VERBUND Energy4Business GmbH
Annual Report 2022

Contents

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

Three-year comparison

€k

	2020	2021	**2022**
Revenue	2,818,303.4	3,557,709.3	8,188,340.1
Earnings before interest and taxes (EBIT)	57,496.9	87,835.7	260,006.2
Earnings before taxes	42,087.7	72,820.9	235,783.2
Net income for the year	31,999.5	53,291.4	177,798.7
Net profit	0.0	0.0	0.0
Total assets	605,717.8	1,592,325.7	2,381,834.4
Fixed assets	37,110.6	70,253.9	110,799.0
Capital expenditure on property, plant and equipment	1,219.5	922.0	1,592.9
Depreciation of property, plant and equipment	468.3	591.7	653.2
Equity	300,772.7	330,772.7	484,372.7
Return on sales (ROS)	2.0%	2.5%	3.2%
Return on equity (ROE)	16.0%	24.2%	71.3%
Return on investment (ROI)	10.0%	14.5%	16.3%
Equity ratio	49.7%	20.8%	20.3%
Notional debt repayment period	9.0	20.1	11.3
Cash flow from operating activities	–20,433.0	–1,161,131.3	–411,922.2
Working capital	420,684.7	414,398.0	253,186.1
Net debt	–183,393.2	1,011,460.0	1,456,174.6
Current liabilities	145,529.4	1,107,661.6	1,767,612.8
Current assets	566,214.1	1,522,059.7	2,020,798.9
Average number of employees	165	177	183

Board members

Management

Mag. Robert Slovacek	Managing Director
MMag. Martin Wagner	Managing Director

Supervisory Board

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

Employee representatives

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

Management report

Report on business performance and economic position

Business model and business activities

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

Since the realignment of sales activities in 2020, the industrial customer – or B2B – business including projects and new business models in the Solutions area (marketing of photovoltaic installations, battery projects and electromobility) has also been part of VEB.

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

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

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

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

New business models for constructing, operating and marketing photovoltaic installations with industrial customers and projects and cooperation models in the areas of industrial-scale batteries/battery storage expand and supplement the range of products and services. Since 2021, VEB also offers cooperation models in the area of electromobility for constructing and operating charging infrastructure in cooperation with the subsidiary SMATRICS GmbH & Co KG (SMATRICS).

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

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

The VEB subsidiary in Germany, VERBUND Energy4Business Germany GmbH (VEB-DE), acts as a broker for VEB in the municipal utility and reseller area. The industrial customer business (with settlement of electricity tax) and the marketing of PV and battery projects are performed on this company's own behalf and for its own account.

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

VERBUND Trading Romania S.R.L. (VTR-RO, Romania) VTR-RO was responsible for marketing the wind power generated by VERBUND AG's Romanian subsidiary – VERBUND Wind Power Romania S.R.L. (VRP-RO) – on the Romanian electricity exchange OPCOM as well as marketing the associated wind power certificates. In 2020, preparations began for trading directly in Romania as VEB; the process of liquidation was initiated in 2021 (the company was therefore deconsolidated in July 2021). After the accounts were closed and the liquidation balance sheet prepared as at 15 December 2022, the equity interest was derecognised in December 2022.

VERBUND Trading Serbia d.o.o. (VTR-RS, Serbia) Preparations for acting directly as VEB in the Serbian market began in 2020, and liquidation was resolved in 2021. VTR-RS was deleted from the local commercial register as at 21 December 2022 and the equity interest was derecognised in December 2022.

VERBUND Energy4Flex GmbH (VEF) Established in December 2019, VEF has conducted the optimisation, support and management of VERBUND's flexible power plants in connection with the Austrian control power market since 2020 on behalf of VEB, in its own name, but for the account of VEB.

VERBUND Energy4Future GmbH (VEE) Founded in December 2020, VEE will be responsible in the future for providing green electricity customers with electricity products certified under the "UZ 46" standard and other specific green electricity products on behalf of VEB.

SMATRICS GmbH & Co KG (SMATRICS), **E-Mobility Provider Austria GmbH** (EMPA; unconsolidated) SMATRICS has the object of establishing charging infrastructure for electric vehicles as well as building up and providing services for electromobility customers. VEB became the sole owner in quarter 2/2021, and SMATRICS was consolidated as at 30 September 2021. In quarter 1/2022, EnBW mobility+ AG & Co. KG acquired a 25.1% interest through a capital increase. EMPA is accounted for using the equity method.

C2PAT GmbH & Co KG The foundation of a project company and subsequent 25% investment took place as part of a hydrogen research project (GmbH founded in July 2021, KG in September 2021). Upon the reorganisation with all hydrogen matters being moved to VERBUND AG, the investment was then sold to that company on 1 January 2022.

As part of a planned equity investment transaction, VEB agreed to acquire Solarpower Holding GmbH including its subsidiaries (MSP Solarpower GmbH and iFIX Solar GmbH) by entering into a precontractual commitment. The transaction is expected to be signed and to close in March 2023.

Report on the branch offices

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

Market performance

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 also 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 rose steeply 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. This in turn is caused by increased demand for gas following the pandemic, lower gas stocks and fears of shortages. The war in Ukraine and the uncertainty it has generated further compounded the situation.

Prices for AT 2023 front-year base load contracts (traded in 2022) averaged €315.6/MWh, and prices for DE 2023 front-year base load contracts averaged €298.9/MWh. Futures market prices thus increased by 246% (AT) and 238% (DE) compared with the previous reporting period. AT front-year peak load contracts traded at an average of €417.7/MWh and DE front-year peak load contracts traded at an average of

€400.2/MWh. Futures market prices were thus 279% (AT) and 273% (DE) above the level of the financial year.

Business performance

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

Electricity purchases GWh

		2021	2022
Purchased generation		26,205	24,386
of which hydropower		24,838	22,862
of which wind power		242	260
of which thermal power		1,125	1,264
Other Group purchases		1,233	150
Electricity purchased from third parties		25,959	34,557
Total purchased by VEB		53,397	**59,093**
Trading contracts		56,701	**25,669**
		110,098	**84,762**

At 24,386 GWh in 2022, the marketing of this generation was 6.9% lower than in the same period in 2021.

Generation from hydropower fell by 1,977 GWh compared with the previous year. At 0.86, the hydro coefficient for the run-of-river power plants was below the prior-year level and 14% below the long-term average. Generation from our annual storage power plants fell by 2.7% year on year in quarters 1–4/2022. The effects from increasing reservoir levels and a lower inflow outweighed the higher generation from turbining.

The generation from wind power that VEB markets to Germany and Austria was 7.6% above the level of the previous year.

Generation from thermal power plants increased by 140 GW in quarters 1–4/2022, 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 increased significantly by 33.1%.

The standardised forward contracts had a volume of 25,669 GWh. VEB recognises the profits/losses from energy trading contracts for electricity entered into for trading purposes under revenue; the underlying electricity purchases and sales are offset and presented net under electricity revenue. VEB's electricity purchases after offsetting the transactions against standardised forward contracts amounted to 59,093 GWh (including generation for own use and Austrian Power Grid AG (APG)). VEB has three customer segments: traders in Austria and abroad, resellers (energy supply companies) and industrial customers.

Electricity sales

		2021	2022
			GWh
Traders		17,359	20,179
Resellers		18,496	20,836
Industrial customers		8,927	8,783
Group		8,615	9,295
of which small customers		1,896	1,920
of which industrial customers		2,869	3,146
of which APG		1,678	1,577
of which own use of generation companies		2,172	2,652
		53,397	**59,093**
Trading contracts		56,701	**25,669**
		110,098	**84,762**

Compared with the previous year, VEB's electricity sales volume increased by 5,696 GWh to 59,093 GWh. Deliveries were made to trading firms above all in the context of hedging and marketing the generation volumes on exchanges. Sales to traders increased by 16.2% in the reporting period.

Volumes with resellers increased by 12.7%. Beginning in 2020, the external volumes of the former VERBUND Sales GmbH's (VSA) industrial customers in Austria, which were previously reported under industrial customers, are included in sales to consumers. Transactions with industry-related procurement companies are reported under trading. VEB also provides the volumes for VERBUND AG's small customers and supplies APG and VERBUND's generation companies.

The slightly lower quantity supplied to APG (–101 GWh) comprises deliveries to compensate for grid loss or deliveries as part of congestion management and control power volumes. Supplies to cover generation for own use rose by 480 GWh. This can be attributed in particular to generation from turbining.

In 2022, international trading and sales activities focused on the German market. The Company's extensive business with guarantees of origin is reflected in the net presentation.

Trading contracts declined significantly year on year due to higher price volatility and the associated risks.

Net assets, financial position and results of operations

Results of operations

	Unit	2021	2022
Revenue	€k	3,557,709.3	8,188,340.1
Earnings before interest and taxes (EBIT)	€k	87,835.7	260,006.2
Earnings before taxes	€k	72,820.9	235,783.2
Net income for the year	€k	53,291.4	177,798.7
Net profit	€k	0.0	0.0
Return on sales (ROS)	%	2.5	3.2
Return on equity (ROE)	%	24.2	71.3
Return on investment (ROI)	%	14.5	16.3

VEB's revenue rose by 130.2% to €8,188,340.1k in financial year 2022, mainly in revenue from electricity deliveries. This was due primarily to higher prices.

Other operating income of €94.5k was lower than the figure for 2021 (€175.1k) because of declining production revenues (ending of numerous projects).

At €7,886,718.8k, expenses for material and other purchased services were 230% higher than in 2021, mainly driven by the price-related surge in electricity purchase costs (+134.3% or €+4,156,479.5k) accompanied by an increase in gas purchasing expenses (€+283,309.3k, also due to prices and from reinsurance transactions).

At €25,986.2k, personnel expenses decreased slightly year-on-year (–1.6%) due to the effects of provisions for termination benefits.

Other operating expenses increased by +5.8% to €27,437.6k.

VEB had an average of 185 employees in 2022 (including employees in the active phase of partial retirement; previous year: 180 employees including employees in the active phase of partial retirement). Expenses for training and continuing education amounted to €156.6k in financial year 2022 (previous year: €109.7k).

VEB has a profit and loss transfer agreement with VERBUND AG. In order to maintain an adequate equity ratio, a portion of the net income for 2022 (€177,798.7k after taxes) of €150,000.0k was allocated to other revenue reserves (previous year: €30,000.0k of €53,291.4k). The remainder was distributed to VERBUND AG.

Net assets

	Unit	2021	2022
Fixed assets	€k	70,253.9	110,799.0
Current assets	€k	1,521,324.4	2,269,108.1
Working capital	€k	414,398.0	253,186.1
Equity	€k	330,772.7	484,372.7
Current liabilities	€k	1,107,661.6	1,767,612.8
Current assets	€k	1,522,059.7	2,020,798.9
Equity ratio	%	20.8	20.3

Fixed assets rose significantly to €110,799.0k through shareholder contributions to VEB-DE (€30,000.0k) and a cash contribution from VEB to SMATRICS (€7,200.0k) in 2022. At €2,269,108.1k, current assets are significantly above the level of the previous year (€1,521,324.4k) due to the increase in receivables, particularly as a result of guarantees extended to exchanges and electricity trading.

Equity increased by the portion of net income retained for 2022.

Financial position

	Unit	2021	2022
Cash flow from operating activities	€k	–1,161,131.3	–411,922.2
Cash flow from investing activities	€k	–16,941.5	–24,736.5
Cash flow from financing activities	€k	1,177,899.1	438,015.8
Financial result	€k	2,511.1	–11,834.5
Notional debt repayment period	years	20.1	11.3

The change in the financial result is attributable to significantly higher interest rate expenses compared with the previous year (€+7,082.9k) as well as losses assumed from subsidiaries (€+4,787.6k). Driven by a very positive result, the notional debt repayment period of 11.3 years decreased compared with 2021 despite even higher liabilities to the financing company compared with the previous year (attributable to guarantees required by the clearing bank for exchange transactions as a result of the high (electricity) market prices in 2022).

Cash flow statement

The cash flow statement is calculated using the indirect method and was prepared in accordance with Opinion 36 of the Austrian Financial Reporting and Auditing Committee (AFRAC) (previously regulated by expert opinion 2 issued by the Austrian Chamber of Public Accountants and Tax Advisors (KFS/BW 2)).

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

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

(1) Cash flow from operating activities

In 2022, cash flow improved compared with 2021, even though it remains negative. Despite higher net income and liabilities, the negative effect is attributable to an increase in receivables (€–751,243.4k) mainly in connection with receivables from guarantees and, on the other hand, from payment flows arising from variation margins and cascading on the EEX electricity exchange. The payment flows are accrued in net income since they will be realised in future years.

(2) Cash flow from investing activities

Cash flow from investing activities results mainly from recharging of interest within the VERBUND Group, from shareholder contributions of a combined €30,000.0k to the subsidiary VEB-DE, from the cash contribution to SMATRICS (approximately €7,200.0k) and from ongoing investing activities.

(3) Cash flow from financing activities

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

Cash flow statement

€k

	Notes	2021	2022
Earnings before taxes		72,820.9	235,783.2
Amortisation of intangible assets and depreciation of property, plant and equipment		1,234.1	1,225.1
Write-downs and write-ups of financial assets		– 12.3	20.7
Result from the disposal of assets		65.2	– 1.2
Income from investments, other interest and similar income and interest and similar expenses		– 2,584.5	11,691.2
Change in inventories		10,385.0	3,665.1
Change in trade receivables and other receivables[1]		– 1,253,746.5	– 751,243.4
Change in non-current provisions		5,677.8	– 11,545.1
Income from the reversal of contributions to building costs		– 117.8	– 126.2
Other non-cash expenses and income		– 9,680.0	– 11,592.5
Change in current provisions		6,310.1	1,049.2
Change in trade payables and other liabilities[2]		25,466.7	166,479.2
Payments for income taxes		– 16,950.0	– 57,327.5
Cash flow from operating activities	(1)	– 1,161,131.3	**– 411,922.2**
Capital expenditure on intangible assets and property, plant and equipment		– 1,704.2	– 5,710.9
Disposals of intangible assets and property, plant and equipment		58.9	2.7
Capital expenditure on investments		– 33,108.2	– 37,352.5
Disposals of investments		273.5	1,096.4
Cash inflow from investment and security income		610.6	650.7
Cash inflow from interest		16,928.0	16,577.2
Cash flow from investing activities	(2)	– 16,941.5	**– 24,736.5**
Cash inflow (outflow) from capital increases (decreases)		0.0	3,600.0
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		502.4	400,000.0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		– 228.8	– 286.2
Cash inflow from contributions to building costs received and grants		318.6	1.9
Profit transferred		– 23,374.1	– 32,669.1
Changes in Group clearing balances		1,201,893.8	78,760.1
Cash outflow from interest and similar expenses		– 1,212.8	– 11,390.8
Cash flow from financing activities	(3)	1,177,899.1	**438,015.8**
Change in cash and cash equivalents		– 173.7	1,357.1
Cash and cash equivalents as at 1/1		737.1	563.4
Cash and cash equivalents as at 31/12		563.4	**1,920.5**

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

Report on research, development, the environment and social aspects

Employees

In 2022, VEB had an average of 185 employees (including employees in the active phase of partial retirement; previous year: 180 employees including employees in the active phase of partial retirement). Expenses for training and continuing education amounted to €156.6k in financial year 2022 (previous year: €109.7k).

Sustainability

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

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

Innovation, research and development

Energy market environment requires flexibility

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

In 2022, the further improvement of inflow forecasting and snow cover measurements continued to be a key component of the innovative development. A definitive methodology of using drones and satellites to measure snow cover was developed under the SNOWPOWER project. By means of the terrain models collected in the summer and winter, it is now possible to determine the snow depth distribution throughout the catchment area and to use this data as an input for hydrological model applications. Potential impacts of climate change on the essential resource water became clear in 2022. Development has therefore begun on a statistical method for predicting seasonal inflow using the abundance of hydrological model data obtained over the last decade. An initial prototype of this operational seasonal forecast was successfully established in 2022 along with an ongoing operational assessment of the water deficit or surplus in the catchment areas essential to VERBUND. Research cooperations have already successfully applied the results of snow cover measurements collected in the SNOWPOWER project to address the challenging problem "Effects of climate change on hydropower generation."

Under the Smart Energy Power Platform (SEPP) project, tools and products in the smart charging area were developed in cooperation with SMATRICS. This instrument provides optimal support to the sales specialists in advising customers with electromobility needs. It will be used primarily for those customers requesting a combination of charging infrastructure, battery and solar power together with other consumers. The project's product development is focused on optimising the charging infrastructure during regular operations in order to realise cost savings at customer sites.

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

New solar power and large-scale battery solutions for customers

Solar power – In the area of solar power, delivery delays for components such as inverters and transformer stations as well as insufficient assembly capacity at system installers dominated 2022. To counteract this, direct relationships were forged with suppliers of compact transformer stations in order to shorten delivery times. This also increases the presence of local construction supervision.

Technical improvements focused on the topic of rooftops for carports and parking spaces, since this area offers considerable potential for the years to come, particularly in the industrial sector.

Large-scale batteries – Smart hybridisation of storage systems makes it possible to take advantage of various technologies, and the storage system can be optimally adapted to the use case. Investment costs are reduced by avoiding over-dimensioning (output or capacity) or accelerated degradation situations. Furthermore, hybridisation is often the only way that the specifications of some multi-use applications can be met.

Under the Hybrid Battery Storage project, a pilot installation featuring a hybrid system comprised of ultracapacitor and lithium-ion batteries with 250 kW from HESStec was constructed, adapted and tested. VERBUND is metrologically evaluating the system's suitability for specific customer requirements. Among other things, this involves evaluating technical solutions for new use cases – using batteries to avoid voltage drops in multi-use applications and using fast peak shaving to reduce grid connection loads.

Report on the Company's significant risks and uncertainties

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

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

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

VEB has drafted its own internal guidelines and work instructions for the Company's individual areas of business on the basis of the guidelines applicable to the entire Group. Building on the rulebook, these guidelines specify all business transactions, procedures, business processes and authorities within VEB to ensure that risks and responsibilities are clearly allocated and delineated. In 2021, this set of guidelines was fundamentally revised and adapted to the changed conditions. As part of this, the daily risk reports have been improved and updated to reflect these changes. Special rules apply to dealing with market risk, credit risk and operating risk. The risk control process at VEB is applied to all significant business processes every day.

Market risk

Due to the high trading volumes and extremely volatile prices in the markets in 2022, risk management is especially important with regard to monitoring exposures. Market risk is limited using a system made up of exposure limits, drawdown limits and value at risk limits, and it is monitored daily; in addition, stress tests are routinely conducted to monitor liquidity risks.

Credit risk

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

Gas and electricity prices already rose sharply in 2021 and reached new all-time highs in 2022, particularly after the outbreak of the Ukraine conflict. Despite this challenging economic environment in connection with COVID-19, the effects of the war in Ukraine on security of supply in Europe and the market distortions in the energy sector in 2022, there were only two insolvencies in VEB's customer portfolio. Customer payment discipline remains largely unchanged compared with the prior year. In light of the current market situation, management of the credit risk will once again play a significant role in 2023.

VEB is part of the VERBUND cash pool.

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

Operational risk management

VEB maintains a crisis centre that can be activated at short notice if the main site can no longer be utilised. A new crisis centre was opened in 2019. The mobilisation and functionality of the crisis centre is tested several times each year. Due to the COVID-19-related physical separation of the teams in the areas of trading, plant use optimisation and scheduling management, the crisis centre has been in regular use since 2020. Business processes have been defined and documented in respect of the procedures along the value chain. In combination with the applicable guidelines, this is aimed at preventing any ambiguities with regard to powers and areas of responsibility. A report on early warning indicators of the risks at VEB was submitted in 2022. Regular reports are made on potential and actual loss events.

Report on the expected performance of the Company

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

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

VEB is meeting the challenges represented by the sales activities as its second key task. The product portfolio, or rather the market segment in which VEB operates, also includes supplying industrial customers in addition to large customers and resellers. Here, the focus is on business models for establishing, operating and marketing photovoltaic installations for and with business customers; an ambitious growth course is being pursued in this segment. The range of products and services will be broadened to include in-house projects and cooperation models in the area of industrial-scale batteries/battery storage systems.

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

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

With its broker activities in the German market, the subsidiary VEB-DE generates stable earnings contributions for VEB by marketing green electricity certificates. New key areas of focus in Germany include the marketing of battery storage projects – used for optimising wind power marketing from both VERBUND and third-party facilities – along with constructing and operating photovoltaic installations, making it possible to market innovative, flexible products to industrial customers, municipal utilities and resellers.

VEB plans to maintain its market presence in its existing Western European markets. The Company's primary activities in these countries are trading in cross-border capacities, marketing guarantees of origin and offering market access. Marketing activities and portfolio management for recently acquired Group generation capacity from photovoltaic installations in Spain are currently being established. With regard to its servicing of international markets in the regions of Central, Eastern and Southeastern Europe, VEB will concentrate, as in previous years, on marketing available generation from Group power plants in Romania and on short-term cross-border optimisation transactions and will accordingly maintain its market presence at the levels required for this.

Gas business activities in 2023 will continue to focus on managing the Mellach combined cycle gas turbine power plants (gas purchasing and storage management, price hedging, marketing, operational processing), which are used exclusively for flexible utilisation under the grid reserve agreements entered into for German grid operators and Austrian grid operator APG. Furthermore, procurement and price hedging for VERBUND's gas consumer business takes place.

In addition to maintaining market share in its core markets, the Company also strives to generate stable margins in trading and in international business. The recent extremely volatile electricity price trend also makes it necessary to regularly evaluate and adapt actions taken for the purpose of hedging long-term generation capacities to meet changing market conditions.

Since 2021, business models for constructing and operating charging infrastructure for electric vehicles are being developed at the premises of industrial customers and cooperation partners and customers are being successfully acquired. The customer base and the number of charging stations installed in Austria and Germany will be greatly increased and expanded in the years to come.

In 2023 and after, the main focuses for VEB will concern expanding its market position as a marketer and cooperation partner in the renewable energy sector – particularly for construction and marketing photovoltaic installations – and as a provider of flexible services in the field of electromobility.

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

As part of a planned equity investment transaction, VEB entered into a precontractual commitment concerning the purchase price (including collateral agreements, subject to negotiation of the details of the purchase contract) for the acquisition of Solarpower Holding GmbH including its subsidiaries (MSP Solarpower GmbH and iFIX Solar GmbH). The transaction is expected to be signed and to close in March 2023.

As at 15 February 2023, no risks were foreseeable for 2023, the effects of which – either individually or in interaction with other risks – could pose a threat to the continued existence of VEB.

Vienna, 15 February 2023
The Management

Mag. Robert Slovacek

MMag. Martin Wagner

Annual financial statements

Balance sheet

ASSETS

€k

	Notes	2021	2022
A. Fixed assets			
I. Intangible assets		5,141.1	8,464.4
II. Property, plant and equipment		3,213.9	4,152.2
III. Investments	(1)	61,898.8	98,182.5
		70,253.9	**110,799.0**
B. Current assets			
I. Inventories	(2)	9,115.1	5,450.0
II. Receivables and other assets	(3)	1,511,645.9	2,261,737.5
of which due in more than one year		12.7	250,237.6
III. Cash at banks		563.4	1,920.5
		1,521,324.4	**2,269,108.1**
C. Prepayments and accrued income	(4)	747.4	**1,927.3**
		1,592,325.7	**2,381,834.4**

EQUITY AND LIABILITIES

€k

	Notes	2021	2022
A. Equity			
I. Called and paid-in share capital	(5)	250.0	250.0
II. Capital reserves	(6)	124,297.4	127,897.4
III. Revenue reserves	(7)	206,225.3	356,225.3
IV. Net profit	(8)	0.0	0.0
		330,772.7	**484,372.7**
B. Provisions	(9)	42,384.2	**32,350.6**
C. Liabilities	(10)	1,216,653.8	**1,863,107.8**
of which due within one year		1,087,445.4	1,746,927.1
of which due in more than one year		129,208.4	116,180.7
D. Accruals and deferred income	(11)	2,515.0	**2,003.3**
		1,592,325.7	**2,381,834.4**

Income statement

€k

	Notes	2021	2022
1. Revenue	(12)	3,557,709.3	8,188,340.1
2. Change in the total of services not yet billable		623.2	550.9
3. Other operating income	(13)	175.1	94.5
4. Operating income (subtotal of lines 1 to 3)		3,558,507.6	**8,188,985.5**
5. Expenses for electricity, gas purchases and purchases of emission allowances and other purchased production services and other services		–3,434,640.0	–7,886,718.8
6. Personnel expenses	(14)	–26,396.4	–25,986.2
7. Depreciation and amortisation	(15)	–1,234.1	–1,225.1
8. Other operating expenses	(16)	–25,927.3	–27,437.6
9. Total earnings (subtotal of lines 4 to 8)		70,309.8	**247,617.7**
10. Income from equity interests		607.2	649.7
11. Income from other securities in financial assets		149.1	150.8
12. Other interest and similar income		16,782.2	16,427.4
13. Income from the disposal and reversal of impairment losses on investments		70.0	92.1
14. Expenses from investments		–82.8	–4,931.4
15. Interest and similar expenses		–15,014.8	–24,223.1
16. Financial result (subtotal of lines 10 to 15)	(17)	2,511.1	**–11,834.5**
17. Earnings before taxes (subtotal of lines 9 and 16)		72,820.9	**235,783.2**
18. Taxes on income	(18)	–19,529.5	–57,984.4
19. Net income for the year		53,291.4	**177,798.7**
20. Allocation to revenue reserves		–30,000.0	–150,000.0
21. Profit transferred due to a profit and loss transfer agreement		–23,291.4	–27,798.7
22. Net profit		0.0	**0.0**

Statement of changes in fixed assets

	As at 1/1/2022	Additions	Disposals	Reclassifications	**As at 31/12/2022**
I. Intangible assets					
1. Concessions, industrial property rights, electricity purchase rights, usage fees and similar rights and benefits as well as licences derived therefrom	15,225.7	3,578.2	48.9	0.0	18,755.0
2. Prepayments	1,009.0	317.1	0.0	0.0	1,326.1
	16,234.7	3,895.2	48.9	0.0	**20,081.1**
II. Property, plant and equipment					
1. Land, land rights and buildings, including buildings on third-party land					
a. with plant and other plant facilities	52.9	0.0	0.0	0.0	52.9
2. Electrical installations	5,793.8	1,066.5	29.8	257.7	7,088.2
3. Other equipment, office and plant equipment	2,082.4	119.1	131.0	0.0	2,070.4
4. Prepayments, assets under construction and projects	257.7	407.4	0.0	–257.7	407.4
	8,186.8	1,592.9	160.9	0.0	**9,618.9**
Property, plant and equipment and intangible assets	24,421.5	5,488.2	209.7	0.0	**29,700.0**
III. Investments					
1. Shares in affiliated companies	54,191.7	37,200.0	409.6	0.0	90,982.1
2. Equity interests	634.0	0.0	634.0	0.0	0.0
3. Securities (loan stock rights) classified as fixed assets	1,625.4	0.0	0.0	0.0	1,625.4
4. Other loans	5,489.1	152.8	1.2	0.0	5,640.7
	61,940.3	37,352.8	1,044.8	0.0	**98,248.2**
Fixed assets	86,361.8	42,841.0	1,254.6	0.0	**127,948.2**

€k

	Accumulated depreciation, amortisation and write-downs as at 1/1/2022	Additions from depreciation and amortisation	Additions from impairment losses	Disposals	Accumulated depreciation, amortisation and write-downs as at 31/12/2022	**Net carrying amount as at 31/12/2022**
	11,093.6	572.0	0.0	48.9	11,616.7	7,138.3
	0.0	0.0	0.0	0.0	0.0	1,326.1
	11,093.6	572.0	0.0	48.9	11,616.7	**8,464.4**
	12.3	5.3	0.0	0.0	17.6	35.3
	3,811.8	301.0	0.0	29.8	4,083.0	3,005.2
	1,148.8	346.8	0.0	129.5	1,366.1	704.3
	0.0	0.0	0.0	0.0	0.0	407.4
	4,972.9	653.2	0.0	159.3	5,466.7	**4,152.2**
	16,066.5	1,225.1	0.0	208.2	17,083.4	**12,616.6**
	0.0	0.0	0.0	0.0	0.0	90,982.1
	0.0	0.0	0.0	0.0	0.0	0.0
	41.5	0.0	24.3	0.0	65.7	1,559.7
	0.0	0.0	0.0	0.0	0.0	5,640.7
	41.5	0.0	24.3	0.0	65.7	**98,182.5**
	16,107.9	1,225.1	24.3	208.2	17,149.2	**110,799.0**

Maturity schedule 2022

€k

			Residual term to maturity as at 31/12/2022	
	≤ 1 year	> 1 year	> 5 years	Total
Loans				
1. Other loans	1.1	0.0	5,639.6	5,640.7
	1.1	0.0	5,639.6	5,640.7
Receivables and other assets				
1. Trade receivables	476,661.1	11.3	0.0	476,672.4
2. Receivables from affiliated companies	59,691.2	0.0	0.0	59,691.2
3. Other receivables and assets	1,475,147.6	250,226.3	0.0	1,725,373.9
	2,011,499.9	250,237.6	0.0	2,261,737.5
Liabilities				
1. Liabilities to banks	400,001.0	0.0	0.0	400,001.0
2. Prepayments received for orders	3.0	0.0	0.0	3.0
3. Trade payables	185,327.7	28.9	0.0	185,356.6
4. Liabilities to affiliated companies	1,019,182.1	0.0	2,798.1	1,021,980.2
5. Other liabilities	142,413.4	72,109.6	41,244.0	255,767.0
	1,746,927.1	72,138.5	44,042.2	1,863,107.8

Maturity schedule 2021

€k

	⩽ 1 year	> 1 year	> 5 years	Residual term to maturity as at 31/12/2021 Total
Loans				
1. Other loans	0.5	0.0	5,488.6	5,489.1
	0.5	0.0	5,488.6	5,489.1
Receivables and other assets				
1. Trade receivables	499,838.5	12.7	0.0	499,851.2
2. Receivables from affiliated companies	39,628.8	0.0	0.0	39,628.8
3. Other receivables and assets	972,165.9	0.0	0.0	972,165.9
	1,511,633.2	12.7	0.0	1,511,645.9
Liabilities				
1. Liabilities to banks	287.2	0.0	0.0	287.2
2. Prepayments received for orders	3.0	0.0	0.0	3.0
3. Trade payables	139,712.4	28.9	0.0	139,741.3
4. Liabilities to affiliated companies	914,597.0	0.0	2,723.2	917,320.3
5. Other liabilities	32,845.8	64,069.0	62,387.2	159,302.0
	1,087,445.4	64,098.0	65,110.4	1,216,653.8

Notes to
the annual financial statements

Notes

I. General notes

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

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

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

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

If the presentation has changed year-on-year or if the prior-year amounts are not comparable, the prior-year amounts are adjusted in accordance with Section 223(2) of the Austrian Commercial Code (UGB) and explained in the corresponding item.

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

II. Accounting policies

The annual financial statements were prepared in compliance with the general practice of giving a true and fair view of the Company's net assets, financial position and results of operations in accordance with Austrian generally accepted accounting principles.

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

Fixed assets

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

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

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

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

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

Interest-bearing loans are recognised at their principal amounts. Impairment losses are recognised if the impairment is expected to be permanent. Receivables with a maturity of more than one year – with the exception of instalment sales – are reported under financial assets as loans.

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

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

Current assets

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

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

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

Deferred taxes

The Company has recognised deferred tax assets pursuant to Section 198(9) of the Austrian Commercial Code (UGB) to the extent tax relief was expected in subsequent years. The deferred taxes attributable to Group members based on tax allocation are presented under the current result in their balance sheets. In the event of a net tax liability, the deferred taxes are offset and presented under tax provisions.

This deferral item results from differences between the carrying amounts of line items in the financial statements and the tax base with respect to line items that can only be deducted as expenses for tax purposes in income statements of future periods. Based on the eco-social tax reform approved in January 2022, the underlying tax rate for Austria is between 23% and 24%.

Provisions

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

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

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

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

Similar obligations relate to employer contributions for supplementary health insurance premiums to be paid after retirement. The provisions are determined in the same manner as provisions for pension obligations. As a result of a reorganisation of the supplementary health insurance system in previous years, new contracts are currently only concluded with insurance excesses. Employees with old contracts excluding an insurance excess have the opportunity to transfer to the new system at any time.

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

The calculations as at 31 December 2022 and 2021 were based on the following assumptions:

%	2021	**2022**
Interest rate		
Pensions and similar obligations	1.00	3.75
Termination benefits	0.75	3.50
Trend		
Pension increases	1.75	1.75–5.75
Salary increases	2.75	2.75–6.75
Contributions to obligations similar to pensions – old contracts	5.50	5.50
Contributions to obligations similar to pensions – new contracts	3.75	3.75
Employee turnover	0.00–4.10	0.00–5.80
Retirement age – women	56.5–65 y.	60–65 y.
Retirement age – men	61.5–69 y.	63–65 y.
Expected long-term return on plan assets	1.00	3.75

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

Liabilities

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

Accruals and deferred income

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

Derivative financial instruments

Wholesale and industrial customer area

Marketing own generation

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

In addition to the electricity forwards and electricity futures, generation is also hedged using options that are passed on to the producer or to VERBUND AG once exercised at the strike price less the option premiums incurred.

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

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

Other wholesale and industrial customer transactions

In addition, VEB enters into over-the-counter (OTC) transactions with external counterparties in the sales area. VEB retains the margin generated from these transactions. These transactions are combined into different portfolios. Portfolios include transactions with similar structures, sales channels and markets. These portfolios are used as reinsurance for sales transactions. If a portfolio presents a loss for a delivery year, i.e. the average fixed sales price is lower than the cost of reinsurance, a provision for onerous contracts is recognised.

The purchase and sale transactions in the portfolios represent derivatives or own-use contracts. The purchase and sale transactions are closed in terms of volume and are assigned to a hedged item and hedging instrument on the date the contract is entered into. Hedge accounting based on the portfolios is applied in each case.

Measurement of effectiveness

No material ineffectiveness occurs in the sales area because fluctuations in the market value of the derivatives are routinely offset in purchase and sale transactions that are nearly closed in terms of volume. Any open positions are taken into consideration when determining the amount of provisions for onerous contracts. The amounts realised from the derivative hedging transactions are recognised in profit or loss.

Trading area

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

Taxes on income

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

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

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

Notes on assets

A. Fixed assets

For details, please refer to the separate “Statement of changes in fixed assets”.

(1) III. Investments

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

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

Loans For details, please refer to the separate “Maturity schedules”.

B. Current assets

(2) I. Inventories

€k

	2021	2022
Trading goods	6,115.0	2,245.7
Services not yet billable	3,000.1	3,204.3
	9,115.1	**5,450.0**

(3) II. Receivables and other assets

For details, please refer to the separate “Maturity schedules”.

Of the receivables from affiliated companies, €59,691.2k (previous year: €36,028.8k) related to trade receivables and €0.0k (previous year: €3,600.0k) to other receivables.

€k

Other receivables and assets	2021	2022
Electricity trading activities	378,661.8	1,082,902.3
Security deposits electricity business	592,251.8	617,043.1
Gas trading business	0.0	24,876.3
Payroll	12.9	85.2
Tax authorities	22.5	53.3
Related to social security	15.8	10.6
Emission allowance trading	994.0	0.0
Other	207.1	403.1
	972,165.9	1,725,373.9

In other receivables in electricity trading for 2021 and 2022, €1,076,349.5k (previous year: €178,846.3k) relates to compensation payments for futures for which a portfolio hedge was formed. The amounts to be accrued for option premiums in the future are also presented under other receivables from electricity trading activities.

Under the item Other, an amount of €88.8k (previous year: €86.9k) relates to receivables due from Austria Wirtschaftsservice Gesellschaft mbH (aws) for investment grants related to investments made in the financial year. The investment volume applied for under the COVID-19 Investment Subsidy Act (COVID-19-Investitionsprämiengesetz, InvPrG) amounts to €634.6k.

Receivables for security deposits for the electricity business of €250,226.3k were reported for the first time in 2022 as non-current receivables. In this respect, the "of which" note in the balance sheet and in the previous year's maturity schedule are not comparable.

(4) C. Prepayments and accrued income

€k	2021	2022
Auctions of cross-border capacities	0.0	1,348.9
Prepayments for electricity purchases	227.8	0.0
Other	519.6	578.4
	747.4	**1,927.3**

Notes on equity and liabilities

A. Equity

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

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

(6) II. Capital reserves

€k	2021	2022
Allocated capital reserves	1,171.4	1,171.4
Unallocated capital reserves	123,126.0	126,726.0
	124,297.4	**127,897.4**

(7) III. Revenue reserves

€k	2021	2022
Statutory reserves	25.0	25.0
Distributable reserves	206,200.3	356,200.3
	206,225.3	**356,225.3**

(8) IV. Net profit

	€k
As at 31/12/2021	0.0
Net income for the year	177,798.7
Changes in revenue reserves	–150,000.0
Profit transfer to VERBUND AG	–27,798.7
As at 31/12/2022	0.0

VEB has a profit and loss transfer agreement with VERBUND AG. Allocations of revenue reserves in the 2021 and 2022 reporting periods were undertaken to maintain the equity ratio of at least 20%.

(9) B. Provisions

1. Provisions for termination benefits

€k	2021	2022
Premium reserve based on actuarial calculations	7,305.0	**6,040.8**
Taxed portion of provisions	7,305.0	6,040.8

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

2. Provisions for pensions

€k	2021	2022
Provisions for pension obligations gross	7,056.4	5,075.8
Pension fund assets	–2,630.2	–2,142.3
Provisions for pension obligations net	4,426.2	**2,933.5**
of which obligations similar to pensions	3,585.0	2,307.3

3. Other provisions

€k	2021	2022
Expected losses	18,482.5	10,095.5
Other services	663.4	672.8
Consulting services	616.4	566.1
Outstanding capital expenditure invoices	510.2	287.4
Electricity/grid purchases	200.0	200.0
Other	1,850.7	1,974.9
	22,323.1	**13,796.8**

Other personnel-related provisions (€k)	2021	2022
Bonuses	2,861.6	3,338.7
Unused holidays	2,028.5	2,215.6
Anniversary bonuses	1,600.5	1,453.7
Holiday allowance	1,070.8	1,178.5
Compensatory time credit	391.5	405.9
Death grant	49.1	39.4
Early retirement benefits	100.1	29.3
Other personnel-related provisions	48.3	53.7
	8,150.3	**8,714.9**

4. Provisions for deferred taxes

€k	2021	2022
Social capital	3,153.4	2,176.3
Valuation of fixed assets	–43.9	–112.3
Other	–3,289.1	–2,928.7
Deferred tax receivables (+) respectively liabilities (–) netted	–179.6	**–864.6**

Other deferred taxes are related to differences between the financial and tax treatment of mainly non-current provisions and accounting for investees. The calculation was based on a tax rate of between 23% and 24%.

(10) C. Liabilities

For details, please refer to the separate "Maturity schedules".

Of the liabilities to affiliated companies, €993,330.5k (previous year: €914,570.5k) relates to other liabilities and €28,649.7k (previous year: €2,749.8k) to trade liabilities.

€k

Other liabilities	2021	2022
Electricity trading activities	9,844.3	121,691.0
From long-term electricity supply commitments	126,456.2	113,353.6
From short-term electricity supply commitments	12,999.7	18,908.5
Emission allowance trading	0.0	1,032.1
Related to social security	418.2	445.6
From taxes	533.6	331.7
Gas trading business	9,050.1	0.0
Other	0.0	4.4
	159,302.0	255,767.0

Of the other liabilities from electricity trading in 2021 and 2022, an amount of €111,846.8k (previous year: €0.0k) relates primarily to accruals required by the Austrian Commercial Code (UGB) for differences in realisation dates by the electricity trading exchanges and by VEB.

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

(11) D. Accruals and deferred income

€k

	2021	2022
Contributions to building costs	1,292.1	1,177.5
Revaluation reserve	522.0	518.4
From electricity business	625.5	241.7
Investment grants	75.4	65.7
	2,515.0	**2,003.3**

This balance sheet item includes contributions to building costs (financing contributions) in connection with the use of individual facilities. Impairment reversals not carried out in previous years were transferred to a revaluation reserve for tax purposes in accordance with Section 124b(270)(a) of the Austrian Income Tax Act (EStG) as at 1 January 2016 and are recognised under accruals and deferred income in accordance with Section 906(32) of the Austrian Commercial Code (UGB). The other accruals and deferred income include grants awarded under the COVID-19 Investment Subsidy Act (InvPrG) in the amount of €65.7k (previous year: €75.4k). An investment volume of €634.6k was applied for with Austria Wirtschaftsservice Gesellschaft mbH (aws) in 2020 and 2021.

€k

COVID-19 investment premium	2021	Addition	Reversal	2022
I. Property, plant and equipment	75.4	1.9	– 11.6	65.7

Notes to the income statement

(12) 1. Revenue

		2021	2022
Revenue from electricity deliveries			
Domestic	Traders	724,418.4	1,372,384.9
	Resellers	1,215,865.2	3,100,680.0
	Industrial customers	443,810.5	970,880.9
		2,384,094.2	**5,443,945.9**
EU	Traders	–274,221.6	–140,609.4
	Resellers	771,347.8	1,589,443.3
	Industrial customers	328,933.6	645,104.3
		826,059.8	**2,093,938.2**
		3,210,154.0	**7,537,884.0**
Other revenue (including emission allowances and gas trading)		347,555.3	650,456.0
		3,557,709.3	**8,188,340.1**

€k

Revenue from trading partners in the EU is reported as negative amounts in 2021 and 2022 as a result of the realisation of financial price hedging by means of futures. Because of the exceptionally sharp rise in prices in 2021 and 2022, the realisations were negative.

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

(13) 3. Other operating income

€k

	2021	2022
a) Income from the disposal of fixed assets with the exception of investments	0.7	1.2
b) Other	174.4	93.4
	175.1	**94.5**

(14) 6. Personnel expenses

€k	2021	2022
a) Salaries	21,376.0	**22,463.1**
b) Expenses for termination benefits and payments to employee pension funds		
Termination benefits	360.0	189.7
Contributions to employee pension funds	226.4	241.5
Change in the provision for termination benefits	–138.8	–1,318.2
Expenses for transfers within the Group	0.0	134.3
	447.6	**–752.7**
c) Expenses for pensions and similar obligations		
Provisions, pension payments and similar obligations	154.7	130.1
Change in the provisions for pensions and similar obligations	–868.0	–1,544.5
Expenses for transfers within the Group	0.0	72.5
Change in the provisions for early retirement benefits	–106.3	–70.9
Pension fund contributions	671.6	690.9
	–148.0	**–721.9**
d) Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	4,497.7	4,754.5
e) Other social security expenses	223.1	243.3
	26,396.4	**25,986.2**

Interest rate changes for provisions related to termination benefits and pensions and similar obligations resulted in a positive effect of €3,621.3k in the financial year and a positive effect of €846.1k in the previous year.

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

€k	2021	2022
a) Amortisation of intangible assets and depreciation of property, plant and equipment		
Depreciation and amortisation	1,158.8	1,143.3
Immediate write-off of low-value assets in accordance with Section 13 of the Austrian Income Tax Act (EStG)	75.2	81.8
	1,234.1	**1,225.1**

(16) 8. Other operating expenses

€k	2021	2022
a) Taxes other than taxes on income	10.9	8.4
b) Other		
Expenses for information processing	6,605.7	7,203.9
Temporary personnel and provision of personnel	2,680.2	2,362.7
Other administrative expenses	2,393.6	2,291.1
Write-downs of current assets	552.0	2,244.9
Operating costs for buildings, rents and leasing	1,830.7	1,768.1
Usage fees	1,625.9	1,683.6
Data services, telecommunications services	1,371.3	1,474.6
Advertising costs	1,384.9	1,301.8
Legal, audit and consulting expenses	1,964.9	1,237.3
Material consumption	141.0	284.9
Membership fees	311.6	259.9
Travel expenses	80.6	187.0
Training and further education	109.7	156.6
Other	4,864.2	4,972.6
	25,916.4	27,429.3
	25,927.3	**27,437.6**

(17) 16. Financial result

€k	2021	2022
Income from equity interests		
from affiliated companies	529.6	543.3
Other interest and similar income		
from affiliated companies	13,729.8	12,731.8
Income from disposals of investments		
from affiliated companies	57.8	92.1
Expenses relating to investments		
from affiliated companies	82.8	4,910.6
Interest and similar expenses		
of which interest for long-term personnel provisions	85.7	122.6
from affiliated companies	495.1	2,616.0

(18) 18. Taxes on income

€k	2021	2022
From the Group parent		
Taxes on income[1]	16,948.6	57,299.5
Deferred taxes	2,580.9	685.0
	19,529.5	**57,984.4**

[1] tax allocation rate of 25%

IV. Other disclosures

1. Total amount of other financial obligations

€k

Material items	Total commitment	2023	2023–2027
Rent, lease and insurance agreements	[1]	1,507.6	6,841.6
Purchase commitments	7,649.3	7,159.1	7,649.3
of which to affiliated companies	[1]	1,129.8	5,648.9

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

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

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

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

As part of a planned equity investment transaction, VEB entered into a precontractual commitment with the owner Johann Mair on 17 November 2022 concerning the purchase price (including collateral agreements, subject to negotiation of the details of the purchase contract) for the acquisition of Solarpower Holding GmbH including its subsidiaries (MSP Solarpower GmbH and iFIX Solar GmbH). The acquisition of a property belonging to the company is now planned in the still ongoing contract negotiations. The transaction is expected to be signed and to close in March 2023.

There is a cooperation agreement with OMV for the construction and operation of a photovoltaic facility in Schönkirchen with a capacity of 14.85 MWp. This was built in two construction phases and has been in full operation since quarter 3/2022. The construction grant amounted to a total of €4,236.2k. Furthermore, there is a cooperation agreement related to a photovoltaic facility in Vienna Lobau with a capacity of 5.59 MWp. It was completed in quarter 1/2022, and the construction grant amounted to €2,368.8k.

As a shareholder in SMATRICS GmbH & Co KG, VEB assumed a liability totalling €1,000.0k for the duration of four years (beginning at the closing of the joint venture transaction in 2020) on behalf of the newly formed joint venture SMATRICS mobility+ GmbH between SMATRICS GmbH & Co KG and Energie Baden-Württemberg AG. Furthermore, VEB is the issuer of the guarantee for the credit facility of SMATRICS GmbH & Co KG in the amount of €3,000.0k with VERBUND Finanzierungsservice GmbH for an indefinite period of time. As a shareholder in SMATRICS GmbH & Co KG and based on corporate resolutions, VEB committed to make earmarked payments into the capital reserves of SMATRICS amounting to €4,771.1k; the first partial payment amounting to €734.0k was transferred on 24 January 2023, and the second totalling €4,037.1k is to be made of 24 January 2024.

VEB has electricity supply and electricity purchase agreements with the following Group companies: VERBUND AG (electricity generation from purchase rights of Ennskraft and the Grenzkraftwerke power plants (Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG, Innwerk AG)), VERBUND Hydro Power GmbH, VERBUND Thermal Power GmbH & Co KG, VERBUND Innkraftwerke GmbH (share of own generation and deliveries to further customers EVN-Naturkraft, Wienenergie and Innkraft Bayern GmbH & Co. KG), Innwerk AG (electricity generation from own power plants and purchase rights of Grenzkraftwerke power plants (Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG), VERBUND Wind Power Austria GmbH, VERBUND Green Power Deutschland GmbH, VERBUND Wind Power Romania S.R.L. and VERBUND Green Power GmbH.

Electricity supply agreements between VEB and VERBUND's generation companies, which were transferred by VERBUND AG as at the start of independent activities at VEB, govern the intra-Group settlement and compensation of the electricity generation provided by the producers from hydropower and wind power plants. The main content of the agreement is the price determination for electricity generation (for long-term volume hedges and short-term volumes, using published futures and spot market prices), requirements for other revenue components resulting, for instance, from marketing volumes used for control power and congestion management of the storage power plants, and revenue components arising from sales of guarantees of origin. The agreements stipulate that compensation for VEB's marketing activities shall occur in the form of a handling fee charged on the output managed. Regular committees are established to address ongoing questions related to the management of the generation portfolio. This is where the associated contractual adjustments (addenda) are developed.

Due to labour-management agreements and contracts, VERBUND is obligated under certain conditions to make pension payments to employees after they retire. The employer is obligated to provide additional funding to the extent that these pension obligations are required to be fulfilled by APK Pensionskasse AG. As a result of the trend in the financial markets, APK Pensionskasse AG reported an obligation for additional funding in the amount of €139.8k (previous year: €0.0k) to cover defined benefit obligations.

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

Derivative financial instruments (electricity/gas/carbon futures, forwards and options) comprised the following in 2022:

2. Disclosures regarding financial instruments

€k

Trading	Fair values – positive	Fair values – negative	Fair values – net
Futures	203,390.7	202,852.9	537.7
Forwards	1,354,586.1	1,353,200.2	1,385.9
Total before netting	1,557,976.8	1,556,053.2	1,923.6
of which non-current	349,314.2	347,040.6	2,273.6

€k

Wholesale and industrial customers	Fair values – positive	Fair values – negative	Fair values – net
Futures	2,231,063.7	3,264,263.9	–1,033,200.2
Forwards[1]	3,586,369.1	3,734,676.6	–148,307.5
Options	4,700.3	172,422.5	–167,722.2
Total before netting	5,822,133.1	7,171,363.0	–1,349,229.9
of which non-current	948,886.1	1,621,036.2	–672,150.1

€k

Total	Fair values – positive	Fair values – negative	Fair values – net
Futures	2,434,454.4	3,467,116.8	–1,032,662.4
Forwards	4,940,955.2	5,087,876.9	–146,921.7
Options	4,700.3	172,422.5	–167,722.2
Total before netting	7,380,109.9	8,727,416.2	–1,347,306.3
of which non-current	1,298,200.3	1,968,076.8	–669,876.5
Taking netting agreements into consideration[2]	–5,102,299.2	–5,102,299.2	0.0
	2,277,810.7	3,625,117.0	–1,347,306.3

[1] In the fair values of the positive forwards, €172,026.4k and, in the fair values of the negative forwards, €–428,124.3k relates to affiliated companies. // [2] If a framework agreement with a netting clause has been entered into with a counterparty, the positive and negative fair values of the transactions for this counterparty are netted for accounting purposes. Regional legislation led to the calculation for netting receivables and payables being revised for 2022 and after.

The positive fair values for the annual trading portfolios from 2023 to 2028 are not recognised in the balance sheet. A provision of €49.0k was recognised for negative annual tranches. Set against the negative fair value for wholesale electricity, gas and carbon of €–1,349,229.99k are hedged items (own use) not presented in the table with a positive fair value in the same amount, with the exception of €–10,046.5k, and with which a portfolio hedge has been formed. In the carbon area, a portfolio hedge is formed with the store. If the previously fixed sales price is lower than the reinsurance in individual electricity, gas or carbon transactions, a provision for onerous contracts is recognised in all areas. With the exception of changes in foreign exchange rates, fair values of the futures impacted the cash flow.

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

€k

Trading	Fair values – positive	Fair values – negative	Fair values – net
Futures	222,663.1	207,568.1	15,094.9
Forwards	4,019,838.9	4,037,139.6	– 17,300.7
Total before netting	4,242,502.0	4,244,707.8	– 2,205.8
of which non-current	418,462.5	420,081.7	– 1,619.2

€k

Wholesale and industrial customers	Fair values – positive	Fair values – negative	Fair values – net
Futures	1,757,494.4	2,109,228.6	– 351,734.2
Forwards[1]	2,775,071.6	4,255,941.7	– 1,480,870.0
Options	7,292.9	117,393.0	– 110,100.1
Total before netting	4,539,858.9	6,482,563.2	– 1,942,704.3
of which non-current	522,153.6	811,883.8	– 289,730.2

€k

Total	Fair values – positive	Fair values – negative	Fair values – net
Futures	1,980,157.4	2,316,796.7	– 336,639.3
Forwards	6,794,910.6	8,293,081.3	– 1,498,170.8
Options	7,292.9	117,393.0	– 110,100.1
Total before netting	8,782,360.9	10,727,271.0	– 1,944,910.1
of which non-current	940,616.1	1,231,965.5	– 291,349.4
Taking netting agreements into consideration[2]	– 6,520,032.5	– 6,520,032.5	0.0
	2,262,328.4	4,207,238.5	– 1,944,910.1

[1] In the fair values of the positive forwards, €110,099.7k and, in the fair values of the negative forwards, €–487,948.3k relates to affiliated companies. // [2] If a framework agreement with a netting clause has been entered into with a counterparty, the positive and negative fair values of the transactions for this counterparty are netted for accounting purposes. Due to the change in presentation in 2022, the amounts shown for 2021 are not comparable.

The positive fair values for the annual trading portfolios from 2022 to 2027 are not recognised in the balance sheet. A provision of €3,220.3k was recognised for negative annual tranches. Set against the negative fair value for wholesale electricity, gas and carbon of €–1,942,704.3k are hedged items (own use) not presented in the table with a positive fair value in the same amount, with the exception of €–15,262.2k, and with which a portfolio hedge has been formed. In the carbon area, a portfolio hedge is formed with the store. If the previously fixed sales price is lower than the reinsurance in individual electricity, gas or carbon transactions, a provision for onerous contracts is recognised in all areas. With the exception of changes in foreign exchange rates, fair values of the futures impacted the cash flow.

3. Number of employees

Average	2021	2022
Salaried employees	177	183

4. Expenses for termination benefits and pensions

		€k
	2021	**2022**
Managing directors and other employees	299.5	– 1,474.6

No disclosures on the Management pursuant to Section 239(1)(3) of the Austrian Commercial Code (UGB) are necessary for the 2021 and 2022 financial years pursuant to Section 242(4) of the Austrian Commercial Code (UGB).

5. Board members

Disclosures regarding the Boards of the Company (Management and the Supervisory Board) are presented in Annex 4.

Two members of Management were employed during financial years 2021 and 2022, for which reason no additional disclosures are necessary pursuant to Section 242(4) of the Austrian Commercial Code (UGB).

Remuneration paid to members of the Supervisory Board amounted to a total of €25.7k (previous year: €25.7k). No loans or advances were paid out to members of the Company's Boards.

6. Intra-Group relationships

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

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

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

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

7. Disclosures in accordance with Section 8(3) of the Austrian Electricity Industry and Organisation Act (ElWOG) and Section 8(3) of the Gas Industry Act (Gaswirtschafts-gesetz, GWG) 2011

Business transactions as defined by Section 8(3) of the Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) and Section 8(3) of the Gas Industry Act 2011 (Gaswirtschaftsgesetz, GWG 2011) were entered into specifically with the following companies:

Electricity deliveries VERBUND Hydro Power GmbH, VERBUND Thermal Power GmbH & Co KG, VERBUND Innkraftwerke GmbH, Innwerk AG, Austrian Power Grid AG, Infrastruktur Oberheimbach I GmbH & Co KG, Infrastrukturgesellschaft Bischheim GmbH & Co KG, VERBUND Wind Power Austria GmbH, VERBUND Energy4Business Germany GmbH, VERBUND AG, VERBUND Green Power Deutschland GmbH

Electricity trading and sales VERBUND Energy4Business Germany GmbH, VERBUND AG, VERBUND Energy4Customers GmbH, VERBUND Energy4Flex GmbH, VERBUND Green Power GmbH

Grid services Austrian Power Grid AG

Telecommunications VERBUND Services GmbH

Services VERBUND Services GmbH, VERBUND Energy4Flex GmbH, VERBUND Energy4Future GmbH, SMATRICS GmbH & Co KG

Financing VERBUND Finanzierungsservice GmbH

Provision of personnel VERBUND AG

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

Result of the documentation of electricity by source	Share	2021 kWh
Hydropower	32.98%	1,461,159,053.00
Natural gas	31.23%	1,383,510,793.00
Solid or liquid biomass	15.33%	679,278,348.00
Wind energy	13.31%	589,649,159.00
Biogas	4.80%	212,490,235.00
Solar energy	2.33%	103,110,970.00
Landfill and sewage gas	0.02%	698,646.00
Other green energy	0.00%	3,157.00
Total of certificates verified	**100.00%**	4,429,900,361.00
Evidence not required		0.00
Total volume of electricity supplied to consumers in Austria for their own use		**4,429,900,361.00**
The guarantees of origin used for electricity labelling come from the following countries		
Austria	44.15%	
Netherlands	20.58%	
France	13.73%	
Italy	7.76%	
Finland	4.23%	
Germany	4.18%	
Norway	2.58%	
Spain	0.77%	
Denmark	0.74%	
Belgium	0.31%	
Croatia	0.26%	
Slovenia	0.24%	
Portugal	0.23%	
Sweden	0.23%	
Estonia	0.01%	
	100.00%	

Impact of electricity generation on the environment for the amount of electricity supplied to customers for their own use		2021
Radioactive waste (mg/kWh)		0.00
CO_2 emissions (g/kWh)		125.00

The disclosures for 2022 were not yet available on the date this report was prepared. The figures for assigning guarantees of origin based on the green electricity allocation by the OeMaG Abwicklungsstelle für Ökostrom AG will be available by 30 April 2023 at the latest. Until that time, the figures from 2021 shall apply.

9. Events after the reporting date

No events occurred that would require separate reporting.

Vienna, 15 February 2023
The Management

Mag. Robert Slovacek   MMag. Martin Wagner

Disclosures of equity interests

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

€k

		Head-quarters	% share holding as at 31/12/2022	Most recent annual financial state-ments	(+) (–)	Net income/loss for the year	Equity[1]
Affiliated companies							
VERBUND Energy4Business Germany GmbH	€	Munich	100.00	2022	–	3,933.7	38,650.1
VERBUND Energy4Flex GmbH	€	Vienna	100.00	2022	–	912.6	2,600.0
VERBUND Energy4Future GmbH	€	Vienna	100.00	2022	–	24.1	325.0
E-Mobility Provider Austria GmbH	€	Vienna	74.90	2022	+	3.0	36.2
SMATRICS GmbH & Co KG	€	Vienna	74.90	2022	–	4,191.9	30,053.6

[1] equity as defined by Section 224(3)a of the Austrian Commercial Code (UGB) or local law

Independent auditor's report (translation)

Report on the audit of the annual financial statements

Opinion

We have audited the annual financial statements of VERBUND Energy4Business GmbH, Vienna, which comprise the balance sheet as at 31 December 2022, the income statement for the financial year then ended and the notes to the annual financial statements.

In our opinion, the accompanying annual financial statements comply with legal requirements and give a true and fair view of the company's financial position as at 31 December 2022 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles, the Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) and the Gas Industry Act (Gaswirtschaftsgesetz, GWG).

Basis for opinion

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

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

The company's management is responsible for the preparation of the annual financial statements that give a true and fair view of the net assets, financial position and results of operations of the company in accordance with Austrian Generally Accepted Accounting Principles, the Electricity Industry and Organisation Act (ElWOG) and the Gas Industry Act (GWG). Furthermore, the management is responsible for the internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Austrian Standards on Auditing, 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 annual financial statements.

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

Report on the audit of the management report

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

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

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

Opinion

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

Statement

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

Vienna, 16 February 2023
Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Walter Müller
Wirtschaftsprüfer
(Austrian Certified Public Accountant)

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

Glossary

Glossary

Current assets

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

EBIT

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

Equity ratio

Ratio of equity to total capital.

Net cash flow

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

Net debt

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

Notional debt repayment period

Ratio of debt to surplus funds from earnings after tax.

Return on equity (ROE)

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

Return on investment (ROI)

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

Return on sales (ROS)

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

EDITORIAL DETAILS

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