evaluation of whether other entities are controlled or jointly managed by VERBUND or whether VERBUND can exert a significant influence on another entity and/or whether an entity represents a joint operation of VERBUND	Section 13.4

3. Performance in the financial year

3.1 Segment reporting

In accordance with Section 8(3) of the Austrian Electricity Industry and Organisation Act (EIWOG), integrated electricity companies must publish separate balance sheets and income statements for electricity generation, electricity trading and supply activities, transmission activities and distribution activities. However, in accordance with IFRS 8, VERBUND's segment reporting is to be oriented towards internal management and reporting (management approach). Therefore the definition of the operating segments and the contents of the report corresponds to the structure of internal reporting to the Executive Board as the primary decision-maker:

Definition of operating segments

Hydro	Hydropower generation technology
New renewables	Wind and photovoltaic generation technologies
Sales	Trading and sales activities
Grid	Activities of Austrian Power Grid AG (APG), Gas Connect Austria GmbH (GCA) and Austrian Gas Grid Management AG (AGGM)
All other segments	
Thermal generation	Electricity and thermal generation of VERBUND Thermal Power GmbH & Co KG from natural gas
Services	Business activities of VERBUND Services GmbH
Equity interests	Equity interest in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft (KELAG)

Segments that do not exceed the quantitative thresholds are summarised in the All other segments category. The Reconciliation/consolidation column includes the activities of VERBUND AG and VERBUND Finanzierungsservice GmbH as well as unconsolidated equity interests that have not been allocated to a segment and consolidations which must be carried out at Group level.

The following key performance indicators are reported for the control and management of the operating segments:

Key performance indicators – segment reporting

EBITDA	Internal measurement of the performance of each operating segment. Transactions between operating segments are carried out at arm's length.
Result from interests accounted for using the equity method	Assessment of the Equity interest segment
Capital employed	Total assets less those assets that do not (yet) contribute to the performance and commercialisation processes and less non-interest-bearing debt.

Other material non-cash items include measurement effects from energy derivatives, the reversal of contributions to building costs, non-cash changes in provisions and write-downs of primary energy sources in inventory.

All segment data are measured in accordance with IFRSs.

Operating segment data

	Hydro	New renewables	Sales	Grid	All other segments	Reconciliation/consolidation	Total Group
€m							
2022							
External revenue	121.6	175.7	7,813.3	2,168.1	62.9	4.5	10,346.1
Internal revenue	2,702.1	62.8	1,067.1	44.7	503.9	-4,380.6	0.0
Total revenue	2,823.7	238.4	8,880.5	2,212.9	566.8	-4,376.2	10,346.1
EBITDA	2,383.4	127.6	242.4	297.6	186.0	-76.4	3,160.7
Depreciation	-225.8	-43.8	-3.1	-167.1	-19.9	-3.1	-462.7
Effects from impairment tests (operating result)	-10.4	-145.9	0.0	-41.5	126.0	0.0	-71.8
Other material non-cash items	18.9	-0.1	109.6	15.1	69.5	1.5	214.6
Result from interests accounted for using the equity method	1.1	0.0	-0.7	-0.4	4.3	0.0	4.3
Effects from impairment tests (financial result)	-0.3	0.0	0.0	-46.2	0.0	0.0	-46.5
Capital employed	6,180.5	1,356.6	1,413.4	2,740.4	655.2	-254.2	12,092.0
of which carrying amount of interests accounted for using the equity method	22.8	1.4	15.7	31.3	294.3	0.0	365.5
Additions to intangible assets and property, plant and equipment ¹	394.0	302.2	64.2	433.4	29.8	3.5	1,227.2
Additions to interests accounted for using the equity method ²	0.0	0.0	4.0	0.0	0.0	0.0	4.0

¹ excl. additions from business acquisitions in the amount of €908.1m (previous year: €722.5m) // ² excl. additions from business acquisitions in the amount of €0.0m (previous year: €107.2m)

Operating segment data

	€m						
	Hydro	New renewables	Sales	Grid	All other segments	Reconciliation/consolidation	Total Group
2021							
External revenue	101.2	96.0	3,316.8	1,215.4	44.1	3.1	4,776.6
Internal revenue	1,364.3	30.4	548.7	31.5	339.3	-2,314.1	0.0
Total revenue	1,465.5	126.4	3,865.5	1,246.9	383.4	-2,311.0	4,776.6
EBITDA	1,106.0	53.3	59.6	331.3	72.5	-43.8	1,579.0
Depreciation	-217.6	-26.6	-2.0	-153.4	-14.6	-3.1	-417.3
Effects from impairment tests (operating result)	32.2	57.7	0.0	0.0	24.0	-8.8	105.1
Other material non-cash items	35.3	0.1	-31.3	11.2	-15.9	1.5	0.8
Result from interests accounted for using the equity method	0.3	0.3	-2.0	0.2	36.0	0.0	34.8
Effects from impairment tests (financial result)	16.8	0.0	0.0	-18.3	0.0	0.0	-1.5
Capital employed	5,920.6	455.2	1,609.0	2,647.8	512.6	31.9	11,177.0
of which carrying amount of interests accounted for using the equity method	22.1	1.5	12.5	77.9	289.9	0.0	404.1
Additions to intangible assets and property, plant and equipment	320.5	114.4	12.1	405.4	12.9	3.1	868.3
Additions to interests accounted for using the equity method	0.0	0.0	9.8	0.0	0.0	0.0	9.8

EBITDA in the total column corresponds to EBITDA in the income statement of VERBUND. Therefore, the reconciliation to profit before tax can be taken from the income statement.

Reconciliation

The reconciliation from the total amount for capital employed to VERBUND's total assets results as follows:

Reconciliation from capital employed to total assets

	€m	
	2021 ¹	2022
Capital employed	11,177.0	12,092.0
Assets not used in the performance and commercialisation process	3,769.4	3,805.8
Non-interest-bearing debt	2,335.0	3,258.9
Total assets of VERBUND	17,281.4	19,156.6

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8.

Entity-wide disclosures

Under IFRS 8, entity-wide disclosures include geographical segment reporting for revenue (based on the point of delivery) and non-current assets. In addition, information on major customers must be provided. Disclosures regarding revenue are presented in section 3.2.1 Revenue. VERBUND does not have any customers for whom revenue equals or exceeds 10 % of total revenue.

Geographical segment reporting: non-current assets		€m
	2021	2022
Intangible assets and property, plant and equipment	11,460.8	13,121.2
of which in Austria	8,476.4	8,979.3
of which in Germany	2,673.0	2,734.3
of which in Spain	105.4	1,215.6
of which in other EU countries	206.1	192.0
Interests accounted for using the equity method	404.1	365.5
of which in Austria	385.1	346.2
of which in other countries ¹	19.0	19.4

¹ This includes the equity interest in (Austrian) Ashta Beteiligungsverwaltung GmbH, which holds the equity interest in the Albanian entity Energji Ashta Shpk.

3.2 Notes to the income statement

3.2.1 Revenue

VERBUND primarily generates revenue from contracts with customers from the delivery of electricity and gas, by operating the Austrian electricity transmission network and the gas transmission and distribution network. The accounting policies for this revenue are presented in the tables below:

Revenue from contracts with customers	Period allowed for payment	Significant financing components
Market participants from energy exchanges, traders and electric utilities	20 days	No
Industrial customers	14–60 days	No
Commercial customers	14 days	No
Household customers	14 days	No
Revenue from operating the Austrian gas transmission and distribution network	15 days	No
Revenue from operating the Austrian electricity transmission network	14 days	No

Measurement of contracts with customers in accordance with IFRS 15

Type of contract	Contracts with customers for the delivery of electricity and gas	Contracts with customers as a result of operating the Austrian electricity transmission network	Contracts with customers as a result of operating the Austrian gas transmission and distribution network
Performance/ counter-performance	As a rule, the consideration received for the contracts of the delivery of electricity and gas comprises a capacity price and an energy price. The capacity price is independent of volume, whereas the energy price depends on the volume of electricity and gas purchased.	The services include mainly system, control power and balancing energy as well as congestion management and redispatch services. The consideration received for these services depends largely on the electricity consumed by the customers and/or the costs incurred by VERBUND for each of these services.	The services include the marketing and provision of transportation capacities at the border crossing points, i.e. entry and exit capacities, of transportation capacities for natural gas needed in Austria as well as dispatching and other services.
Revenue recognition	Revenue is recognised as soon as the control over the goods and/or services is transferred to the customers. Control is transferred over the period in which the service is rendered. Revenue is realised in the amount in which VERBUND has fulfilled its obligations with respect to the delivery of electricity and gas (i.e. the customer could purchase electricity and/or gas at any given time and/or has done so) and a right to invoice the service already rendered has been established.	Revenue is realised in the amount in which VERBUND has a right to invoice the services already rendered. Control is transferred over the period in which the service is rendered.	Revenue is realised in the amount in which VERBUND has a right to invoice the services already rendered. Control is transferred over the period in which the service is rendered.
Special circumstances	With some contracts to deliver electricity and gas, the customers are also billed for grid costs. Since VERBUND does not have any control over the grid services prior to the transfer to the customers. VERBUND should be regarded as an agent with respect to these services. Therefore, no revenue is recognised for the grid services.	none	none

Revenue by segment						€m
	2021 Domestic	2022 Domestic	2021 Foreign	2022 Foreign	2021 Total	2022 Total
Electricity revenue resellers	56.3	55.4	35.4	53.3	91.8	108.7
Electricity revenue traders	0.4	0.4	2.9	5.4	3.2	5.8
Electricity revenue – Hydro segment	56.7	55.8	38.3	58.7	95.0	114.5
Electricity revenue resellers	0.0	0.0	0.0	19.5	0.0	19.5
Electricity revenue traders	11.3	0.0	29.1	72.1	40.4	72.1
Electricity revenue consumers	0.0	0.0	38.5	61.6	38.5	61.6
Electricity revenues – New Renewables segment	11.3	0.0	67.6	153.2	78.9	153.2
Electricity revenue resellers	801.1	2,216.4	527.3	1,062.1	1,328.5	3,278.6
Electricity revenue traders	740.1	1,377.9	143.0	810.6	883.0	2,188.6
Electricity revenue consumers	560.0	1,127.0	425.5	1,049.1	985.5	2,176.1
Electricity revenue – Sales segment	2,101.2	4,721.4	1,095.8	2,921.9	3,197.0	7,643.3
Electricity revenue resellers	115.2	150.7	331.5	632.5	446.7	783.2
Electricity revenue traders	7.7	50.0	7.9	3.3	15.6	53.3
Electricity revenue – Grid segment	122.9	200.7	339.4	635.8	462.3	836.4
Electricity revenue – All other segments	0.0	0.0	0.0	0.0	0.0	0.0
Electricity revenue – reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
Total electricity sales revenue	2,292.2	4,977.8	1,541.1	3,769.6	3,833.3	8,747.4
Grid revenue electric utilities	442.0	598.9	8.3	39.4	450.3	638.3
Grid revenue industrial customers	7.1	9.7	0.0	0.0	7.1	9.7
Grid revenue other	105.8	288.1	171.8	373.1	277.6	661.2
Total grid revenue – Grid segment	554.9	896.7	180.1	412.5	735.0	1,309.3
Other revenue – Hydro segment					6.2	7.0
Other revenues – New Renewables segment					17.1	22.5
Other revenue – Sales segment					119.7	170.0
Other revenue – Grid segment					18.1	22.5
Other revenue – All other segments					44.1	62.9
Other revenue – reconciliation					3.1	4.5
Total of other revenue					208.4	289.4
Total revenue					4,776.6	10,346.1

In the 2022 reporting period, €4.9m (previous year: €4.4m) in measurements and realisations of derivative financial instruments in the trading area was recognised as revenue. To present business performance more accurately, revenue from energy trading is shown as a net amount, i.e. amounts realised and measured are each presented net of expenses. As a result, €4,607.9m (previous year: €–1,718.6m) in expenses was presented as a net amount in electricity revenue and €343.1m (previous year: €663.4m) in other revenue.

Other revenue	€m	
	2021	2022
Sale of gas	75.0	119.8
District heating deliveries	39.7	59.8
Sale of proof of origin and green electricity certificates	39.8	47.0
Consulting or planning services as well as other services	20.0	32.0
Other	33.9	30.9
Other revenue	208.4	289.4

**3.2.2
Other revenue**

Other operating income	€m	
	2021	2022
Changes in inventory and own work capitalised	54.9	57.5
Government grants ¹	0.0	21.4
Various goods and services	10.8	11.4
Income from (insurance) compensation	20.3	7.9
Disposal of property, plant and equipment and intangible assets	2.6	3.1
Rent and lease income	2.1	2.1
Other	6.9	9.6
Other operating income	97.4	113.1

**3.2.3
Other operating income**

¹ relates to VERBUND Wind Power Romania S.R.L

Expenses for electricity, grid, gas and certificates purchases	€m	
	2021	2022
Expenses for electricity purchases	2,463.7	6,503.0
Expenses for gas purchases	83.2	225.6
Expenses for grid purchases (system use)	54.8	58.9
Expenses for proof of origin and green electricity certificate purchases	1.7	9.6
Purchase of emission rights (trade)	9.3	5.3
Expenses for electricity, grid, gas and certificates purchases	2,612.6	6,802.4

**3.2.4
Expenses for electricity, grid, gas and certificates purchases**

Fuel expenses and other usage-/revenue-dependent expenses	€m	
	2021	2022
Use of natural gas	192.8	405.1
Emission rights acquired in exchange for consideration	23.9	35.7
Other revenue-dependent expenses	24.8	34.8
Windfall tax expenses	0.0	33.5
Other usage-dependent expenses	8.6	13.1
Fuel expenses and other usage-/revenue-dependent expenses	250.1	522.1

**3.2.5
Fuel expenses and other usage-/revenue-dependent expenses**

3.2.6 Personnel expenses

Personnel expenses	€m	
	2021	2022
Wages and salaries	290.3	325.1
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	65.2	73.5
Other social expenses	5.2	6.8
Subtotal	360.7	405.3
Expenses for pensions and similar obligations	18.7	17.8
Expenses for termination benefits	4.3	5.3
Personnel expenses	383.7	428.5

The pension fund contributions to the defined contribution investment and risk association amounted to €8.1m (previous year: €7.6m) in the 2022 reporting period. Expenses for termination benefits included a total of €3.2m (previous year: €2.7m) in contributions to an employee pension fund.

3.2.7 Other operating expenses

Other operating expenses	€m	
	2021	2022
Third-party maintenance of power plants and line systems	104.9	111.2
Other third-party services received	45.4	71.9
IT expenses	34.9	46.0
Advertising expenses and donations	16.1	39.2
Legal, consulting and audit expenses	19.9	27.7
Expenses for supervision by E-Control	14.1	16.0
Costs for personnel provided	14.1	14.9
Travel expenses, advanced training	7.5	11.3
Compensation payments	10.2	11.3
Material costs for motor vehicle operation and maintenance	6.7	7.9
Operating costs	5.3	6.7
Insurance	4.9	6.2
Fees	7.6	4.6
Purchased telecommunication services	4.0	4.1
Usage fees	3.3	3.5
Membership fees	3.1	3.3
Concession fees	2.7	2.7
Expenses from the disposal of property, plant and equipment and intangible assets	1.6	2.7
Other	12.0	12.1
Other operating expenses	318.3	403.5

Measurement and realisation of energy derivatives		€m
	2021	2022
Realisation of futures	1,041.7	- 18.3
of which negative	2,129.7	4,039.4
of which positive	-1,088.0	-4,057.7
Measurements	-772.0	876.3
of which negative	3,030.7	6,998.5
of which positive	-3,802.7	-6,122.2
Measurement and realisation of energy derivatives	269.7	858.0

**3.2.8
Measurement of
energy derivatives**

Depreciation and amortisation		€m
	2021	2022
Depreciation of property, plant and equipment	375.3	436.2
Amortisation of intangible assets	12.4	16.8
Depreciation of right-of-use assets	29.6	9.7
Depreciation and amortisation	417.3	462.7

**3.2.9
Depreciation and
amortisation**

Impairment losses and reversals of impairment losses		€m
	2021	2022
Mellach combined cycle gas turbine power plant ¹	25.2	129.6
Deferred grants for the Mellach combined cycle gas turbine power plant ¹	-0.7	-3.6
Gratkorn power plant on the Mur River ¹	0.0	-11.2
Accrued construction cost contributions for the Gratkorn power plant on the Mur River ¹	0.0	0.7
Goodwill of Gas Connect Austria ²	-8.8	-39.3
Gas Connect Austria	0.0	-2.2
Goodwill Spanish renewables portfolio ²	0.0	-94.2
Cash-generating units in the Spanish renewables portfolio ¹	0.0	-51.7
Romanian wind farms	58.3	0.0
Malta and Reisseck storage group	11.7	0.0
Zemm-Ziller storage group	9.0	0.0
Gries run-of-river power plant	6.6	0.0
Deferred contributions to building costs for the Gries run-of-river power plant	-1.1	0.0
Graz power plant on the Mur River	6.0	0.0
Other	-1.1	0.0
Impairment losses and reversals of impairment losses	105.1	-71.8

**3.2.10
Impairment losses
and reversals of
impairment losses**

¹ see section 4.4.2 Impairment testing of power plants for details on the changes in value of the Mellach combined cycle gas turbine power plant and the Gratkorn power plant on the Mur River as well as on the cash-generating units (CGUs) of the Spanish renewables portfolio // ² see section 4.4.1 Impairment testing of goodwill for details on changes in the value of goodwill

3.2.11
Result from interests
accounted for using
the equity method

The result from interests accounted for using the equity method can be attributed mainly to KELAG-Kärntner Elektrizitäts-Aktiengesellschaft (KELAG), which operates business lines providing electricity, gas and heat.

3.2.12
Other result from
equity interests

Other result from equity interests	€m	
	2021	2022
Income from equity interests and unconsolidated subsidiaries	8.1	8.3
Income from the disposal of equity interests and unconsolidated subsidiaries	12.0	0.2
Expenses arising from equity interests and unconsolidated subsidiaries	-0.5	-0.6
Other result from equity interests	19.5	8.0

3.2.13
Interest income

Interest income	€m	
	2021	2022
Interest from investments under closed items on the balance sheet	30.9	31.5
Interest from money market transactions	0.7	2.7
Other interest and similar income	6.7	5.9
Interest income	38.4	40.1

3.2.14
Interest expenses

Interest expenses	€m	
	2021	2022
Interest for financial liabilities under closed items on the balance sheet	30.9	31.5
Interest for bonds	10.9	13.6
Interest for other liabilities from electricity supply commitments	13.7	12.7
Interest for bank loans	7.5	10.4
Interest on a share redemption obligation	6.5	7.9
Interest for money market transactions	0.2	7.6
Net interest expense on personnel-related liabilities	5.6	7.0
Interest to clearing banks	0.7	6.8
Interest for other non-current provisions	1.2	2.8
Borrowing costs capitalised in accordance with IAS 23	-4.9	-6.7
Other interest and similar expenses	5.6	8.1
Interest expenses	77.8	101.7

Other financial result	€m	
	2021	2022
Measurement of an obligation to return an interest ¹	-23.3	31.6
Measurement of derivative financial instruments in the finance area	2.4	3.4
Income from securities and loans	3.7	2.1
Foreign exchange gains	0.1	0.1
Foreign exchange losses	-0.1	-0.4
Change in expected credit losses	0.0	-9.1
Measurement of a profit participation right with respect to material assets ²	-3.5	-22.7
Other	4.9	-3.3
Other financial result	-15.8	1.6

¹ The obligation to transfer the 50 % interest in Donaukraftwerk Jochenstein AG to the Free State of Bavaria without exchange of consideration is measured at amortised cost. The expected fair value of the interest at the transfer date (31 December 2050) is calculated periodically and discounted based on the original effective interest rate (corresponding to the weighted average cost of capital at the acquisition date). Changes in the expected fair value of the interest are recognised in the other financial result. See section 8.2 Other long-term liabilities // ² The profit participation right exists with respect to the material assets of TAG. They are measured at fair value through profit or loss in accordance with IFRS 9.

As a rule, the changes in value of derivative financial instruments related to closed items on the balance sheet, and the liabilities measured at fair value through profit or loss are, in principle, also recognised in the other financial result. However, the effects on profit or loss of these two items balance each other out and were therefore not included in the above table.

The impairment in the financial result for the 2022 reporting period relates to the investments in Trans Austria Gasleitung GmbH (TAG) and Ashta Beteiligungsverwaltung GmbH, which are accounted for using the equity method.

Major changes in the energy industry environment, in particular the significant increase in electricity and gas prices, prompted TAG to conduct an impairment test.

**3.2.15
Other
financial result**

**3.2.16
Impairment losses
and reversals of
impairment losses**

Impairment test – Trans Austria Gasleitung GmbH

	31/12/2021	31/12/2022
Cash-generating unit	Trans Austria Gasleitung GmbH, Austrian transmission system operator	Trans Austria Gasleitung GmbH, Austrian transmission system operator
Triggering event for (an increase in) impairment	Significant changes in the energy industry environment	Significant changes in the energy industry environment
Basis for recoverable amount	Fair value (Level 3) less costs of disposal	Value in use
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	Trans Austria Gasleitung GmbH budgets (based primarily on near-market data)	Trans Austria Gasleitung GmbH budgets (based primarily on near-market data)
Volume	Capacity bookings	Capacity bookings
Price	Regulatory tariffs published by the regulator	Regulatory tariffs published by the regulator
Planning period	Detailed planning phase: 6 years; rough planning phase: 5 years plus Regulatory Asset Base (RAB) as exit value	Detailed planning phase: 6 years; rough planning phase: 5 years plus Regulatory Asset Base (RAB) as exit value
Key measurement assumptions	Regulatory interest rate of the RAB	Regulatory interest rate of the RAB
After-tax discount rate	Determination of discount rate taking into account regulatory framework conditions	Determination of discount rate taking into account regulatory framework conditions
Recoverable amount	€51.6m	€21.9m
Impairment losses during the period ¹	€– 18.3m	€– 46.2m

¹ Impairment incl. tax gross up. An impairment loss had already been recognised in the 2022 reporting period in the amount of €3.3m as at 30 June 2022. As at 31 December 2022, the impairment recognised during the year increased to €46.2m.

Sensitivity analysis for Trans Austria Gasleitung GmbH 31/12/2022¹

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
	(Please refer to the table above)		€-0.5m
After-tax discount rate		± 0.25 PP	€+ 0.5m

¹ In the sensitivity analysis, one key measurement assumption was changed at a time while the other factors of influence remained constant. However, in reality changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects.

Sensitivity analysis for Trans Austria Gasleitung GmbH 31/12/2021

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
	(Please refer to the table above)		€-0.9m
After-tax discount rate		± 0.25 PP	€+ 0.9m

The updated electricity price forecasts and the discount rates adjusted as at 31 December 2022 prompted Ashta Beteiligungsverwaltung GmbH to conduct an impairment test.

Impairment test – Ashta Beteiligungsverwaltung GmbH

	31/12/2021	31/12/2022
Cash-generating unit	VERBUND and EVN AG joint venture that holds 100 % of the interest in Energji Ashta Shpk, which in turn operates a two-stage Hydromatrix power plant (installed capacity: 53 MW) in Albania	VERBUND and EVN AG joint venture that holds 100 % of the interest in Energji Ashta Shpk, which in turn operates a two-stage Hydromatrix power plant (installed capacity: 53 MW) in Albania
Indications of a (reduction in) impairment	Updated electricity price forecasts and updated discount rate	Updated electricity price forecasts and updated discount rate
Basis for recoverable amount	Value in use	Value in use
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	Budgets of Energji Ashta Shpk	Budgets of Energji Ashta Shpk
Volume	The annual output corresponding to the mean energy capability of 242 GWh	The annual output corresponding to the mean energy capability of 242 GWh
Price	2022–2028: Electricity prices based on purchase agreement with KESH 2029–2043: Internal price forecasts	2023–2028: Electricity prices based on purchase agreement with KESH 2029–2043: Internal price forecasts
Planning period	Detailed planning phase: 1 year; rough planning phase: 21 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)	Detailed planning phase: 1 year; rough planning phase: 20 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)
Key measurement assumptions	Electricity price forecasts and discount rate	Electricity price forecasts and discount rate
After-tax discount rate ¹	WACC after taxes (2022–2028): 7.75 % WACC after taxes (2029–2043): 8.50 %	WACC after taxes (2023–2028): 10.75 % WACC after taxes (2029–2043): 12.50 %
Recoverable amount	€18.9m	€19.2m
Change in value during the period ²	€+ 16.8m	€–0.3m

¹ The iteratively calculated implicit pre-tax interest rate was 13.79 % (previous year: 9.37 %). // ² An impairment loss had already been recognised in the 2022 reporting period in the amount of €0.9m as at 30 June 2022. As at 31 December 2022, the impairment recognised during the year decreased to €0.3m.

Sensitivity analysis for Ashta Beteiligungsverwaltung GmbH 31/12/2022¹

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
Electricity price ²	€99.04 per MWh	± 5 %	€+ 3.3m €- 3.3m
After-tax discount rate	10.75 % (12.5 %)	± 0.25 PP	€+ 1.0m €- 1.0m

¹ In the sensitivity analysis, one key measurement assumption was changed at a time while the other factors of influence remained constant. However, in reality changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // ² The electricity price shown relates to the year 2030. The sensitivity analysis varies the price of electricity steadily over time up to the planning horizon.

Sensitivity analysis for Ashta Beteiligungsverwaltung GmbH 31/12/2021

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
Electricity price	€73.2 per MWh	± 5 %	€+ 2.9m €- 2.9m
After tax discount rate	7.75 % (8.5 %)	± 0.25 PP	€+ 1.0m €- 1.0m

The corporate income tax rate applying to VERBUND AG is 25.0 %. The following income tax rates are applied by consolidated subsidiaries (depending on the country in which they are located):

**3.2.17
Taxes on income**

Income tax rates applicable to subsidiaries

	in %	
	2021	2022
Austria ¹	25.0	25.0
Germany – partnerships ²	28.6	28.6
Germany – limited companies ²	24.23–32.43	24.23–32.40
Spain	25.0	25.0
Romania	16.0	16.0

¹ Due to the reduction of the corporate income tax rate to 24 % from 2023 and 23 % from 2024, a composite rate is used to calculate the deferred taxes. // ² The corporate income tax rate shown also includes the solidarity surcharge and municipal trade tax. The trade tax depends on the local multiplier, which varies from one municipality to another.

Beginning with the 2005 reporting period, VERBUND took advantage of the option to form a group of companies for tax purposes as granted by the legislature; VERBUND AG is the tax group parent. The tax benefit resulting from the amortisation of goodwill (Section 9(7) of the 1988 Corporate Income Tax Act (Körperschaftsteuergesetz, KStG)) within the corporate group is treated as a temporary difference for shares in subsidiaries (outside basis difference).

Taxes on income	€m	
	2021	2022
Current tax expenses ¹	250.0	582.0
Future tax expense for subsequent taxation of transfers of losses from foreign members of the tax group	5.2	0.0
Deferred income tax expenses	24.1	1.3
Taxes on income	279.4	583.4

¹ Current tax expenses include adjustments from prior periods of €- 7.0m (previous year: income €- 1.2m).

The reasons for the difference between VERBUND's computed and recognised tax expense are as follows:

Tax reconciliation	€m	
	2021	2022
Computed income tax expense	316.1	633.0
Change in Austrian corporate income tax rate	-	-56.6
Tax-exempt investment income	-5.0	-2.1
Differing tax rates	-1.1	1.8
Differences from partnerships	-6.5	-6.0
Interests accounted for using the equity method	-8.7	-1.1
Impairment testing of equity-accounted and other interests	-4.2	0.1
Tax-allowable impairment losses on investments	0.0	-36.7
Amortisation of goodwill for tax purposes	-2.9	-2.9
Goodwill amortisation IFRS	2.2	33.4
Other line items	-7.6	-0.7
Income tax expenses for the period	282.3	562.3
Income tax income or expenses from prior periods (current and deferred)	-2.9	21.1
Recognised income tax expenses	279.4	583.4
Effective tax rate	22.1 %	23.0 %

3.2.18 Earnings per share

Determination of earnings per share	€m	
	2021	2022
Profit for the period	985.1	1,948.8
Profit for the period attributable to non-controlling interests	-111.5	-231.8
Group result	873.6	1,717.0
Weighted average number of shares in circulation	347,415,686	347,415,686
Earnings per share in €¹	2.51	4.94

¹ There were no options on the issue of new shares or other facts or circumstances that could have a diluting effect; therefore, basic and diluted earnings per share are the same.

3.3 Notes to the statement of comprehensive income

Reclassification adjustments to the income statement

	€m	
	2021	2022
Measurement gains or losses recognised in equity	-3.5	0.3
Differences from currency translation	-3.5	0.3
Measurement gains or losses recognised in equity ¹	-1,897.4	-1,135.5
Reclassification adjustment to the income statement	77.5	1,600.6
Measurements of cash flow hedges	-1,819.9	465.1
Measurement gains or losses recognised in equity	-11.9	-9.9
Other comprehensive income from interests accounted for using the equity method	-11.9	-9.9
Other comprehensive income	-1,835.3	455.5

¹ Of which €-3.3m (previous year: €-4.9m) relates to costs from hedging with options (see section 5.2 Accounting treatment of hedging relationships).

3.3.1 Reclassification adjustments to the income statement

Taxes on income on other comprehensive income

	€m					
	2021 Before taxes	2021 Taxes	2021 After taxes	2022 Before taxes	2022 Taxes	2022 After taxes
Remeasurements of the net defined benefit liability	86.5	-22.0	64.4	172.0	-52.0	120.1
Measurements of financial instruments	23.5	-5.9	17.6	3.0	0.0	3.0
Other comprehensive income from interests accounted for using the equity method	5.1	-	5.1	13.7	-	13.7
Total of items that will not be reclassified subsequently to the income statement	115.0	-27.9	87.1	188.7	-52.0	136.7
Differences from currency translation	-3.5	-	-3.5	0.3	-	0.3
Measurements of cash flow hedges	-1,819.9	455.0	-1,364.9	465.1	-136.6	328.5
Other comprehensive income from interests accounted for using the equity method	-11.9	-	-11.9	-9.9	-	-9.9
Total of items that will be reclassified subsequently to the income statement	-1,835.3	455.0	-1,380.3	455.5	-136.6	318.9
Other comprehensive income	-1,720.3	427.1	-1,293.2	644.2	-188.6	455.6

3.3.2 Taxes on other comprehensive income

3.4 Notes to the cash flow statement

The indirect method has been used to prepare VERBUND's cash flow statement. The composition of cash and cash equivalents can be seen in section 6 Working capital.

Outstanding items with respect to current liabilities arose in connection with additions to intangible assets and property, plant and equipment in the amount of €142.9m (previous year: €137.5m).

3.4.1 Additional information on cash flow from financing activities

Additional information on cash flow from financing activities	2021	2022
Dividends paid to the shareholders of VERBUND AG	-260.6	-364.8
Dividends paid to non-controlling interests	-58.8	-113.0

3.4.2 Change in liabilities from financing activities

The following table shows the development of liabilities from financing activities, including cash and non-cash changes. Liabilities from financing activities for which there were or will be cash flows in the cash flow statement are classified as cash flows from financing activities.

Additional information regarding liabilities from financing activities							
			Non-cash changes				
	Balance sheet as at 1 January 2022	Cash flow from financing activities	Acquisition of a subsidiary	Fair value adjustments	Changes in exchange rates	Other changes	Balance sheet as at 31 December 2022
Bonds	990.6	-6.3	163.6	0.0	0.0	3.1	1,151.0
Bank loans	2,159.0	129.8	284.1	-38.8	19.7	14.6	2,568.3
Other financial liabilities	147.0	14.2	13.3	0.0	0.0	0.6	175.1
Put liability	0.0	0.0	0.0	52.1	0.0	0.0	52.1
Capital shares attributable to limited partners	0.0	0.0	0.0	0.0	0.0	7.3	7.3
Total liabilities from financing activities	3,296.6	137.7	461.0	13.3	19.7	25.6	3,953.7

4. Non-current assets

4.1 Intangible assets

Goodwill

Goodwill is not to be systematically amortised; instead, it is to be tested for impairment at least once per year in accordance with IAS 36 (see section 4.4.1 Impairment testing of goodwill). In addition, a quality-oriented analysis of whether there is any indication of impairment is conducted on the reporting date for all consolidated interim financial statements.

Other intangible assets

In accordance with IAS 38, purchased intangible assets are measured at cost less straight-line amortisation and any impairment losses if their useful life is not classified as indefinite. The useful lives are mainly between 10 and 20 years. Software is amortised over four years.

Research and development costs

Development costs were capitalised in the amount of €10.2m (previous year: €2.4m) in accordance with IAS 38. Expenses for research in the total amount of €10.2m (previous year: €11.3m) were recognised in profit or loss in the 2022 reporting period.

Emission rights

Emission rights are accounted for in accordance with the accounting policies set out in IAS 38, IAS 20 and IAS 37. Emission rights are recognised at fair value (allowances allotted without exchange of consideration) or at cost (purchased allowances). For emission rights allotted without exchange of consideration, an item of deferred income is recognised in the amount of their fair value for the grant received that is then reversed to profit or loss under fuel expenses when the emission rights are used, amortised or sold. The obligation to return is taken into account by means of another liability. If cover is insufficient, VERBUND recognises an additional provision in the amount of the fair value of the missing emission rights.

Emission rights held for trading by VERBUND are measured through profit or loss under other revenue. According to the brokerage exemption for raw materials and commodity dealers, the measurement benchmark is fair value less costs to sell.

4.1.1
Intangible assets

	Intangible assets			€m
		Concessions, rights, licences	Goodwill	Total
2022				
Cost as at 1/1	265.8	855.3	1,121.1	
Additions from business acquisitions	618.0	172.6	790.7	
Additions	46.3	0.0	46.3	
Disposals	-11.4	0.0	-11.4	
Reclassifications	3.7	0.0	3.7	
Cost as at 31/12	922.5	1,027.9	1,950.4	
Accumulated amortisation as at 1/1	144.5	187.9	332.4	
Additions from business acquisitions	227.0	0.0	227.0	
Depreciation	16.8	0.0	16.8	
Impairment losses	2.2	133.5	135.7	
Reversals of impairment losses	-0.4	0.0	-0.4	
Disposals	-5.7	0.0	-5.7	
Accumulated amortisation as at 31/12	384.2	321.4	705.6	
Net carrying amount as at 31/12	538.2	706.5	1,244.8	
Net carrying amount as at 1/1	121.3	667.4	788.7	

	Intangible assets			€m
		Concessions, rights, licences	Goodwill	Total
2021				
Cost as at 1/1	183.0	766.8	949.8	
Foreign exchange differences	-0.1	0.0	-0.1	
Additions from business acquisitions	63.4	88.5	151.9	
Additions	25.5	0.0	25.5	
Disposals	-6.9	0.0	-6.9	
Reclassifications	0.9	0.0	0.9	
Cost as at 31/12	265.8	855.3	1,121.1	
Accumulated amortisation as at 1/1	102.5	179.1	281.7	
Change in the basis of consolidation	37.4	0.0	37.4	
Depreciation	12.4	0.0	12.4	
Impairment losses	0.0	8.8	8.8	
Reversals of impairment losses	-6.6	0.0	-6.6	
Disposals	-1.2	0.0	-1.2	
Accumulated amortisation as at 31/12	144.5	187.9	332.4	
Net carrying amount as at 31/12	121.3	667.4	788.7	
Net carrying amount as at 1/1	80.5	587.7	668.1	

4.2 Property, plant and equipment

Property, plant and equipment is measured at cost (including decommissioning and dismantling costs required to be capitalised) less straight-line depreciation and any impairment losses. In addition to direct material and production costs, the cost of internally manufactured plant and equipment also includes appropriate indirect material and production costs. Borrowing costs are capitalised for qualifying assets. VERBUND's average monthly borrowing costs in the 2022 reporting period were around 1.7 % (previous year: around 1.9 %).

Depreciation charges on depreciable property, plant and equipment are based on the expected useful lives of its components. Specifically, the following useful lives are applied:

Useful life	In years
Residential, office, plant and other plant facilities	10–50
Hydroplant buildings	20–100
Gas pipelines	30
Machinery	10–80
Electrical installations	3–50
Power lines	50
Office and plant equipment	4–10

The expected useful life of hydropower plants is determined independently from the terms of water rights permits because it is presumed that these permits will be reissued when they expire. Based on experience, this also applies for those Bavarian run-of-river power plants with existing reversion rights for the benefit of the Free State of Bavaria. The expected useful life of the Jochenstein power plant on the Danube was also determined independently of the existing obligation to return the power plant in 2050 (see section 8.2 Non-current other liabilities), since it is expected that VERBUND will also be the owner and operator of the Jochenstein power plant on the Danube even after the year 2050.

In accordance with IAS 36, the recoverability of property, plant and equipment is tested when indicators of impairment are identified (see section 4.4 Impairment of non-financial assets).

4.2.1
Property, plant and
equipment

Property, plant and equipment								€m
	Land and buildings	Machinery	Electrical installations	Power lines	Office and plant equipment	Gas pipelines	Plants under construction and projects	Total
2022								
Cost as at 1/1	7,992.8	4,893.6	3,911.1	1,558.2	251.7	760.8	1,367.9	20,735.9
Additions from business acquisitions	77.3	0.0	618.8	0.0	0.0	0.0	5.9	702.0
Additions	140.3	151.3	46.0	15.8	29.7	10.7	787.0	1,180.9
Disposals	-8.0	-48.4	-48.6	-6.6	-7.3	-6.7	0.0	-125.5
Reclassifications	250.2	162.5	90.4	105.0	2.5	3.0	-613.0	0.6
Cost as at 31/12	8,452.6	5,159.0	4,617.8	1,672.4	276.6	767.9	1,547.8	22,494.0
Accumulated depreciation as at 1/1	3,370.0	2,855.6	2,450.2	854.9	175.1	351.9	6.2	10,063.8
Additions from business acquisitions	0.0	0.0	285.0	0.0	0.0	0.0	0.0	285.0
Depreciation	109.1	113.6	129.7	32.3	19.5	26.1	5.9	436.2
Impairment losses	25.3	0.3	30.6	0.0	0.0	1.4	5.0	62.8
Reversals of impairment losses	-18.2	-85.9	-20.4	-4.7	0.0	0.0	0.0	-129.2
Disposals	-4.5	-34.7	-43.4	-5.6	-6.8	-6.3	0.0	-101.3
Reclassifications	87.0	5.3	-87.0	0.0	0.1	0.0	-5.3	0.1
Accumulated depreciation as at 31/12	3,568.7	2,854.2	2,744.8	876.9	187.9	373.2	11.9	10,617.5
Net carrying amount as at 31/12	4,883.9	2,304.8	1,873.1	795.5	88.7	394.6	1,535.9	11,876.5
Net carrying amount as at 1/1	4,622.8	2,038.0	1,461.0	703.3	76.5	408.9	1,361.6	10,672.1

Property, plant and equipment

	€m							
	Land and buildings	Machinery	Electrical installations	Power lines	Office and plant equipment	Gas pipelines	Plants under construction and projects	Total
2021								
Cost as at 1/1	7,788.3	4,603.6	3,696.2	1,535.9	202.8	0.0	856.5	18,683.0
Foreign exchange differences	-0.5	-4.5	-0.1	0.0	0.0	0.0	0.0	-5.1
Additions from business acquisitions	149.1	182.6	7.8	0.0	187.8	754.5	39.3	1,321.0
Additions	21.6	32.9	65.9	19.4	21.2	10.7	671.2	842.8
Disposals	-9.9	-33.4	-51.6	-0.9	-8.5	-0.4	-0.6	-105.3
Reclassifications	44.3	112.5	193.0	3.8	-151.6	-4.1	-198.4	-0.4
Cost as at 31/12	7,992.8	4,893.6	3,911.1	1,558.2	251.7	760.8	1,367.9	20,735.9
Accumulated depreciation as at 1/1	3,280.5	2,675.6	2,343.9	825.8	149.4	0.0	0.3	9,275.4
Foreign exchange differences	0.0	-2.3	0.0	0.0	0.0	0.0	0.0	-2.3
Change in the basis of consolidation	48.8	101.4	0.2	0.0	130.3	341.9	1.9	624.5
Depreciation	96.2	98.7	121.9	30.1	13.6	14.8	0.0	375.3
Impairment losses	0.3	0.2	0.1	0.0	0.0	0.0	0.5	1.1
Reversals of impairment losses	-46.4	-53.1	-9.3	-1.0	0.0	0.0	-0.4	-110.2
Disposals	-9.5	-30.6	-51.0	0.0	-8.4	-0.3	0.0	-99.8
Reclassifications	0.1	65.8	44.5	0.0	-109.8	-4.5	3.9	0.0
Accumulated depreciation as at 31/12	3,370.0	2,855.6	2,450.2	854.9	175.1	351.9	6.2	10,063.8
Net carrying amount as at 31/12	4,622.8	2,038.0	1,461.0	703.3	76.5	408.9	1,361.6	10,672.1
Net carrying amount as at 1/1	4,507.8	1,928.0	1,352.3	710.1	53.4	0.0	856.2	9,407.6

Additions	€m	
	2021	2022
380-kV Salzburg line	166.2	164.8
Kaprun–Limberg III power plant	41.8	152.3
Wind projects under construction	0.0	145.2
Buseco wind turbines	0.0	84.1
Battery storage	0.0	58.5
Töging power plant	78.4	55.6
Reschenpass line	17.1	33.3
General overhaul of substations	14.3	36.4
Weinviertel grid area	59.5	30.1
Reißeck pumping station	21.2	22.0
Automation of hydropower plants	13.9	18.7
Optimised new construction of the primary supply system nodes	0.0	16.7
General line/switching station renovations	15.4	16.2
Photovoltaic installation Lusitania	0.0	16.0
Construction of Gratkorn power plant	0.0	15.4
Various structural measures at hydropower plants	0.0	14.5
Gerlos power plant modernisation	0.0	14.2
Malta power plant increase in efficiency	28.7	0.0
Ybbs power plant modernisation	13.0	0.0
Efficiency increase of Kaprun power plant	11.8	0.0
Power plant Ottensheim efficiency increase	9.1	0.0
Other additions (< €10.0m)	352.4	286.9
Total additions to property, plant and equipment	842.8	1,180.9

Government grants

Government investment grants do not reduce the cost of assets for which they were granted, but instead lead to the recognition of an item of deferred income in the amount of their fair value. The deferred income is reversed to profit or loss over the expected useful life of the respective asset.

Contributions to building costs

Contributions to building costs, in particular those provided by provincial energy companies entitled to purchase electricity, for example for power plant projects, lead to the recognition of a liability. With the payment of the contribution to building costs, the entities entitled to purchase electricity receive the opportunity to purchase a volume of electricity equal to their share in exchange for reimbursement of the production costs. The liability is therefore reversed to profit or loss under revenue either over the contractual term or (for lack of such) over the useful life of the plant. The amount reversed to revenue was €26.5m (previous year: €25.1m) in the reporting period.

Contributions to building costs and grants	€m	
	2021	2022
Contributions to building costs	744.1	744.7
Government grants	44.2	46.4
Contributions to building costs and grants	788.4	791.2

4.2.2 Contributions to building costs and grants

4.3 Leases

VERBUND's leases include mainly arrangements regarding the provision of power plants, buildings, land, power lines and vehicles.

Initial recognition of leases

At the inception of a contract, VERBUND assesses whether the contract is or contains a lease. If it is a lease, a right-of-use asset is capitalised at the commencement date and a lease liability is recognised. The amount of the right-of-use asset when the contract is first recognised corresponds to the amount of the lease liability, adjusted, among other things, for any direct costs on the part of the lessee, advance payments, lease incentives or dismantling obligations. The carrying amount of the lease liability is derived by discounting the lease payments expected during the term of the lease, expected payments from residual value guarantees, exercise prices for purchase options (if it is reasonably likely that the option will be exercised) and the payment of any penalties for the early termination of the contract (if it is likely that the lease will be terminated early). The carrying amount is discounted at the interest rate implicit in the lease if that rate can be readily determined. Otherwise, the carrying amount is discounted based on VERBUND's incremental borrowing rate.

Determination of the term of leases

Determining the term of a lease when a clear fixed term has not been agreed in advance can be fraught with measurement uncertainties. All facts and circumstances that represent an economic incentive for the exercise of a renewal option and/or the non-exercise of a termination option are taken into account when determining the term. For land leases in particular, contracts are frequently concluded for as long as the leased power plant or line is expected to continue to function at its present level or in the form of an indefinite lease. In these cases, the presumed duration of the lease is oriented on the expected useful life of the power plant or line.

Subsequent measurement of leases

The right-of-use asset is depreciated systematically based on the shorter period of the useful life of the asset or the remaining term of the lease. The lease liability is marked up for accruing interest and reduced by lease payments.

Right-of-use assets					€m
	Land and buildings	Electrical installations	Power lines	Operating and office equipment	Total
As at 1/1/2022	73.1	7.7	19.5	3.6	103.8
Additions from business acquisition	13.4	0.0	0.0	0.0	13.4
Additions	35.6	2.1	0.6	2.5	40.7
Depreciation	-7.5	-0.5	0.0	-1.6	-9.7
Disposals	-1.5	0.0	0.0	-0.1	-1.6
As at 31/12/2022	113.1	9.2	20.0	4.4	146.6

Right-of-use assets					€m
	Land and buildings	Electrical installations	Power lines	Operating and office equipment	Total
As at 1/1/2021	85.9	7.8	14.0	3.0	110.7
Additions from business acquisition	3.3	0.0	0.0	0.0	3.3
Additions	12.3	0.4	5.5	2.0	20.3
Depreciation	-27.7	-0.5	0.0	-1.4	-29.6
Disposals	-0.7	0.0	0.0	-0.1	-0.7
As at 31/12/2021	73.1	7.7	19.5	3.6	103.8

Amounts from leases recognised in profit or loss			€m
	2021	2022	
Expenses from unwinding of the discount of lease liability	1.0	1.3	
Variable lease payments that were not recognised in the lease liability	0.1	0.1	
Expenses from short-term leases ¹	9.2	56.7	
Expenses from underlying assets of low value	0.1	0.1	

¹ mainly relates to short-term congestion management contracts. These contracts serve to secure reserve capacity that can be called up in the event of congestion.

Variable payments that are not factored into the measurement of the lease liability in accordance with IFRS 16 relate in particular to lease contracts for wind farms in Austria. Such payments are expected in subsequent years in a similar volume as in the reporting period.

Expected cash outflows as at 31/12/2022					€m
Maturity	2023	2024	2025–2027	from 2028	
Lease liabilities	12.2	11.7	27.8		97.2
Cash outflows on liabilities in accordance with IFRS 7	12.2	11.7	27.8		97.2

Expected cash outflows as at 31/12/2021					€m
Maturity	2022	2023	2024–2026	from 2027	
Lease liabilities	9.3	8.2	17.2	78.4	
Cash outflows on liabilities in accordance with IFRS 7	9.3	8.2	17.2	78.4	

4.4 Recoverability of non-financial assets

Recoverability of intangible assets and property, plant and equipment

Under IAS 36, the carrying amounts, in particular, of intangible assets and property, plant and equipment are tested for impairment if there are indications thereof. An impairment test is to be conducted at least once per year for goodwill, intangible assets with an indefinite useful life and intangible assets that are not yet available for use (see section 4.4.1 Impairment testing of goodwill).

Determination of the discount rate

The discount rate is an after-tax interest rate that reflects current market estimates, the time value of money and the specific risks associated with the asset (or cash-generating unit). The corresponding pre-tax interest rate is determined iteratively.

The weighted average capital costs (WACC) are applied to determine recoverable amounts using net present value methods. The weighting of the return on equity and the cost of debt was derived from an adequate peer group. The return on equity is determined from a reference rate, market risk premium and beta factor using the capital asset pricing model (CAPM). The cost of debt before tax corresponds to the return on debt instruments traded on the market with an equivalent risk of default and matching maturities. Corresponding premiums are taken into account in order to adequately depict country risks. In view of the volatile financial market environment, the development of capital costs (and in particular country risk premiums) is under continuous observation.

Determination of fair value

Fair values are to be determined primarily based on market prices and can, for example, be based on existing binding purchase offers, secondary pricing on active markets or comparable recent transactions within the industry according to the measurement hierarchy in IFRS 13. If fair value cannot be determined based on market prices, valuation techniques based on a net present value approach (discounted cash flow method) are used. Future investments to enhance or improve performance and restructuring expenditures are taken into account when determining fair value. Price listings for energy futures are used in pricing as long as there is a liquid market. Accordingly, the most recent price listings are applied to the price forecast of a reputable information service provider in the energy market by means of linear interpolation.

The excess financial return expected in the period after the end of the applicability of the price forecasts in the energy market (= terminal value phase) is taken into account by way of terminal value calculation, whereby the calculation is based on an assumption that the excess financial return will grow at a rate of 2 %.

Determination of value in use

As a rule, value in use is determined using net present value methods (discounted cash flow method). Prices are determined using price listings for energy futures and the VERBUND Outlook model. VERBUND Outlook is an energy simulation tool for the development of medium- and long-term electricity and natural gas price scenarios for energy markets. Cash flows are generally derived from the recent medium-term plans approved by management.

The excess financial return expected in the period after the end of the applicability of the price forecasts from VERBUND Outlook (= terminal value phase) is taken into account by way of terminal value calculation, whereby the calculation is based on an assumption that the excess financial return will grow at a rate of 2 %.

Recognition of impairment losses and reversals of impairment losses

If the reasons for impairment no longer apply in a subsequent period, a reversal is to be recognised in profit or loss. Both impairment losses as well as reversals of impairment losses are recognised in profit or loss, presented in the income statement and segment reporting as impairment losses and/or reversals of impairment losses and explained in the notes.

4.4.1 Impairment testing of goodwill

For the purpose of impairment testing, VERBUND's goodwill was allocated to the following cash-generating units or groups of cash-generating units:

Goodwill	€m	
	2021	2022
Hydro segment	287.0	287.0
Sales segment	13.0	13.0
Inn River power plant group	126.6	126.6
Grenzkraftwerke power plant group	161.1	161.1
Gas Connect Austria	39.3	0.0
SMATRICS GmbH & Co KG	40.5	40.5
Spanish renewables portfolio ¹	–	78.4
Goodwill	667.4	706.6

¹ Details regarding the goodwill recognised for the first time in the 2022 reporting period can be found in the section entitled Business acquisitions.

Impairment testing of goodwill for the Hydro segment

	31/12/2021	31/12/2022
Group of cash-generating units	All hydraulic energy power plants of VERBUND plus goodwill and deferred tax items	All hydraulic energy power plants of VERBUND plus goodwill and deferred tax items
Basis for recoverable amount	Value in use	Value in use
Valuation technique	Sum-of-the-parts measurement based on a net present value approach (DCF method)	Sum-of-the-parts measurement based on a net present value approach (DCF method)
Derivation of cash flow	Budgets of VERBUND (based primarily on near-market data)	Budgets of VERBUND (based primarily on near-market data)
Volume	Average expected generation of the respective power plants	Average expected generation of the respective power plants
Price	Internal price forecasts and power plant-specific premiums or discounts (for example, the sale of guarantees of origin)	Internal price forecasts and power plant-specific premiums or discounts (for example, the sale of guarantees of origin)
Planning period ¹	Detailed planning phase: up to a maximum of 6 years depending on the specific power plant; rough planning phase: up to a maximum of 23 years depending on the specific power plant; subsequent terminal value phase following rough planning phase depending on the specific power plant	Detailed planning phase: up to a maximum of 6 years depending on the specific power plant; rough planning phase: up to a maximum of 32 years depending on the specific power plant; subsequent terminal value phase following rough planning phase depending on the specific power plant
Key measurement assumptions	Electricity price, discount rate	Electricity price, discount rate
After-tax discount rate	WACC: 4.00 % to 8.50 % depending on the location ²	WACC: 5.75 % to 12.50 % depending on the location ²
Impairment loss during the period ³	–	–

¹ The planning period was extended to 2060 due to the availability of price curves. // ² The iteratively calculated implicit pre-tax interest rate was 6.43 %– 13.79 % (previous year: 4.82 %– 9.37 %). // ³ Management believes the carrying amount of the Hydro segment's assets including goodwill will not exceed the recoverable amount as a result of potential changes in the key measurement assumptions.

Impairment testing of goodwill for the Sales segment

	31/12/2021	31/12/2022
Group of cash-generating units	All of VERBUND's sales activities plus goodwill	All of VERBUND's sales activities plus goodwill
Basis for recoverable amount	Value in use	Value in use
Valuation technique	Sum-of-the-parts measurement based on a net present value approach (DCF method)	Sum-of-the-parts measurement based on a net present value approach (DCF method)
Derivation of cash flow	Budgets of VERBUND (based primarily on near-market data)	Budgets of VERBUND (based primarily on near-market data)
Volume	Expected trading and distribution volumes	Expected trading and distribution volumes
Price	Expected trading and distribution volumes	Expected trading and distribution volumes
Planning period	Detailed planning phase of 6 years followed by a terminal value phase	Detailed planning phase of 6 years followed by a terminal value phase
Key measurement assumptions	Expected trading and distribution volumes as well as trading and sales margins	Expected trading and distribution volumes as well as trading and sales margins
After-tax discount rate	WACC after taxes (4.00 %– 4.25 %) ¹	WACC after taxes (5.75 %– 6.25 %) ¹
Impairment loss during the period ²	–	–

¹ The iteratively calculated implicit pre-tax interest rate was 8.46 % (previous year: 5.60 %). // ² Management believes the carrying amount of the Sales segment's assets including goodwill will not exceed the recoverable amount as a result of potential changes in the key measurement assumptions.

Impairment testing of goodwill for the Inn River power plant group

	31/12/2021	31/12/2022
Group of cash-generating units	Run-of-river power plants of the Inn River power plant group ¹ that furthermore each represent a cash-generating unit, plus goodwill and deferred tax accruals	Run-of-river power plants of the Inn River power plant group ¹ that furthermore each represent a cash-generating unit, plus goodwill and deferred tax accruals
Basis for recoverable amount	Value in use	Value in use
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	VERBUND Innkraftwerke GmbH budgets (based mainly on near-market data)	VERBUND Innkraftwerke GmbH budgets (based mainly on near-market data)
Volume	Annual output corresponding to the mean energy capability of 1,855 or 1,994 GWh (after conclusion of the Töging modernisation project)	Annual output corresponding to the mean energy capability of 1,994 GWh (after conclusion of the Töging modernisation project)
Price	Internal price forecasts; discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin (derived from quoted price); consideration of the water charges based on official notices; estimate of the maintenance costs by the managers responsible	Internal price forecasts; discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin (derived from quoted price); consideration of the water charges based on official notices; estimate of the maintenance costs by the managers responsible
Planning period ²	Detailed planning phase: 6 years; rough planning phase: 23 years followed by a terminal value phase	Detailed planning phase: 6 years; rough planning phase: 32 years followed by a terminal value phase
Key measurement assumptions	Electricity price, discount rate	Electricity price, discount rate
After-tax discount rate	WACC: 4.00 % ³	WACC: 5.75 % ³
Impairment loss during the period ⁴	–	–

¹ The Inn River power plant group comprises the following run-of-river power plants: Aubach, Feldkirchen, Gars, Jettenbach II, Neuötting, Perach, Rosenheim, Stammham, Teufelsbruck, Töging, Wasserburg. // ² The planning period was extended to 2060 due to the availability of price curves. // ³ The iteratively calculated implicit pre-tax interest rate was 7.71 % (previous year: 4.82 %). // ⁴ Management believes the carrying amount of the Inn River power plant group's assets including goodwill will not exceed the recoverable amount as a result of potential changes in the key measurement assumptions.

Impairment testing of goodwill for the Grenzkraftwerke power plant group¹

	31/12/2021	31/12/2022
Group of cash-generating units	Run-of-river power plants of the Grenzkraftwerke power plant group ² that each represent a cash-generating unit, plus goodwill and deferred tax accruals	Run-of-river power plants of the Grenzkraftwerke power plant group ² that each represent a cash-generating unit, plus goodwill and deferred tax accruals
Basis for recoverable amount	Value in use	Value in use
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	Grenzkraftwerke GmbH's budgets (based primarily on near-market data)	Grenzkraftwerke GmbH's budgets (based primarily on near-market data)
Volume	Annual output corresponding to the mean energy capability of 3,957 GWh	Annual output corresponding to the mean energy capability of 3,957 or 4,007 GWh (after completing measures to increase efficiency at Ering-Frauenstein)
Price	Internal price forecasts; discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin (derived from quoted price); consideration of the water charges based on official notices; estimate of the maintenance costs by the managers responsible	Internal price forecasts; discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin (derived from quoted price); consideration of the water charges based on official notices; estimate of the maintenance costs by the managers responsible
Planning period ³	Detailed planning phase: 6 years; rough planning phase: 23 years followed by a terminal value phase	Detailed planning phase: 6 years; rough planning phase: 32 years followed by a terminal value phase
Key measurement assumptions	Electricity price, discount rate	Electricity price, discount rate
After-tax discount rate	Austria: WACC: 4.25 % ⁴ Germany: WACC: 4.00 %	Austria: WACC: 6.25 % ⁴ Germany: WACC: 5.75 %
Impairment loss during the period ⁵	–	–

¹ The following notes relate to the second step of the two-step impairment test of the Grenzkraftwerke power plant group. The recoverability of the individual run-of-river power plants was tested in the first step. // ² The Grenzkraftwerke power plant group comprises the following power plants: Braunau-Simbach, Eggfling-Obernberg, Ering-Frauenstein, Jochenstein, Nußdorf, Oberaudorf-Ebbs, Passau-Ingling and Schärding-Neuhaus. // ³ The planning period was extended to 2060 due to the availability of price curves. //

⁴ The iteratively calculated implicit pre-tax interest rate was 7.98 %–8.11 % (previous year: 5.16 %–5.24 %). // ⁵ According to management, the carrying amount of the Grenzkraftwerke power plant group's assets (less deferred tax liabilities) including goodwill does not exceed the recoverable amount as a result of possible changes in key measurement assumptions.

Impairment testing of goodwill for Gas Connect Austria¹

	31/12/2021	31/12/2022
Group of cash-generating units	Gas Connect Austria GmbH (GCA), Austrian Gas Grid Management AG (AGGM), Trans Austria Gasleitung GmbH (TAG), profit participation right with respect to material assets of TAG plus goodwill less deferred tax accruals	Gas Connect Austria GmbH (GCA), Austrian Gas Grid Management AG (AGGM), Trans Austria Gasleitung GmbH (TAG), profit participation right with respect to material assets of TAG plus goodwill less deferred tax accruals
Basis for recoverable amount	Fair value (Level 3) less costs of disposal	Fair value (Level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	GCA budgets (based primarily on near market data)	GCA budgets (based primarily on near market data)
Volume	Capacity bookings	Capacity bookings
Price	Regulatory tariffs published by the regulator	Regulatory tariffs published by the regulator
Planning period	Detailed planning phase: 6 years; rough planning phase: 23 years plus Regulatory Asset Base (RAB) as exit value	Detailed planning phase: 6 years; rough planning phase: 22 years plus Regulatory Asset Base (RAB) as exit value
Key measurement assumptions	Regulatory interest rate of the RAB	Regulatory interest rate of the RAB
After-tax discount rate	Determination of discount rate taking into account regulatory framework conditions	Determination of discount rate taking into account regulatory framework conditions
Recoverable amount	€852.7m	€704.6m
Impairment loss during the period ²	€-8.8m	€-39.3m

¹ The following explanations refer to the second step of the two-step impairment test of the Gas Connect Austria group of cash-generating units. In the first step, the recoverability of the GCA units including AGGM and the investment in Trans Austria Gasleitung GmbH (TAG) was tested. TAG's asset participation right was measured at fair value in accordance with IFRS 9. // ² An impairment loss had already been recognised in the 2022 reporting period in the amount of €16.8m as at 30 June 2022. As at 31 December 2022, the impairment recognised during the year increased to €39.3m.

Sensitivity analysis for Gas Connect Austria 31/12/2022

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
After-tax discount rate	(Please refer to the table above)	± 0.25 PP	€-9.1m €+9.9m

Sensitivity analysis for Gas Connect Austria 31/12/2021

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
After-tax discount rate	(Please refer to the table above)	± 0.25 PP	€-9.7m €+10.6m

Impairment testing of goodwill for SMATRICS GmbH & Co KG

	31/12/2021	31/12/2022
Cash-generating unit	SMATRICS GmbH & Co KG, full-service provider for electromobility charging solutions	SMATRICS GmbH & Co KG, full-service provider for electromobility charging solutions
Basis for recoverable amount	Value in use	Fair value (Level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	SMATRICS GmbH & Co KG budgets (based primarily on near-market data)	SMATRICS GmbH & Co KG (based primarily on near-market data)
Volume	Electric vehicle ramp-up	Electric vehicle ramp-up
Price	Charging rates	Charging rates
Planning period	Detailed planning phase: 9 years plus subsequent terminal value phase	Detailed planning phase: 8 years plus subsequent terminal value phase
Key measurement assumptions	Electric vehicle ramp-up, discount rate	Electric vehicle ramp-up, discount rate
After-tax discount rate	WACC: 10.00 %	WACC: 12.25 %
Impairment loss during the period	–	–

Sensitivity analysis for SMATRICS GmbH & Co KG 31/12/2022

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
After-tax discount rate	12.25 %	± 0.25 PP	€–2.7m €+2.1m

Sensitivity analysis for SMATRICS GmbH & Co KG 31/12/2021

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
After-tax discount rate	10.00 %	± 0.25 PP	€–3.8m €+3.8m

Impairment test of the goodwill of the Spanish renewables portfolio¹

	31/12/2022
Group of cash-generating units ²	Photovoltaic portfolios with a capacity of 82.1 MWp in operation (Anselma Issuer, S.A. and Topacio Energy, S.L.U.), wind/photovoltaic portfolios with a capacity of 2,129 MW in development (Tejo Solar, S.L.U., Catalpa Solar, S.L.U. and VERBUND Green Power Renewable Projects, S.L.U.) plus goodwill less deferred tax items
Basis for recoverable amount	Value in use
Indications of impairment	Updated electricity price forecasts and updated discount rate
Valuation technique	Net present value approach (DCF method)
Derivation of cash flow	VERBUND's planning (based primarily on near-market data)
Volume	Electricity generation
Price	Tariffs for existing plants; internal price forecast for projects, premium for additional proceeds from the sale of guarantees of origin (derived from quoted prices)
Planning period	Detailed planning phase: 6 years Rough planning phase: 14 to 17 years for existing projects and 29 years (PV) or 24 years (wind) for development projects
Key measurement assumptions	Electricity price, discount rate
After-tax discount rate	WACC: 5.75 %/6.50 % ³
Recoverable amount	€766.1m
Impairment losses during the period	€-94.2m

¹ The following explanations refer to the second step of the two-step impairment test of the Spanish renewables portfolio group of cash-generating units. In the first step, the recoverability of development projects was tested in accordance with IAS 36.10(a) while the recoverability of existing projects was tested if there was any indication that they might be impaired. // ² The Spanish renewables portfolio can be broken down into the following portfolios: Anselma Issuer, S.A. with 18 CGUs, Topacio Energy, S.L.U. with 19 CGUs, Tejo Solar, S.L.U. with 18 CGUs, Catalpa Solar, S.L.U. with 5 CGUs and VERBUND Green Power Renewable Projects, S.L.U. with 3 CGUs. // ³ Since the return on the Anselma Issuer, S.A. and Topacio Energy, S.L.U. portfolios is secured by tariff for the next 15 to 18 years, followed by a period of merchant marketing, two WACCs were used for the valuation. The implicit pre-tax interest rate determined through a process of iteration amounted to 7.24 %– 8.67 %.

Sensitivity analysis for the Spanish renewables portfolio 12/1/2022¹

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
After-tax discount rate	5.75 %/6.50 %	± 0.25 PP	€+ 30.0m €- 30.0m
Electricity price ²	€47.5 per MWh	± 5 %	€+ 62.0m €- 62.0m

¹ In the sensitivity analysis, one key measurement assumption was changed at a time while the other factors of influence were held constant. However, in reality changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // ² The electricity price shown relates to the year 2030. The sensitivity analysis varies the price of electricity steadily over time up to the planning horizon.

4.4.2 Impairment testing of power plants

Impairment test – Mellach combined cycle gas turbine power plant

	31/12/2021	31/12/2022
Cash-generating unit	Combined cycle gas turbine power plant (installed electrical capacity: 838 MW)	Combined cycle gas turbine power plant (installed electrical capacity: 838 MW)
Indications of impairment	Updated electricity and/or gas price forecasts and updated discount rate	Updated electricity and/or gas price forecasts and updated discount rate
Basis for recoverable amount	Value in use	Fair value (Level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	VERBUND Thermal Power GmbH & Co KG budgets (based mainly on near-market data)	VERBUND Thermal Power GmbH & Co KG budgets (based mainly on near-market data)
Volume	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8 %)	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8 %)
Price ¹	internal price forecasts; temporarily expected revenue from the grid reserve, congestion management, redispatch and market use, including heat extraction in the winter for one line (Q4/2022 to Q1/2023); estimate of operating, maintenance and downtime costs by the responsible managers	External price forecasts; temporarily expected revenue from the grid reserve, congestion management, redispatch and market use, including heat extraction in the winter for one line (Q4/2022 to Q1/2023); estimate of operating, maintenance and downtime costs by the responsible managers
Planning period	Total capacity averaging around 100,000 equivalent operating hours or until 2040 (dependent on earlier entry)	Total capacity averaging around 100,000 equivalent operating hours or until 2040 (dependent on earlier entry)
Key measurement assumptions	Discount rate, expected revenue from the grid reserve, congestion management and redispatch, development of clean spark spreads	Discount rate, expected revenue from the grid reserve, congestion management and redispatch, development of clean spark spreads
After-tax discount rate	WACC: 4.25 %	WACC: 6.25 %
Recoverable amount	€109.9m	€231.5m
Reversal of impairment losses during the period ²	€+ 24.5m	€+ 126.0m

¹ An average of the price forecasts of the information service providers AFRY and IHS was used to determine the fair value for reporting dates prior to 31 December 2022. Only the AFRY Central price scenario was used for the current reporting date due to changes in the energy market environment. If the previously applied average cost method had been retained, the recoverable amount for the Mellach combined cycle gas turbine power plant cash-generating unit as at 31 December 2022 would have been €192.6m. Thus, the reversal of impairment losses would have been around €38.9m lower. // ² A reversal of impairment losses loss had already been recognised in the reporting period in the amount of €56.0m as at 30 June 2022. The reversal of impairment losses recognised during the year increased to €126.0m as at 31 December 2022. The increase in value in the 2022 reporting period was reduced by the change in deferred government grants in the amount of €3.6m (previous year: €0.7m).

Sensitivity analysis for the Mellach combined cycle gas turbine power plant 2022¹

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
After-tax discount rate	6.25 %	± 0.25 PP	€+ 3.1m €- 3.0m
Temporarily expected revenue from the grid reserve, congestion management and redispatch	- ²	± 10 %	€+ 10.3m €- 10.4m

¹ In the sensitivity analysis, one key measurement assumption was changed at a time while the other factors of influence remained constant. However, in reality changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // ² A disclosure of the value assigned to the temporarily expected revenue from congestion management and redispatch is omitted because such a disclosure could harm VERBUND's position in the bidding process.

Sensitivity analysis for the Mellach combined cycle gas turbine power plant 2021

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
After-tax discount rate	4.25 %	± 0.25 PP	€- 1.5m €+ 1.5m
Temporarily expected revenue from the grid reserve, congestion management and redispatch	-	± 10 %	€+ 33.9m €- 33.9m

Impairment testing of the Gratkorn power plant on the Mur River

	31/12/2022
Cash-generating unit	River power plant in the area of the Mur River (50 % owned by VERBUND Hydro Power GmbH (VHP), 50 % owned by Energie Steiermark Green Power GmbH)
Basis for recoverable amount	Value in use
Indications of impairment	Updated electricity price forecasts and updated discount rate
Valuation technique	Net present value approach (DCF method)
Derivation of cash flow	VHP budgets (based primarily on near-market data)
Volume	The annual output corresponding to the mean energy capability of 56 GWh (for 100 % of the power plant)
Price	Internal price forecasts; discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin (derived from quoted prices); estimate of the maintenance costs by the managers responsible
Planning period	Detailed planning phase: 6 years; rough planning phase: 32 years followed by a terminal value phase
Key measurement assumptions	Electricity price, discount rate
After-tax discount rate	WACC: 6.25 % ¹
Recoverable amount	€12.0m
Impairment losses during the period ²	€- 10.4m

¹ The implicit pre-tax interest rate determined through a process of iteration amounted to 6.43 %. // ² An impairment loss had already been recognised in the reporting period in the amount of €12.9m as at 30 June 2022. The impairment recognised during the year decreased to €10.4m as at 31 December 2022. The impairment loss as at 31 December 2022 was reduced by the €0.7m change in deferred government grants.

Sensitivity analysis for the Gratkorn power plant on the Mur River 31/1/2022¹

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
After-tax discount rate	6.25 %	± 0.25 PP	€- 0.7m €+ 0.7m
Electricity price ²	€86.3 per MWh	± 5 %	€+ 1.8m €- 1.8m

¹ In the sensitivity analysis, one key measurement assumption was changed at a time while the other factors of influence were held constant. However, in reality changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // ² The electricity price shown relates to the year 2030. The sensitivity analysis varies the price of electricity steadily over time up to the planning horizon.

Impairment test Spanish renewables portfolio existing projects

31/12/2022¹

Group of cash-generating units ²	PV portfolios with a capacity of 82.1 MWp in operation (Anselma Issuer, S.A. and Topacio Energy, S.L.U.)
Basis for recoverable amount	Value in use
Indications of impairment	Updated electricity price forecasts and updated discount rate
Valuation technique	Net present value approach (DCF method)
Derivation of cash flow	VERBUND's planning (based primarily on near-market data)
Volume	Electricity generation
Price	Tariffs for the next 15– 18 years, followed by internal price forecast
Planning period	Detailed planning phase: 6 years Rough planning phase: 14 to 15 years for the Anselma Issuer, S.A. portfolio and 14 to 17 years for the Topacio Energy, S.L.U. portfolio.
Key measurement assumptions	Electricity price, discount rate
After-tax discount rate	WACC: 5.75 %/6.50 % ³
Recoverable amount	€393.0m
Impairment losses during the period ⁴	€– 49.7m

¹ Impairment test on 31 December 2022 following the acquisition of shares on 28 July 2022. // ² The existing projects can be broken down into the following portfolios: Anselma Issuer, S.A. with 18 CGUs, Topacio Energy, S.L.U. with 19 CGUs. // ³ Since the return on the Anselma Issuer, S.A. and Topacio Energy, S.L.U. portfolios is secured by tariff for the next 15 to 18 years, followed by a period of merchant marketing, two WACCs were used for the valuation. The implicit pre-tax interest rate determined through a process of iteration amounted to 7.24 %– 7.51 %. // ⁴ The impairment as at 31 December 2022 comprises the impairment of 9 CGUs in the Anselma Issuer, S.A. portfolio in the amount of €15.4m and 19 CGUs in the Topacio Energy, S.L.U. portfolio in the amount of €34.2m.

Sensitivity analysis for the existing Spanish renewables portfolio projects 31/12/2022¹

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets ²	Effects on the carrying amounts of assets ³
After-tax discount rate	5.75 %/6.50 %	± 0.25 PP	€+ 1.5m €– 1.5m	€+ 4.4m €– 4.4m
Electricity price ⁴	€47.5 per MWh	± 5 %	€+ 0.9m €– 0.9m	€+ 1.8m €– 1.8m

¹ In the sensitivity analysis, one key measurement assumption was changed at a time while the other factors of influence were held constant. However, in reality changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // ² Anselma Issuer, S.A. portfolio // ³ Topacio Energy, S.L.U. portfolio // ⁴ The electricity price shown relates to the year 2030. The sensitivity analysis varies the price of electricity steadily over time up to the planning horizon.

Impairment test Spanish renewables portfolio development projects

	31/12/2022¹
Group of cash-generating units ²	Wind/PV portfolios with a capacity of 2,129 MW under development (Tejo Solar, S.L.U., Catalpa Solar, S.L.U. and VERBUND Green Power Renewable Projects, S.L.U.)
Basis for recoverable amount	Value in use
Indications of impairment	Updated electricity price forecasts and updated discount rate
Valuation technique	Net present value approach (DCF method)
Derivation of cash flow	VERBUND's planning (based primarily on near-market data)
Volume	Electricity generation
Price	Internal price forecast for projects, premium for additional proceeds from the sale of guarantees of origin (derived from quoted prices)
Planning period	Detailed planning phase: 6 years Rough planning phase: 29 years (PV) or 24 years (wind)
Key measurement assumptions	Electricity price, discount rate
After-tax discount rate	WACC: 6.50 % ³
Recoverable amount	€373.1m
Impairment losses during the period ⁴	€- 2.0m

¹ Impairment test on 31 December 2022 following the acquisition of shares on 28 July 2022. // ² The development projects can be broken down into the following portfolios: Tejo Solar, S.L.U. with 18 CGUs, Catalpa Solar, S.L.U. with 5 CGUs and VERBUND Green Power Renewable Projects, S.L.U. with 3 CGUs. // ³ The implicit pre-tax interest rate determined through a process of iteration amounted to 8.57 %- 8.67 %. // ⁴ The impairment as at 31 December 2022 relates to 2 CGUs in the Tejo Solar, S.L.U. portfolio.

Sensitivity analysis for the Spanish renewables portfolio development projects 31/12/2022¹

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets ²
After-tax discount rate	6.50 %	± 0.25 PP	€+ 2.6m €- 2.6m
Electricity price ³	€47.5 per MWh	± 5 %	€+ 4.2m €- 4.2m

¹ In the sensitivity analysis, one key measurement assumption was changed at a time while the other factors of influence were held constant. However, in reality changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // ² Tejo Solar, S.L.U. portfolio //

³ The electricity price shown relates to the year 2030. The sensitivity analysis varies the price of electricity steadily over time up to the planning horizon.

4.5 Interests accounted for using the equity method

The carrying amounts of interests accounted for using the equity method are adjusted to reflect changes in the investee's net assets in accordance with IAS 28 no later than one quarter following the underlying changes. If VERBUND's share of losses from an interest accounted for using the equity method corresponds to or exceeds the carrying amount of the equity interest, additional losses are only taken into account and recognised as a liability to the extent that legal or constructive obligations were undertaken or payments were made for the equity-accounted interest. The carrying amount of the equity-accounted interest includes the share calculated based on equity method accounting plus all long-term equity interests that are to be allocated to the net investment in the equity-accounted interest based on their economic substance.

Net investments in associated companies and joint ventures are tested for objective indications of impairment at the reporting date. If there are any such indications, an impairment test must be conducted for interests accounted for using the equity method in accordance with IAS 36.

Interests accounted for using the equity method	€m	
	2021	2022
Amortised cost as at 1/1	294.7	417.5
Additions from business acquisitions	107.2	0.0
Additions	9.8	4.0
Dividends	-5.4	-3.9
Result from equity accounting	34.8	4.3
Other comprehensive income from equity accounting	-6.1	3.6
Disposals	-17.5	0.0
Amortised cost as at 31/12	417.5	425.4
Accumulated value adjustments as at 1/1	-11.8	-13.3
Impairment losses	-18.3	-46.5
Reversals of impairment losses	16.8	0.0
Accumulated value adjustments as at 31/12	-13.3	-59.8
Net carrying amount as at 31/12	404.1	365.5
Net carrying amount as at 1/1	282.8	404.1

4.5.1 Interests accounted for using the equity method

A summary of aggregated financial information for the equity-accounted joint ventures and associates is presented in section 13.4 Subsidiaries, joint ventures and associates of VERBUND.

4.6 Other equity interests

Equity interests in unconsolidated (for lack of materiality) subsidiaries, associates and joint ventures not accounted for using the equity method and other equity interests are accounted for in accordance with IFRS 9. If these equity interests are held for the long term due to strategic considerations, they are classified as measured at fair value through other comprehensive income (FVOCI). Otherwise they are classified as measured at fair value through profit or loss (FVPL). The fair value of the equity interests is derived, depending on the situation, from market quotations, comparable recent transactions, valuations based on the discounted cash flow or market multiples methods and/or cost.

4.6.1 Other equity interests

Other equity interests			€m
	Interests in unconsolidated subsidiaries	Other equity interests	Total
2022			
(Amortised) cost as at 1/1	4.8	143.1	147.9
Additions from acquisitions of interests and capital increases	13.4	0.1	13.5
Disposals	-0.4	0.0	-0.4
(Amortised) cost as at 31/12	17.8	143.2	161.0
Accumulated value adjustments as at 1/1	9.3	19.9	29.2
Fair value measurement in OCI	1.9	0.6	2.5
Accumulated value adjustments as at 31/12	11.2	20.5	31.7
Net carrying amount as at 31/12	29.0	163.7	192.7
Net carrying amount as at 1/1	14.1	163.0	177.1

Other equity interests			€m
	Interests in unconsolidated subsidiaries	Other equity interests	Total
2021			
(Amortised) cost as at 1/1	5.3	133.9	139.2
Change in the basis of consolidation	-0.3	8.6	8.3
Additions from acquisitions of interests and capital increases	0.0	0.6	0.6
Disposals	-0.2	0.0	-0.2
(Amortised) cost as at 31/12	4.8	143.1	147.9
Accumulated value adjustments as at 1/1	6.5	0.1	6.6
Fair value measurement in OCI	2.8	19.8	22.6
Accumulated value adjustments as at 31/12	9.3	19.9	29.2
Net carrying amount as at 31/12	14.1	163.0	177.1
Net carrying amount as at 1/1	11.9	134.0	145.8

4.7 Investments, non-current receivables from derivative financial instruments and non-current other receivables

Investments and loans are classified based on the provisions of IFRS 9. Acquisitions and disposals of investments are recognised at the trade date. The carrying amount of financial assets measured at amortised cost is determined based on the effective interest method in consideration of any impairment losses. The carrying amount of financial assets measured at fair value in the balance sheet is derived based on IFRS 13's fair value hierarchy (see section 5 Financial instruments). The notes regarding the closed items on the balance sheet can be found in section 8.1 Financial liabilities as well as in section 11 Risk management.

Investments, non-current receivables from derivative financial instruments and non-current other receivables

	2021 ¹	2022
Investments – closed items on the balance sheet	376.9	407.3
Interest rate swaps – closed items on the balance sheet ²	70.3	31.5
Other investments and other receivables	523.2	538.1
Other receivables from derivative financial instruments ²	454.9	405.8
Total	1,425.3	1,382.7

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8. // ² see section 6.2 Receivables from derivative financial instruments

4.7.1 Investments, non-current receivables from derivative financial instruments and non-current other receivables

Investments – cross-border leasing and closed items on the balance sheet

	Securities (loan stock rights) under closed items on the balance sheet	Other loans under closed items on the balance sheet	Total
2022			
Amortised cost as at 1/1	67.7	309.2	376.9
Foreign exchange differences	4.0	16.8	20.8
Additions	2.7	3.5	6.2
Capitalised interest	0.1	11.2	11.3
Disposals	-1.3	-6.6	-7.8
Amortised acquisition cost as at 31/12	73.2	334.1	407.3
of which non-current assets	73.2	334.1	407.3

Investments – cross-border leasing and closed items on the balance sheet			€m
	Securities (loan stock rights) under closed items on the balance sheet	Other loans under closed items on the balance sheet	Total
2021			
Amortised cost as at 1/1	60.7	279.3	340.0
Foreign exchange differences	4.8	20.1	24.8
Additions	2.6	4.8	7.4
Capitalised interest	0.1	11.1	11.2
Disposals	-0.4	-6.1	-6.5
Amortised acquisition cost as at 31/12	67.7	309.2	376.9
of which non-current assets	67.7	309.2	376.9

On 31 December 2022, the securities consisted of medium-term notes with a principal amount of \$75.3m (previous year: \$74.0m) and an amortised cost of €73.2m (previous year: €67.7m).

Securities in the amount of €73.2m (previous year: €67.7m) and loans in the amount of €334.1m (previous year: €309.2m) are pledged. The securities and loans all serve banks as collateral for borrowings.

Other investments and non-current other receivables					€m
	Loans to affiliated companies – not included in the basis of consolidation	Loans to investees	Securities (loan stock rights)	Other loans	Total
2022					
Cost as at 1/1	0.0	24.6	148.8	5.6	179.1
Additions from business acquisitions	1.2	0.0	0.0	0.0	1.2
Additions	0.0	0.0	32.4	0.1	32.5
Reclassifications	1.5	34.5	0.0	0.0	36.0
Cost as at 31/12	2.7	59.1	181.2	5.7	248.8
Accumulated value adjustments as at 1/1	0.0	0.0	–10.4	0.0	–10.4
Impairment losses	0.0	0.0	–9.1	0.0	–9.1
Fair value measurement in OCI	0.0	0.0	0.5	0.0	0.5
Disposals	0.0	0.0	–1.3	0.0	–1.3
Accumulated value adjustments as at 31/12	0.0	0.0	–20.3	0.0	–20.3
Net carrying amount as at 31/12	2.7	59.1	160.9	5.7	228.5
Net carrying amount as at 1/1	0.0	24.6	138.4	5.6	168.7
Net carrying amount of other non- current receivables as at 31/12¹					341.1
Net carrying amount of other non- current receivables as at 1/1 ¹					424.7
Total net carrying amount as at 31/12					569.6
Total net carrying amount as at 1/1					593.4

¹ incl. the carrying amount of interest rate swaps – closed items on balance sheet; excl. other non-current receivables from derivative financial instruments

Other investments and non-current other receivables¹				€m
	Loans to investees	Securities (loan stock rights)	Other loans	Total
2021				
Cost as at 1/1	73.7	147.5	5.4	226.8
Additions from business acquisitions	0.0	7.1	0.0	7.1
Additions	0.0	0.0	0.2	0.2
Disposals	0.0	-1.5	0.0	-1.5
Reclassifications	-49.1	-4.3	0.0	-53.4
Cost as at 31/12	24.6	148.8	5.6	179.1
Accumulated value adjustments as at 1/1	0.0	-18.5	0.0	-18.5
Reversal of impairment losses	0.0	5.6	0.0	5.6
Fair value measurement in OCI	0.0	0.9	0.0	0.9
Disposals	0.0	1.6	0.0	1.6
Accumulated value adjustments as at 31/12	0.0	-10.4	0.0	-10.4
Net carrying amount as at 31/12	24.6	138.4	5.6	168.7
Net carrying amount as at 1/1	73.7	129.0	5.4	208.2
Net carrying amount of other non-current receivables as at 31/12²				424.7
Net carrying amount of other non-current receivables as at 1/1 ²				146.4
Total net carrying amount as at 31/12				593.4
Total net carrying amount as at 1/1				354.7

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8. // ² incl. the carrying amount of interest rate swaps – closed items on balance sheet; excl. other non-current receivables from derivative financial instruments

Securities in the amount of €160.9m (previous year: €138.4m) primarily include shares of investment funds to cover employee benefit obligations and were classified as measured at fair value through profit or loss.

5. Financial instruments

5.1 Accounting treatment of financial instruments

Primary financial instruments

For information regarding accounting policies for primary financial instruments see:

- Interests accounted for using the equity method – section 4.5
- Other equity interests – section 4.6
- Investments and non-current other receivables – section 4.7
- Working capital – section 6
- Liabilities – section 8

Derivative financial instruments

Derivative financial instruments are recognised at fair value when the contract is entered into and are subsequently measured at fair value. As a rule, unrealised remeasurement gains or losses are recognised in the income statement if the requirements for recognition of hedging relationships (hedge accounting) in accordance with IFRS 9 are not met (see section 5.2 Accounting treatment of hedging relationships).

Derivative financial instruments with positive fair values are recognised under receivables from derivative financial instruments, while those with negative fair values are recognised under liabilities from derivative financial instruments. If a framework agreement with a netting arrangement has been entered into with a counterparty, the positive and negative fair values of the transactions for this counterparty for the corresponding periods are netted for accounting purposes because the aim is to settle on a net basis.

So-called own-use contracts are not accounted for as derivative financial instruments, but instead as executory contracts (own use exemption). If supplier contracts that previously represented own-use contracts lead to a net settlement within the meaning of IFRS 9, they must be qualified as freestanding derivatives and recognised at fair value through profit or loss.

5.1.1
Additional
disclosures
regarding financial
instruments in
accordance with
IFRS 7

Carrying amounts and fair values by measurement categories 31/12/2022

€m

Assets – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
Interests in unconsolidated subsidiaries	FVOCI	2	15.4	15.4
Interests in unconsolidated subsidiaries	FVOCI	AC	13.6	13.6
Other equity interests	FVOCI	1	27.4	27.4
Other equity interests	FVOCI	2	121.2	121.2
Other equity interests	FVOCI	AC	15.1	15.1
Other equity interests			192.7	
Derivative financial instruments in the energy area	FVPL	2	369.7	369.7
Derivative financial instruments in the finance area	FVPL	2	36.2	36.2
Derivative financial instruments in the finance area – closed items on the balance sheet	FVPL	2	31.5	31.5
Receivables from derivative financial instruments (non-current)			437.3	
Securities	FVPL	1	152.4	152.4
Securities	FVOCI	3	7.3	7.3
Securities	FVOCI	AC	1.3	1.3
Securities – closed items on the balance sheet	AC	2	73.2	71.2
Other loans – closed items on the balance sheet	AC	2	334.1	335.9
Loans to investees	AC	2	59.1	53.4
Loans to affiliated companies	AC	2	2.7	2.7
Other loans	AC	2	5.8	5.0
Other	FVPL	3	21.2	21.2
Other	AC	–	250.2	–
Other	–	–	38.3	–
Other investments and non-current other receivables			945.5	
Derivative financial instruments in the energy area	FVPL	1	4.7	4.7
Derivative financial instruments in the energy area	FVPL	2	1,820.7	1,820.7
Derivative financial instruments in the finance area	FVPL	2	8.3	8.3
Receivables from derivative financial instruments (current)			1,833.7	
Trade receivables	AC	–	968.3	–
Receivables from investees	AC	–	57.9	–
Loans to investees	AC	2	3.5	3.0
Securities	FVPL	1	0.2	0.2
Emission rights	–	–	49.0	–
Other	AC	–	428.3	–
Other	–	–	38.7	–
Trade receivables, other receivables and securities			1,546.1	
Cash and cash equivalents	AC	–	409.3	–
Aggregated by measurement categories				
Financial assets measured at amortised cost	AC		2,592.4	
Financial assets measured at fair value through profit or loss	FVPL		2,444.8	
Financial assets measured at fair value through other comprehensive income	FVOCI		201.3	

Carrying amounts and fair values by measurement categories 31/12/2022

€m

Liabilities – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount as at 31/12	Fair value as at 31/12
Bonds	AC	2	1,151.0	956.5
Financial liabilities to banks and to others	AC	2	2,304.6	2,323.5
Financial liabilities to banks – closed items on the balance sheet	AC	2	126.6	140.2
Financial liabilities to banks – closed items on the balance sheet	FVPL – D	2	312.3	312.3
Capital shares attributable to limited partners	–	–	7.3	–
Put liability	AC	–	52.1	–
Non-current and current financial liabilities			3,953.9	
Derivative financial instruments in the energy area	FVPL	2	1,069.2	1,069.2
Liabilities from derivative financial instruments (non-current)			1,069.2	
Electricity supply commitment	–	–	113.4	–
Obligation to return an interest	AC	3	116.7	124.5
Trade payables	AC	–	2.8	–
Lease liabilities	–	–	126.0	–
Deferred income for grants (emission rights)	–	–	0.1	–
Other	AC	–	204.3	–
Other non-current liabilities			563.4	
Derivative financial instruments in the energy area	FVPL	1	216.7	216.7
Derivative financial instruments in the energy area	FVPL	2	1,274.9	1,274.9
Liabilities from derivative financial instruments (current)			1,491.6	
Trade payables	AC	–	412.7	–
Lease liabilities	–	–	10.8	–
Other	AC	–	467.7	–
Other	–	–	144.6	–
Trade payables and other liabilities			1,035.8	
Aggregated by measurement categories				
Financial liabilities measured at amortised cost	AC		4,838.6	
Financial liabilities measured at fair value through profit or loss	FVPL		2,560.8	
Financial liabilities measured at fair value through profit or loss – designated	FVPL – D		312.3	

Carrying amounts and fair values by measurement category 31/12/2021¹

€m

Assets – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount	Fair value
Interests in unconsolidated subsidiaries	FVOCI	2	13.4	13.4
Interests in unconsolidated subsidiaries	FVOCI	AC	0.6	0.6
Other equity interests	FVOCI	1	29.7	29.7
Other equity interests	FVOCI	2	117.0	117.0
Other equity interests	FVOCI	AC	16.4	16.4
Other equity interests			177.1	
Derivative financial instruments in the energy area	FVPL	2	454.9	454.9
Derivative financial instruments in the finance area – closed items on the balance sheet	FVPL	2	70.3	70.3
Receivables from derivative financial instruments (non-current)			525.2	
Securities	FVPL	1	130.4	130.4
Securities	FVOCI	3	6.7	6.7
Securities	FVOCI	AC	1.3	1.3
Securities – closed items on the balance sheet	AC	2	67.7	65.4
Other loans – closed items on the balance sheet	AC	2	309.2	328.9
Loans to investees	AC	2	24.6	23.8
Other loans	AC	2	5.6	6.0
Other	FVPL	3	43.5	43.5
Other	AC	–	274.5	–
Other	–	–	36.5	–
Other investments and non-current other receivables			900.1	
Derivative financial instruments in the energy area	FVPL	1	31.3	31.3
Derivative financial instruments in the energy area	FVPL	2	1,941.3	1,771.5
Receivables from derivative financial instruments (current)			1,972.6	
Trade receivables	AC	–	818.4	–
Receivables from investees	AC	–	57.6	–
Loans to investees	AC	2	49.1	49.6
Other loans	AC	2	0.0	0.0
Securities	FVPL	1	4.3	4.3
Emission rights	–	–	31.2	–
Other	AC	–	334.7	–
Other	–	–	38.1	–
Trade receivables, other receivables and securities			1,333.4	
Cash and cash equivalents	AC	–	318.6	–

Carrying amounts and fair values by measurement category 31/12/2021¹					€m
Assets – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount	Fair value	
Aggregated by measurement category					
Financial assets at amortised cost	AC		2,260.0		
Financial assets at fair value through profit or loss	FVPL		2,676.0		
Financial assets at fair value through other comprehensive income	FVOCI		185.2		

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8.

Carrying amounts and fair values by measurement category 31/12/2021¹

€m

Liabilities – balance sheet items	Measurement categories in accordance with IFRS 9	Level	Carrying amount	Fair value
Bonds	AC	2	990.6	1,019.8
Financial liabilities to banks and to others	AC	2	1,858.8	1,740.2
Financial liabilities to banks – closed items on the balance sheet	AC	2	117.1	150.9
Financial liabilities to banks – closed items on the balance sheet	FVPL – D	2	330.1	330.1
Capital shares attributable to limited partners	–	–	0.0	–
Non-current and current financial liabilities			3,296.6	
Derivative financial instruments in the energy area	FVPL	2	734.8	734.8
Liabilities from derivative financial instruments (non-current)			734.8	
Electricity supply commitment	–	–	126.5	–
Obligation to return an interest	AC	3	140.4	243.3
Trade payables	AC	–	2.1	–
Lease liabilities	–	–	86.0	–
Other	AC	–	107.2	–
Non-current other liabilities			462.1	
Derivative financial instruments in the energy area	FVPL	1	117.4	117.4
Derivative financial instruments in the energy area	FVPL	2	3,190.1	3,755.1
Derivative financial instruments in the finance area	FVPL	2	5.9	5.9
Liabilities from derivative financial instruments (current)			3,313.3	
Trade payables	AC	–	293.6	–
Lease liabilities	–	–	8.3	–
Other	AC	–	324.8	–
Other	–	–	109.8	–
Trade payables and current other liabilities			736.4	
Aggregated by measurement category				
Financial liabilities at amortised cost	AC		3,834.5	
Financial liabilities at fair value through profit or loss	FVPL		4,048.1	
Financial liabilities at fair value through profit or loss – designated	FVPL – D		330.1	

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8.

For financial liabilities (under closed items on the balance sheet) classified as FVPL in the above table, the difference between the carrying amount as at 31 December 2022 and the amount that VERBUND would have to pay upon maturity is €26.3m (previous year: €2.9m). The amount due upon maturity was translated at the rate (€1=\$1) of 1.0666 on the reporting date (previous year: 1.1326). In the event of insolvency, derivative financial instruments in the finance area (under closed items on the balance sheet) can be netted against the financial liabilities classified as FVPL (under closed items on the balance sheet) (see section 11 Risk management).

Of the derivative financial instruments in the energy area classified as FVPL in the above table, positive fair values in the amount of €1,012.1m (previous year: €504.1m) and negative fair values in the amount of €2,491.9m (previous year: €2,425.8m) relate to hedging relationships designated as cash flow hedges. These fair values represent gross amounts; following the inter-portfolio netting carried out in accordance with VERBUND's accounting policies (see section 11.2 Risk management in the energy area), cash flow hedges can no longer be isolated.

The interests in unconsolidated subsidiaries, other equity interests and other securities classified as FVOCI in the above table are held for the long term due to strategic considerations. Details regarding the fair value and the dividend distributions of the individual financial instruments classified as FVOCI can be taken from the following table:

Details regarding FVOCI equity interests 2022

€m

	Fair value as at 31/12/2021	Fair value as at 31/12/2022	Dividend as at 31/12/2021	Dividend as at 31/12/2022
Energie AG Oberösterreich	117.0	121.2	3.5	2.8
Burgenland Holding Aktiengesellschaft	29.7	27.4	1.0	1.0
Verfahren Umwelt Management GmbH	9.8	11.8	0.8	1.3
HalloSonne GmbH	–	8.1	–	0.0
Wiener Börse AG	6.7	7.3	0.7	0.6
PV Invest Project 3 S.R.L.	–	5.0	–	0.0
Gestionnaires du Réseau de Transport d'Électricité (RTE)	4.8	4.8	0.6	0.7
CISMO	3.7	2.6	0.4	0.5
Other	13.3	13.1	1.2	2.6

Valuation techniques and input factors for determining fair values

Level	Financial Instruments	Valuation technique	Input factor
1	Energy forwards	Market approach	Settlement price published by the stock exchange
1	Securities, other equity interest in Burgenland Holding AG	Market approach	Stock exchange price
2	Securities and other loans under closed items on the balance sheet, long-term loans, liabilities to banks, bonds and other financial liabilities	Net present value approach	Payments associated with the financial instruments, yield curve, credit risk of the contracting parties (credit default swaps or credit spread curves)
2	Interests in unconsolidated subsidiaries, other equity interest in Energie AG Oberösterreich and RTE	Market approach	Trading multiple, transaction price
2	Non-listed energy forwards	Net present value approach	Forward price curve derived from stock exchange, yield curve, credit risk of the contracting parties
2	Other assets and liabilities measured at fair value in the finance area	Net present value approach	Cash flows already fixed or determined via forward rates, yield curve, credit risk of the contracting parties
3	Return obligation (obligation to transfer back the 50 % interest acquired in Donaukraftwerk Jochenstein AG)	Net present value approach	Price forecasts for electricity, weighted average cost of capital after taxes
3	Securities (shares of Wiener Börse AG)	Net present value approach	Expected distribution of profits, cost of equity
3	Other non-current receivables (profit participation right with respect to material assets of TAG)	Net present value approach	Expected distribution of profits, cost of equity
AC	Other shares of unconsolidated subsidiaries, other equity interests and securities	–	Cost as the best estimate of fair value
–	Cash and cash equivalents, trade receivables and payables, current other receivables, other borrowing within current credit lines as well as current other liabilities	–	Carrying amount as the best estimate of fair value

Expected cash outflows as at 31/12/2022

	€m			
Maturity	2023	2024	2025–2027	From 2028
Bonds	28.4	528.5	60.9	692.7
Financial liabilities to banks ¹	65.0	101.4	693.1	414.1
Financial liabilities to others	6.4	152.9	1.7	22.5
Financial liabilities to banks – closed items on the balance sheet ²	21.1	15.8	439.1	27.3
Capital shares attributable to limited partners	0.0	7.3	0.0	0.0
Cash outflows on financial liabilities	120.9	805.9	1,194.8	1,156.7
Trade payables	412.7	0.7	1.7	0.4
Other	467.7	165.6	15.5	140.0
Cash outflows on trade payables and other payables	880.4	166.3	17.2	140.4
Derivative financial instruments in the energy area ³	1,071.5	201.8	90.1	0.0
Cash outflows from liabilities from derivative financial instruments	1,071.5	201.8	90.1	0.0
Cash outflows on liabilities in accordance with IFRS 7	2,072.8	1,173.9	1,302.1	1,297.1

¹ excl. money market transactions of €1,430.0m // ² Cash outflows under closed items on the balance sheet have to be seen alongside the corresponding cash inflows from associated investments. // ³ relates to cash outflows from contracts presented in the balance sheet under liabilities from derivative financial instruments

Expected cash outflows as at 31/12/2021

	€m			
Maturity	2022	2023	2024–2026	From 2027
Bonds	12.0	12.0	521.0	567.5
Financial liabilities to banks ¹	29.4	29.2	68.7	182.7
Financial liabilities to others	1.3	1.3	148.3	0.0
Financial liabilities to banks – closed items on the balance sheet ²	20.8	19.9	395.3	58.9
Cash outflows on financial liabilities	63.5	62.5	1,133.3	809.1
Trade payables	293.6	0.3	1.4	0.5
Other	331.2	80.0	11.6	156.0
Cash outflows on trade payables and other payables	624.8	80.3	13.0	156.4
Derivative financial instruments in the energy area ³	780.3	301.5	80.1	0.0
Derivative financial instruments in the finance area ⁴	3.1	1.7	1.5	0.0
Cash outflows from liabilities from derivative financial instruments	783.4	303.2	81.6	0.0
Cash outflows on liabilities in accordance with IFRS 7	1,471.7	446.0	1,227.9	965.5

¹ excl. money market transactions of €1,050.0m // ² Cash outflows under closed items on the balance sheet have to be seen alongside the corresponding cash inflows from associated investments. // ³ relates to cash outflows from contracts presented in the balance sheet under receivables or liabilities from derivative financial instruments //

⁴ Cash outflows from interest rate swaps are accounted for as net cash flows of both legs.

Net results by measurement categories

Results in accordance with IFRS 7 comprise mainly impairment losses and reversals of impairment losses, foreign exchange gains and losses and realised gains or losses on disposal.

Net results by measurement categories	€m	
	2021	2022
Financial assets and liabilities measured at fair value through profit or loss	-41.8	101.1
Financial assets and liabilities measured at fair value through profit or loss – designated	20.6	23.0
Financial liabilities measured at amortised cost	-21.1	27.8
Financial assets measured at amortised cost	-11.3	15.3
Financial assets measured at fair value through other comprehensive income	23.5	4.3
Total interest expenses from financial liabilities measured at amortised cost	-62.1	-86.9
Total interest income from financial assets measured at amortised cost	40.0	42.4

Components of the net results

Measurement category	Notes
Financial assets and liabilities measured at fair value through profit or loss	The results arose from the measurement of derivative financial instruments in the energy area (wholesale and trading) in the operating result (electricity revenue), as well as from the measurement of (other) derivative and non-derivative financial instruments in the finance area in the other financial result.
Financial assets and liabilities measured at fair value through profit or loss – designated	The results arose from the measurement of financial liabilities to banks (closed items on the balance sheet). These results have to be seen alongside an equal amount of opposing results from financial assets and liabilities that are measured at fair value through profit or loss and net results from financial assets and liabilities that are measured at cost.
Financial assets and liabilities measured at amortised cost	The net results relate primarily to financial instruments in connection with closed items on the balance sheet in the other financial result as well as to valuation allowances on trade receivables in the operating result.

Total interest expenses were recognised under interest expenses; total interest income was recognised in part in interest income and in part under other financial result.

5.2 Accounting treatment of hedging relationships

VERBUND applies special accounting policies for hedging relationships in the energy area as well as in the finance area.

5.2.1 Hedging transactions in the energy area

VERBUND employs electricity forward contracts and electricity futures contracts as well as options as derivatives within the meaning of IFRS 9 as part of cash flow hedges in the energy area. Since the 2020 financial year, options have been used as part of a collar strategy in which a certain price band is to be hedged for future electricity purchases. The goal of hedging relationships is to reduce the cash flow volatility resulting from market price fluctuations by hedging the prices for the following transactions:

- (1) sale of own generation and marketing of electricity from renewable energy plants not owned by VERBUND;
- (2) reinsurance for electricity deliveries to customers; and
- (3) reinsurance for gas deliveries to customers.

The timing and amount of the hedging of future electricity deliveries depends in each case on the current price trend. As a general rule, the hedges are entered into successively. A portion of the entire volume anticipated is hedged corresponding to the risk management strategy. As a rule, once the relevant contractual terms of the electricity futures, forwards and options entered into coincide with those of the underlying transactions, a qualitative measurement of effectiveness is carried out. As a general rule, it can be assumed that the changes in the value of the hedging instruments entirely offset the changes in the future cash flows.

The exception to this rule is hedges of electricity deliveries on a market differing from the place of delivery. Such hedges have been used since 1 October 2018 as a consequence of the restriction on unlimited trading on the German-Austrian electricity market. Due to the higher liquidity, the majority of Austrian electricity deliveries are hedged with German futures market products. The Austrian price is made up of the German price plus a German/Austrian spread. German forward products are therefore used to hedge Austrian electricity deliveries, whereby the conditions between the hedging instruments and the planned cash flows essentially match also in these cases.

Insignificant ineffective portions of the hedges can result from the German/Austrian location spread, from changes in the counterparty's or VERBUND's credit risk or a reduced volume of the expected electricity delivery.

Accounting treatment of hedging transactions in the energy area

In the case of derivative financial instruments that are designated as cash flow hedges in accordance with IFRS 9, the portion of the unrealised gains or losses that is determined to be an effective hedge is recognised in other comprehensive income. In contrast, ineffective portions of the hedge are recognised in profit or loss. When using options, only the intrinsic value of the options will be designated within the framework of the hedging relationship and the change in fair value will be recognised separately as costs of hedging in other comprehensive income.

Unrealised gains or losses are only reclassified (“recycled”) to the income statement when the hedged item affects profit or loss.

Electricity, gas and CO₂ derivatives not designated as hedging instruments are allocated to the wholesale portfolio. Fair value changes in (freestanding) electricity and gas derivatives in the wholesale portfolio that were not designated as hedging instruments are recognised in profit or loss net of previously realised futures and following the netting of positive and negative fair values.

5.2.2 Hedging transactions in the finance area

Apart from derivative transactions in connection with closed items on the balance sheet, future payments under financial liabilities bearing interest at a variable rate are hedged by means of interest rate swaps in order to reduce the cash flow risk associated with an increase in market interest rates. The hedging instruments’ contract terms are almost identical to those of the hedged items (critical terms match). The qualitative basis of this economic relationship is regularly reviewed by VERBUND. As a general rule, it can be assumed that the changes in the value of the hedging instruments entirely offset the changes in the future cash flows. The entire risk of an increase in the market interest rate with respect to variable-interest-bearing financial liabilities is not always hedged, i.e. the hedge ratio does not always amount to 100 %. Ineffective portions of the hedges can only result from changes in the counterparty’s or VERBUND’s credit risk.

Payments are made on interest rate swaps every six months. The underlying variable market interest rate is the six-month EURIBOR. The future interest payments hedged by the interest rate swaps occur in the following 13 years (2023 to 2035) and will be recognised in profit or loss accordingly.

Accounting treatment of hedging transactions in the finance area

Some of the interest rate swaps are designated as cash flow hedges in accordance with IFRS 9. Those interest rate swaps that hedge intra-Group financing at the subsidiary level are accounted for as derivatives measured at fair value through profit or loss in VERBUND’s consolidated financial statements. With respect to individual closed items on the balance sheet (see section 8.1 Financial liabilities and section 11 Risk management), the investments result in variable income that is offset by fixed expenses. In order to avoid risk, interest rate swaps have been entered into for the corresponding financial liabilities. These interest rate swaps exhibit a risk profile that perfectly opposes the corresponding profile of the associated balance sheet items. Therefore, the carrying amount of the associated financial liabilities is adjusted according to the hedged risk to balance out the fair value measurement of the interest rate swaps.

The fair value of interest rate swaps corresponds to the amount that VERBUND would receive or have to pay if the transaction were terminated on the reporting date. When calculating that amount, current interest rates, yield curves and counterparty credit risk in particular are taken into account (see section 5 Financial instruments).

5.2.3 Information regarding hedging relationships in the energy and finance areas

Cash flow hedges – hedging instruments 31/12/2022

	Carrying amount	Balance sheet item	Notional amount	Change in the fair value for the measurement of ineffectiveness	Hedging costs
Electricity futures, forwards and options – sales	583.2	Receivables from derivative financial instruments	5,828 GWh	583.2	6.6
Electricity futures, forwards and options – sales	-2,057.1	Liabilities from derivative financial instruments	19,896 GWh	-1,627.7	-9.8
Electricity futures and forwards – purchasing	420.0	Receivables from derivative financial instruments	-4,072 GWh	316.4	0.0
Electricity futures and forwards – purchasing	-412.8	Liabilities from derivative financial instruments	-2,838 GWh	-412.8	0.0
Gas forwards – purchasing	8.5	Receivables from derivative financial instruments	-290 GWh	3.0	0.0
Gas forwards – purchasing	-22.1	Liabilities from derivative financial instruments	-396 GWh	-22.1	0.0
Interest rate swaps	43.4	Receivables from derivative financial instruments	300.4	24.6	0.0

Cash flow hedges – hedged items 31/12/2022

	Change in the fair value for the measurement of ineffectiveness	Carrying amount of the reserve for measurements of cash flow hedges	Hedging costs
Future electricity sales volume	1,044.1	-1,471.0	-3.3
Future electricity purchases	96.5	7.3	0.0
Future gas purchases	19.1	-13.7	0.0
Variable-rate financial liabilities	-24.7	21.1	0.0

Cash flow hedges – effects on the statement of comprehensive income and balance sheet 2022

€m

	Gains/ losses recognised in other comprehen- sive income	Hedging costs	Ineffective portion of the hedge recognised in profit or loss	Line items of the statement of comprehen- sive income in which the ineffective portion was recognised	Reclassifi- cations from reserves to profit or loss	Line items of the statement of comprehen- sive income in which the reclassifi- cation was recognised
Electricity futures, forwards and options – sales	-1,041.2	-3.3	0.4	Revenue	-1,974.2	Revenue
Electricity futures and forwards – purchasing	-96.4	0.0	-0.1	Electricity purchase	358.9	Electricity purchase
Gas forwards – purchasing	-19.1	0.0	0.0	Gas purchases	13.5	Gas purchases
Interest rate swaps	23.1	0.0	0.0	Other financial result	1.6	Interest expenses

Notional amount and average price and/or interest rate as at 31/12/2022						€m
	2023	2024	2025	2026	>2026	
Electricity futures, forwards and options – sales						
Notional amount	14,862 GWh	6,957 GWh, 1,757 GWh via collar options	831 GWh	279 GWh	1,038 GWh	
Average hedged price	€156.4/MWh	€125.5/MWh, collar €60– 140/MWh	€147.5/MWh	€49.4/MWh	€42.9/MWh	
Electricity futures and forwards – purchasing						
Notional amount	–4,784 GWh	–1,753 GWh	–330 GWh	–44 GWh	–	
Average hedged price	€232.0/MWh	€166.5/MWh	€126.8/MWh	€133.3/MWh	–	
Gas forwards – purchasing						
Notional amount	–508 GWh	–179 GWh	–	–	–	
Average hedged price	€92.0/MWh	€117.1/MWh	–	–	–	
Interest rate swaps						
Average notional amount	281.4	249.8	220.1	196.9	149.0	
Average fixed interest rate	0.6 %	0.5 %	0.4 %	0.3 %	0.4 %	

Cash flow hedges – hedging instruments 31/12/2021						€m
	Carrying amount	Balance sheet item	Notional amount	Change in the fair value for the measurement of ineffectiveness	Hedging costs	
Electricity futures, forwards and options – sales	16.1	Receivables from derivative financial instruments	2,388 GWh	52.4	–2.7	
Electricity futures, forwards and options – sales	–2,419.8	Liabilities from derivative financial instruments	23,573 GWh	–2,418.0	–2.2	
Electricity futures and forwards – purchasing	468.7	Receivables from derivative financial instruments	–4,756 GWh	460.2	0.0	
Electricity futures and forwards – purchasing	–6.1	Liabilities from derivative financial instruments	–302 GWh	–6.1	0.0	
Gas forwards – purchasing	18.9	Receivables from derivative financial instruments	–343 GWh	18.5	0.0	
Gas forwards – purchasing	0.0	Liabilities from derivative financial instruments	0 GWh	0.0	0.0	
Interest rate swaps	–3.6	Liabilities from derivative financial instruments	56.8	2.4	0.0	

Cash flow hedges – hedged items 31/12/2021

€m

	Change in the fair value for the measurement of ineffectiveness	Carrying amount of the reserve for measurements of cash flow hedges	Hedging costs
Future electricity sales volume	2,365.3	-2,404.0	-4.9
Future electricity purchases	-454.0	462.6	0.0
Future gas purchases	-18.5	18.9	0.0
Variable rate financial liabilities	-2.4	-3.6	0.0

Cash flow hedges – effects on the statement of comprehensive income and balance sheet 2021

€m

	Gains/losses recognised in other comprehensive income	Hedging costs	Ineffective portion of the hedge recognised in profit or loss	Line items of the statement of comprehensive income in which the ineffective portion was recognised	Reclassifications from reserves to profit or loss	Line items of the statement of comprehensive income in which the reclassification was recognised
Electricity futures, forwards and options – sales	-2,365.6	-4.9	0.3	Revenue	-91.7	Revenue
Electricity futures and forwards – purchasing	454.0	0.0	-0.1	Electricity purchases	15.1	Electricity purchases
Gas forwards – purchasing	18.5	0.0	0.0	Gas purchases	1.0	Gas purchases
Interest rate swaps	-0.5	0.0	0.0	Other financial result	-2.0	Interest expenses

Notional amount and average price and/or interest rate as at 31/12/2021						€m
	2022	2023	2024	2025	>2025	
Electricity futures, forwards and options – sales						
Notional amount	15,167 GWh	5,712 GWh, 1,752 GWh via collar options	543 GWh, 1,757 GWh via collar options	130 GWh	900 GWh	
Average hedged price	€67.7/MWh	€63.2/MWh, collar €38– 60/MWh	€79.1/MWh, collar €60– 140/MWh	€39.3/MWh	€39.3/MWh	
Electricity futures and forwards – purchasing						
Notional amount	–2,792 GWh	–1,550 GWh	–613 GWh	–103 GWh	–	
Average hedged price	€77.0/MWh	€67.1/MWh	€69.8/MWh	€68.7/MWh	–	
Gas forwards – purchasing						
Notional amount	–235 GWh	–109 GWh	–	–	–	
Average hedged price	€15.6/MWh	€16.3/MWh	–	–	–	
Interest rate swaps						
Average notional amount	49.5	34.9	20.3	7.9	1.4	
Average fixed interest rate	2.6 %	2.6 %	2.8 %	3.1 %	3.6 %	

5.3 Recoverability of financial assets

Valuation allowances are recognised at every reporting date for expected credit losses for financial assets that were classified as measured at amortised cost (AC) and/or debt instruments that were classified as measured at fair value through other comprehensive income (FVOCI), receivables under leases, contract assets and financial guarantee contracts.

The expected credit losses are taken into account in the following stages (see section 11 Risk management for quantitative disclosures):

Impairment of assets

	Stage 1	Stage 2	Stage 3
Credit risk:	Low credit risk – (credit risk has not increased significantly since its initial recognition)	Elevated credit risk – (credit risk has increased significantly since its initial recognition)	Significant financial difficulties on the part of the borrower or the issuer (breach of contract)
Recognition of loss allowance:	Impairment in the amount of the 12-month expected losses	Impairment in the amount of expected lifetime losses	Impairment in the amount of expected lifetime losses
Calculation of interest income:	Based on the effective interest rate on the gross carrying amount	Based on the effective interest rate on the gross carrying amount	Based on the effective interest rate on the net carrying amount

- The credit risk is presumed to be low if the internal rating corresponds to an external investment grade rating (Standard & Poor's: > BBB-; Moody's: > Baa3).
- The credit risk is presumed to have increased significantly if the financial asset is more than 30 days past due. Reclassifications are carried out in stage 3 as soon as a financial asset has become credit-impaired, financial assets are more than 90 days overdue or a breach of contract has been ascertained.
- Probabilities of default and collection rates depending on the rating category serve to determine the amount of impairment losses to be recognised. The valuation allowance is recognised in the amount of the present value of the expected credit losses.

For trade receivables, contract assets and receivables under leases, a simplified method is applied to measure the valuation allowance. For these receivables and assets, a valuation allowance is always recognised in the amount of the lifetime expected credit loss using a loss allowance table.

6. Working capital

Working capital includes the following balance sheet items:

- Inventories;
- Trade receivables, current other receivables and securities;
- Receivables from derivative financial instruments and liabilities from derivative financial instruments;
- Cash and cash equivalents; and
- Trade payables and current other liabilities.

6.1 Inventories and proof of origin and/or green electricity certificates

Inventories of primary energy sources as well as additives and consumables are measured at the lower of cost or net realisable value at the reporting date. The use of primary energy sources and raw materials, additives and consumables is determined using the moving average price method.

Inventories of natural gas held for trading by VERBUND are measured through profit or loss under other revenue. According to the brokerage exemption for raw materials and commodity dealers, the measurement benchmark is fair value (Level 1) less costs to sell. The fair value corresponds to the quoted price for front-month gas forwards on the Central European Gas Hub (CEGH) or NetConnect Germany (NCG).

Guarantees of origin and green electricity certificates that are held for sale in the normal course of business are recognised in accordance with IAS 2 and IAS 20. Guarantees of origin and green electricity certificates are recognised as inventories when the legally enforceable rights are acquired (as a rule, generation of electricity in certified power plants). Income from the allocation of certificates is presented under other operating income net of the change in inventories from the disposal of certificates. Subsequent measurements are carried out at the lower net realisable value if necessary. Proceeds from the sale of guarantees of origin or green electricity certificates are recognised under other revenue.

6.1.1 Inventories

Inventories	€m	
	2021	2022
Natural gas ¹	23.1	103.0
Inventories of primary energy sources	23.1	103.0
Emission rights held for trading	4.8	0.7
Measurements of emission rights held for trading	8.6	0.4
Fair value of emission rights held for trading	13.3	1.1
Proof of origin and green electricity certificates	1.7	1.7
Additives and consumables	11.0	12.7
Other	0.9	4.5
Inventories	49.9	123.0

¹ An impairment loss of €18.8m (previous year: €7.5m) on gas inventories was recognised as expense in the income statement in the reporting period.

6.2 Receivables from derivative financial instruments

6.2.1 Receivables from derivative financial instruments

Receivables from derivative financial instruments include derivatives and hedging instruments from both the financial and energy area.

Receivables from derivative financial instruments	€m			
	2021 ¹ Non- current	2022 Non- current	2021 ¹ Current	2022 Current
Derivative financial instruments in the energy area	454.9	369.7	1,972.6	1,825.4
Derivative financial instruments in the finance area	70.3	67.7	0.0	8.3
Receivables from derivative financial instruments	525.2	437.3	1,972.6	1,833.7

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8.

Non-current receivables from derivative financial instruments in the finance area contain derivative financial instruments measured at fair value in the amount of €31.5m (previous year: €70.3m) which relate to financial liabilities under closed items on the balance sheet. Furthermore, this item also includes the non-current portion of the positive fair values of interest rate swaps held to hedge the interest rate risk associated with financial liabilities (€36.2m; previous year: €0.0m).

Current receivables from derivative financial instruments in the finance area include the current portion of positive fair values of interest rate swaps held to hedge the interest rate risk associated with financial liabilities (€8.3 million; previous year: other liability: €5.9m).

6.3 Trade receivables, other receivables and securities

Trade receivables and receivables from investees are classified as measured at amortised cost (AC) and thus accounted for at cost less any impairment losses (see section 5 Financial assets).

Trade receivables, other receivables and securities				€m
	2021 ¹ Non-current	2022 Non-current	2021 ¹ Current	2022 Current
Trade receivables	–	–	818.4	968.3
Receivables from investees	–	–	57.6	57.9
Loans to investees	–	–	49.1	3.5
Other receivables and assets	354.5	309.7	408.3	516.3
Trade receivables, other receivables and securities	354.5	309.7	1,333.4	1,546.1

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8.

6.3.1 Trade receivables, other receivables and securities

Other receivables with a maturity of more than one year are reported under investments and non-current other receivables.

Other receivables and assets				€m
	2021 ¹ Non-current	2022 Non-current	2021 ¹ Current	2022 Current
Securities	–	–	4.3	0.2
Guarantees in electricity trading	274.5	250.2	322.7	381.2
Emission rights	–	–	31.2	49.0
Receivables from tax clearing	–	–	22.9	14.8
Receivables from accrued interest	–	–	0.3	0.1
Other	80.0	59.4	26.9	70.8
Other receivables and assets	354.5	309.7	408.3	516.3

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8.

6.4 Cash and cash equivalents

Cash and cash equivalents		€m
	2021	2022
Cash at banks	318.6	409.3
Cash and cash equivalents	318.6	409.3

6.4.1 Cash and cash equivalents

The lock-in period for all current financial investments reported in cash and cash equivalents was less than three months at the time the investment was made. Cash and cash equivalents correspond to the fund of cash and cash equivalents in the cash flow statement as defined in IAS 7.

6.5 Liabilities from derivative financial instruments

6.5.1 Liabilities from derivative financial instruments

Liabilities from derivative financial instruments		€m		
	2021 ¹ Non- current	2022 Non- current	2021 ¹ Current	2022 Current
Derivative financial instruments in the energy area	734.8	1,069.2	3,307.5	1,491.6
Derivative financial instruments in the finance area	0.0	0.0	5.9	0.0
Liabilities from derivative financial instruments	734.8	1,069.2	3,313.3	1,491.6

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8.

6.6 Trade payables and current other liabilities

6.6.1 Trade payables and current other liabilities

Trade payables and current other liabilities		€m	
	2021 ¹	2022	
Trade payables	293.6	412.7	
Outstanding receipts for investments	137.5	142.9	
Other liabilities for maintenance expenses	48.6	86.3	
Other liabilities from electricity and grid deliveries	76.8	80.2	
Security deposits for transport services	8.0	57.7	
Other personnel-related liabilities	41.2	43.0	
Liabilities to the emissions registry	26.5	39.1	
Accruals and deferred income	13.1	29.0	
Liabilities to tax authorities	35.4	27.9	
Liabilities to unconsolidated subsidiaries and investees	21.6	26.5	
Advance payments received	2.3	25.2	
Electricity supply commitment	11.6	13.1	
Lease liabilities	8.3	10.8	
Liabilities from social security (including social insurance institutions)	5.8	6.2	
Other liabilities for legal, audit and consulting expenses	4.1	4.9	
Other	1.9	30.3	
Trade payables and current other liabilities	736.4	1,035.8	

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8.

7. Equity

Just as in the previous year, the share capital comprised 170,233,686 no-par value shares in the form of bearer shares (category A) and 177,182,000 no-par value shares in the form of registered shares (category B). Category B represents 51 % of the share capital, authenticated by an interim certificate deposited with the Federal Ministry of Finance and made out in the name of the Republic of Austria. The share capital was paid in full.

Share capital

The amount of €954.3m (previous year: €954.3m), which represents the portion of the reserves not established from the profit for the period in previous reporting periods, is recognised under capital reserves.

Capital reserves

Retained earnings comprise the retained profits and the effects on equity attributable to the shareholders of VERBUND AG from the shift between shareholder groups. Of the retained earnings, the amount that can be distributed to the shareholders of VERBUND AG is the item presented as profit for the period in the (separate) annual financial statements of VERBUND AG as at 31 December 2022 that are prepared in accordance with the Austrian Commercial Code (Unternehmensgesetzbuch, UGB). The profit for the 2022 financial year that had not yet been approved amounted to €1,250.7m (previous year: €364.8m). A dividend distribution of €3.60 per share (previous year: €1.05 per share) – including €1.16 special dividend per share (previous year: €0.0 per share) – will be proposed to the Annual General Meeting.

Retained earnings

The reserve for differences from currency translation includes primarily the currency translation of the consolidated Romanian subsidiary VERBUND Wind Power Romania SRL.

Reserve for differences from currency translation

Non-controlling interests	in %	
	2021	2022
Gas Connect Austria GmbH	49.00	49.00
Austrian Gas Grid Management AG	74.00	74.00
VERBUND Innkraftwerke GmbH	29.73	29.73
VERBUND Hydro Power GmbH	15.94	15.94
VERBUND Wind Power Austria GmbH	19.46	19.46
Parque Eólico Ayamonte S.L.	–	30.00
Parque Eólico Buseco S.L.	–	30.00
Parque Eólico El Barroso S.L.	–	30.00
Parque Eólico Loma de los Pinos S.L.	–	30.00
Lusitania Renovables S.L.	–	30.00

Non-controlling interests

8. Liabilities

The notes in this section relate to non-current and current financial liabilities as well as non-current other liabilities. Details regarding trade payables and current other liabilities are provided in section 6 Working capital.

8.1 Financial liabilities

Financial liabilities are recognised at fair value when the funds are provided. As a rule, this corresponds to the amount actually received. Any premiums or discounts are allocated over the financing term by applying the effective interest method and presented on an accrual basis in interest expenses.

Individual financial liabilities originally incurred in connection with cross-border leasing transactions were classified at fair value through profit or loss upon initial recognition using the fair value option. As a result, measurement inconsistencies that would have otherwise arisen could be eliminated.

The closed items on the balance sheet reported under financial liabilities as well as under investments relate to the cross-border leasing transactions that were terminated early in 2009 and 2010. Some of the transactions were terminated in their entirety, i.e. all investments and all liabilities (A-loans and B-loans) were repaid. Some of the transactions were only partially terminated, whereby the existing B-loans and the corresponding investments were continued. Therefore, balance sheet cover remains in place. The accounting balances denominated in foreign currency (US dollar) are measured at the exchange rate prevailing at the reporting date. Expenses and income from the measurement correspond to one another both in terms of value as well as with respect to the value date and are offset. The financial investments and liabilities resulting from the cross-border leasing transactions that were terminated early continue to be presented separately in the notes to the consolidated financial statements in order to improve clarity; with the exception of the valuation allowances recognised for expected credit losses, all items are closed on the balance sheet (see section 11 Risk management).

Non-current and current financial liabilities				€m
	2021 Non-current	2022 Non-current	2021 Current	2022 Current
Bonds	986.5	1,139.0	4.1	12.0
Financial liabilities to banks	253.4	1,032.9	1,458.3	1,096.6
Financial liabilities to others	147.0	174.5	0.0	0.7
Capital shares attributable to limited partners	0.0	7.3	0.0	0.0
Put liability	0.0	52.1	0.0	0.0
Subtotal	1,386.9	2,405.7	1,462.5	1,109.3
Financial liabilities to banks – closed items on the balance sheet	447.2	438.9	0.0	0.0
Non-current and current financial liabilities	1,834.1	2,844.6	1,462.5	1,109.3

**8.1.1
Non-current and current financial liabilities**

Non-current and current financial liabilities¹			€m
	2021	2022	
Carrying amount as at 1/1	858.5	2,849.4	
Borrowings	489.1	559.5	
Additions from business acquisitions	147.6	461.0	
Net change in money market transactions	1,380.2	–380.3	
Change in put liability	0.0	52.1	
Changes in capital shares attributable to limited partners	0.1	7.3	
Changes in interest accruals	4.0	7.6	
Scheduled repayments	–30.1	–41.5	
Carrying amount as at 31/12	2,849.4	3,515.0	
of which non-current liabilities	1,386.9	2,405.7	
of which current liabilities	1,462.5	1,109.3	

¹ excl. financial liabilities from closed items on the balance sheet

Financial liabilities – closed items on the balance sheet			€m
	2021	2022	
Carrying amount as at 1/1	427.7	447.2	
Foreign exchange gains or losses	22.9	19.7	
Capitalisation	30.9	31.5	
Repayments and/or disposals	–16.9	–20.8	
Market value changes	–17.4	–38.8	
Carrying amount as at 31/12	447.2	438.9	
of which non-current liabilities	447.2	438.9	

VERBUND had no mortgage-backed liabilities as at 31 December 2022 or in the previous year.

Non-current and current financial liabilities 2022

	Longest maturity	Issue volume	Carrying amount as at 31/12	1 year or less
Bonds				
Euro currency	2041	1,203.0	1,151.0	12.0
Total bonds			1,151.0	12.0
of which at a fixed interest rate	2041	1,203.0	1,151.0	12.0
Financial liabilities to banks				
Euro currency	2040	2,470.8	2,129.5	1,096.6
Total financial liabilities to banks			2,129.5	1,096.6
of which at a fixed interest rate	2037	490.0	236.3	24.2
of which at a variable interest rate	2040	1,980.8	1,893.2	1,072.4
Financial liabilities to others				
Euro currency	2040	174.5	175.1	0.7
Total financial liabilities to others			175.1	0.7
of which at a fixed interest rate	2040	15.1	15.6	0.5
of which at a variable interest rate	2024	159.4	159.5	0.1
Financial liabilities to banks – closed items on the balance sheet¹				
Foreign currencies (\$)	2030		438.9	
Total financial liabilities to banks – closed items on the balance sheet			438.9	
of which at a fixed interest rate	2030		438.9	
Capital shares attributable to limited partners			7.3	
Put liability			52.1	
Total financial liabilities			3,953.9	1,109.3

¹ There is balance sheet cover on the asset side for these financial liabilities.

								€m
	› 1 to 2 years	› 2 to 3 years	› 3 to 4 years	› 4 to 5 years	› 5 years	Weighted nominal interest rate	Weighted effective interest rate	Fair value as at 31/12
	512.1	13.6	12.9	12.4	588.0	1.29 %	1.34 %	956.5
	512.1	13.6	12.9	12.4	588.0	1.29 %	1.34 %	956.5
	512.1	13.6	12.9	12.4	588.0	1.29 %	1.34 %	956.5
	61.4	313.3	31.7	252.9	373.6	2.30 %	3.00 %	2,143.2
	61.4	313.3	31.7	252.9	373.6	2.30 %	3.00 %	2,143.2
	22.6	17.6	9.8	7.0	155.0	2.55 %	2.68 %	222.8
	38.8	295.7	21.9	245.9	218.6	2.16 %	3.33 %	1,920.4
	147.0	0.0	0.0	12.4	15.1	3.91 %	3.17 %	180.3
	147.0	0.0	0.0	12.4	15.1			180.3
	0.0	0.0	0.0	0.0	15.1	7.00 %	7.21 %	19.1
	147.0	0.0	0.0	12.4	0.0	3.61 %	2.34 %	161.1
		92.9	294.0	30.3	21.7			452.5
		92.9	294.0	30.3	21.7			452.5
		92.9	294.0	30.3	21.7			452.5
	7.3							
	52.1							
	779.9	419.8	338.6	308.0	998.3			

Non-current and current financial liabilities 2021

	Longest maturity	Issue volume	Carrying amount as at 31/12	1 year or less
Bonds				
Euro currency	2041	1,000.0	990.6	4.3
Total bonds			990.6	4.3
of which at a fixed interest rate	2041	1,000.0	990.6	4.3
Financial liabilities to banks				
Euro currency	2037	1,970.0	1,711.8	1,458.3
Total financial liabilities to banks		1,970.0	1,711.8	1,458.3
of which at a fixed interest rate	2037	490.0	260.5	25.8
of which at a variable interest rate	2030	1,480.0	1,451.3	1,432.5
Financial liabilities to others				
Euro currency	2024	147.0	147.0	0.0
Total financial liabilities to others		147.0	147.0	0.0
of which at a variable interest rate	2024	147.0	147.0	0.0
Financial liabilities to banks – closed items on the balance sheet¹				
Foreign currencies (\$)	2030		447.2	
Total financial liabilities to banks – closed items on the balance sheet			447.2	
of which at a fixed interest rate	2030		447.2	
Capital shares attributable to limited partners			0.0	
Total financial liabilities			3,296.6	1,462.6

¹ There is balance sheet cover on the asset side for these financial liabilities.

								€m
	› 1 to 2 years	› 2 to 3 years	› 3 to 4 years	› 4 to 5 years	› 5 years	Weighted nominal interest rate	Weighted effective interest rate	Fair value as at 31/12
	0.0	496.9	0.0	0.0	489.4	1.20 %	1.28 %	1,019.8
	0.0	496.9	0.0	0.0	489.4	1.20 %	1.28 %	1,019.8
	0.0	496.9	0.0	0.0	489.4	1.20 %	1.28 %	1,019.8
	25.1	25.1	20.1	12.3	170.8	0.11 %	2.21 %	1,740.2
	25.1	25.1	20.1	12.3	170.8	0.11 %	2.21 %	1,740.2
	22.6	22.6	17.6	9.8	162.0	2.29 %	2.51 %	289.2
	2.5	2.5	2.5	2.5	8.8	-0.28 %	0.36 %	1,451.0
	0.0	147.0	0.0	0.0	0.0	0.90 %	0.96 %	151.2
	0.0	147.0	0.0	0.0	0.0	0.90 %	0.96 %	151.2
	0.0	147.0	0.0	0.0	0.0	0.90 %	0.96 %	151.2
				399.0	48.2			481.0
				399.0	48.2			481.0
				399.0	48.2			481.0
	0.0							
	25.1	669.0	20.1	411.3	708.4			

8.2 Non-current other liabilities

Non-current other liabilities are accounted for at amortised cost and relate primarily to the following transactions:

- Obligation to supply electricity under a 20-year electricity supply agreement that was incurred in connection with the acquisition of Kraftwerksgruppe Inn GmbH (now VERBUND Innkraftwerke GmbH) in the 2009 reporting period. An unscheduled repayment of 60 % of the obligation was made in 2013 as part of the acquisition of (additional) Bavarian hydropower plant capacities.
- Obligation to transfer the 50 % interest in Donaukraftwerk Jochenstein AG back to the Free State of Bavaria without consideration that was assumed as part of the acquisition of (additional) Bavarian hydropower plant capacities.
- Lease liabilities reported as liabilities in accordance with IFRS 16 (see section 4.3 Leases).

8.2.1 Non-current other liabilities

Non-current other liabilities	€m	
	2021	2022
Other liabilities from electricity and grid deliveries	54.3	142.0
Lease liabilities	86.0	126.0
Obligation to return an interest	140.4	116.7
Electricity supply commitment	126.5	113.4
Trade payables	2.1	2.8
Other	52.8	62.3
Non-current other liabilities	462.1	563.4

9. Provisions

9.1 Provisions in the Group

In accordance with IAS 37, provisions are recognised for legal and constructive obligations to external third parties resulting from past events whose settlement will probably lead to a future outflow of economic resources. It must be possible to reliably estimate the amount of the obligation. Provisions are measured at the expected settlement amount.

Non-current provisions set aside to settle claims more than twelve months into the future are discounted if the present value of the expected settlement amount differs significantly from the nominal amount. The discount rate is a pre-tax interest rate adjusted to the specific risks of the liability. Accrued interest amounts are presented as interest expenses; any effects from changes in the interest rate are recognised in the operating result.

Non-current and current provisions can be broken down as follows:

Non-current and current provisions				€m	
	2021 Non-current	2022 Non-current	2021 Current	2022 Current	
Provisions for pensions	429.7	301.2	–	–	
Provisions for obligations similar to pensions	143.9	98.9	–	–	
Provisions for termination benefits	120.1	93.9	–	–	
Provisions for partial retirement	3.4	3.5	1.5	1.6	
Other personnel-related provisions	25.2	21.4	26.9	33.9	
Other provisions	110.7	100.7	16.3	15.4	
Non-current and current provisions	832.9	619.5	44.7	50.9	

9.1.1 Non-current and current provisions

9.2 Personnel provisions

Provisions for current pensions, vested pension benefits and similar obligations are determined in accordance with IAS 19 using the projected unit credit method (PUC method), whereby remeasurements of the net liability are recognised in other comprehensive income in the year in which the liability is incurred. With the exception of net interest expense, all expenses (and returns) related to these obligations are recognised under personnel expenses. Net interest expense is reported under interest expenses.

These defined benefit obligations are partially covered by pension plan assets at APK Pensionskasse AG earmarked for this purpose. Contractual trust arrangements (CTA) were set up in order to secure the entitlements from the company pension plan for the employees of VERBUND Innkraftwerke GmbH, Innwerk AG and Grenzkraftwerke GmbH. VERBUND is obligated to provide additional funding to the extent the obligations are to be fulfilled through the pension fund; there is no such obligation to provide additional funding for the CTA. Both pension plan assets as well as the contractual trust arrangements are recognised as plan assets as defined under IAS 19 and offset with the provision for current pensions and vested pension benefits.

Pension plan assets are invested in compliance with the provisions of the Austrian Pension Fund Act (Pensionskassengesetz, PKG) and the corresponding regulations of the Austrian Financial Market Authority (FMA).

Similar obligations relate to employer contributions for supplementary health insurance premiums to be paid after retirement. The provisions are determined in the same manner as provisions for pension obligations.

**9.2.1
Measurement of
pensions and
similar obligations
as well as statutory
termination benefits**

Existing provisions for pensions and similar obligations as well as obligations from termination benefits (carrying amount as at 31 December 2022: €493.9m; previous year: €693.6m) were measured based on assumptions and estimates as at the reporting date. The key factors of influence included the discount rate, the estimated retirement age and the estimated life expectancy as well as future increases in salaries and pension benefits:

Actuarial assumptions for pension obligations

	2021	2022
Discount rate or expected rate of return from plan assets	1.00 %	3.75 %
Pension increases	1–2 %	1.75 %–5.75 %
Salary increases	2.75 %/2.75 %	2.75 %–6.75 %
Employee turnover	none	none
Longevity based on mortality table	AVÖ 2018- P/Heubeck mortality tables 2018 G	AVÖ 2018- P/Heubeck mortality tables 2018 G

Actuarial assumptions for obligations similar to pensions

	2021	2022
Discount rate	1.25 %	3.75 %
Employee turnover (depending on duration of employment)	0.0 %–4.1 %	0.0 %–5.8 %
Trend of contributions based on hospital cost index for new contracts (with participation) / old contracts (without participation)	2.75 %–5.5 %	2.75 %–5.5 %
Longevity based on mortality table	AVÖ 2018- P/Heubeck mortality tables 2018 G	AVÖ 2018- P/Heubeck mortality tables 2018 G

Actuarial assumptions for termination benefit obligations

	2021	2022
Discount rate	0.75 %	3.50 %
Salary increases	2.75 %/2.75 %	2.75 %–6.75 %
Employee turnover (depending on duration of employment)	0.0 %–1.3 %	0.0 %–0.6 %
Longevity based on mortality table	AVÖ 2018- P/Heubeck mortality tables 2018 G	AVÖ 2018- P/Heubeck mortality tables 2018 G

VERBUND is exposed to investment risk, interest rate risk, life expectancy risk and salary risk as well as the risk of price increases and employee turnover risk based on the existing pension and similar obligations as well as obligations from statutory termination benefits. The following sensitivity analyses show the effects resulting from changes in significant actuarial assumptions on the obligations. The change in the obligation was determined in a manner comparable with the determination of the actual obligation based on the PUC method in accordance with IAS 19.

Sensitivity analysis for net pension liability 2022

	Change in assumption in percentage points or years	If assumption increases, change in net liability of	If assumption decreases, change in net liability of
Discount rate	0.25 %	-2.38 %	2.49 %
Pension increases	0.50 %	5.17 %	-4.76 %
Longevity based on mortality table	1 year	4.81 %	-4.79 %

Sensitivity analysis for obligations similar to pensions 2022

	Change in assumption in percentage points or years	If assumption increases, change in obligation of	If assumption decreases, change in obligation of
Discount rate	0.25 %	-3.18 %	3.35 %
Trend of contributions based on hospital cost index	0.50 %	6.81 %	-6.18 %
Longevity based on mortality table	1 year	5.71 %	-5.56 %

Sensitivity analysis for termination benefit obligations 2022

	Change in assumption in percentage points or years	If assumption increases, change in obligation of	If assumption decreases, change in obligation of
Discount rate	0.25 %	-1.75 %	1.80 %
Salary increases	0.50 %	3.65 %	-3.48 %
Longevity based on mortality table	1 year	0.00 %	0.00 %

Sensitivity analysis for net pension liability 2021

	Change in assumption in percentage points or years	If assumption increases, change in net liability of	If assumption decreases, change in net liability of
Discount rate	0.25 %	-3.10 %	3.27 %
Pension increases	0.50 %	6.65 %	-6.01 %
Longevity based on mortality table	1 year	5.65 %	-5.54 %

Sensitivity analysis for obligations similar to pensions 2021

	Change in assumption in percentage points or years	If assumption increases, change in obligation of	If assumption decreases, change in obligation of
Discount rate	0.25 %	-3.94 %	4.20 %
Trend of contributions based on hospital cost index	0.50 %	8.35 %	-7.46 %
Longevity based on mortality table	1 year	7.00 %	-6.66 %

Sensitivity analysis for termination benefit obligations 2021

	Change in assumption in percentage points or years	If assumption increases, change in obligation of	If assumption decreases, change in obligation of
Discount rate	0.25 %	-1.91 %	1.97 %
Salary increases	0.50 %	3.87 %	-3.68 %
Longevity based on mortality table	1 year	0.03 %	-0.04 %

9.2.2
Provisions for
pensions and
similar obligations

Reconciliation from defined benefit obligation to provision

	2021 Pension obligations	2022 Pension obligations	2021 Obligations similar to pensions	2022 Obligations similar to pensions
Defined benefit obligation covered by plan assets	298.9	224.0	-	-
Fair value of plan assets	-190.9	-156.4	-	-
Net value of obligations covered by plan assets	108.0	67.6	-	-
Defined benefit obligation not covered by plan assets	321.6	233.5	143.8	98.9
Carrying amount of provisions as at 31/12	429.6	301.1	143.8	98.9

Pension expenses

	2021 Pension obligations	2022 Pension obligations	2021 Obligations similar to pensions	2022 Obligations similar to pensions
Service costs (vested claims)	4.3	3.4	2.7	2.0
Net interest expense	3.6	4.1	1.3	1.8
Pension expenses (recognised in profit for the period)	7.9	7.5	4.0	3.8
Remeasurements of the net liability	-56.5	-114.1	-26.3	-44.1
Pension expenses (recognised in total comprehensive income for the period)	-48.6	-106.6	-22.3	-40.3

Reconciliation of defined benefit obligation

	€m			
	2021 Pension obligations	2022 Pension obligations	2021 Obligations similar to pensions	2022 Obligations similar to pensions
Defined benefit obligation as at 1/1	612.6	620.4	170.6	143.8
Additions from business acquisitions	75.3	0.0	0.0	0.0
Service costs (vested claims)	4.3	3.4	2.7	2.0
Pension payments or contributions to supplementary health insurance (benefit payments)	-36.0	-36.1	-4.5	-4.6
Interest expenses	4.9	6.1	1.3	1.8
Remeasurements based on experience adjustments	-12.0	0.4	-8.3	-3.2
Remeasurements arising from changes in demographic assumptions	0.0	0.0	0.0	2.5
Remeasurements arising from changes in financial assumptions	-28.6	-136.7	-18.0	-43.4
Defined benefit obligation as at 31/12	620.4	457.5	143.8	98.9

On 31 December 2022, the weighted average duration of the pension obligation was 10 years (previous year: 13 years) and that of the obligations similar to pensions was 14 years (previous year: 17 years).

Reconciliation of plan assets

	€m			
	2021 Pension obligations	2022 Pension obligations	2021 Obligations similar to pensions	2022 Obligations similar to pensions
Fair value of plan assets as at 1/1	157.1	190.9	-	-
Additions from business acquisitions	30.4	0.0	-	-
Contributions by VERBUND	0.2	0.5	-	-
Payouts (benefit payments)	-14.1	-14.6	-	-
Interest income	1.4	1.9	-	-
Other gains (+) or losses (-)	15.9	-22.3	-	-
Fair value of plan assets as at 31/12	190.9	156.4	-	-

The investment and risk association in the pension fund attributable to VERBUND realised a loss of €20.4m in the 2022 reporting period (previous year: gain of €17.3m). The deficit represents the portion of pension obligations not covered by plan assets; these relate primarily to direct commitments to pension recipients. In the 2023 reporting period, current contributions to the pension fund for coverage of defined contribution plans are expected in the amount of €7.0m (previous year: €0.0m.).

9.2.3 Provisions for termination benefits

Plan assets	in %			
	2021 Quoted	Total	2022 Quoted	2022 Total
Shares	41.7	41.7	37.9	37.9
Bonds	33.6	33.6	32.3	32.3
Money market	7.0	7.0	7.6	7.6
Other investments	17.7	17.7	22.2	22.2
Total	100.0	100.0	100.0	100.0

VERBUND regularly coordinates the general investment guidelines with APK Pensionskasse AG. Risk management in APK Pensionskasse AG is guided by the provisions of the Austrian Pension Fund Act (PKG) and the corresponding directives of the Financial Market Authority (FMA).

Employees whose service began on or before 31 December 2002 are entitled to receive a one-time payment based on statutory provisions in particular when they retire. This obligation is measured in accordance with IAS 19 based on the PUC method with an accumulation period of 25 years, whereby remeasurements of the net liability are recognised immediately in other comprehensive income.

The employer is only obligated to make regular contributions for all employees whose service began after 31 December 2002 in Austria. Such contributions are therefore accounted for as defined contribution plans in accordance with IAS 19. For these employment contracts, the employer pays 1.53 % of the monthly gross salary into an employee pension fund.

The weighted average duration of the obligations from termination benefits is seven years as at 31 December 2022 (previous year: eight years).

Analysis of the provisions for termination benefits	€m	
	2021	2022
Provisions for statutory termination benefits	119.1	93.4
Provisions for termination benefits from special agreements in accordance with social plan	0.9	0.5
Carrying amount of provisions as at 31/12	120.0	93.9

Expense for termination benefit costs	€m	
	2021	2022
Service costs	1.0	0.9
Net interest expense	0.6	0.9
Expense for termination benefit costs (recognised in profit for the period)	1.6	1.8
Remeasurements of termination benefits	-3.3	-13.8
Expenses for termination benefit costs (recognised in total comprehensive income for the period)	-1.7	-12.0

Reconciliation of defined benefit obligation for statutory termination benefits		€m
	2021	2022
Defined benefit obligation as at 1/1	123.8	119.1
Change in the basis of consolidation	10.5	0.0
Service costs (vested claims)	1.0	0.9
Interest expenses	0.6	0.9
Termination benefits (benefit payments)	-13.5	-13.7
Remeasurements based on experience adjustments	-1.0	1.5
Remeasurements arising from changes in demographic assumptions	0.0	0.9
Remeasurements arising from changes in financial assumptions	-2.3	-16.2
Defined benefit obligation as at 31/12	119.1	93.4

The partial retirement obligation is measured in accordance with IAS 19 based on the PUC method, whereby remeasurements of the net liability are recognised immediately through profit or loss. The resulting expenses to be recognised are presented under pension expenses.

There are also CTAs for the purpose of securing credit balances from partial retirement models of employees of VERBUND Innkraftwerke GmbH and Innwerk AG. There is no obligation to provide additional funding. The CTA is recognised as plan assets as defined under IAS 19 and offset against the provision for partial retirement.

9.2.4 Provisions for partial retirement obligations

Reconciliation from defined benefit obligation to provisions		€m
	2021	2022
Defined benefit obligation covered by plan assets	7.9	8.1
Fair value of plan assets	-3.1	-3.1
Carrying amount of provisions as at 31/12	4.8	5.0

Expenses for partial retirement		€m
	2021	2022
Service costs	1.5	1.6
Remeasurements	0.2	0.9
Expenses for partial retirement (recognised in profit for the period)	1.7	2.5

Reconciliation of defined benefit obligation		€m
	2021	2022
Defined benefit obligation as at 1/1	7.8	7.9
Change in the basis of consolidation	0.3	0.0
Service costs (vested claims)	1.5	1.6
Net interest expense	0.0	0.0
Payments for early retirement	-2.3	-2.3
Remeasurements	0.6	0.9
Defined benefit obligation as at 31/12	7.9	8.1

Reconciliation of plan assets		€m	
	2021	2022	
Fair value of plan assets as at 1/1	2.7	3.1	
Other gains (+) or losses (-)	0.4	0.0	
Fair value of plan assets as at 31/12	3.1	3.1	

Plan assets		in %	
	2021	2022	
Bonds	100.0	100.0	
Total	100.0	100.0	

**9.2.5
Other
personnel-related
provisions**

Analysis of other personnel-related provisions					€m
	2021 Non-current	2022 Non-current	2021 Current	2022 Current	
Provision for bonuses from the performance-based remuneration system	–	–	26.4	33.7	
Provision for anniversary bonuses	20.0	17.2	–	–	
Other	5.2	4.1	0.5	0.2	
Other personnel-related provisions	25.2	21.3	26.9	33.9	

Reconciliation of other personnel-related provisions		€m	
	2021	2022	
Carrying amount as at 1/1	43.5	52.1	
of which non-current	22.0	25.2	
of which current	21.5	26.9	
Change in the basis of consolidation	5.9	0.0	
New provisions	20.6	28.1	
Interest accrued	0.2	0.2	
Appropriation	–17.6	–21.0	
Reversal	–0.5	–4.1	
Carrying amount as at 31/12	52.1	55.3	
of which non-current	25.2	21.4	
of which current	26.9	33.9	

9.3 Other provisions

Dismantling and decommissioning obligations

Provisions are recognised at the discounted settlement amounts for obligations resulting from the dismantling or decommissioning of power plants in the reporting period in which they are incurred; at the same time, the carrying amounts for the power plants are increased as a general rule (see section 4.2 Property, plant and equipment). In subsequent periods, the capitalised costs for dismantling or decommissioning are depreciated over the (remaining) useful life of the plants; interest is accrued annually.

The provisions are measured at the reporting date on the basis of assumptions and estimates. The key factors of influence were the expected dismantling dates, any possible expert reports to ascertain the dismantling and decontamination costs or proceeds from the sale of scrap, the valorisation of these costs and the discount rate of 2.00 %–8.23 % (previous year: 0.25 %–5.43 %).

Reconciliation of other provisions 2022

	€m		
	Dismantling and decontamination costs	Other	Total
Carrying amount as at 1/1/2022	36.3	90.7	127.0
of which non-current	34.4	76.3	110.7
of which current	1.9	14.4	16.3
New provisions	3.0	8.6	11.5
Interest accrued	–2.0	1.3	–0.7
Appropriation	–1.7	–9.9	–11.6
Reversal	–5.6	–4.7	–10.3
Carrying amount as at 31/12/2022	29.9	86.1	116.0
of which non-current	26.4	74.3	100.7
of which current	3.6	11.8	15.4

9.3.1 Other provisions

Reconciliation of other provisions 2021

	€m		
	Dismantling and decontamination costs	Other	Total
Carrying amount as at 1/1/2021	35.9	90.2	126.1
of which non-current	33.3	76.2	109.5
of which current	2.6	14.0	16.6
Change in the basis of consolidation	4.0	2.7	6.6
New provisions	1.3	7.2	8.4
Interest accrued	–0.3	0.4	0.1
Appropriation	–0.9	–7.6	–8.5
Reversal	–3.5	–2.1	–5.6
Currency translation	–0.1	0.0	–0.1
Carrying amount as at 31/12/2021	36.3	90.7	127.0
of which non-current	34.4	76.3	110.7
of which current	1.9	14.4	16.3

10. Taxes

Current tax liabilities in the 2022 reporting period can be broken down as follows:

Current tax liabilities	€m	
	2021	2022
Taxes on income	219.5	454.0
Other taxes	2.9	3.9
Current tax liabilities	222.4	457.9

Deferred taxes were netted against the same tax authority as follows:

Net deferred tax assets and liabilities	€m			
	Total assets	2021 Total liabilities	Total assets	2022 Total equity and liabilities
Property, plant and equipment	0.3	936.5	2.6	1,011.6
Tax-deductible goodwill	0.0	82.0	0.0	95.6
Financial instruments	492.4	7.0	334.1	22.6
Special depreciation for tax purposes	0.0	87.9	0.0	80.1
Provisions for employee benefits relating to pensions and termination benefits (Sozialkapital)	121.0	0.8	67.6	0.0
Regulatory obligations	0.0	98.4	0.0	81.8
Tax loss carryforwards	136.2	0.0	123.2	0.0
Other line items	46.1	34.4	78.5	79.0
Deferred tax assets/liabilities	795.9	1,247.0	606.0	1,370.6
Netting of deferred tax assets and liabilities against the same tax authority	-760.1	-760.1	-570.1	-570.1
Net deferred tax assets and liabilities	35.8	486.9	35.8	800.5

Outside basis differences

At 31 December 2022 (and in the previous year), it could be assumed under present tax rules that the differences between the tax base of equity interests and the proportionate share of equity (outside basis differences) of the consolidated subsidiaries, branch offices, associates and joint arrangements included in VERBUND's consolidated IFRS financial statements, which result in particular from retained earnings and uncovered losses, will remain tax-free for the foreseeable future. Therefore, no tax liability was recognised at 31 December 2022 for temporary differences in the amount of €3,418.0m (previous year: €3,061.1m) in connection with these equity interests.

11. Risk management

VERBUND also uses primary and derivative financial instruments in both the finance and energy area for the purpose of risk management.

11.1 Risk management in the finance area

VERBUND is exposed to considerable financial risk in its operating activities and the related financing transactions. These comprise mainly interest rate and liquidity risks, counterparty risks, price risks from securities, foreign exchange risks and the risk of a change in VERBUND's rating.

Therefore, the focus is placed on the identification, analysis and assessment of risks and opportunities as well as on the determination of measures to be implemented in this context in VERBUND's finance area. Own rules were defined in connection with Group policies in order to also monitor and manage the financial risks accordingly.

The measures for monitoring and managing financial risks include in particular:

- the calculation and assessment of KPIs in line with market conditions with respect to locking in interest rates, currency diversification and the duration of financial liabilities; and
- the drafting of a continuous liquidity plan on which basis sufficient liquidity is ensured at all times.

The primary financial instruments held by VERBUND include, in particular, investments such as securities, loans, equity interests, trade receivables, cash at banks, securitised and non-securitised financial liabilities and trade payables.

The derivative financial instruments used in the finance area comprise the following and are recognised under the balance sheet items listed:

Financial instruments

Receivables from derivative financial instruments				€m
	Reference value ¹	Positive fair values 31/12/2021	Positive fair values 31/12/2022	
Interest rate swaps – closed items on the balance sheet (fixed interest recipient)	\$281.6m (previous year: \$276.7m)	70.3	31.5	
Interest rate swaps – hedges (fixed interest payment)	€300.4m (previous year: €0.0m)	0.0	43.5	
Interest rate swap relating to financial liabilities (freestanding)	€37.3m (previous year: €0.0m)	0.0	1.1	

¹ The reference value includes the reference basis of the derivative instruments. The actual cash flows only represent a fraction of these values.

Derivative financial instruments in other liabilities				€m
	Reference value ¹	Negative fair values	Negative fair values	
		31/12/2021	31/12/2022	
Interest rate swaps – hedges (fixed interest payment)	€0.0m (previous year: €56.8m)	3.6	0.0	
Interest rate swap relating to financial liabilities (freestanding)	€0.0m (previous year: €90.8m)	2.3	0.0	

¹ The reference value includes the reference basis of the derivative instruments. The actual cash flows only represent a fraction of these values.

The derivative financial instruments listed serve exclusively to hedge financially against existing currency and interest rate risks (see section entitled Interest rate risk for notes on the interest rate swaps entered into for financial liabilities bearing variable interest as well as for intra-Group project financing).

Liquidity risk

For VERBUND, ensuring that liquidity is available at all times has the highest priority. As at 31 December 2022, VERBUND had an environmental, social, governance (ESG)-linked syndicated loan in the amount of €500.0m at its disposal that had not been drawn down. The loan, which was taken out with twelve domestic and international banks with good credit ratings, matures in December 2023 with two additional extension options of one year in each case. VERBUND also had access to committed lines of credit amounting to €2,350.0m and uncommitted lines of credit amounting to approximately €2,740.0m at the end of 2022. As at 31 December 2022, these credit lines had been drawn down in the amount of €150.0m and €500m. In addition, there are also liquidity reserves in the form of securities and investment funds.

See section 5.1 Accounting treatment of financial instruments regarding contractually agreed (undiscounted) cash outflows from financial liabilities in accordance with IFRS 7.

Credit risk

The amounts reported on the asset side also represent the maximum credit and default risk. The counterparty risk in the electricity and grid business as well as in the finance area is measured and monitored uniformly as part of Group-wide risk management.

Measures to reduce counterparty risk

- 1 Transactions and investments are carried out principally only with customers with sufficient creditworthiness (i.e. with external investment grade ratings from an international rating agency or based on an internal credit review)
- 2 Assignment of individual limits for each counterparty based on the credit assessment
- 3 Group-wide monitoring of the individual counterparty limits
- 4 Observance of counterparty risk as a whole and of the customer structure portfolio based on probabilities published by international rating agencies
- 5 Securing sufficient collateral (e.g. advance payments, bank guarantees, letters of comfort) for transactions entered into
- 6 Reduction of risk by entering into offsetting agreements (with the exception of operating activities in the regulated Grid segment, where there are some trade receivables for which the debtor does not meet the requirements due to obligations to contract)

In the 2022 reporting period, a credit insurance policy was in effect for Austria and Germany in the consumer business area with a 10 % deductible. As at 31 December 2022, €132.1m of the trade receivables (previous year: €114.1m) were covered under this insurance policy; however, there is a maximum coverage of €10.0m per year.

The table below provides an overview of the material financial instruments with credit risk by credit rating group:

Financial instruments with credit risk by assigned rating group 2022							€m
Credit rating group	Equivalent Moody's rating	Financial instruments – closed items on the balance sheet	Securities	Non-current and current other receivables ¹	Trade receivables	Derivatives in the energy area	Investments as well as cash and cash equivalents ²
A	up to Aa3	270.8	0.0	0.0	30.1	62.0	181.8
B	up to A3	168.0	5.7	19.0	325.1	183.1	168.0
C1–C3	up to Baa3	0.0	0.0	21.2	283.2	1,793.4	59.5
D1–D5	below Baa3	0.0	0.0	0.0	23.6	156.5	0.0
Not rated		0.0	155.4	833.0	306.4	0.0	0.0
Total		438.8	161.1	873.2	968.4	2,195.0	409.3

¹ incl. receivables from investees and loans to investees // ² Non-current and current other loans and money market transactions have been summarised as investments in this presentation.

Financial instruments with credit risk by assigned rating group 2021 ¹							€m
Credit rating group	Equivalent Moody's rating	Financial instruments – closed items on the balance sheet	Securities	Non-current and current other receivables ²	Trade receivables	Derivatives in the energy area	Investments as well as cash and cash equivalents ³
A	up to Aa3	247.9	0.0	0.0	20.9	1,067.3	2.4
B	up to A3	199.2	7.1	26.6	372.4	432.0	299.2
C1–C3	up to Baa3	0.0	0.0	43.5	203.3	889.6	17.0
D1–D5	below Baa3	0.0	0.0	0.0	20.6	38.7	0.0
Not rated		0.0	135.7	726.0	201.2	0.0	0.0
Total		447.2	142.8	796.0	818.4	2,427.6	318.6

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8. // ² incl. receivables from investees and loans to investees // ³ Non-current and current other loans and money market transactions have been summarised as investments in this presentation.

- **Securities and loans related to closed items on the balance sheet**

These are not exposed to price or foreign exchange risk from VERBUND's perspective. The investments were either carried out on the basis of matching currencies and maturities or they were adjusted to maturity, interest rates and currencies of the corresponding financial liabilities through corresponding derivatives. The remaining credit risk of the partner in which the investments were made was minimised by only investing with partners with original first-class ratings (group A).

- Other securities

The other securities without assigned ratings are, in particular, domestic investment funds (funds for institutional investors) acquired to cover personnel-related provisions.

- Trade receivables

The amounts shown as “not rated” result on the one hand from the expansion of the consumer business, which led to a large number of receivables that individually lie below the de minimis threshold (< €0.2m). On the other hand, it also includes receivables for which no credit assessments were carried out due to special circumstances (e.g. legal obligations to accept contracts).

The table below contains information regarding the default risk and recognised expected credit losses for financial instruments that were classified as measured at amortised cost, with the exception of trade receivables and receivables from investees, which are primarily also related to trade receivables. For all financial instruments, the valuation allowance was recognised in the amount of the twelve-month expected credit loss, because there is a low risk of default.

Expected credit losses 2022

	Equiva- lent Moody's rating	Proba- bility of default	Loss ratio	Gross carrying amount	Valuation allowance	Net carrying amount
A	up to Aa3	0.02 %	0.60 %	270.8	0.0	270.8
B	up to A3	0.06 %	0.70 %	155.5	0.1	155.6
C1–C3	up to Baa3	0.10 %– 0.25 %	0.80 %	0.0	0.0	0.0
Loans portion of a net investment ¹	–	–	–	43.6	0.0	43.6
No recognition of expected credit losses ²	–	–	–	–	–	1,096.1
Total						1,566.2

¹ In their economic substance, non-current loans represent an increase in the net investment in Ashta Beteiligungsverwaltung GmbH (see section 4.5 Interests accounted for using the equity method). // ² Guarantees in energy trading in the amount of €631.4m are maintained as a special asset pool, which is why there is no default risk. No expected credit losses are recognised for the other remaining financial instruments due to the low amount of exposure to default risk, the short term and/or the borrower's good creditworthiness.

Expected credit losses 2021

	Equiva- lent Moody's rating	Proba- bility of default	Loss ratio	Gross carrying amount	Valuation allowance	Net carrying amount
A	up to Aa3	0.02 %	0.60 %	247.9	0.0	248.0
B	up to A3	0.06 %	0.70 %	155.6	0.1	155.6
C1–C3	up to Baa3	0.10 %– 0.26 %	0.80 %	0.0	0.0	0.0
Loans portion of a net investment ¹	–	–	–	47.1	0.0	47.1
No recognition of expected credit losses ²	–	–	–	–	–	939.7
Total						1,390.4

¹ In their economic substance, non-current loans represent an increase in the net investment in Ashta Beteiligungsverwaltung GmbH (see section 4.5 Interests accounted for using the equity method). // ² Guarantees in energy trading in the amount of €597.2m are maintained as a special asset pool, which is why there is no default risk. No expected credit losses are recognised for the other remaining financial instruments due to the low amount of exposure to default risk, the short term and/or the borrower's good creditworthiness.

For trade receivables and receivables from investees that are primarily related to trade receivables, the credit losses expected over the term are measured using a valuation allowance matrix:

Expected credit losses 2022

	Loss ratio	Gross carrying amount	Valuation allowance	Net carrying amount
Not past due	0 %	978.6	0.0	978.6
1–30 days past due	0 %	23.9	0.0	23.9
31–120 days past due	10–50 %	21.9	–0.3	21.6
> 120 days past due	90 %	12.0	–9.9	2.1
Total		1,036.4	–10.1	1,026.2

Expected credit losses 2021

	Loss ratio	Gross carrying amount	Valuation allowance	Net carrying amount
Not past due	0 %	837.7	0.0	837.7
1–30 days past due	0 %	4.2	0.0	4.2
31–120 days past due	10–50 %	4.4	–0.3	4.1
> 120 days past due	90 %	35.7	–5.8	29.9
Total		882.0	–6.1	876.0

VERBUND regards fluctuations in interest rates as a significant cash flow risk. The portion of financial liabilities (taking interest rate swaps into account) for which VERBUND was exposed to a corresponding interest rate risk was 59.4 % as at 31 December 2022 (previous year: 56.0 %). The increase compared with the previous year can be attributed to a larger amount of collateral (margin payments) in connection with electricity trading activities due to increased electricity prices that were financed by way of short-term, variable-rate money market credit lines.

**Interest rate
risk**

A 1.0 % increase in the interest rate would result in a decrease of €20.5m p.a. (previous year: €16.0m p.a.) in profit before taxes with the loan portfolio in existence as at the reporting date, including the money market transactions. As a rule, hedging instruments are used in an attempt to reduce the effects of short-term market price fluctuations on profit or loss. However, prolonged negative market price changes can have a negative impact on performance.

At 31 December 2022, there were interest rate swaps (notional amount: \$281.6m; previous year: \$276.7m) related to closed items on the balance sheet. The fair value of these derivatives, together with the related securities, loans and receivables, in each case form a micro hedge that exactly equates to the fair value recognised for the related financial liability. The changes in fair value of the interest rate swaps correspond to the fluctuations in the value of the hedged financial liabilities measured at fair value induced by changes in interest rates.

At 31 December 2022, there were additional interest rate swaps in a total notional amount of €300.4m (previous year: €56.8m). The significant increase compared with the previous year can be attributed to business acquisitions by VERBUND in Spain. There was a change from variable to fixed interest rates due to interest rate swaps that were designated as hedging instruments as part of cash flow hedges in accordance with IFRS 9.

In addition, interest rate swaps (from variable to fixed interest) were entered into as part of intra-Group project financing with a notional value of €37.3m (previous year: €90.8m) for which no hedging relationships could be presented from a Group perspective (see section 5 Financial instruments). The average remaining term for the entire portfolio is 5.2 years (previous year: 4.7 years).

Foreign exchange risk

There are no assets exposed to significant foreign exchange risks because deliveries are settled almost entirely in euros; the same generally applies to other primary financial instruments.

Since securities and loans under closed items on the balance sheet as well as the associated liabilities are denominated exclusively in US dollars, no foreign exchange risk is incurred.

Risk from cross-border leasing transactions

All cross-border leasing transactions entered into in the years 1999 to 2001 were terminated early in prior financial years.

Some of the cross-border leasing transactions were terminated early in their entirety, while some were only partially terminated, whereby the transactions with investors and the associated A-loans were repaid while the existing B-loans were continued by VERBUND (see section 8.1 Financial liabilities). Balance sheet cover remains in place for the continued portions. Expenses and income from the measurement of these items correspond to one another in terms of both value and value date, and are offset. The reference value of the interest rate swaps amounts to \$281.6m (previous year: \$276.7m).

The financial assets and liabilities that relate to the closed items on the balance sheet are not shown as net amounts. In the event of insolvency, the interest rates swaps (€31.5m; previous year: €70.3m) can be netted against the financial liabilities to banks recognised at fair value (€312.3m; previous year: €330.1m). The net liability from both of these items therefore amounted to €280.8m as at 31 December 2022 (previous year: €259.8m).

For two transactions ended early in which the financial liabilities were continued, there remains the risk that it will be necessary to exchange the investing financial institutions or provide additional collateral in the event that the rating of the investing financial institutions or of VERBUND falls below a certain threshold. The ratings of contractual parties as well as VERBUND's rating exceeded the contractually agreed thresholds on 31 December 2022. Thus there is currently no need for VERBUND to

switch individual contractual parties or investments. This risk is also reduced not least of all by the existence of guarantors' liabilities from regional authorities for specific contractual parties.

11.2 Risk management in the energy area

Within its core business, VERBUND is active in international energy markets and is thus exposed to market, counterparty and operational risks that have to be seen alongside corresponding opportunities. Dealing with market risks is managed by means of rule books and the limits established in them. Counterparty risk is approached using separate guidelines both at the Group level as well as at the level of the subsidiaries. There is a process manual for the management of operational risks.

The current utilisation of the various limits for market risk (value at risk, stress limit, stop-loss limits and exposure limits) is monitored, managed and reported on a daily basis, as is the risk position of the (derivative) financial instruments in the energy area.

At 31 December 2022, derivative financial instruments in the energy area (electricity futures and electricity forwards as well as gas futures and gas forwards, CO₂ futures and CO₂ forwards) comprised the following:

Sales and procurement (cash flow hedges) as at 31/12/2022			€m
	Positive fair values	Negative fair values	Net
Futures	580.8	1,618.4	- 1,037.6
Forwards	426.6	701.1	- 274.5
Options	4.7	172.4	- 167.7
Total before netting	1,012.1	2,491.9	- 1,479.8
of which current	948.1	1,879.6	- 931.5
of which non-current	64.0	612.3	- 548.3
of which in other comprehensive income			- 1,479.8

Wholesale as at 31/12/2022			€m
	Positive fair values	Negative fair values	Net
Futures	1,650.3	542.0	1,108.3
Forwards	2,994.7	2,875.3	119.4
Total before netting	4,645.0	3,417.3	1,227.6
of which current	3,798.3	2,410.0	1,388.3
of which non-current	846.7	1,007.3	- 160.7
Futures already realised	900.7	1,980.4	- 1,079.7
Total			147.9

Trading as at 31/12/2022			€m
	Positive fair values	Negative fair values	Net
Futures	85.7	88.5	-2.8
Forwards	1,354.6	1,353.2	1.4
Total before netting	1,440.3	1,441.7	-1.4
of which current	1,091.0	1,094.7	-3.7
of which non-current	349.3	347.0	2.3
Total as at 31/12/2022			€m
	Positive fair values	Negative fair values	Net
Futures	2,316.8	2,248.9	67.8
Forwards	4,775.9	4,929.6	-153.7
Options	4.7	172.4	-167.7
Total before netting	7,097.3	7,351.0	-253.6
Including netting agreements	-4,790.2	-4,790.2	0.0
Total after netting	2,307.2	2,560.8	-253.6
EEX/ECX clearing variation margins of futures	-112.2	0.0	-112.2
Recognised in either receivables from derivative financial instruments or liabilities from derivative financial instruments	2,195.0	2,560.8	-365.8
of which current	1,825.3	1,491.6	333.7
of which non-current	369.7	1,069.2	-699.5

At 31 December 2021, derivative financial instruments in the energy area (electricity futures as well as electricity forwards and options, gas futures and gas forwards, CO₂ futures and CO₂ forwards) comprised the following:

Sales and procurement (cash flow hedges) as at 31/12/2021			€m
	Positive fair values	Negative fair values	Net
Futures	267.6	1,334.8	-1,067.2
Forwards	229.1	973.7	-744.5
Options	7.3	117.4	-110.1
Total before netting	504.1	2,425.8	-1,921.8
of which current	450.9	2,243.2	-1,792.3
of which non-current	53.2	182.7	-129.5
of which in other comprehensive income	0.0	0.0	-1,921.8

Wholesale as at 31/12/2021			€m
	Positive fair values	Negative fair values	Net
Futures	1,489.9	595.6	894.3
Forwards	2,435.8	3,209.9	-774.1
Swaps	7.4	0.0	7.4
Total before netting	3,933.1	3,805.5	127.6
of which current	3,464.1	3,174.3	289.8
of which non-current	469.0	631.3	-162.3
Futures already realised	914.8	1,093.7	-178.8
Total	0.0	0.0	-51.3

Trading as at 31/12/2021			€m
	Positive fair values	Negative fair values	Net
Futures	222.7	207.6	15.1
Forwards	4,019.8	4,037.1	-17.3
Total before netting	4,242.5	4,244.7	-2.2
of which current	3,824.0	3,824.6	-0.6
of which non-current	418.5	420.1	-1.6

Total as at 31/12/2021¹				€m
	Positive fair values	Negative fair values	Net	
Futures	1,980.2	2,138.0	– 157.8	
Forwards	6,684.8	8,220.7	– 1,535.9	
Options	7.3	117.4	– 110.1	
Swaps	7.4	0.0	7.4	
Total before netting	8,679.6	10,476.1	– 1,796.4	
Including netting agreements	– 6,252.0	– 6,252.0	0.0	
Total after netting	2,427.6	4,224.0	– 1,796.4	
EEX/ECX clearing variation margins of futures	0.0	– 181.8	181.8	
Recognised in either receivables from derivative financial instruments or liabilities from derivative financial instruments	2,427.6	4,042.2	– 1,614.6	
of which current	1,972.7	3,307.5	– 1,334.8	
of which non-current	454.9	734.8	– 279.8	

¹ The comparative figures were adjusted retrospectively in accordance with IAS 8.

Derivative financial instruments in the energy area with positive fair values are recognised under receivables from derivative financial instruments, while those with negative fair values are recognised under liabilities from derivative financial instruments. If a framework agreement with a netting clause has been entered into with a counterparty, the positive and negative fair values of the transactions for this counterparty are netted for accounting purposes because the aim is to settle on a net basis.

The effects of potential price fluctuations on the electricity market (–10.0 % to +10.0 %) were measured by means of a sensitivity analysis:

Sensitivity: market price fluctuation of + 10 %				€m
	2021	2022		
Effect on operating result (wholesale and trading portfolio)	– 40.6	– 61.9		
Effect on equity (revaluation reserve from cash flow hedges)	– 294.3	– 346.6		

Sensitivity: market price fluctuation of – 10 %				€m
	2021	2022		
Effect on operating result (wholesale and trading portfolio)	40.6	61.9		
Effect on equity (revaluation reserve from cash flow hedges)	294.3	346.6		

The future sales and procurement transactions hedged by cash flow hedges will occur over the next ten years (2023 to 2032) and be recognised in profit or loss accordingly. See section 5 Financial instruments for further details regarding the electricity futures and forwards designated as cash flow hedges.

12. Capital management

The objectives of VERBUND's capital management include:

- safeguarding liquidity and ensuring suitable liquidity reserves;
- optimising the capital structure; and
- securing a solid, long-term credit rating.

As part of its capital management, the Executive Board regularly monitors the following key performance indicators: net debt/EBITDA, free cash flow (after dividends) and the ROCE of the unregulated business activities. The Group strives for a net debt/EBITDA ratio of < 3.0, a free cash flow (after dividends) of > €0.0m and a ROCE of the unregulated business activities of > 9.0 % in order to support the rating. These targets are based on the existing asset and value chain structure.

Net debt/EBITDA	€m	
	2021	2022
Net debt	3,510.8	3,898.3
EBITDA	1,579.0	3,160.7
Net debt/EBITDA	2.2	1.2

Free cashflow after dividends	€m	
	2021	2022
Cash flow from operating activities	98.2	2,019.9
Cash flow from investing activities excluding cash inflows and outflows from investments and/or disposals in investments	-1,108.3	-1,567.8
Free cash flow before dividends	-1,010.1	452.1
Dividend	-319.3	-477.8
Free cashflow after dividends	-1,329.5	-25.7

Return on capital employed (ROCE) of non-regulated business segments	€m	
	2021	2022
NOPAT	870.0	1,891.0
Average capital employed	7,624.1	8,930.5
Return on capital employed (ROCE) of non-regulated business segments	11.4 %	21.2 %

13. Other

13.1 Other obligations and/or entitlements and risks

Contingent liabilities

Contingent liabilities not recognised in VERBUND's balance sheet are assessed quarterly with respect to their probability of occurrence. The assessment is carried out by the managers responsible, taking account of market-related inputs (to the extent possible) and expert opinions (in individual cases).

Court proceedings pending

Pending court proceedings relate mainly to the following matters:

- Flooding of the Drau River in 2012: Claims for damages under civil law amount to €108.7m (previous year: €109.3m). VERBUND is contesting both the amounts and merits of these claims. No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in relation to these claims for damages because it is likely that such note disclosures would seriously prejudice VERBUND's position in the proceedings.
- Arbitration proceedings GCA: In January 2020, GCA was informed of the initiation of arbitration proceedings by a transportation customer under Article 4 of the International Chamber of Commerce (ICC) Rules of Arbitration. The subject of the proceedings is contracts for the provision of capacities for the transportation of natural gas. The amount in dispute is approximately €194.0m (previous year: approximately €194.0m). No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in relation to these claims for damages because it is likely that such note disclosures would seriously prejudice GCA's position in these proceedings.
- Amortisation of goodwill for the equity interest in VERBUND Innkraftwerke GmbH claimed for tax purposes for the years 2014–2023: the appeal against the notice of assessment remains pending. The tax benefit for these years (reduction of tax payments in the amount of €7.9m per year) is recognised in accordance with VERBUND's accounting policies if it is reasonably likely.

Contracts and purchase commitments

Purchase commitments for property, plant and equipment and intangible assets as well as other commitments

	€m		
	1 year or less	> 1 to 5 years	> 5 years
Total commitment	1,602.1	280.9	2.6

In addition, there are further customary purchase contracts for business activities that primarily include electricity supply agreements. Provincial energy companies have acquired (proportionate) electricity purchase rights by providing contributions to building costs for power plants. VERBUND is thereby obligated to deliver a portion of the electricity generated in these power plants to the provincial energy companies in exchange for reimbursement of contractually stipulated recognised expenses (excluding depreciation, amortisation and interest).

13.2 Other disclosures

Average number of employees

	2021	2022	Change
Salaried employees	3,018	3,342	324
Apprentices	166	174	8
Average number of employees ¹	3,184	3,516	332

¹ Part-time employees were taken into account proportionately based on their working hours.

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

In the 2022 reporting period there was a total average of 12 secondments (previous year: 11) to unconsolidated subsidiaries of VERBUND. In addition, an average of one employee was seconded to PÖYRY Energy GmbH (previous year: one).

The expenses for services provided by the Group auditor refer to VERBUND's subsidiaries that are audited by the Group auditor/the Group auditor's network. VERBUND's Group auditor in both 2022 and 2021 was Deloitte Audit Wirtschaftsprüfungs GmbH.

Expenses for services provided by the Group auditor

	€k	
	Deloitte ¹ 2021	Deloitte ¹ 2022
Audit services relating to consolidated and separate financial statements	413.4	580.4
Other assurance services	285.9	207.8
Other advisory services	44.0	30.6
Total expenses	743.3	818.7

¹ Deloitte Audit Wirtschaftsprüfungs GmbH

Additional fees were incurred through the Deloitte network in the amount of €370.3k (previous year: €185.6k) for audit services relating to the consolidated and separate financial statements.

The following expenses for services by the Group auditor (via the Group auditor's network) were incurred by VERBUND's joint ventures: €22.6k (previous year: €27.2k) for audit services relating to the consolidated and separate financial statements (of which to Deloitte Audit Wirtschaftsprüfungs GmbH: €22.6k; previous year: €27.2k).

Average number of employees

Provision of personnel

Expenses for services provided by the Group auditor

13.3 Transactions with related parties

Related parties of VERBUND include:

- all subsidiaries, associates and joint ventures;
- the members of VERBUND's Executive Board and Supervisory Board as well as companies controlled or significantly influenced by them or their close family members;
- the Republic of Austria due to its position as the majority shareholder; and
- companies controlled or significantly influenced by the Republic of Austria.

Transactions between related parties are carried out at arm's length. Transactions with subsidiaries, joint ventures or associates not included in the basis of consolidation due to a lack of materiality are not presented owing to their immateriality.

Transactions with joint ventures

Material transactions with joint ventures accounted for using the equity method had the following effect on VERBUND's income statement and balance sheet:

Transactions with joint ventures	€m	
	2021	2022
Income statement		
Electricity revenue	0.1	0.0
Other revenue	0.7	0.4
Other operating income	0.2	0.0
Expenses for electricity, grid, gas and certificates purchases	-0.5	-0.8
Fuel expenses and other usage-/revenue-dependent expenses	-1.3	-3.9
Other operating expenses	-1.5	-0.7
Interest income	1.1	1.0
Other financial result	1.6	0.9

Transactions with joint ventures	€m	
	31/12/2021	31/12/2022
Balance sheet		
Investments and non-current other receivables	5.7	40.1
Trade receivables, other receivables and securities	41.8	3.6
Contributions to building costs	0.9	0.9
Trade payables and other liabilities	7.2	12.9

Investments at 31 December 2022 included a non-current loan to Energji Ashta Shpk in the amount of €40.1m (previous year: €5.7m) as well as a current other receivable in the amount of €3.5m (previous year: €41.5m). Both mainly served the financing of construction services relating to an Albanian hydropower plant concession.

KELAG has acquired (proportionate) electricity purchase rights by providing contributions to building costs for power plants on the Danube and Drau rivers and for the Malta and Reißeck power plant groups. Based on these electricity supply agreements, VERBUND is obligated to deliver a portion of the electricity generated in these power plants to KELAG in exchange for reimbursement of the contractually stipulated recognised expenses (excluding depreciation, amortisation and interest).

Transactions with associates

Material transactions with associates accounted for using the equity method had the following effect on VERBUND's income statement and balance sheet:

Transactions with associates	€m	
	2021	2022
Income statement		
Electricity revenue	59.5	77.3
Grid revenue	36.2	50.1
Other revenue	5.9	7.9
Other operating income	8.9	4.9
Expenses for electricity, grid, gas and certificates purchases	-24.5	-62.7
Fuel expenses and other usage-/revenue-dependent expenses	0.0	3.8
Other operating expenses	-7.7	-37.8
Interest income	0.2	0.8

Transactions with associates	€m	
	31/12/2021	31/12/2022
Balance sheet		
Trade receivables, other receivables and securities	24.9	26.0
Contributions to building costs	276.9	274.2
Trade payables and other liabilities	0.6	3.0

Details regarding the material transactions:

- Electricity revenue was realised with KELAG (€71.1m; previous year: €53.4m) and OeMAG Abwicklungsstelle für Ökostrom AG (€6.2m; previous year: €6.1m).
- There was €54.4m in electricity purchases (previous year: €23.6m) primarily from KELAG.
- Grid revenue was generated primarily with KNG-Kärnten Netz GmbH (€48.1m; previous year: €35.9m).
- A total of €4.7m (previous year: €8.7m) of the contributions to building costs were provided by KELAG in financial year 2022.

Transactions with the Republic of Austria and companies under its controlling influence

Electricity deliveries from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €140.9m (previous year: €80.0m) in the 2022 reporting period. The primary buyers of this electricity were ÖBB, OMV, Bundesbeschaffung GmbH and Telekom Austria. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €35.5m in the 2022 reporting period (previous year: €11.5m). The electricity was supplied primarily by ÖBB. Gas trading contracts with OMV and gas deliveries on the part of OMV resulted in a total expense of €134.7m in other revenue and purchased gas, respectively (previous year: €69.1m).

VERBUND's expense for monitoring by E-Control amounted to a total of €16.0m (previous year: €14.1m) in the 2022 reporting period.

Disclosures regarding the governing bodies of the Group

Detailed disclosures regarding the boards of VERBUND AG are presented in the Corporate Governance Report. The following disclosures focus on the remuneration of members of the Executive Board and the Supervisory Board.

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

	Fixed remuneration	2021 Variable remuneration	Fixed remuneration	2022 Variable remuneration
Dr. Michael Strugl	750,000	480,910	750,000	826,750
Dr. Peter F. Kollmann	620,000	435,813	620,000	713,000
Dr. Achim Kaspar	475,000	332,500	475,000	546,250

Remuneration of the active Executive Board members amounted to a total of €3,969,703 in the 2022 reporting period (previous year: €3,128,810), including €38,703 (previous year: €34,587) in remuneration in kind. The variable salaries comprise performance-related short-term and long-term remuneration components. Active members of the Executive Board received €1,107,000 in short-term variable remuneration (previous year: €1,249,223) and €979,000 in long-term (previous year: €0) variable remuneration in the 2022 reporting period.

Furthermore, €412,500 in long-term variable remuneration (LTI Plan 2020) was paid out in 2022 for a retired member of the Executive Board (previous year: LTI Plan 2019: €412,500). This relates to claims for active service on the Executive Board.

Because it is only possible at the end of the year to ascertain whether targets have been achieved, short-term variable remuneration components are paid out in the following year. Therefore, the total amount includes the short-term variable remuneration components granted to the active members of the Executive Board in the 2022 reporting period for the 2021 reporting period.

The system of variable remuneration was revised beginning with the 2019 reporting period and a generally three-year Long Term Incentive Programme (LTIP) was agreed in addition to the short-term targets (one-year goals). For the one-year goals, the percentage rate for total achievement of the targets beginning in financial year 2021 is a standard 60 % of the relevant fixed remuneration. In the 2021 reporting period, 70 % of the agreement on targets is based on the achievement of the Group result and 30 % on non-financial goals (one-year): expansion of renewable generation (20 %) and conclusion of a culture audit (10 %). In the 2022 reporting period, 70 % of the agreement on targets was based on the achievement of the Group result and 30 % on non-financial goals (one-year): expansion of renewable

generation (10 %), proportion of women among newly hired employees (10 %) and 100 % of investments based on ESG criteria (10 %).

With respect to the long-term incentive plans (LTIP) for 2019–2021 and 2020–2022, a maximum of 55 % of the respective fixed salaries (maximum target achievement 100 %, variable component 55 %) can be paid out in the form of long-term remuneration based on medium-term performance criteria. The concrete amount depends not only on the achievement of the objectives, but also on VERBUND's share price performance. The duration of the LTIP is three years. In the beginning, the maximum value is depicted as the current price in phantom shares; the undiscounted amount is paid out in arrears, depending on the achievement of the targets and the share price at the end of the three-year assessment period (average daily price of the VERBUND share for the first quarter following the end of the plan).

The following performance criteria were defined for LTIP 2019 (assessment period ending 2021): total shareholder return (25 %), EBITDA from growth projects (25 %), free cash flow (FCF) before dividends (25 %), productivity increase (25 %); for LTIP 2020 (assessment period ending 2022), application of total shareholder return (30 %), FCF before dividends (35 %) and net debt/EBITDA (35 %). In contrast, the LTI plans for the Executive Board member retiring at the end of 2020 were each concluded with a two-year assessment period.

Beginning with the 2021 reporting period, a maximum of 78 % of the respective fixed salaries (maximum target achievement 120 %, variable component 65 %) can be paid out in the form of long-term remuneration based on medium-term performance criteria. The concrete amount depends not only on the achievement of the objectives, but also on VERBUND's share price performance. The duration of the LTIP is three years. In the beginning, the maximum value is depicted as the current price in phantom shares; the undiscounted amount is paid out in arrears, depending on the achievement of the targets and the share price at the end of the three-year assessment period (average price of the VERBUND share with regard to the three-year assessment period for the respective LTI plan). The following performance criteria were defined for the LTIP 2021 (assessment period ending 2023): total shareholder return (30 %), FCF before dividends (35 %), overhead costs (35 %). The following performance criteria have been agreed for LTIP 2022 (assessment period ending 2024): total shareholder return (30 %), FCF before dividends (35 %), expansion of new renewables (35 %).

A company pension plan has been set up for members of the Executive Board in the form of a defined contribution pension fund agreement. In the 2022 reporting period, contributions to the pension fund were paid for the Executive Board in the amount of €184,500 (previous year: €184,500).

In the 2022 reporting period, €296,379 (previous year: €391,533) in pensions was paid out to beneficiaries. Expenses for pensions and similar obligations for former members of the Executive Board and their surviving dependants included in the profit or loss for the period amounted to a total of €29,339 (previous year: €28,897). In addition, income in the amount of €1,483,786 (previous year: expense of €3,914) was recognised in other comprehensive income due to the cessation of pension entitlements.

Remuneration for members of the Supervisory Board (including the reimbursement of recharged business/travel expenses) amounted to a total of €397,857 (previous year: €391,778). As in the previous year, no loans or advances were paid out to members of the Group's or subsidiaries' governing bodies. As in the previous year, VERBUND does not have a stock option programme for either the members of the Executive Board or senior management staff.

13.4 Subsidiaries, joint ventures and associates of VERBUND

Subsidiaries with significant non-controlling interests

The following tables contain condensed financial information for each of the Group's subsidiaries with significant, non-controlling interests before intra-Group adjustments:

Subsidiaries with significant non-controlling interests: statement of comprehensive income

	€m					
	VERBUND Hydro Power GmbH	Gas Connect Austria GmbH	2021 VERBUND Innkraft- werke GmbH	VERBUND Hydro Power GmbH	Gas Connect Austria GmbH	2022 VERBUND Innkraft- werke GmbH
Revenue	1,137.9	141.3	81.0	2,227.9	399.4	203.6
Profit after tax	584.3	13.3	18.3	1,353.9	-23.4	99.2
Profit for the period	584.3	13.3	18.3	1,353.9	-23.4	99.2
Ownership interest of non-controlling interests	15.94 %	49.00 %	29.73 %	15.94 %	49.00 %	29.73 %
Profit for the period attributable to non-controlling interests	93.1	6.5	5.5	215.8	-11.5	29.5
Other comprehensive income	32.5	4.3	2.1	35.1	5.3	11.1
Total comprehensive income for the period	616.8	17.5	20.4	1,388.9	-18.2	110.4
Ownership interest of non-controlling interests	15.94 %	49.00 %	29.73 %	15.94 %	49.00 %	29.73 %
Total profit or loss for the period attributable to non-controlling interests	98.3	8.6	6.1	221.4	-8.9	32.8

Subsidiaries with significant, non-controlling interests: balance sheet

€m

	31/12/2021			31/12/2022		
	VERBUND Hydro Power GmbH	Gas Connect Austria GmbH	VERBUND Innkraft- werke GmbH	VERBUND Hydro Power GmbH	Gas Connect Austria GmbH	VERBUND Innkraft- werke GmbH
Non-current assets	4,804.4	856.0	915.8	4,963.0	770.0	953.7
Current assets	251.9	44.1	2.8	829.4	102.2	64.8
Non-current liabilities	-2,089.2	-428.0	-62.7	-1,905.5	-414.4	-82.1
Current liabilities	-156.6	-80.2	-55.6	-185.9	-110.2	-35.8
Net assets	2,810.6	391.8	800.3	3,701.0	347.5	900.7
Ownership interest of non-controlling interests	15.94 %	49.00 %	29.73 %	15.94 %	49.00 %	29.73 %
Net assets attributable to non-controlling interests	448.0	192.0	238.0	589.9	170.3	267.8

Subsidiaries with significant, non-controlling interests: cash flows

€m

	31/12/2021			31/12/2022		
	VERBUND Hydro Power GmbH	Gas Connect Austria GmbH	VERBUND Innkraft- werke GmbH	VERBUND Hydro Power GmbH	Gas Connect Austria GmbH	VERBUND Innkraft- werke GmbH
Cash flow from operating activities	738.0	68.0	49.0	1,480.7	131.4	166.3
Cash flow from investing activities	-188.8	-28.4	-80.0	-285.9	-57.4	-70.1
Cash flow from financing activities	-549.2	-39.6	31.0	-1,194.7	-52.4	-96.2
Change in cash and cash equivalents	0.0	0.0	0.0	0.0	21.6	0.0
Dividends paid to non-controlling interests	55.8	0.0	3.0	97.3	12.3	3.0

There is a shareholder agreement at VERBUND Innkraftwerke GmbH that specifies that the entire profit for the year is to be approved as net profit for the period and distributed to the shareholders except in the following cases:

- The shareholders agree unanimously to a different payout ratio.
- The distribution of the entire profit violates statutory provisions.
- The equity as a percentage of assets will fall below 25 % at the respective reporting date if the entire profit is distributed.
- There are insufficient cash and cash equivalents available to distribute the entire profit.
- A distribution of the entire profit would not leave enough cash and cash equivalents for approved capital expenditure, maintenance and restructuring measures and/or actions that must be taken due to force majeure, or reserves are to be recognised for the reversal of impairment losses.

Joint operation: Ennskraftwerke Aktiengesellschaft

The equity interest in Ennskraftwerke Aktiengesellschaft (with VERBUND and Energie AG Oberösterreich each holding 50 % of the interest) is to be classified as a joint operation in accordance with the provisions of IFRS 11. As a result, Ennskraftwerke Aktiengesellschaft is being included in the consolidated financial statements with the share of assets and liabilities and/or revenue and expenses attributable to VERBUND. The size of the share is determined based on the relationship of electricity deliveries to both parties. From a cost-benefit perspective, the assets and liabilities and/or revenue and expenses of Ennskraftwerke Aktiengesellschaft based on the average ratio of total electricity deliveries (VERBUND 62 % and Energie AG Oberösterreich 38 %) are included in VERBUND's consolidated financial statements.

Associates

The tables below show a summary of aggregated financial information for the associates of VERBUND accounted for using the equity method broken down according to material associates and individually immaterial associates. As a general rule, the reference date for investee balance sheet data is 30 September 2022 (see section 1.2 Financial reporting principles); the data are based on disclosed financial statements and/or on data updated to the best of VERBUND's knowledge.

Individually material associates: statement of comprehensive income		€m
	2021 KELAG-Kärntner Elektrizitäts- Aktien- gesellschaft	2022 KELAG-Kärntner Elektrizitäts- Aktien- gesellschaft
Revenue	1,043.5	1,483.9
Profit after tax	154.7	134.6
Ownership interest of VERBUND	35.17 %	35.17 %
Profit or loss for the period attributable to VERBUND	54.4	47.3
Differences due to the application of the equity method of accounting	- 18.4	- 43.0
Share of profit or loss from associates accounted for using the equity method	36.0	4.3
Profit after tax	154.7	134.6
Other comprehensive income	- 16.2	14.5
Total comprehensive income for the period	138.5	149.1
Ownership interest of VERBUND	35.17 %	35.17 %
Total comprehensive income for the period attributable to VERBUND	48.7	52.4
Differences due to the application of the equity method of accounting	- 18.9	- 44.5
Total comprehensive income for the period from associates accounted for using the equity method	29.8	8.0
Dividends received from associates	17.6	21.1

KELAG's resolutions on the distribution of dividends must be approved with a simple majority. Kärntner Energieholding Beteiligungs GmbH holds 51 % of the shares in KELAG and therefore determines their distribution policy.

Individually material associates: balance sheet

	31/12/2021	31/12/2022
	KELAG-Kärntner Elektrizitäts- Aktien- gesellschaft	KELAG-Kärntner Elektrizitäts- Aktien- gesellschaft
Non-current assets	1,947.7	2,553.0
Current assets	940.3	1,595.6
Non-current liabilities	- 1,108.4	- 1,320.8
Current liabilities	- 739.6	- 1,689.9
Equity attributable to non-controlling interests	- 8.4	- 17.6
Net assets	1,031.6	1,120.3
Ownership interest of VERBUND	35.17 %	35.17 %
Net assets attributable to VERBUND	362.8	394.0
Differences due to the application of the equity method of accounting	- 72.8	- 99.6
Carrying amount of associates accounted for using the equity method	289.9	294.3

The following list of Group companies prepared in accordance with Section 245a(1) in conjunction with Section 265(2) Austrian Commercial Code (UGB) comprises VERBUND's subsidiaries, joint ventures and associates. In addition, this list also includes unconsolidated subsidiaries and other joint ventures and equity interests of VERBUND not accounted for using the equity method with an interest of ≥ 20 .

[List of
Group companies](#)

Segment: Hydro

Company	Head- quarters	Consoli- dation method	Parent company	2021 Parent com- pany's share of equity	Head- quarters	Consoli- dation method	Parent company	2022 Parent com- pany's share of equity
VERBUND AG (VH) – Hydro	Wien	CS	–	–	Vienna	CS	–	–
Innwerk AG (VHP-IW)	Stamm- ham	CS	VH	100.00 %	Stamm- ham	CS	VH	100.00 %
VERBUND Hydro Power GmbH (VHP)	Wien	CS	VH	80.54 %	Vienna	CS	VH	80.54 %
VERBUND Innkraftwerke GmbH	Töging	CS	VH	70.27 %	Töging	CS	VH	70.27 %
Donaukraftwerk Jochenstein Aktiengesellschaft	Passau	CS	VH VHP-IW	50.00 % 50.00 %	Passau	CS	VH VHP-IW	50.00 % 50.00 %
Grenzkraftwerke GmbH	Simbach	CS	VH VHP-IW	50.00 % 50.00 %	Simbach	CS	VH VHP-IW	50.00 % 50.00 %
Österreichisch- Bayerische Kraftwerke Aktiengesellschaft	Simbach	CS	VH VHP-IW	50.00 % 50.00 %	Simbach	CS	VH VHP-IW	50.00 % 50.00 %
Ennskraftwerke Aktiengesellschaft	Steyr	JO	VH	50.00 %	Steyr	JO	VH	50.00 %
Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH & Co KG	Vienna	EM ¹	VHP	33.33 %	Vienna	EM ¹	VHP	33.33 %
Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH	Vienna	EM ¹	VHP	33.33 %	Vienna	EM ¹	VHP	33.33 %
Ashta Beteiligungs- verwaltung GmbH (VHP-AL-HII)	Vienna	EM ¹	VHP	50.01 %	Vienna	EM ¹	VHP	50.01 %
Energji Ashta Shpk	Bushat	EM ¹	VHP-AL- HII	100.00 %	Bushat	EM ¹	VHP-AL- HII	100.00 %
Lestin Tauch- und Bergungs- unternehmen Gesellschaft m.b.H. (LESTIN)	Vienna	UC	VHP	100.00 %	Vienna	UC	VHP	100.00 %

Segment: Hydro

Company	Head- quarters	Consoli- dation method	Parent company	2021 Parent com- pany's share of equity	Head- quarters	Consoli- dation method	Parent company	2022 Parent com- pany's share of equity
Lestin & Co. Tauch- und Bergungs- unternehmen GmbH in liquidation	Passau	UC	LESTIN	100.00 %	-	-	-	-
Murkraftwerk Graz Errichtungs- und BetriebsgmbH	Graz	UC	VHP	25.10 %	Graz	UC	VHP	25.10 %
VERBUND Tourismus GmbH	Vienna	UC	VHP LESTIN	99.90 % 0.10 %	Vienna	UC	VHP LESTIN	99.90 % 0.10 %
Manara HPP Operation Ltd.	-	-	-	-	Tel-Aviv	UC	VHP	80.00 %

Segment: New renewables

Company	Head- quarters	Consoli- dation method	Parent company	2021 Parent com- pany's share of equity	Head- quarters	Consoli- dation method	Parent company	2022 Parent com- pany's share of equity
VERBUND Wind Power Austria GmbH (VRP-AT)	Vienna	CS	VHP	100.00 %	Vienna	CS	VHP	100.00 %
VERBUND Green Power Deutschland GmbH (VGP-DE)	Wörr- stadt	CS	VH	100.00 %	Wörr- stadt	CS	VGP	100.00 %
VERBUND Green Power GmbH (VGP)	Vienna	CS	VH	100.00 %	Wien	CS	VGP	100.00 %
VERBUND Green Power Iberia, S.L.U.	–	–	–	–	Madrid	CS	VH	100.00 %
VERBUND Wind Power Romania SRL	Bucha- rest	CS	VGP	100.00 %	Bucha- rest	CS	VGP	100.00 %
Windpark Dichtelbach GmbH & Co. KG	Wörr- stadt	CS	VH	100.00 %	–	–	–	–
Infrastruktur Oberheimbach I GmbH & Co. KG	Wörr- stadt	CS	VH	85.00 %	Wörr- stadt	CS	VGP	85.00 %
Infrastrukturgesell- schaft Bischheim GmbH & Co. KG	Wörr- stadt	CS	VH	65.29 %	Wörr- stadt	CS	VGP	80.60 %
VERBUND Green Power Deutschland Photovoltaik GmbH	Schöne- feld	CS	VGP	100.00 %	Schöne- feld	CS	VGP	100.00 %
Watt Development SPV 5 S.L.U. (VGP-IB-IL1)	Pinos Puente	CS	VH	100.00 %	Madrid	CS	VH	100.00 %
Watt Development SPV 6 S.L.U. (VGP-IB-IL2)	Pinos Puente	CS	VH	100.00 %	Madrid	CS	VH	100.00 %
Watt Development SPV 7 S.L.U. (VGP-IB-IL3)	Valencia	CS	VH	100.00 %	Madrid	CS	VH	100.00 %

			VGP-IB-IL1	20.00 %			VGP-IB-IL1	20.00 %
			VGP-IB-IL2	20.00 %			VGP-IB-IL2	20.00 %
Infraestructuras de Illora S.L.	Barcelona	UC	VGP-IB-IL3	20.00 %	Madrid	UC	VGP-IB-IL3	20.00 %
SOLAVOLTA Energie- und Umwelttechnik GmbH	Sankt Margarethen im Bgld.	EM ¹	VGP	50.00 %	Sankt Margarethen im Bgld.	EM ¹	VGP	50.00 %
Parque Eólico Ayamonte S.L.	-	-	-	-	Madrid	CS	VH	70.00 %
Parque Eólico Buseco S.L.	-	-	-	-	Pozuelo de Alarcón	CS	VH	70.00 %
Parque Eólico El Barroso S.L.	-	-	-	-	Pozuelo de Alarcón	CS	VH	70.00 %
Parque Eólico Loma de los Pinos S.L.	-	-	-	-	Pozuelo de Alarcón	CS	VH	70.00 %
Lusitania Renovables S.L.	-	-	-	-	Pozuelo de Alarcón	CS	VH	70.00 %
Anselma Issuer, S.A. (VGP-IB-ANI)	-	-	-	-	Madrid	CS	VH	100.00 %
Topacio Energy, S.L.U.	-	-	-	-	Madrid	CS	VH	100.00 %
Catalpa Solar, S.L.U. (VGP-IB-CAS)	-	-	-	-	Madrid	CS	VH	100.00 %
Tejo Solar, S.L.U. (VGP-IB-TES)	-	-	-	-	Madrid	CS	VH	100.00 %
VERBUND Green Power Renewable Projects, S.L.U. (VGP-IB-GRP)	-	-	-	-	Madrid	CS	VH	100.00 %
Sica Desarrollos Cuerva, S.L.U.	-	-	-	-	Madrid	CS	VGP-IB-ANI	100.00 %
Sica Desarrollos Los Navalmorales, S.L.U.	-	-	-	-	Madrid	CS	VGP-IB-ANI	100.00 %
Sica Desarrollos Albarreal, S.L.U.	-	-	-	-	Madrid	CS	VGP-IB-ANI	100.00 %
Sica Desarrollos Totanés, S.L.U. (VGP-IB-SDC)	-	-	-	-	Madrid	CS	VGP-IB-ANI	100.00 %
Totanés Infraestructuras Comunes, S.L.	-	-	-	-	Madrid	UC	VGP-IB-SDC	38.89 %

Murcia Solar Park GmbH (VGP-IB-MUR)	-	-	-	-	Berlin	UC	VGP-IB-ANI	100.00 %
Baluma Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB-TES	100.00 %
Baviera Energy, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB-GRP	100.00 %
Blacky Energy, S.L.U. (VGP-IB-BLA)	-	-	-	-	Madrid	UC	VGP-IB-GRP	100.00 %
Bolardo Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB-TES	100.00 %
Boyante Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB-TES	100.00 %
Braganza Energy, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB-GRP	100.00 %
Cairo Energy, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB-GRP	100.00 %
Camareta Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB-TES	100.00 %
Carmesi Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB-GRP	100.00 %
Cenida Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB-TES	100.00 %
Comunidad de Bienes del Huerto Solar del Hinojar, C.B.	-	-	-	-	Lorca	UC	VGP-IB-SVL	92.72 %
Cornamusa Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB-TES	100.00 %
Cruceta Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB-TES	100.00 %
Cyopsa El Molino Energia Eolica, S.A.U.	-	-	-	-	Madrid	UC	VGP-IB-BLA	100.00 %
Energias Renovables de Musas, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB-VAL	100.00 %
Energias Renovables de Ofion, S.L.U. (VGP-IB-ERO)	-	-	-	-	Madrid	UC	VGP-IB-VAL	100.00 %
Faballones Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB-TES	100.00 %
Feanor Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB-GRP	100.00 %
Galadrien Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB-GRP	100.00 %

Helice Energy, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- GRP	100.00 %
Imai Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- GRP	100.00 %
Koe Energy, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- GRP	100.00 %
Lima Energy, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- GRP	100.00 %
Miriel Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- GRP	100.00 %
Mosqueton Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- TES	100.00 %
Nairobi Energy, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- GRP	100.00 %
Natera Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- CAS	100.00 %
Obenque Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- TES	100.00 %
Orion Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- GRP	100.00 %
Orla Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- CAS	100.00 %
Panol Solar, S.L.	-	-	-	-	Madrid	UC	VGP-IB- TES	51.00 %
Penalara Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- CAS	100.00 %
Perdiguero Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- CAS	100.00 %
Peregrino Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- GRP	100.00 %
Posets Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- CAS	100.00 %
Radar Energy, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- GRP	100.00 %
Reclamo Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- TES	100.00 %
Rehala Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- TES	100.00 %
Rotor Energy, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- GRP	100.00 %
Sentina Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- TES	100.00 %
Sextante Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- TES	100.00 %
Stopper Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- TES	100.00 %
Stein Von Liebig Balears I, S.L.U. (VGP-IB-SVL)	-	-	-	-	Madrid	UC	VGP-IB- MUR	100.00 %

Trufa Energy, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- GRP	100.00 %
VERBUND Green Power Valderrama, S.L.U. (VGP-IB- VAL)	-	-	-	-	Madrid	UC	VGP-IB- GRP	100.00 %
Volateo Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- TES	100.00 %
Zelanda Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- GRP	100.00 %
Zuncho Solar, S.L.U.	-	-	-	-	Madrid	UC	VGP-IB- TES	100.00 %
VERBUND Green Power Albania Sh.p.k.	-	-	-	-	Tirana	UC	VGP	100.00 %
PV Invest Project 3 S.R.L.	-	-	-	-	Sternatia	UC	VGP	100.00 %

Segment: Sales

Company	Head- quarters	Consoli- dation method	Parent company	2021 Parent com- pany's share of equity	Head- quarters	Consoli- dation method	Parent company	2022 Parent com- pany's share of equity
VERBUND AG (VH)- Sales activities	Vienna	CS	-	-	Vienna	CS	-	-
VERBUND Energy4Business Germany GmbH	Munich	CS	VEB	100.00 %	Munich	CS	VEB	100.00 %
VERBUND Energy4Business GmbH (VEB)	Vienna	CS	VH	100.00 %	Vienna	CS	VH	100.00 %
VERBUND Energy4Customers GmbH (VEC)	Vienna	CS	VH	100.00 %	Vienna	CS	VH	100.00 %
VERBUND Energy4Flex GmbH	Vienna	CS	VEB	100.00 %	Vienna	CS	VEB	100.00 %
VERBUND Energy4Future GmbH	Vienna	CS	VEB	100.00 %	Vienna	CS	VEB	100.00 %
SMATRICS GmbH & Co KG	Vienna	CS	VEB	100.00 %	Vienna	CS	VEB	74.90 %
SMATRICS EnBW GmbH	Vienna	EM	SMA- TRICS	49.00 %	Vienna	EM	SMATRIC S GmbH & Co KG	49.00 %
VERBUND Trading Romania S.R.L. in liquidation	Bucha- rest	UC	VEB VH	99.00 % 1.00 %	-	-	-	-

Segment: Sales

Company	Head- quarters	Consoli- dation method	Parent company	2021 Parent com- pany's share of equity	Head- quarters	Consoli- dation method	Parent company	2022 Parent com- pany's share of equity
VERBUND Trading Serbia d.o.o. - u likvidaciji/ in liquidation	Belgrade	UC	VEB	100.00 %	-	-	-	-
E-Mobility Provider Austria GmbH	Vienna	UC	VEB	100.00 %	Vienna	UC	VEB	74.90 %
smart Energy Services GmbH	Vienna	UC	VEC	50.00 %	Vienna	UC	VEC	50.00 %

Segment: Grid

Company	Head- quarters	Consoli- dation method	Parent company	2021 Parent com- pany's share of equity	Head- quarters	Consoli- dation method	Parent company	2022 Parent com- pany's share of equity
Austrian Power Grid AG (APG)	Vienna	CS	VH	100.00 %	Vienna	CS	VH	100.00 %
Gas Connect Austria GmbH (GCA)	Vienna	CS	VH	51.00 %	Vienna	CS	VH	51.00 %
Austrian Gas Grid Management AG (AGGM)	Vienna	CS	GCA	51.00 %	Vienna	CS	GCA	51.00 %
Trans Austria Gasleitung GmbH (TAG)	Vienna	EM	GCA	15.53 %	Vienna	EM	GCA	15.53 %
AGCS Gas Clearing and Settlement AG	Vienna	UC	GCA	23.13 %	Vienna	UC	GCA	23.13 %
ASGM Austrian Strategic Gas Storage Manage- ment GmbH	-	-	-	-	Vienna	UC	AGGM	100.00 %
OeMAG Abwicklungsstelle für Ökostrom AG	Vienna	EM	APG	24.40 %	Vienna	EM	APG	24.40 %
VUM Verfahren Umwelt Manage- ment GmbH	Klagen- furt	UC	APG	100.00 %	Klagen- furt	UC	APG	100.00 %
Equigy B.V.	Amster- dam	UC	APG	20.00 %	Amster- dam	UC	APG	20.00 %

All other segments: Thermal generation

Company	Head- quarters	Consoli- dation method	Parent company	2021 Parent com- pany's share of equity	Head- quarters	Consoli- dation method	Parent company	2022 Parent com- pany's share of equity
VERBUND Thermal Power GmbH & Co KG	Neudorf ob Wildon		VH VTP GmbH	100.00 % 0.00 % ²			VH VTP GmbH	100.00 % 0.00 % ²
VERBUND Thermal Power GmbH (VTP GmbH)	Neudorf ob Wildon	CS			Fernitz- Mellach	CS		
			VH	100.00 %			VH	100.00 %

All other segments: Services

Company	Head- quarters	Consoli- dation method	Parent company	2021 Parent com- pany's share of equity	Head- quarters	Consoli- dation method	Parent company	2022 Parent com- pany's share of equity
VERBUND Services GmbH	Vienna	CS	VH	100.00 %	Vienna	CS	VH	100.00 %

All other segments: Equity interests

Company	Head- quarters	Consoli- dation method	Parent company	2021 Parent com- pany's share of equity	Head- quarters	Consoli- dation method	Parent company	2022 Parent com- pany's share of equity
VERBUND AG (VH) – Equity interests	Vienna	CS	–	–	Vienna	CS	–	–
KELAG-Kärntner Elektrizitäts- Aktiengesellschaft	Klagen- furt	EM	VH	35.17 %	Klagen- furt	EM	VH	35.17 %
C2PAT GmbH & Co. KG	Vienna	UC	VEB	25.00 %	Vienna	UC	VH	25.00 %
C2PAT GmbH	Vienna	UC	VEB	25.00 %	Vienna	UC	VH	25.00 %

Other Group companies

Company	Head- quarters	Consoli- dation method	Parent company	2021 Parent com- pany's share of equity	Head- quarters	Consoli- dation method	Parent company	2022 Parent com- pany's share of equity
VERBUND AG (VH) – All other activities	Vienna	CS	–	–	Vienna	CS	–	–
VERBUND Finanzierungs- service GmbH	Vienna	CS	VH	100.00 %	Vienna	CS	VH	100.00 %
VERBUND Ventures GmbH (VVE)	–	–	–	–	Vienna	CS	VH	100.00 %
HalloSonne GmbH (HAS)	–	–	–	–	Vienna	UC	VVE	100.00 %
HalloSonne PV Finanzierungs- Holding GmbH (HAF)	–	–	–	–	Vienna	UC	HAS	100.00 %
HalloSonne 1. PV Vermietungs- GmbH	–	–	–	–	Vienna	UC	HAF	100.00 %

CS = Consolidated subsidiary / EM = Investee accounted for using the equity method / JO = Joint operation, proportionate inclusion of assets and liabilities as well as income and expenses / UC = Unconsolidated entities due to immateriality or lack of significant influence

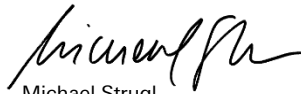
¹ joint ventures // ² VERBUND Thermal Power GmbH holds an interest of < 0.01 % as a limited partner of VERBUND Thermal Power GmbH & Co KG.

13.5 Events after the reporting date

There were no events requiring disclosure between the reporting date of 31 December 2022 and authorisation for issue on 16 February 2023.

Vienna, 16 February 2023

Executive Board



Michael Strugl
Chairman of the
Executive Board of
VERBUND AG



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



Achim Kaspar
Member of the
Executive Board of
VERBUND AG

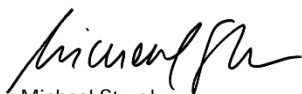
14. Responsibility statement of the legal representatives

We confirm that, to the best of our knowledge, the consolidated financial statements of VERBUND, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, give a true and fair view of the assets and liabilities, financial position and profit or loss of VERBUND.

We also confirm that, to the best of our knowledge, the Group management report of VERBUND presents the development of the business, performance of the business and position of the Group so as to give a true and fair view of the assets and liabilities, financial position and profit or loss of VERBUND, and that the Group management report describes the significant risks and uncertainties to which VERBUND is exposed.

Vienna, 16 February 2023

Executive Board



Michael Strugl
Chairman of the
Executive Board of
VERBUND AG



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



Achim Kaspar
Member of the
Executive Board of
VERBUND AG

Independent auditor's report (translation)

Report on the audit of consolidated financial statements

Opinion

We have audited the consolidated financial statements of VERBUND AG, Vienna, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022 as well as the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the consolidated financial position as at 31 December 2022, and of the consolidated financial performance and the consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and the additional requirements under Section 245a of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB).

Basis for opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter referred to as EU-VO) and Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with laws and regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we obtained by the date of the auditor's report is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the financial year under review. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following matters were most important for our audit:

- Presentation and disclosure of derivative financial instruments
- Acquisition of an operating renewable portfolio and a development platform in Spain – purchase price allocation and subsequent measurement

Presentation and disclosure of derivative financial instruments

Description and issue

The high volatilities on the energy markets in 2022 led not only to significant fluctuations in the income statement (consolidated income statement and consolidated statement of comprehensive income) but also to significant fluctuations in the carrying amount of derivative financial instruments.

In order to increase the informative value of the presentation of derivative financial instruments in the consolidated balance sheet and to ensure better comparability of the financial statements with companies in the same or similar industries, VERBUND has changed the presentation as at 31 December 2022. IFRS permits such a change if it results in reliable and more relevant information regarding the Group's financial position.

Derivative financial instruments are now presented in two separate items (current and non-current) on the assets and liabilities sides of the balance sheet.

In the course of this changeover, it was determined that the statement of maturities was not correctly presented in the previous year.

The prior-year amounts were corrected and adjusted accordingly.

Please refer to the disclosures in the consolidated balance sheet and the explanations in the section entitled Adjustments in accordance with IAS 8 – Recognition of derivative financial instruments in the notes to the consolidated financial statements.

We have determined this to be a key audit matter due to the significance of the adjustments, the associated influence on the presentation of the Group's financial position and the effects on important key figures associated with the adjusted items.

Audit approach

We have evaluated the conditions set out in IFRS for the change, in particular the following areas:

- the significance for the presentation of the financial position in the context of the consolidated balance sheet;
- the reliability the information presented in connection with the amended statement;
- the increase in the relevance of the presented information;
- the adjustment and correction of prior-year amounts; and
- the related disclosures in the notes to the consolidated financial statements.

Acquisition of an operational renewables portfolio and a development platform in Spain – purchase price allocation and subsequent measurement

Description and issue

At the end of July 2022, VERBUND AG acquired 100 % of a portfolio consisting of regulated and operating photovoltaic (PV) plants and an extensive development platform (wind and PV) for €509.9m. At the time of acquisition, around 47 % of the platform was in an advanced stage of project development and around 53 % was classified as so-called greenfield projects.

The individual projects are being implemented in different regions of Spain. Based on the planned capacity, the geographic focus of the projects lies in the Castilla-La Mancha region (central Spain) and in Andalusia (southern Spain).

A purchase price allocation was carried out on the acquisition date, whereby goodwill was recognised in the amount of €172.6m. This goodwill and the non-current assets recognised in connection with the purchase price allocation were to be subsequently tested for any impairment. Further explanations are provided in the notes to the consolidated financial statements in section 1.2 Accounting policies – Business combinations – Acquisition of an operational renewables portfolio and a development platform in Spain and section 4.4.1 Impairment testing of goodwill – Impairment testing of goodwill of the renewable portfolio Spain.

The valuation models used to carry out the purchase price allocation as well as those used to assess any impairment losses in connection with subsequent measurement are based on numerous input factors and assumptions. This is a particularly important key audit matter as a result of the complexity of the valuation models and the dependency of the results on the estimation of market developments by the legal representatives.

Audit approach

We evaluated the purchase price allocation and subsequent measurement, in particular in the following areas:

- methodical appraisal of the calculations performed in connection with the purchase price allocation and the subsequent measurement;
- accuracy of the data transfers and the mathematical correctness of the valuations;
- corroboration of the operational budget, including the underlying assumptions and relevant market data from the Group's external as well as internal sources that flowed into the valuations; and
- assessment of the parameters used in determining the discount rate.

Other information

Management is responsible for the other information. The other information includes all information in the integrated annual report as well as supplementary information regarding the integrated annual report (Disclosures on Management Approach - hereinafter referred to in short as "DMA"), with the exception of the consolidated financial statements, the Group management report, the independent auditor's report and the report on the independent audit of the report on non-financial information. We received the integrated annual report (not including the report of the Supervisory Board) and the associated supplement prior to the date of our independent auditor's report; the report of the Supervisory Board will be provided to us after this date.

Our opinion regarding the consolidated financial statements does not extend to the other information, for which we do not provide any assurance. Please refer to the Report on the audit of the Group management report regarding the information in the Group management report.

In connection with our audit of the consolidated financial statements, it is our responsibility to read the above-mentioned other information and thereby to evaluate whether it exhibits any significant discrepancies with respect to the consolidated financial statements or with respect to what we have learned during the audit or whether the presentation otherwise appears to be materially misstated.

If we arrive at the conclusion that this other information is materially misstated on the basis of the work that we carried out for the other information received prior to the date of this auditor's report, we must report it. We have nothing to report in this regard.

The Company's management is responsible for the preparation of the consolidated financial statements that give a fair and true view of the assets, liabilities, financial position and profit or loss of the Group in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a Austrian Commercial Code (UGB). Furthermore, the management is responsible for the internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

As part of an audit in accordance with the EU-VO and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

In addition:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of the internal control system relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

Responsibilities of management and the Audit Committee for the consolidated financial statements

Auditor's responsibilities for the audit of the consolidated financial statements

obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that give a true and fair view.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Group management report

Pursuant to statutory provisions, the Group management report is to be audited as to whether it is consistent with the consolidated financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the Group management report in accordance with the Austrian Commercial Code.

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

In our opinion, the accompanying Group management report is prepared in accordance with the applicable legal requirements, includes appropriate disclosures according to Section 243a Austrian Commercial Code (UGB) and is consistent with the consolidated financial statements.

Opinion

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

Description

Additional information required under Article 10 of the EU Audit Regulation

We were elected by the Annual General Meeting held on 25 April 2022 as the auditor for the financial year ended 31 December 2022 and engaged by the Supervisory Board on 13 June 2022 to audit the annual financial statements. We have been the Group's auditor continuously since the financial year ending on 31 December 2007.

We declare that the audit opinion included in the Report on the audit of the consolidated financial statements is in line with the additional report to the Audit Committee and complies with Article 11 of the EU Audit Regulation.

We declare that we have not provided any non-audit-related services in accordance with Article 5(1) of the EU Audit Regulation and that we maintained our independence from the Group while conducting our audit.

Engagement partner

The engagement partner responsible for the audit is Mag. Walter Müller.

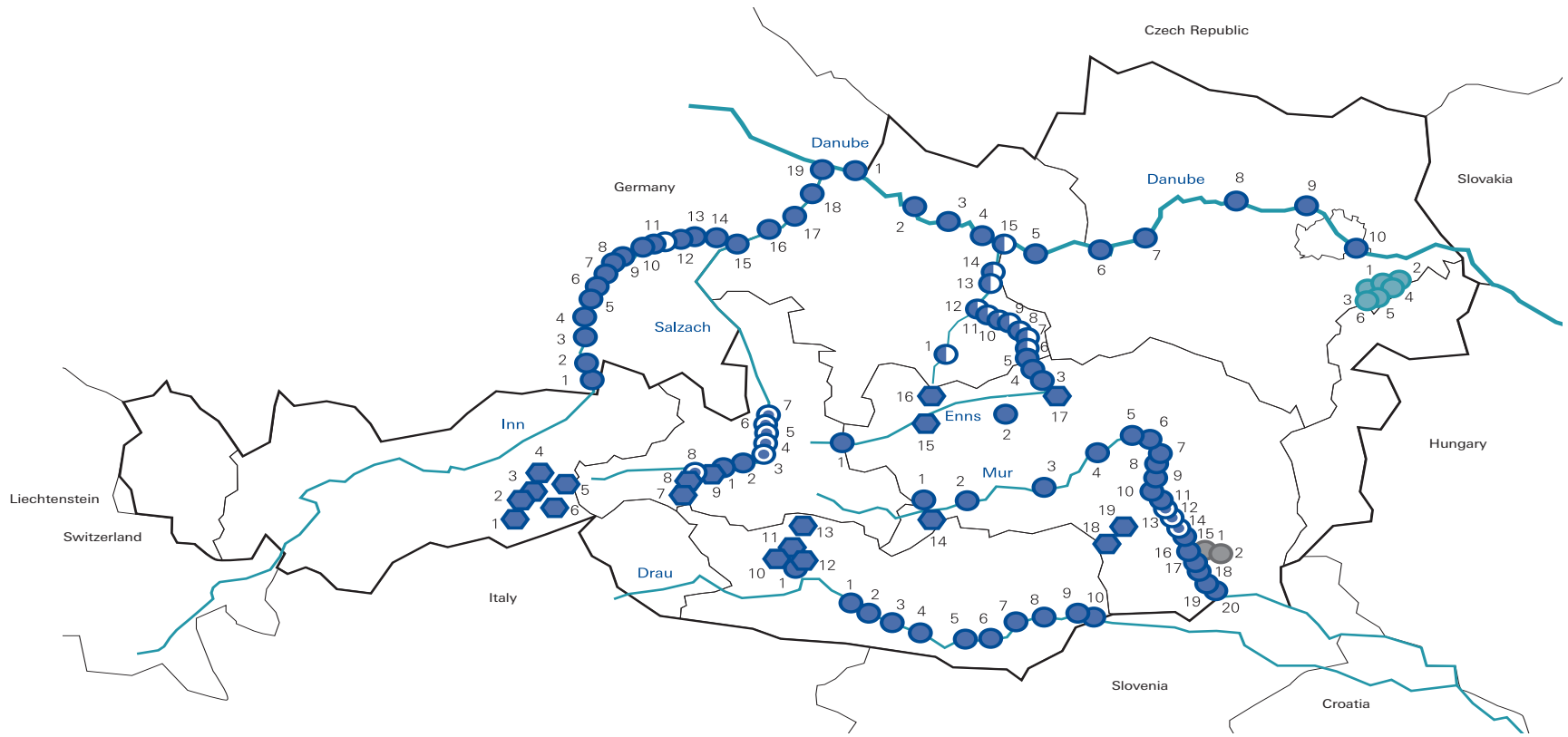
Vienna, 17 February 2023

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Walter Müller
Austrian Certified Public Accountant

VERBUND power plants,
APG grid facilities and
GCA pipeline facilities

VERBUND power plants



- | | |
|---|--|
| <ul style="list-style-type: none"> ● Storage power plant > 5 MW ○ Storage power plant under construction ● Run-of-river plant > 5 MW ○ Run-of-river plant under construction ○ Joint venture power generating VERBUND Hydro Power GmbH | <ul style="list-style-type: none"> ○ VERBUND participation ● Thermal power plant ● Wind farm > 5 MW ○ Wind farm under construction ● Solar farms > 5 MW |
|---|--|

Storage power plants

- 1 Roßhag*
- 2 Bösdornau*
- 3 Mayrhofen*
- 4 Gerlos*
- 5 Häusling*
- 6 Funsingau*
- 7 Kaprun Oberstufe*
- 8 Kaprun Hauptstufe*
- 9 Schwarzach*
- 10 Reißbeck-Kreuzeck*
- 11 Reißbeck II*
- 12 Malta Hauptstufe*
- 13 Malta Oberstufe*
- 14 Bodendorf-Paal*
- 15 Sölk*
- 16 Salza*
- 17 Hieflau*
- 18 St. Martin*
- 19 Arnstein*

Run-of-river plants on the Inn

- 1 Oberaudorf-Ebbs*
- 2 Nußdorf*
- 3 Rosenheim *
- 4 Feldkirchen*
- 5 Wasserburg*
- 6 TW Wasserburg*
- 7 Teufelsbruck*
- 8 Gars*
- 9 TW Gars*
- 10 Jettenbach 2*
- 11 Töging*
- 12 Neuötting*
- 13 Perach*
- 14 Stammham*
- 15 Braunau-Simbach*
- 16 Ering-Frauenstein*
- 17 Eggfling-Obernberg*
- 18 Schärding-Neuhaus*
- 19 Passau-Ingling*

Run-of-river plants on the Steyr

- 1 Klaus*

Run-of-river plants on the Möll

- 1 Malta Unterstufe*

Run-of-river plants on the Danube

- 1 Jochenstein*
- 2 Aschach*
- 3 Ottensheim-Wilhering*
- 4 Abwinden-Asten*
- 5 Wallsee-Mitterkirchen*
- 6 Ybbs-Persenbeug*
- 7 Melk*
- 8 Altenwörth*
- 9 Greifenstein*
- 10 Freudenau*

Run-of-river plants on the Enns

- 1 Mandling*
- 2 Triebenbach*
- 3 Landl*
- 4 Krippau*
- 5 Altenmarkt*
- 6 Schönau*
- 7 Weyer*
- 8 Großraming*
- 9 Losenstein*
- 10 Ternberg*
- 11 Rosenau*
- 12 Garsten-St. Ulrich*
- 13 Staning*
- 14 Mühlradring*
- 15 St. Pantaleon*

Run-of-river plants on the Mur

- 1 Bodendorf-Mur*
- 2 St. Georgen*
- 3 Fisching*
- 4 Leoben*
- 5 Dionysen*
- 6 Pernegg*
- 7 Laufnitzdorf*
- 8 Rabenstein*
- 9 Peggau*
- 10 Friesach*
- 11 Weinzödl*
- 12 Graz-Puntigam
- 13 Gössendorf*
- 14 Kalsdorf*
- 15 Mellach*
- 16 Lebring*
- 17 Gralla*
- 18 Gabersdorf*
- 19 Obervogau*
- 20 Spielfeld*

Run-of-river plants on the Drau

- 1 Paternion*
- 2 Kellerberg*
- 3 Villach*
- 4 Rosegg-St. Jakob*
- 5 Feistritz-Ludmannsdorf*
- 6 Ferlach-Maria Rain*
- 7 Annabrücke*
- 8 Edling*
- 9 Schwabeck*
- 10 Lavamünd*

Run-of-river plants on the Salzach

- 1 Wallnerau*
- 2 St. Veit*
- 3 St. Johann
- 4 Urreiting
- 5 Bischofshofen
- 6 Kreuzbergmaut
- 7 Werfen/Pfarrwerfen
- 8 Gries

Thermal power plants

- 1 FHKW Mellach**
- 2 GDK Mellach**

Wind farms

- 1 Petronell Carnuntum*
- 2 Petronell Carnuntum II*
- 3 Hollern*
- 4 Hollern II*
- 5 Bruck/Leitha*
- 6 Bruck/Göttlesbrunn*

Additional VERBUND wind farms (not shown):**Germany**

- Ellern
- Stetten

Romania

- Casimcea

Spain

- Buseco
- Loma de los Pinos

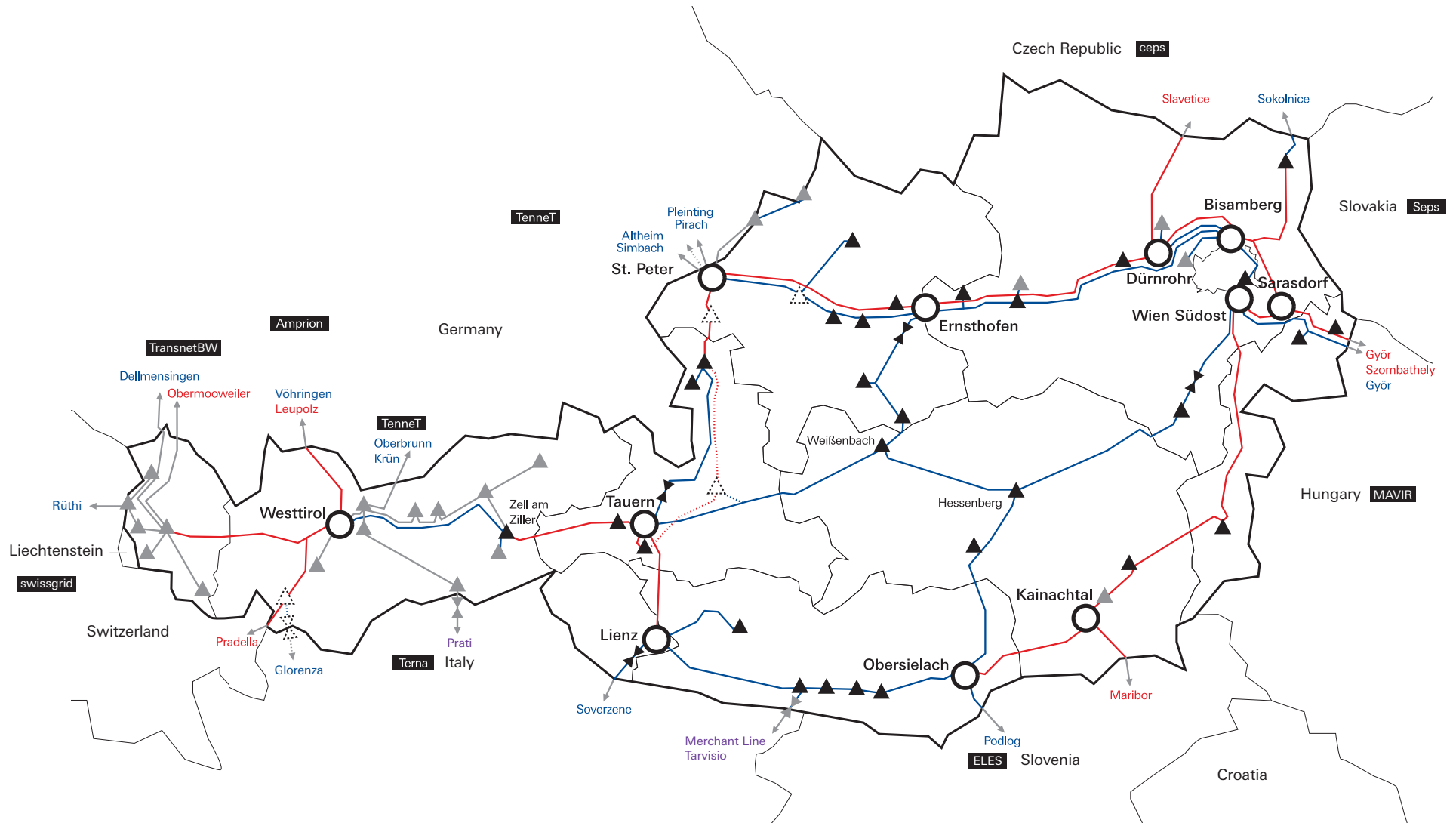
VERBUND solar farms (not shown):**Spain**

- La Solana
- Labrador

* Plant certified to ISO 14001

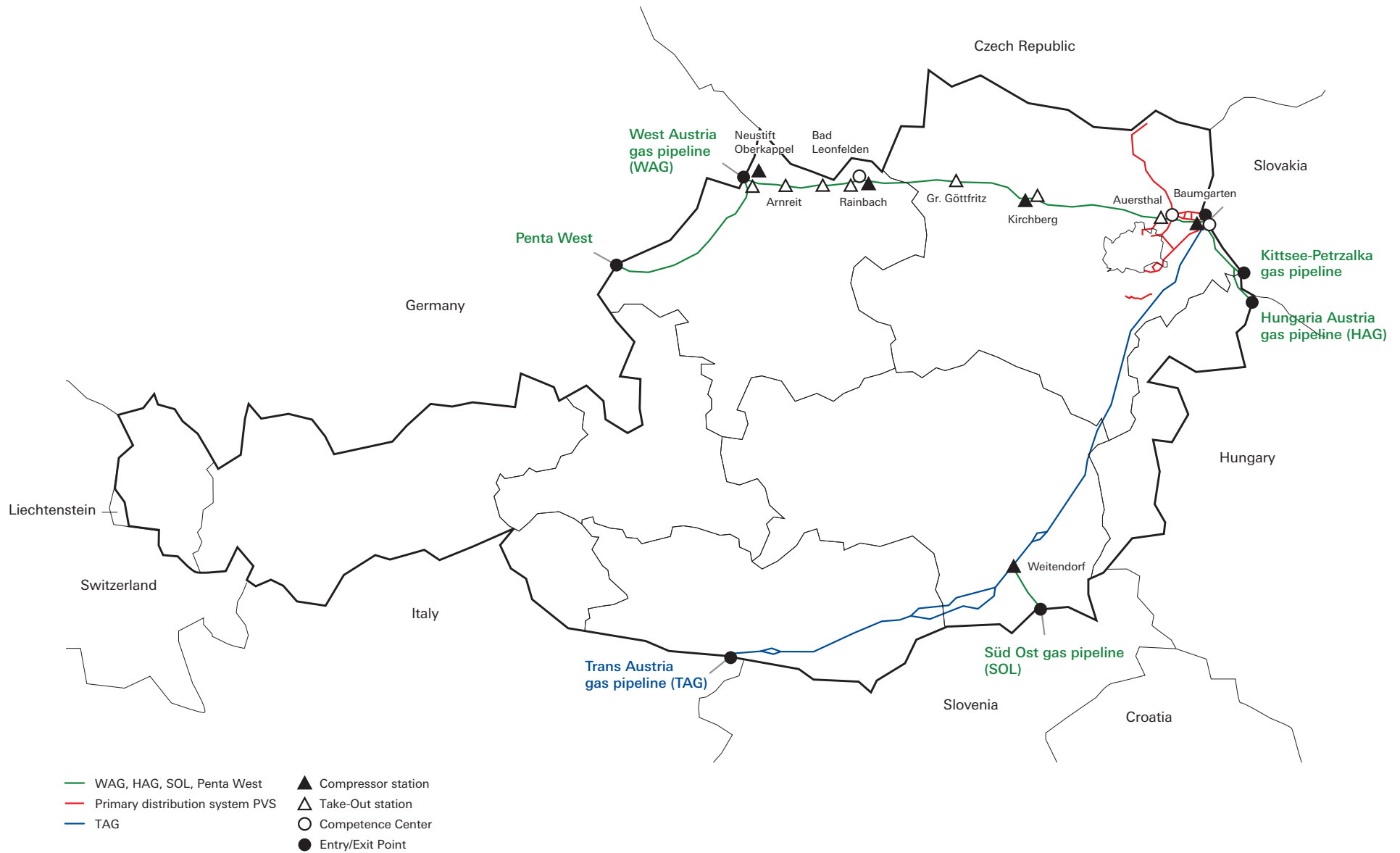
** Plant certified to EMAS and ISO 14001

APG grid facilities



- 380 kV line
- ⋯ Project 380 kV line
- 220 kV line
- ⋯ Project 220 kV line
- 110 kV line
- ▲ Not owned by APG
- Transmission system operator
- ▲ Substation
- ⊘ Project substation
- APG hub
- ◄▶ Phase-shifting transformer (APG)

GCA pipeline facilities



Glossary

Glossary

ACER

Agency for the Cooperation of Energy Regulators.

Adjusted EBITDA

The adjustments include effects from restructuring expenses arising from Group-wide cost-cutting programmes as well as other expenses and income of a non-recurring or rare nature in EBITDA. EBITDA from any discontinued operations is also reflected in adjusted EBITDA. EBITDA is the most important internal earnings performance indicator at VERBUND and an indicator of the sustainable profitability of its business.

Adjusted Group result

The adjustments include – in addition to the effects adjusted from adjusted EBITDA – effects from impairment tests and effects from business acquisitions, as well as other expenses and income of a non-recurring or rare nature (after taxes and non-controlling interests). Beyond that, special tax effects are not taken into account in the adjusted Group result.

Average number of employees

Calculated according to actual effective dates of hires and resignations and number of hours worked.

Balancing services market

Control power is necessary for balancing out sudden large changes in load – too much or too little electricity in the grid. This means that a certain percentage of power plant capacity is held at the ready as reserves for rapid stabilisation of the grid. The control area manager procures the necessary capacity through market mechanisms and also compensates the providers for the quantities of electricity actually used.

Base (base load)

Base refers to the load profile for electricity deliveries supplied at a constant rate throughout 24 hours of each day of the supply period.

Capital employed

Total assets less those assets that do not (yet) contribute to performance and commercialisation processes (mainly advance payments, plants under construction (excluding those in the Grid segment), cash and cash equivalents, derivative financial instruments in the energy area, investments and derivative financial instruments in the energy area under closed items on the balance sheet), and less contributions to building costs as well as other non-interest-bearing debt. From 2019 onwards, this ratio is only calculated for VERBUND's unregulated business activities.

Cash flow

Net balance of the inflow and outflow of cash and cash equivalents; made up of cash flow from operating, investing and financing activities.

Clean spark spread

Generation margin for electricity from gas power plants representing the difference between the electricity price and the fuel costs (gas) for generating electricity taking into account the cost of emission allowances.

Closed items on the balance sheet

Closed items on the balance sheet include (rolled over) financial liabilities and related investments from cross-border leasing transactions that have been terminated early. Previously, financial liabilities relating to cross-border leasing transactions and to the Republic of Austria, as well as

associated investments, were treated in the same way.

CO₂ equivalent (CO₂e)

To facilitate comparisons of the impact of different greenhouse gases (e.g. methane, nitrous oxide) on climate change, these are converted to CO₂ (carbon dioxide) equivalents (CO₂e) using the Global Warming Potential (GWP) factor. Carbon dioxide is the reference unit for global warming potential and has a value of 1 CO₂e. Methane (CH₄) has a CO₂ equivalent of 28; it contributes 28 times more to global warming than carbon dioxide over a period of 100 years.

Congestion management

The term “congestion management” comprises all steps that a transmission system operator can take to prevent or eliminate overload caused by congestion in its grid. These range from grid measures such as regulating phase-shifting transformers to market measures such as redispatch.

Corporate carbon footprint (CCF)

Transparent presentation of an organisation's direct and indirect greenhouse gas emissions generated as a result of its business activities.

Corporate responsibility (CR)

This concept targets sustainable performance at the Group level and incorporates economic, environmental and social aspects into the core business. Attention is also given to the impacts arising from business activities and stakeholder requirements within all business processes.

Cross-border leasing

Leasing across national borders; the lessor and lessee are based in different countries.

Disclosures on Management Approach (DMA)

Disclosures on management approach are a Global Reporting Initiative (GRI) requirement. These explain how the Group manages the economic, environmental and social impacts of its activities on the material Aspects it has identified. VERBUND combines those processes and management systems in one document and publishes it on the website (www.verbund.com > Investor Relations > Financial reports).

Earnings before interest and tax (EBIT)

Operating result.

Earnings before interest, taxes, depreciation and amortisation (EBITDA)

Operating result before interest, taxes, depreciation of property, plant and equipment and amortisation of intangible assets and effects from impairment testing.

EBIT margin

Ratio of earnings before interest and tax (EBIT) to revenue.

E-Control (Energie-Control Austria)

Energie-Control GmbH (E-Control) was established in 2001. On 3 March 2011, E-Control was transformed into a public authority (Sections 2 and 43 of the Energy Regulatory Authorities Act, Energie-Control-Gesetz). E-Control is tasked with monitoring and supporting the implementation of the deregulation

of the Austrian electricity and gas market and intervening for regulatory purposes if necessary.

Electricity standard load profile

Standard load profiles (SLPs) are used for electricity customers without recorded power measurement. SLPs use a calculated, sufficiently precise forecast of electricity purchases on a quarter-hourly basis in place of the non-existent load profile curve of end users. SLPs are representative load profiles used for household, agricultural and commercial customer groups with electricity consumption of up to 100,000 kWh per year, featuring similar usage patterns.

EIWOG

Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, EIWOG). EIWOG implements the EU's Electricity Directive in Austria.

Employee turnover rate

Employee turnover refers to the percentage of employees who left the Company due to termination, mutual agreement, early retirement or departures during the probationary period. The percentage is calculated based on the actual number of employees as at the reporting date.

Equity method

Method used to account for investees upon which a significant influence can be exercised and for joint ventures. Under the equity method, the carrying amount of the equity interest is basically adjusted for changes in the proportionate share in the investee's net assets; the result is a "one-line consolidation". The changes are either recognised in profit or loss or in other comprehensive income (i.e. directly in equity).

Equity ratio (adjusted)

Ratio of equity to total capital adjusted for closed items on the balance sheet.

ESG rating

ESG stands for environmental, social and governance. It refers to the analysis and assessment of companies according to environmental and social aspects as well as by the management style applied as opposed to a score based purely on financial aspects.

Free cash flow after dividends

Operating cash flow plus cash flow from investing activities excluding cash inflows and outflows from investments in or disposals of financial investments, less dividend payouts; represents cash available for financing activities (e.g. repayment of financial liabilities) and cash inflows and outflows for financial investments.

Funds from operations (FFO)

EBITDA plus interest income less interest expenses and current taxes on income.

Gearing

Ratio of net debt to equity.

Global Reporting Initiative (GRI)

The GRI has developed guidelines and standards for companies to prepare sustainability reports since 1997 using an international participative process.

Gross debt

Non-current and current financial liabilities plus interest-bearing provisions and other interest-bearing liabilities net of closed items on the balance sheet.

Gross debt coverage

Ratio of funds from operations (FFO) to gross debt.

Gross interest cover

Ratio of funds from operations (FFO) to interest expenses (adjusted for capitalised borrowing costs, interest expenses on financial liabilities in connection with closed items on the balance sheet and profit or loss attributable to limited partners).

Hydro coefficient

The hydro coefficient is the quotient of the actual electricity generation of one (or a series of) hydropower plant(s) in a period and the average (calculated based on historical water supply) generation potential of the (series of) hydropower plant(s) in the same period. This long-term average = 1.0; consequently, 1.1 signifies a 10% increase in generation.

Inter-TSO compensation (ITC)

ITC is the compensation for transmission charges relating to cross-border flows of electricity in transmission grids.

Maximum electrical capacity

The maximum capacity at which a power plant can sustain operation under normal conditions.

Mean energy capability

Average generation potential of a hydropower plant calculated based on historical water supply.

NaDiVeG

Austrian Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz,

NaDiVeG) for the transposition into national law of EU Directive 2014/95/EU regarding the disclosure of non-financial information and information related to diversity by certain large companies. See also NFR Directive.

Net debt

Gross debt less cash and cash equivalents, short-term investments and loans as well as securities held in current and non-current assets.

NFR Directive

The Austrian federal government has implemented EU Directive 2014/95/EU for the disclosure of non-financial information – the NFR Directive – in its Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG), which applies to financial years beginning after 31 December 2016. This law requires large public interest entities with over 500 employees (incl. listed companies, insurance companies and banks) to include a non-financial statement in their management report or prepare a separate non-financial report. This statement or non-financial report includes information on environmental matters, social and employee-related matters, respect for human rights and anti-corruption matters. In addition, companies required to prepare a corporate governance report are also required to include information on their diversity policy in this report.

Number of employees under labour law (LLE)

All employment relationships with the company under labour law. LLE is measured at the end of the month at each reporting date. Calculation is based on headcount including employees on unpaid leave and excluding members of

the Executive Board, employees in early retirement and seasonal interns.

Payout ratio

Ratio of (proposed) dividend payment to Group result.

Peak (peak load)

Peak refers to the load profile for electricity deliveries supplied at a constant rate throughout twelve hours from 8 a.m. until 8 p.m. of each working day of the supply period.

Performance

Describes the performance of a security or portfolio, e.g. over a period of one year.

Primary distribution system

The primary distribution system connects the distribution network with the transmission pipelines and the storage systems and is used to supply natural gas around Austria (length: approximately 300 km).

RCF/net debt

Retained cash flow (RCF): funds from operations (FFO) less dividends distributed.

Redispatch

Redispatching means changing the operating schedule of power plants in the short term to prevent or eliminate grid congestion.

Return on capital employed (ROCE)

Ratio of net operating profit after tax (NOPAT) (profit or loss for the period plus interest from investments under closed items on the balance sheet and interest expenses net of any tax effects)

to average capital employed. From 2019 onwards, this ratio is only calculated for VERBUND's unregulated business activities.

Return on equity (ROE)

Ratio of net profit or loss for the period to average equity.

Sustainable Development Goals (SDGs)

The 17 goals and 169 sub-goals for sustainable development set by the UN member nations, applicable since 2016 for all nations worldwide. Among other things, these aim to end poverty, promote the equal treatment of women, improve healthcare and combat climate change by the end of 2030.

System Usage Rates Directives (SNT-VO)

The System Usage Rates Directive (Systemnutzungstarife-Verordnung, SNT-VO) dictated the principles for determining and allocating costs, the criteria for calculating rates as well as the rates for grid usage fees. The Energy Control Commission issued the directive annually. Since 2012, the E-Control Commission has issued the System Usage Rates Directive.

Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD was established in 2015 by the Financial Stability Board (FSB). The Task Force was commissioned to develop recommendations on climate-related risk disclosures for use by companies in demonstrating to the capital markets their resilience to climate change. Recommendations have been developed in four areas (governance, strategy, risk management, and metrics and targets) with the objective of identifying, measuring,

managing and reporting on climate-related risks and opportunities.

UN Global Compact

The United Nations Global Compact is the world's largest corporate social responsibility (CSR) and sustainable performance initiative. This global movement of businesses, policymakers and civil society aims to make globalisation more socially just and environmentally sustainable. Key elements of the UN Global Compact are its ten universal Principles and support of the United Nations' 17 Sustainable Development Goals (SDGs).

Value at risk (VaR)

A method applied to calculate the potential trading position loss arising from price changes. The loss potential is calculated based on an assumed probability (e.g. 95%) and on the basis of market-oriented price changes.

Variation margin

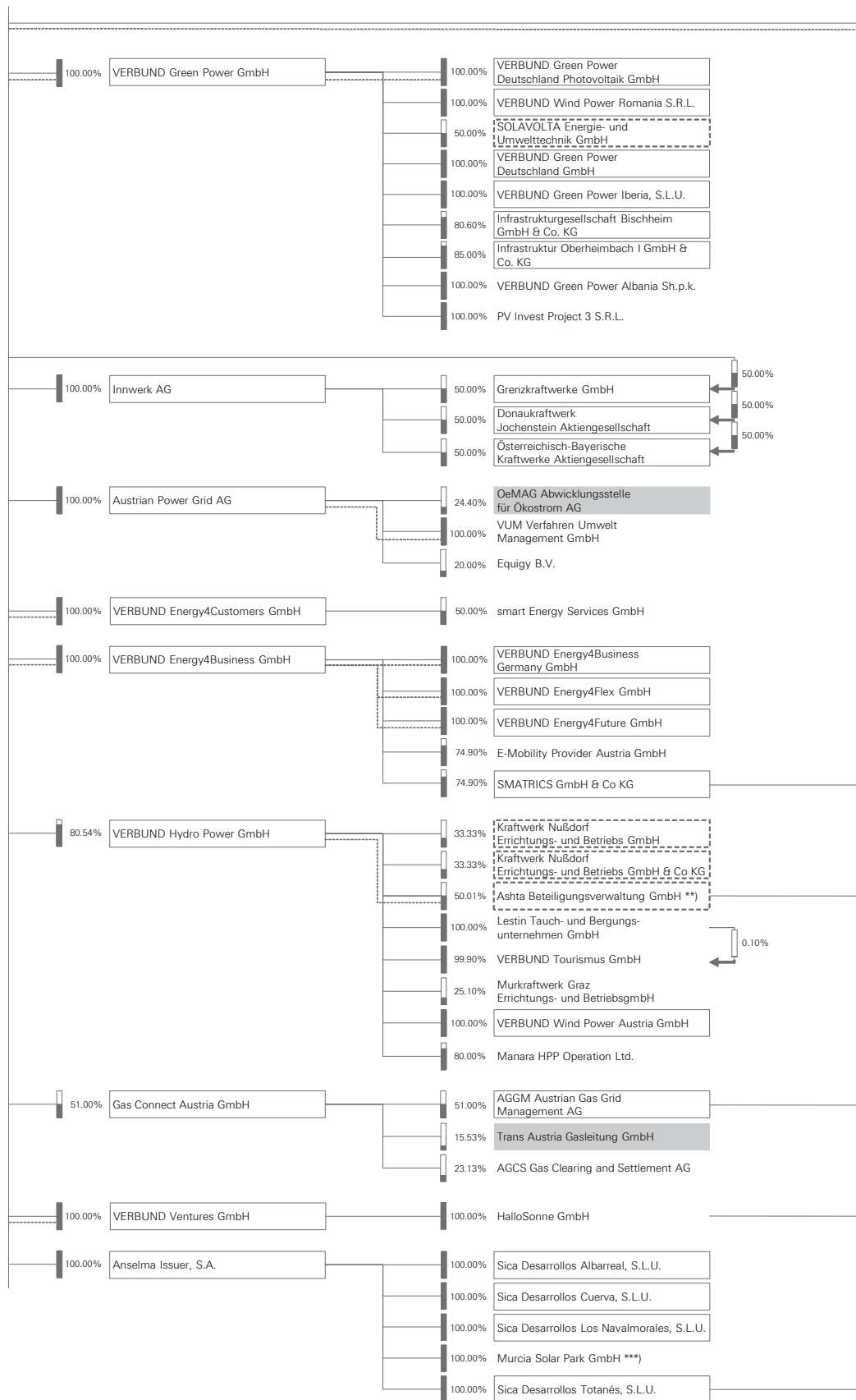
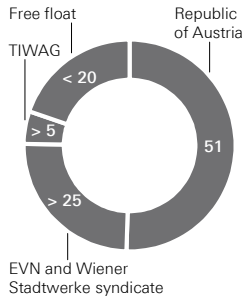
The variation margin represents the cash amounts to be paid daily to or from the futures exchange resulting from the measurement of open positions held on the stock exchange. Gains and losses on the open positions resulting from price fluctuations versus the previous day can therefore be offset on a daily basis. The variation margin thus corresponds to the unrealised gains or losses on the portfolio that would be due if the positions were closed out. The variation margin and initial margin eliminate the credit risk for trading participants on the exchange.

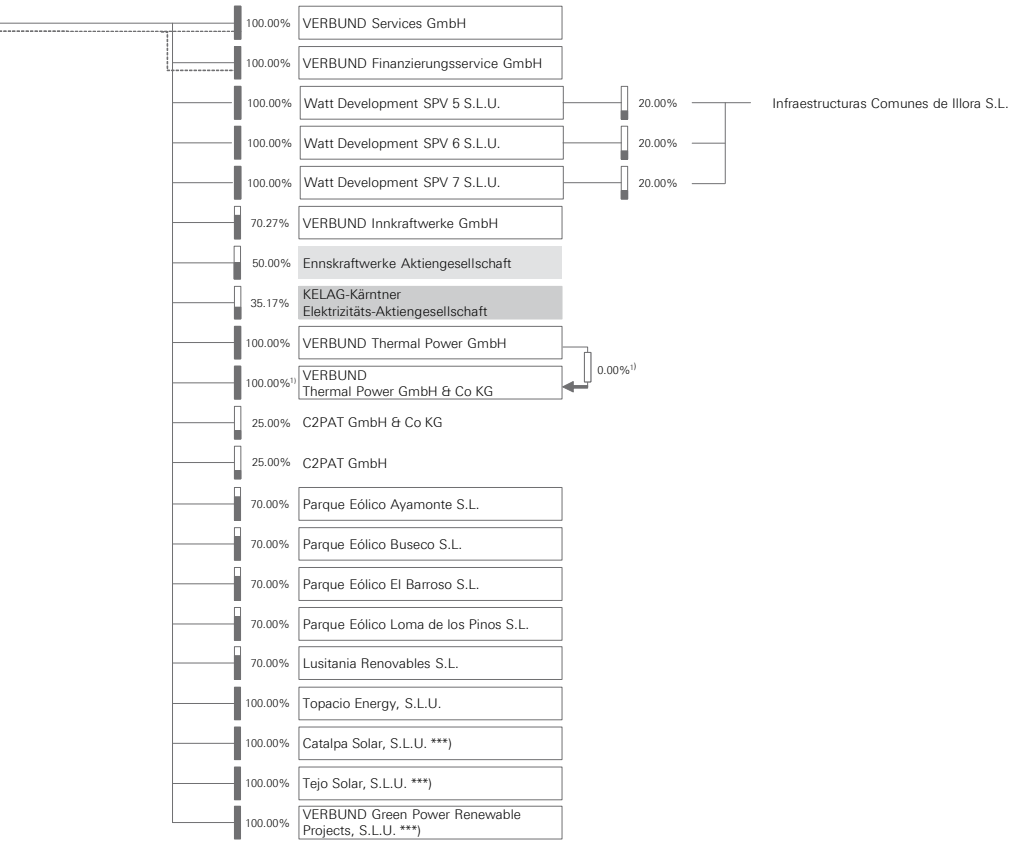
VERBUND Group structure

as at 31 December 2022

VERBUND AG

Shareholder structure %





Legend

- Consolidated (100%)
- Proportionately consolidated
- Accounted for using the equity method
- Joint venture, accounted for using the equity method
- Not consolidated
- Profit and loss transfer agreement

49.00% SMATRICS EnBW GmbH

100.00% Energji Ashta Shpk

100.00% ASGM Austrian Strategic Gas Storage Management GmbH

100.00% HalloSonne PV Finanzierungs-Holding GmbH

100.00% HalloSonne 1. PV Vermietungs-GmbH

38.89% Totanes Infraestructuras Comunes, S.L.

*) in liquidation
 **) the company has entered into a proportionate loss absorption agreement with its shareholder(s)
 ***) only the companies currently included in the Group planning are shown (without their 49 subsidiaries and associated companies)
 1) VERBUND AG holds a share of approx. 99.9972% in VERBUND Thermal Power GmbH & Co KG and VERBUND Thermal Power GmbH holds a share of approx. 0.0028%.

EDITORIAL DETAILS

Published by: VERBUND AG
Am Hof 6a, 1010 Vienna, Austria

This **Integrated Annual Report** was produced in-house with firesys.

Charts and table concept:

Roman Griesfelder, aspektum gmbh

Creative concept:

Brains, Marken und Design GmbH

Design: Kathi Reidelshöfer, Schreibagentur

Consulting: Ute Greutter, UKcom Finance

Translation and linguistic consulting:
ASI GmbH

Production: Lindenau Productions GmbH

Contact: VERBUND AG

Am Hof 6a, 1010 Vienna, Austria

Phone: +43 (0)50 313-0

Fax: +43 (0)50 313-54191

E-mail: information@verbund.com

Web: www.verbund.com

Commercial register number: FN 76023z

Commercial register court:

Commercial Court of Vienna

VAT No.: ATU14703908

DPR No.: 0040771

Registered office: Vienna, Austria

Investor Relations:

Andreas Wolllein

Tel.: +43 (0)50 313-52604

E-mail: investor-relations@verbund.com

Company Spokesperson:

Ingun Metelko

Phone: +43 (0)50 313-53748

E-mail: ingun.metelko@verbund.com

Shareholder structure:

– Republic of Austria (51.0%)

– Syndicate (> 25.0%) consisting of EVN AG (the shareholders of which are

Niederösterreichische Landes-Beteiligungsholding GmbH, 51%, and Wiener Stadtwerke GmbH, 28.4%) and

Wiener Stadtwerke GmbH (the sole shareholder is the City of Vienna)

– TIWAG-Tiroler Wasserkraft AG (> 5.0%, the sole shareholder is the province of Tyrol)

– Free float (< 20.0%): no further information is available concerning owners of shares in free float.

Legal and statutory limitations of voting rights:

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

Regulatory body/trade associations:

E-Control GmbH/E-Control Kommission
Wirtschaftskammer Österreich
Oesterreichs Energie

Object of the Group:

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

Executive Board:

Michael Strugl (Chairman),

Peter F. Kollmann,

Achim Kaspar

Supervisory Board:

Martin Ohneberg (Chairman), Edith Hlawati

(1st Vice-Chairwoman), Christine Catasta

(2nd Vice-Chairwoman), Barbara Praetorius,

Jürgen Roth, Eckhardt Rümmler, Christa

Schlager, Robert Stajic, Stefan Szyszkowitz,

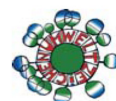
Peter Weinelt, Doris Dangl, Isabella

Hönlinger, Kurt Christof, Wolfgang Liebscher,

Veronika Neugeboren

Specific laws applicable:

Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, EIWOG) with associated regulations and implementation laws. The legal bases listed can be accessed via the legal information system of the Federal Chancellery of the Republic of Austria at www.ris.bka.gv.at.



This publication was printed by Bösmüller Print Management GesmbH & Co KG (UW No. 779) in accordance with the Austrian Ecolabel's Printed Materials Guideline.



Pioneering the
energy transition