

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

Contents

At a glance	4
Report of the Executive Board	5
Investor relations	8
 Interim Group management report	 10
Business performance	10
Opportunity and risk management	18
Outlook	19
Segment report	20
Events after the reporting date	27
 Consolidated interim financial statements	 29
Income statement	29
Statement of comprehensive income	30
Balance sheet	31
Statement of changes in equity	32
Cash flow statement	34
Selected explanatory notes	36
 Responsibility statement of the legal representatives	 57

At a glance

- Slight decrease in earnings due to negative impacts of COVID-19 and significantly lower water supply (0.95) compared with quarters 1-2/2019 (1.11)
- VERBUND shares trend downwards in quarters 1-2/2020 (-10.9%), still outperforming the ATX (-29.5%) but underperforming the DJ STOXX Utilities (-2.2%)
- Earnings forecast for 2020 adjusted: EBITDA expected to reach between around €1,150m and €1,250m and the Group result to between around €510m and €570m based on projected average levels of own generation from hydropower and wind power in quarters 3-4/2020 as well as the opportunities and risks identified

KPIs

	Unit	Q1-2/2019	Q1-2/2020	Change
Revenue	€m	1,996.3	1,714.0	-14.1%
EBITDA	€m	685.9	639.0	-6.8%
EBITDA adjusted	€m	685.9	639.0	-6.8%
Operating result	€m	505.8	435.2	-14.0%
Group result	€m	338.2	310.4	-8.2%
Group result adjusted	€m	340.3	301.0	-11.6%
Earnings per share	€	0.97	0.89	-8.2%
EBIT margin	%	25.3	25.4	-
EBITDA margin	%	34.4	37.3	-
Cash flow from operating activities	€m	690.7	584.6	-15.4%
Additions to property, plant and equipment	€m	132.2	202.9	53.5%
Free cash flow before dividends	€m	533.6	319.7	-40.1%
Free cash flow after dividends	€m	355.5	268.1	-24.6%
Performance of VERBUND shares	%	23.5	-10.9	-
Average number of employees		2,754	2,830	2.8%
Electricity sales volume	GWh	31,644	30,938	-2.2%
Hydro coefficient		1.11	0.95	-
Wind supply		1.06	1.06	-
	Unit	31/12/2019	30/6/2020	Change
Total assets	€m	11,838.6	11,762.8	-0.6%
Equity	€m	6,568.0	6,623.6	0.8%
Equity ratio (adjusted)	%	57.7	58.6	-
Net debt	€m	2,256.1	2,129.0	-5.6%
Gearing	%	34.4	32.1	-

Report of the Executive Board

Dear Shareholders,

VERBUND's business model is demonstrating its value in an environment dominated by COVID-19. The focus on electricity generation from renewable energy, the expansion of the Austrian high-voltage grid, the focusing of sales activities in a downstream project and the development of innovative new lines of business are making a significant contribution in this regard. Our strict financial discipline in previous years has meant that VERBUND has developed considerable resilience and retains a high degree of strategic flexibility, thus enabling it to continue performing well in the current somewhat weaker and more volatile economic environment. Since the onset of the COVID-19 crisis, VERBUND has not had any need for economic support in the form of short-time work or similar funding schemes, nor has it had to make any redundancies. VERBUND has even been able to maintain its dividend policy and distribute a dividend of €239.7m for financial year 2019 to its shareholders as planned.

Following the outbreak of the COVID-19 crisis in quarter 1/2020, we temporarily reduced our construction projects based on the restrictions and turned the focus of our activities to protecting our employees and securing the electricity supply, as well as to absolutely essential projects and processes. At no time have there been any restrictions to security of supply, power plant or grid stability in Austria. We have now ramped up our investment activities again due to the improvement in the overall conditions. Construction projects that had been temporarily halted were quickly resumed with the appropriate safeguards and continued as planned. Therefore, from today's perspective, strategy has not been affected and nor have VERBUND's associated investment plans for the coming years. The crisis management measures that have been introduced – and not only to protect the health and safety of employees – remain in place and VERBUND's crisis management organisation continues to be active. With its climate-friendly investments, VERBUND is making a vital contribution to the recovery of the Austrian economy and to the implementation of Austria's climate strategy.

The energy market environment for VERBUND is volatile; however, we are already seeing a rebound in prices and demand after the deterioration caused by the coronavirus. Electricity consumption in Austria has risen again following the COVID-19 relaxation measures, for example, and wholesale electricity prices – the main value driver of VERBUND's business performance – have recovered. In addition to the initial improvement in coal and crude oil prices, prices of CO₂ emission rights have also made a strong recovery in recent weeks. In June, prices of emission rights moved back up to their pre-crisis level at the beginning of March. Overall, however, the effects of COVID-19 are still plain to see in all sectors.

In order to strengthen our core business and further expand the supply of electricity from renewable energy sources, we are continuing to press firmly ahead with our investments and are adhering – in spite of the crisis – to our CAPEX plan for 2020–2022 of around €2.1bn. In addition to our construction projects for hydropower (including the Töging project in Bavaria) and the high-voltage grid (e.g. the 380-kV ring in Salzburg), our focus in quarter 2/2020 was on rehabilitation projects, including projects at the Oberaudorf-Ebbs and Häusling power plants, and we began the construction of Lower Austria's longest fish pass at the Altenwörth power plant. We also broke ground on VERBUND's first open-field solar installation at the Feistritz-Ludmannsdorf power plant on the Drau River. This innovative pilot plant is

part of a research project for the preventive maintenance of photovoltaic installations funded by the Austrian Research Promotion Agency from the Austrian Climate and Energy Fund.

Another focus of our activities in quarter 2/2020 was on implementing our hydrogen strategy. In addition to numerous ongoing activities, we announced the kick-off of a large joint project with Lafarge, OMV and Borealis at the end of June 2020. The companies involved in this project will collaborate under the name Carbon2ProductAustria (C2PAT) with the stated objective of eventually capturing almost 100% of the annually emitted 700,000 tonnes of CO₂ at Lafarge's cement plant in Mannersdorf, Lower Austria. Green hydrogen, which VERBUND produces in an electrolysis process based on electricity generated from renewable energy, will be used to achieve this.

Our project in Mellach also supports our hydrogen strategy. The innovation project Hy²Power – Sustainable Energy Storage and Conversion was launched in quarter 2/2020. In cooperation with Graz University of Technology and technology partner Innio, research is being carried out into the conversion of hydrogen into electricity.

However, the pandemic has also made it possible to advance digital applications within the Group with increased vigour. For instance, we held the first virtual Annual General Meeting in VERBUND's history on 16 June 2020. VERBUND thus became one of the first state-affiliated and listed companies in Austria to hold a digital AGM. Right from the beginning of the COVID-19 crisis, we started communicating all of our investor relations work virtually. We have also held several digital roadshows in the last three months, among other things. Despite the crisis, our contact with investors has been very intensive, because we believe it is especially important to be close to our financial community in difficult times.

The results posted by VERBUND for quarters 1–2/2020 were down only marginally in spite of the changed conditions due to COVID-19 and a significantly lower water supply than in the previous year. EBITDA decreased by 6.8% to €639.0m. The Group result declined by 8.2% to €310.4m compared with the same period of the previous year. The water supply was at a lower level in quarters 1–2/2020. The hydro coefficient for the run-of-river hydropower plants was 0.95, which is 5 percentage points below the long-term average and 16 percentage points below the prior-year figure. In contrast, generation from our annual storage power plants increased substantially in quarters 1–2/2020. The rise in wholesale electricity prices on the futures markets during the relevant hedging period had a positive effect on earnings. Prices on the spot markets, on the other hand, declined significantly in quarters 1–2/2020, due in particular to the effects of the COVID-19 crisis. Overall, the EBITDA contributions from the New renewables and Sales segments increased slightly, while the contributions from the Hydro segment, Grid segment and All other segments decreased. The development of the financial result was encouraging as a result of a significant reduction in interest expenses, largely thanks to high repayments of principal in financial year 2019. A number of non-recurring effects were also recognised in quarters 1–2/2020. These related mainly to impairment losses on power plants due to higher capital costs, as well as the measurement of an obligation to return an interest. The Group result after adjustment for non-recurring effects was €301.0m, corresponding to a decrease of 11.6% on the prior-year period.

Based on projected average own generation from hydropower and wind power in quarters 3–4/2020 and the opportunities and risks identified, we currently expect EBITDA of between approximately

€1,150m and €1,250m and a Group result of between approximately €510m and €570m in financial year 2020. The planned payout ratio for 2020 is between 40% and 50% of the Group result of between around €500m and €560m, after adjustment for non-recurring effects.

Finally, we would like to thank our employees for their high level of commitment and all our stakeholders for their outstanding cooperation, support and understanding during these difficult times. We have every confidence that we shall continue to overcome this crisis together!



Dipl.-Ing. Wolfgang Anzengruber



Mag. Dr. Michael Strugl



Dr. Peter F. Kollmann



Mag. Dr. Achim Kaspar

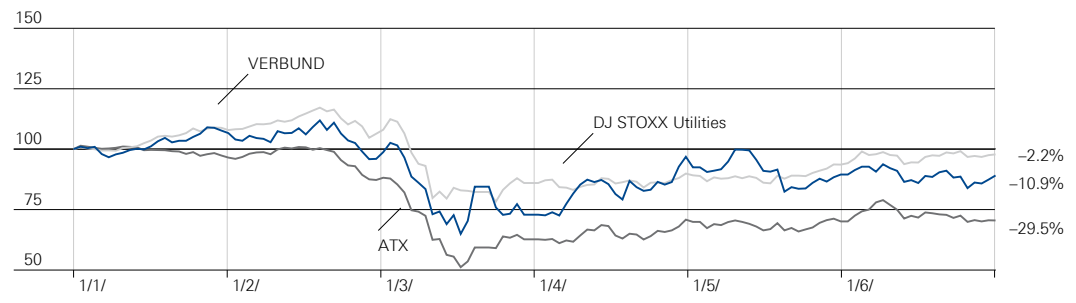
Investor relations

Contact:
Andreas Wollein
Head of Group Finance,
M&A and Investor
Relations
Tel.: 43 (0)50 313 52604
E-mail: investor-
relations@verbund.com

After a good start to trading on the stock markets in 2020 and the peak of the COVID-19 crisis in March, which resulted in global price slumps, the stock markets made a surprisingly strong recovery. This was due in no small measure to the extensive and unprecedented monetary and fiscal policy measures taken by central banks and governments. Even though the health, economic and social crisis is still far from over, the real economy is showing poor data and a recession seems unavoidable, all risk factors on the equity markets are currently being suppressed. The situation remains highly volatile, however – not least because many regions, such as the USA and Latin America, are seeing a massive increase in COVID-19 cases (again), and there is a risk of a second wave. This is clearly evident from the fluctuations of the stock indices. Many market players consider it premature to make a conclusive assessment of the current upswing, as various secondary issues, for example the slow-moving Brexit negotiations or the tensions regarding Hong Kong, have faded into the background during the COVID-19 pandemic.

The US benchmark index Dow Jones Industrial, which, in isolation, actually achieved its highest growth since 1987 in quarter 2/2020, ended quarters 1–2/2020 with an overall loss of 9.6%. The losses for the Eurostoxx 50 were on a similar scale. The index closed down 13.6% compared with year-end 2019. The Japanese benchmark index Nikkei 225 ended the quarter with a comparatively smaller loss of 5.8%, as compared with 31 December 2019. Share prices in the emerging markets moved in step with the stock exchanges in the US and Europe. Ultimately, the price decline in the MSCI Emerging Markets Index amounted to 10.7% in quarters 1–2/2020.

VERBUND share price: relative performance 2020



The performance of VERBUND shares in quarters 1-2/2020 was characterised by the distortions caused by the COVID-19 crisis in the financial markets. After reaching their low in mid-March, the shares embarked on a recovery which lasted until April. This was followed by a volatile sideways movement. With a closing price of €39.9 as at 30 June 2020, VERBUND shares were down by 10.9% in the first half of 2020 compared with year-end 2019. This meant that the Group's shares significantly outperformed the Austrian ATX (-29.5%), but underperformed the DJ STOXX Utilities sector index (-2.2%).

Upcoming dates:
Results for
quarters 1-3/2020:
5 November 2020

KPIs – shares

	Unit	Q1-2/2019	Q1-2/2020	Change
Share price high	€	48.0	50.1	4.3%
Share price low	€	38.0	29.0	-23.7%
Closing price	€	46.0	39.9	-13.3%
Performance	%	23.5	-10.9	-
Market capitalisation	€m	15,981.1	13,848.0	-13.3%
ATX weighting	%	7.0	7.5	-
Value of shares traded	€m	2,290.6	2,463.6	7.6%
Shares traded per day	Shares	423,065	487,215	15.2%

Interim Group management report

Business performance

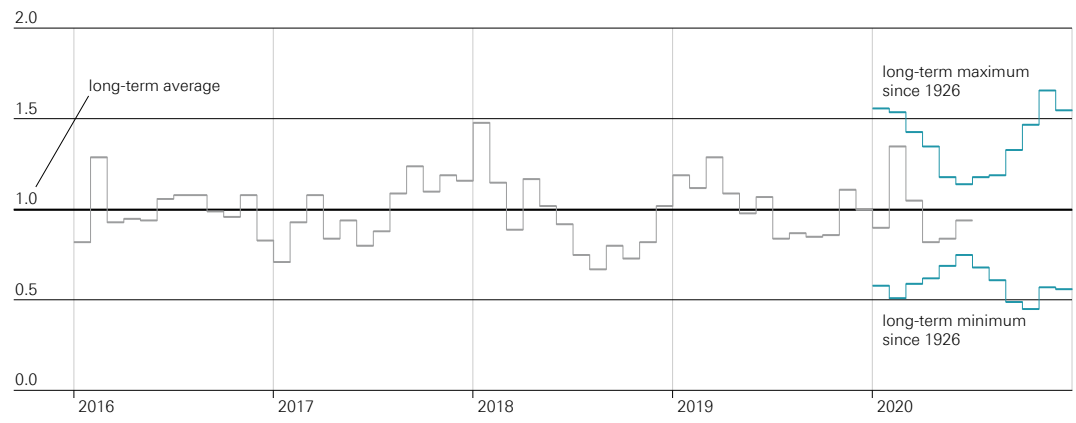
Electricity supply and sales volume

Group electricity supply			GWh
	Q1-2/2019	Q1-2/2020	Change
Hydropower ¹	16,689	14,992	-10.2%
Wind power	515	515	0.0%
Solar power	0	0	n. a.
Thermal power	497	676	36.0%
Own generation	17,700	16,182	-8.6%
Electricity purchased for trading and sales	14,304	14,989	4.8%
Electricity purchased for grid loss and control power volumes	1,647	1,793	8.9%
Electricity supply	33,651	32,964	-2.0%

¹ incl. purchase rights

VERBUND's own generation decreased by 1,518 GWh, or 8.6%, to 16,182 GWh in quarters 1-2/2020 compared with the same period of 2019. Generation from hydropower was down 1,697 GWh compared with the prior-year reporting period. The hydro coefficient for the run-of-river power plants dropped to 0.95, or 16 percentage points below the prior-year figure and 5 percentage points below the long-term average. By contrast, generation from annual storage power plants rose substantially (+11.6%) in quarters 1-2/2020 due to increased lowering of water levels and increased turbinning.

Hydro coefficient (monthly averages)



Overall, the volume of electricity generated by VERBUND's wind power installations in quarters 1-2/2020 was on a par with the previous year, with increased volumes in Germany and Romania and reduced volumes in Austria.

Generation from thermal power plants increased by 179 GWh in quarters 1-2/2020. The Mellach combined cycle gas turbine power plant produced 133 GWh more electricity in the reporting period due to increased use for congestion management compared with the previous year. Generation at the Mellach district heating power plant rose by 46 GWh. Electricity purchased from third parties for trading and sales increased by 685 GWh in quarters 1-2/2020. Electricity purchased from third parties for grid loss and control power volumes increased by 146 GWh in the reporting period.

Group electricity sales volume and own use

	Q1-2/2019	Q1-2/2020	Change
Consumers	6,787	6,736	-0.7%
Resellers	14,080	14,366	2.0%
Traders	10,777	9,836	-8.7%
Electricity sales volume	31,644	30,938	-2.2%
Own use	1,537	1,627	5.8%
Control power	470	399	-15.1%
Electricity sales volume and own use	33,651	32,964	-2.0%

VERBUND's electricity sales volume decreased by 706 GWh, or 2.2%, in quarters 1-2/2020. This decline was due to lower sales to traders (-941 GWh) and consumers (-51 GWh). Electricity deliveries to traders declined mainly as a result of reduced spot market sales. As at 30 June 2020, our residential customer base amounted to approximately 516,000 electricity and gas customers. The rise of 286 GWh in sales to resellers is attributable to higher delivery volumes to Austrian customers. Own use of electricity increased by 90 GWh in quarters 1-2/2020. This increase is attributable above all to increased operation of the Group's power plants in turbinning mode.

Electricity sales by country

	Q1-2/2019	Q1-2/2020	Change
Austria	17,569	16,909	-3.8%
Germany	12,138	11,337	-6.6%
France	1,611	2,296	42.6%
Others	326	396	21.5%
Electricity sales volume	31,644	30,938	-2.2%

Approximately 55% of the electricity sold by VERBUND in quarters 1-2/2020 went to the Austrian market. International trading and sales activities focused on the German market, which accounted for around 81% of all volumes sold abroad in the first six months of 2020.

Electricity prices

Futures prices €/MWh

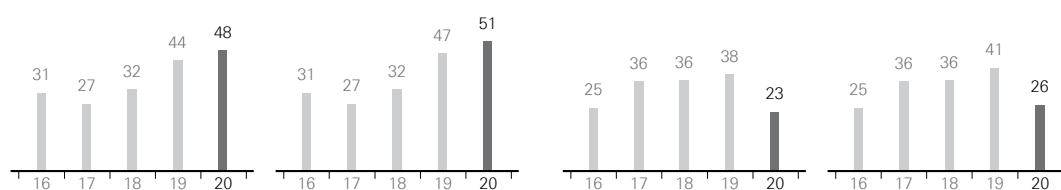
Front Year Base DE

Front Year Base AT

Spot market prices €/MWh for quarters 1–2

Spot Base DE

Spot Base AT



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

Source: EEX, EPEX Spot

VERBUND contracted most of its own generation for 2020 on the futures market back in 2018 and 2019. Ever since the split of the joint German-Austrian price zone in October 2018, separate, higher prices have prevailed in Austria. Prices for AT 2020 front-year base load contracts (traded in 2019) averaged €51.2/MWh in 2019, and prices for DE 2019 front-year base load contracts averaged €47.8/MWh. Futures market prices thus increased year-on-year by 9.9% (AT) and 9.0% (DE), respectively. Front-year peak load (AT) contracts traded at an average of €62.1/MWh and front-year peak load (DE) contracts traded at an average of €57.7/MWh in 2019. This represents a year-on-year increase of 9.3% and 6.9% respectively. These increases were primarily due to the sharp rise in the price of CO₂ emission rights on the market. The COVID-19 pandemic pushed down wholesale trading prices for electricity on both the Austrian and German spot markets in quarters 1–2/2020 to well below the prior-year level. Prices for base load electricity decreased by an average of 36.0% to €26.1/MWh in Austria and by 38.9% to €23.4/MWh in Germany. Prices for peak load fell by 34.1% to €30.7/MWh in Austria and by 36.0% to €28.5/MWh in Germany.

Financial performance

Results

	Q1-2/2019	Q1-2/2020	Change
			€m
Revenue	1,996.3	1,714.0	- 14.1%
EBITDA	685.9	639.0	- 6.8%
Operating result	505.8	435.2	- 14.0%
Group result	338.2	310.4	- 8.2%
Earnings per share in €	0.97	0.89	- 8.2%

Electricity revenue

VERBUND's electricity revenue decreased by €247.8m to €1,383.6m in quarters 1-2/2020. This decrease is attributable to the decline in electricity sales volumes (-2.2% or 706 GWh) and to the lower spot market prices for electricity resulting from the negative effects of the COVID-19 crisis. The measurement of electricity derivatives in accordance with IFRS 9 also had a material adverse effect.

Grid revenue

Grid revenue decreased by €37.6m to €250.9m in quarters 1-2/2020 compared with the prior-year period. This decline is largely attributable to lower proceeds from international auctions for cross-border capacity - due in particular to reduced demand for energy as a result of the COVID-19 crisis. There were also significant negative effects from domestic grid revenue as a result of tariff reductions compared with 2019 and volume reductions due to COVID-19.

Other revenue and other operating income

Other revenue rose by €3.1m to €79.5m. The increase is primarily attributable to higher revenue from the sale of green electricity certificates. Other operating income rose by €8.1m to €35.5m, mainly due to an increase in own work capitalised.

Expenses for electricity, grid, gas and certificates purchases

Expenses for electricity, grid, gas and certificates purchases decreased by €251.1m to €775.9m. A total of 831 GWh more electricity was purchased from third parties for trading and sales as well as for grid loss and control power volumes. The lower purchase prices and the measurement of electricity derivatives in accordance with IFRS 9, on the other hand, reduced expenses. Expenses for electricity purchases thus decreased by €241.5m compared with quarters 1-2/2019. Expenses for grid purchases fell by €0.1m and expenses for gas purchases by €7.6m.

Fuel expenses

Fuel and other usage/revenue-dependent expenses rose by €2.1m to €47.7m. The increase in gas consumption attributable to greater use of the Mellach combined cycle gas turbine power plant for congestion management (for details please refer to the section entitled Electricity supply and sales volumes) was more than offset by a decrease in the price of gas. Coal expenses rose as a result of the increased use of the Mellach district heating power plant in quarter 1/2020. The higher fuel expenses were also due to higher expenses for emission rights attributable to the increase in generation.

Personnel expenses

Personnel expenses increased by €6.7m year-on-year. The rise in expenses for current employees resulted from the increase of 2.6% in pay rates under the collective bargaining agreement, the hiring of additional employees to carry out strategic growth projects as well as the inclusion of VERBUND Trading & Sales Deutschland GmbH in the Group's consolidated financial statements. With respect to employee benefits relating to pensions and termination benefits (Sozialkapital), personnel expenses were negatively impacted in particular by the absence of a positive non-recurring effect from 2019.

Other operating expenses

Other operating expenses rose by €15.0m to €110.3m. The increase was due to a rise in goods and services purchased from third parties, higher legal, audit and consulting expenses and higher IT expenses.

EBITDA

As a result of the above-mentioned factors, EBITDA decreased by 6.8% to €639.0m.

Depreciation, amortisation and write-downs

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €9.5m to €189.3m. The increase was mainly due to accelerated depreciation being charged on the Braunau and Schärding power plants based on their gradual rehabilitation as well as a usage-based increase in depreciation charged on the Mellach CCGT as a result of its increased use for congestion management.

Impairment losses

The impairment losses in quarters 1-2/2020 amounting to €14.6m (Q1-2/2019: €0.3m) were mainly attributable to the Mellach CCGT, the Gries run-of-river power plant and the rights to purchase electricity from the Graz power plant on the Mur River. The impairment losses are largely due to higher capital costs. Further details on impairment losses are presented in the notes to the consolidated financial statements.

Result from interests accounted for using the equity method

The result from interests accounted for using the equity method declined by €0.1m to €25.2m. This line item essentially contains the earnings contributions from KELAG in the amount of €25.8m (Q1-2/2019: €22.7m).

Interest income and expenses

Interest income decreased by €0.7m to €16.0m compared with quarters 1–2/2019. Interest expenses fell by €19.8m to €42.6m. This is due in particular to the decrease in interest payments on bonds as a result of higher repayments of principal in financial year 2019.

Other financial result

The other financial result improved by €13.5m to €20.1m in quarters 1–2/2020. This increase was mainly due to the measurement of an obligation to return an interest (€+26.1m) relating to the Jochenstein power plant on the Danube River. By contrast, the measurement of securities funds through profit or loss in accordance with IFRS 9 had a negative effect (€–16.0m).

Group result

After taking account of an effective tax rate of 22.4% and non-controlling interests in the amount of €42.5m, the Group result amounted to €310.4m. This represents a decrease of 8.2% compared with the previous year. Earnings per share amounted to €0.89 (Q1–2/2019: €0.97) for 347,415,686 shares. The Group result after adjustment for non-recurring effects was €301.0m, corresponding to a decrease of 11.6% on the prior-year period.

Financial position

Consolidated balance sheet (condensed)

	31/12/2019	Share	30/6/2020	Share	Change
Non-current assets	11,061.9	93%	11,089.2	94%	0.2%
Current assets	776.7	7%	673.6	6%	-13.3%
Total assets	11,838.6	100%	11,762.8	100%	-0.6%
Equity	6,568.0	55%	6,623.6	56%	0.8%
Non-current liabilities	4,107.4	35%	4,011.5	34%	-2.3%
Current liabilities	1,163.2	10%	1,127.7	10%	-3.1%
Equity and liabilities	11,838.6	100%	11,762.8	100%	-0.6%

Assets

VERBUND's non-current assets increased slightly compared with 31 December 2019. Under property, plant and equipment, additions of €202.9m were offset by depreciation of €167.4m. Impairment testing of property, plant and equipment revealed a need for a write-down of €5.6m on an Austrian run-of-river power plant, after deduction of any directly attributable contributions to building costs. Impairment testing of the Mellach combined cycle gas turbine power plant resulted in a need for a write-down of €5.6m, after deduction of related government grants. The main additions to property, plant and equipment related to investments in the Austrian transmission grid and replacement investments at Austrian and German hydropower plants. The decrease in current assets is mainly attributable to lower trade receivables and lower positive fair values of derivative hedging transactions in the electricity business.

Equity and liabilities

The increase in equity compared with 31 December 2019 is mainly attributable to the profit for the period generated in quarters 1-2/2020, which is offset by the planned dividend payment by VERBUND AG that reduces equity. In addition to the scheduled repayment of financial liabilities, the change in current and non-current liabilities is primarily due to lower trade payables and outstanding receipts for investments, a lower obligation to return an interest and lower provisions for employee benefits relating to pensions and termination benefits, which were offset by the liability for the dividend of VERBUND AG and higher provisions for taxes on income.

Cash flows

Cash flow statement (condensed)			€m
	Q1-2/2019	Q1-2/2020	Change
Cash flow from operating activities	690.7	584.6	- 15.4%
Cash flow from investing activities	-361.3	-263.7	-27.0%
Cash flow from financing activities	-225.7	-322.2	42.7%
Change in cash and cash equivalents	103.7	- 1.2	-
Cash and cash equivalents as at 30/6/	143.0	43.4	-69.7%

Cash flow from operating activities

Cash flow from operating activities amounted to €584.6m in quarters 1-2/2020, down €106.1m on the prior-year figure. This change is mainly due to the lower revenue from grid usage fees as well as additional margining payments for hedging transactions in electricity trading provided as security for open positions held with exchange clearing houses.

Cash flow from investing activities

Cash flow from investing activities amounted to €-263.7m in quarters 1-2/2020 (Q1-2/2019: €-361.3m). The change compared with quarters 1-2/2019 is attributable to the higher cash outflow from capital expenditure for intangible assets and property, plant and equipment (€-105.5m). The lower net cash outflow from capital expenditure for investments (€+205.4m) had an offsetting effect.

Cash flow from financing activities

Cash flow from financing activities amounted to €-322.2m in quarters 1-2/2020, representing a difference of €-96.4m. This change is mainly due to a higher cash outflow from money market transactions (€-13.9m) and a higher cash outflow from the repayment of financial liabilities (€-202.9m). The lower cash outflow for dividends (€+126.5m) had a counteracting effect, due to the later payment date.

Opportunity and risk management

Operating result

Fluctuations in the operating result may be caused primarily by fluctuating levels of electricity generated from hydropower, which arise in particular because hydrological conditions cannot be controlled, as well as fluctuations in electricity prices. Fluctuations in the marketing of control power and congestion management can also lead to higher earnings volatility, as can any additional revenue arising from regulatory impacts on grid operations. In addition, changes in the operating environment and ongoing judicial proceedings could necessitate measurement-related adjustments to VERBUND's assets as well as changes in provisions.

COVID-19 impacts and containment measures

The overriding objective during the COVID-19 crisis, both in the acute phase at the beginning and now in the relaxation phase, has always been to maintain a secure supply of electricity in Austria and Bavaria with respect to both production and transmission in Austria.

The health of VERBUND workers is extremely important to us. Therefore, our employees continue to work from home to a large extent (where possible). Right from the beginning of the crisis, extensive on-site protection and hygiene measures were put in place for plant workers and employees working in our office buildings.

The risks posed by this crisis and their short-term and long-term effects are continuously identified and assessed internally by VERBUND. The impact on short-term electricity prices was clearly evident. Particularly towards the end of quarter 1/2020, there was a marked decline in electricity prices due to the COVID-19 crisis, although prices largely recovered again during the course of quarter 2/2020. A reduction in electricity consumption caused by the lockdown could also be seen in the transmission grid based on temporary declines in revenue from grid usage fees. The COVID-19 crisis may also lead to minor project delays on both the generation side and the transmission side.

Financial result

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

Sensitivities

All else remaining equal, any changes in the factors shown below would be reflected in the projected Group result for full-year 2020 as follows (based on the hedging status as at 30 June 2020 for generation volumes and interest rates):

- +/-1% in generation from hydropower plants: €+/-3.2m
- +/-1% in generation from wind power: €+/-0.3m
- +/-1€/MWh in wholesale electricity prices (renewable generation): €+/-2.1m
- +/-1 percentage point in interest rates: €+/-0.35m

The required disclosures of significant transactions with related parties are presented in the selected explanatory notes.

Outlook

VERBUND's earnings performance is significantly influenced by the following factors: ongoing developments in the energy market, changes in wholesale prices for electricity, the Group's own generation from hydropower and wind power and the earnings contribution from flexibility products. In addition, further – unforeseeable – developments in the COVID-19 crisis may impact earnings performance.

The upward trend in wholesale electricity prices compared with the prior-year period continued with respect to electricity futures contracts (annual generation) for the 2020 supply year. Due to the COVID-19 crisis, spot market prices registered a significant decline in 2020 compared with the same period of the previous year, for both base load and peak load.

In line with our hedging strategy for own generation, we contracted for around 88% of our planned own generation of electricity from hydropower for 2020 as of 30 June 2020. The average price obtained was €45.4/MWh. For those volumes not yet hedged, we have based our planning on current market prices. The performance of own generation will depend largely on the water supply.

Assuming an average level of own generation from hydropower and an average wind supply in the second half of the year, and in light of the opportunities and risks identified, we expect EBITDA for financial year 2020 to amount to between approximately €1,150m and €1,250m and the Group result to be between approximately €510m and €570m. The planned payout ratio for 2020 is between 40% and 50% of the Group result of between around €500m and €560m, after adjustment for non-recurring effects.

Segment report

Hydro segment

Generation from hydropower is reported under the Hydro segment.

KPIs – Hydro segment

	Unit	Q1–2/2019	Q1–2/2020	Change
Total revenue	€m	604.7	599.6	–0.8%
EBITDA	€m	455.9	444.2	–2.6%
Result from interests accounted for using the equity method	€m	3.4	0.4	–87.0%
Capital employed	€m	6,131.9	5,948.5	–3.0%

EBITDA was slightly lower year-on-year, mainly due to higher maintenance costs for power plants. The higher average prices obtained for electricity sales compared with the previous year were largely offset by the lower generation output. The hydro coefficient was 0.95, compared with 1.11 in the previous year.

Capital employed decreased by €183.4m to €5,948.5m. This decline is mainly attributable to the reduction in property, plant and equipment as a result of depreciation.

Current information on the Hydro segment

Current hydropower projects

Work on current new build, expansion and rehabilitation projects continued in quarter 2/2020 in compliance with the health and safety precautions in place due to the COVID-19 pandemic.

Work on the Tuxbach expansion project had to be temporarily halted from 17 to 31 March 2020 due to travel restrictions affecting workers from Italy, but was gradually resumed in the second week of April. All relevant work on the headrace was completed by the end of quarter 2/2020. The official permit for initial filling of the system is expected from the fourth week of July. Overall, initial operation of the crossing to the Stillup storage plant was delayed by around four weeks until the end of July 2020. The Stillup small-scale power plant is expected to come on stream in September 2020.

Excavation of the construction pit for the Töging power plant was completed in May and, in parallel, concrete construction work for the intake and the penstock continued. In June, weir field 4 at the new Jettenbach weir was dammed for the assembly of the segment gates and construction of the gantry crane on the weir system commenced. In July, the old pump station in Fraham was demolished and preparations were made for the new construction. Construction work in all areas thus remained within the project schedule.

In the Ybbs rehabilitation project, the 236-tonne rotor was coupled with the shaft in mid-May. In addition, all new large components of generator 2 were safely hoisted into the turbine shaft using the gantry crane.

The Malta (upper station) rehabilitation project kicked off one month later than planned in quarter 2/2020 owing to the COVID-19 pandemic.

Production and quality control of the turbine blades for the Ottensheim-Wilhering rehabilitation project were completed. The delay caused by a plant shutdown in Italy at the beginning of the COVID-19

pandemic has since been made up for here, too. Completion of this project is therefore also on schedule at the moment.

New renewables segment

The New renewables segment reports on our wind and solar power activities.

KPIs – New renewables segment

	Unit	Q1–2/2019	Q1–2/2020	Change
Total revenue	€m	50.0	58.3	16.7%
EBITDA	€m	32.4	35.0	7.9%
Result from interests accounted for using the equity method	€m	0.0	0.0	–
Capital employed	€m	405.7	410.5	1.2%

EBITDA increased by €2.5m to €35.0m, mainly due to higher revenue from the sale of Romanian green electricity certificates. The wind supply amounted to 1.06, as in the previous year.

Capital employed increased by €4.8m to €410.5m. The increase is due in particular to higher property, plant and equipment as well as higher working capital.

Current projects in the New renewables segment

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

The construction of the first open-field solar installation, with an installed capacity of 1.3 MWp, was completed in Feistritz-Ludmannsdorf in Carinthia in quarter 2/2020. Test operation has been underway since mid-July 2020.

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

Sales segment

The Sales segment comprises VERBUND's trading and sales activities and its energy services.

KPIs – Sales segment

	Unit	Q1–2/2019	Q1–2/2020	Change
Total revenue	€m	1,609.2	1,349.0	– 16.2%
EBITDA	€m	32.1	33.5	4.3%
Result from interests accounted for using the equity method	€m	– 0.8	– 1.0	20.3%
Capital employed	€m	199.1	133.5	– 33.0%

EBITDA was largely on a level with the previous year. The change in total revenue is mainly due to the result from the measurement of energy derivatives, which led to lower electricity revenue and correspondingly lower electricity purchases.

Capital employed was down by €65.6m year-on-year. This is mainly attributable to the higher non-interest-bearing debt as well as lower trade receivables.

Current information on B2B activities

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

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

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

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

Sales activities continue to focus on expanding VERBUND's position as one of the leading providers of innovative green electricity and flexibility products as well as energy services and on marketing renewable energy (particularly wind, solar and small-scale hydropower). The existing product portfolio or market segment served is now being broadened to include industrial customers, which were previously supplied by VERBUND Sales GmbH. The focus here is on new business models for marketing

and distributing solar power generating facilities for (or in cooperation with) business customers. The expanded range of products and services will be supplemented by innovative projects and cooperation models involving large-scale batteries/battery storage units and hydrogen.

In the field of hydrogen and energy storage, one of the world's largest proton exchange membrane (PEM) electrolyser (6 MW), which is part of the EU-sponsored H2Future research project, was put into demo operation. In spite of COVID-19 restrictions, the operating status has been successfully tested several times since March 2020 during the pilot test phase. The second part of the demo phase (quasi-commercial operation) is scheduled to begin at the end of quarter 3/2020.

VERBUND is also planning for cross-sectoral cooperation with industrial companies in Austria with the objective of creating a new kind of value chain based on green hydrogen and CO₂ from cement production.

Regarding the EU-funded SYNERG-E industrial-scale battery project, three more battery storage units were put into commercial operation in quarter 2/2020 – two in Germany and one at the Feldkirchen site near Graz in Austria. The batteries are currently being used to cap load peaks at ultra-E fast charging stations. From quarter 3/2020 onwards, the batteries will also be used in the marketing of control power. The prequalification for this is currently being evaluated.

VERBUND offers photovoltaic systems in the contracting model for industrial and commercial customers. These are either rooftop or open-field solar installations where the customer consumes over 90% of the electricity. Large-scale projects are also being realised in partnership with other companies, e.g. OMV in Schönkirchen. VERBUND is working together with OMV to construct Austria's biggest open-field solar power plant at an OMV location in the Weinertel region of Austria. The plant will have a capacity of 14 MWp.

Current information on B2C activities

Gross acquisitions fell by around 21% in quarters 1–2/2020 compared with same period of 2019. The customer base nevertheless increased to 516,000 customers. The decrease in acquisitions is mainly attributable to the effects of the COVID-19 pandemic.

SMATRICS

Once again in quarter 2/2020, SMATRICS (VERBUND share: 40%) reached important milestones in terms of positioning itself as a leading international e-mobility supplier with a focus on high power charging (HPC). Along with German utility EnBW (Energie Baden-Württemberg), SMATRICS founded the joint venture SMATRICS mobility+ GmbH, which – subject to regulatory approval – will operate the largest Austrian network of charging stations and drive forward the expansion of the existing SMATRICS ultra-fast charging network in Austria. The focus will be on high-speed charging infrastructure with charging capacity of up to 300 kilowatts (kW). SMATRICS will act as the technical service provider for the joint subsidiary. In June 2020, the tariff portfolio in the public grid was extended to include an HPC component. SMATRICS is also participating in several tenders, including in the automotive industry.

Grid segment

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

KPIs – Grid segment

	Unit	Q1–2/2019	Q1–2/2020	Change
Total revenue	€m	391.6	363.4	– 7.2%
EBITDA	€m	156.0	122.0	– 21.8%
Result from interests accounted for using the equity method	€m	0.0	0.0	– 22.5%
Capital employed	€m	1,392.5	1,502.3	7.9%

EBITDA declined by €34.0m to €122.0m, due above all to lower revenue from grid usage fees as well as lower revenue from auctioning off cross-border capacity.

Capital employed was up by €109.8 year-on-year to €1,502.3m. This increase is primarily due to the rise in the net investment in property, plant and equipment, which was offset by a higher level of non-interest-bearing debt.

Current information on the Grid segment

Security of supply and congestion management

As in the previous quarters, action had to be taken at Austrian power plants in quarter 2/2020 in order to manage congestion both within and outside the APG grid.

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

Approximately 500 APG employees have been working from home since 15 March 2020. Construction projects that had been temporarily suspended were resumed from 6 April 2020 in compliance with the safety precautions stipulated in the operating procedures of the social partners.

To protect our employees while ensuring security of supply, special hygiene and safety protocols have been put in place for all employees working at the main and backup control centres and all manned network nodes, including splitting up teams at various locations, among other measures. With the start of Phase 1 of office re-occupation on 18 May 2020, the office infrastructure of the APG location was able to be used by up to 20% of the workforce again. Since the beginning of Phase 2 on 6 July 2020, provision has been made for a maximum of 50% of the employees to use the office location in order to meet APG's special responsibility as grid operator in dealing with this challenging overall situation, and to be able to ensure a high level of personal safety. The established codes of conduct and hygiene regulations continue to apply. The situation in the APG power grid can be described as stable despite the load decline all across Europe. By the start of April, the load decline in Austria had reached approximately 14%. The situation in the grid was somewhat strained due to the lower water supply from the end of March until May 2020 and low wind feed-in, given that electricity was still being transported nationwide. Although low load demand in the distribution grid caused voltage peaks at times, APG was able to use grid control techniques to manage the situation. On the market side, there are no notable developments to report for quarter 2/2020.

Tariff regulation

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

Reschenpass project

Preparations for construction began with the erection of the pylons for the Nauders substation. The joint construction decision by APG and Terna (the Italian transmission system operator commissioned with implementing the project) is scheduled for autumn 2020.

380-kV Salzburg line

Following the construction preparations over the winter (felling, installation of the construction storage areas and the substation construction sites), erection of pylons commenced in four of the six building lots in spring.

New construction to replace APG's Weinviertel line

After work commenced in the second half of 2019, the project is on schedule and line construction is already underway.

Electricity supply in central Upper Austria

The environmental impact statement is currently being drafted and will be largely completed by the end of 2020. The EIA process will commence in 2021.

380-kV Germany line

Due to delays in the approval procedure on the German side, joint commissioning of the 380-kV line has been postponed until 2024.

All other segments

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

KPIs – All other segments

	Unit	Q1–2/2019	Q1–2/2020	Change
Total revenue	€m	98.0	103.0	5.0%
EBITDA	€m	23.0	19.6	– 15.1%
Result from interests accounted for using the equity method	€m	22.7	25.8	13.5%
Capital employed	€m	498.0	492.7	– 1.1%

EBITDA fell by €3.5m to €19.6m. This decrease was mainly attributable to the lower EBITDA recorded in the Thermal generation segment, due in particular to the absence of positive effects of changes in provisions in the previous year, while a sharp decline in natural gas purchase prices led to lower gas usage. The result from interests accounted for using the equity method was slightly higher year-on-year and was generated by KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

Capital employed decreased slightly to €492.7m, due in particular to lower hard coal stocks and the reduction in property, plant and equipment as a result of depreciation, as well as the impairment of the Mellach combined cycle gas turbine power plant. The higher equity interest in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft had a counteracting effect due to the positive result from interests accounted for using the equity method.

Current information on the Thermal generation segment

In quarter 2/2020, the Mellach CGGT and the Mellach district heating power plant were operated for the sole purpose of guaranteeing security of supply in connection with congestion management. On 31 March 2020, the Mellach district heating power plant stopped burning coal as a fuel.

The Mellach site is to be developed into an innovation and technology hub in future. A Memorandum of Understanding has been signed with Graz University of Technology for this purpose. Areas of cooperation include green hydrogen and re-electrification, OT cyber security and the new energy storage systems.

Services segment activities notably impacted by COVID-19

VERBUND bears a substantial responsibility for the operation of critical infrastructure. Resilience in the supply of services during the crisis called for a high level of employee commitment and was based on the availability of the necessary core skills and technologies and on the expertise gained from many years of close cooperation with the Group.

VERBUND Services GmbH provided the following essential services in this context: from Day 1 of the crisis, remote working was implemented on a large scale across the Group by putting an IT infrastructure in place that was robust enough to allow approximately 1,500 employees to work from home. This necessitated providing a sufficient number of mobile devices and adding capacity in terms of secure VPN

tunnels and tokens – all of which had to occur in compliance with VERBUND's strict security guidelines. The infrastructure established permitted immediate remote access to all operation-critical applications without interruption. A critical factor in the success of the measures, however, was the expansion of the customer help desk service hotline and the support of employees in transitioning to their new working environment.

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

VERBUND Services GmbH's remaining service processes were operating at full capacity during the last few months, particularly compliance-critical processes. Only a small number of projects suffered minor delays due to the COVID-19 pandemic. Work is now continuing on all projects in compliance with the applicable health regulations and protocols. Key infrastructure projects, such as the Austria-wide upgrade of the company radio system to a digital radio system with the company's own frequency, continued as scheduled in quarter 2/2020.

VERBUND Services GmbH also carried out a number of urgent, special crisis management projects on top of its regular operations.

Current information on the Equity interests segment

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

KELAG's contribution to the result from interests accounted for using the equity method was €25.8m in quarters 1–2/2020 (Q1–2/2019: €22.7m). KELAG has adopted strategies and measures to counteract the effects of the coronavirus crisis and is operating as normal as far as possible within the confines of the current social and economic restrictions.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 30 June 2020 and authorisation for issue on 21 July 2019.

Consolidated interim financial statements

of VERBUND

Income statement

€m					
In accordance with IFRSs	Notes	Q1–2/2019 ¹	Q1–2/2020	Q2/2019 ¹	Q2/2020
Revenue		1,996.3	1,714.0	787.9	456.7
Electricity revenue	1	1,631.4	1,383.6	624.8	323.5
Grid revenue	1	288.5	250.9	136.0	108.2
Other revenue	1	76.4	79.5	27.1	25.0
Other operating income		27.5	35.5	17.3	20.0
Expenses for electricity, grid, gas and certificates purchases	2	–1,027.0	–775.9	–308.2	–16.8
Fuel expenses and other usage-/revenue-dependent expenses	3	–45.7	–47.7	–17.0	–8.3
Personnel expenses	4	–169.9	–176.6	–89.9	–89.5
Other operating expenses		–95.3	–110.3	–52.1	–54.1
EBITDA		685.9	639.0	337.9	308.0
Depreciation and amortisation	5	–179.8	–189.3	–90.1	–94.6
Impairment losses ²	6	–0.3	–14.6	–0.3	–14.5
Operating result		505.8	435.2	247.6	199.0
Result from interests accounted for using the equity method	7	25.4	25.2	12.7	15.1
Other result from equity interests		2.5	1.5	1.4	0.6
Interest income	8	16.6	16.0	8.1	8.0
Interest expenses	9	–62.4	–42.6	–31.7	–21.2
Other financial result	10	6.6	20.1	0.3	27.3
Impairment losses		0.0	–0.8	0.0	–0.8
Financial result		–11.3	19.3	–9.1	29.1
Profit before tax		494.5	454.5	238.4	228.1
Taxes on income		–109.2	–101.6	–52.4	–51.3
Profit for the period		385.2	352.9	186.0	176.7
Attributable to the shareholders of VERBUND AG (Group result)		338.2	310.4	160.1	153.9
Attributable to non-controlling interests		47.0	42.5	25.9	22.8
Earnings per share in € ³		0.97	0.89	0.46	0.44

¹ The comparative figures have been adjusted retrospectively in accordance with IAS 8. // ² The impairment losses have been reduced by the amount of the change in any possible related deferred contributions to building costs and government grants. // ³ Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

		€m			
In accordance with IFRSs	Notes	Q1-2/2019	Q1-2/2020	Q2/2019	Q2/2020
Profit for the period		385.2	352.9	186.0	176.7
Remeasurements of net defined benefit liability	11	-87.9	40.9	-90.1	41.5
Measurements of financial instruments		0.0	0.0	0.0	0.0
Other comprehensive income from interests accounted for using the equity method		-4.9	-5.6	0.2	0.0
Total of items that will not be reclassified subsequently to the income statement		-92.8	35.4	-89.9	41.5
Differences from currency translation		-2.4	-2.4	0.8	-0.6
Measurements of cash flow hedges		213.6	-36.4	0.8	-181.8
Other comprehensive income from interests accounted for using the equity method		0.0	-0.9	0.0	0.0
Total of items that will be reclassified subsequently to the income statement		211.2	-39.6	1.6	-182.4
Other comprehensive income before tax		118.4	-4.3	-88.3	-140.9
Taxes on income relating to items that will not be reclassified subsequently to the income statement		22.5	-10.6	23.0	-10.7
Taxes on income relating to items that will be reclassified subsequently to the income statement		-53.4	9.1	-0.2	45.4
Other comprehensive income after tax		87.5	-5.8	-65.5	-106.2
Total comprehensive income for the period		472.7	347.1	120.5	70.5
Attributable to the shareholders of VERBUND AG		432.0	301.3	101.1	44.3
Attributable to non-controlling interests		40.7	45.8	19.4	26.2

Balance sheet

		€m	
In accordance with IFRSs	Notes	31/12/2019	30/6/2020
Non-current assets		11,061.9	11,089.2
Intangible assets		652.0	657.6
Property, plant and equipment		9,110.8	9,130.3
Right-of-use assets		133.4	120.7
Interests accounted for using the equity method		332.2	350.2
Other equity interests	13	138.1	139.1
Investments and other receivables	13	695.4	691.3
Current assets		776.7	673.6
Inventories	12	34.3	20.3
Trade receivables, other receivables and securities	13	697.8	610.0
Cash and cash equivalents	13	44.6	43.4
Total assets		11,838.6	11,762.8

		€m	
In accordance with IFRSs	Notes	31/12/2019	30/6/2020
Equity		6,568.0	6,623.6
Attributable to the shareholders of VERBUND AG		5,887.8	5,949.3
Attributable to non-controlling interests		680.2	674.4
Non-current liabilities		4,107.4	4,011.5
Financial liabilities	13	1,256.6	1,240.8
Provisions		912.2	855.7
Deferred tax liabilities		757.3	782.6
Contributions to building costs and grants		754.1	742.1
Other liabilities	13	427.2	390.2
Current liabilities		1,163.2	1,127.7
Financial liabilities	13	310.8	76.5
Provisions		38.6	27.7
Current tax liabilities		106.1	186.8
Trade payables and other liabilities	13	707.7	836.7
Total equity and liabilities		11,838.6	11,762.8

Statement of changes in equity

In accordance with IFRSs	Called and paid-in share capital	Capital reserves	Retained earnings	Remeasurements of net defined benefit liability	
Notes				11	
As at 1/1/2019	347.4	954.3	4,525.4	-284.8	
Profit for the period	-	-	338.2	-	
Other comprehensive income	-	-	0.0	-64.0	
Total comprehensive income for the period	-	-	338.2	-64.0	
Dividends	-	-	-145.9	-	
Other changes in equity	-	-	0.2	0.0	
As at 30/6/2019	347.4	954.3	4,718.0	-348.8	
As at 1/1/2020	347.4	954.3	4,933.7	-388.7	
Profit for the period	-	-	310.4	-	
Other comprehensive income	-	-	0.0	21.4	
Total comprehensive income for the period	-	-	310.4	21.4	
Dividends	-	-	-239.7	-	
Other changes in equity	-	-	-0.2	0.0	
As at 30/6/2020	347.4	954.3	5,004.3	-367.2	

						€m
	Difference from currency translation	Measure- ments of financial instruments	Measure- ments of cash flow hedges	Equity attributable to the shareholders of VERBUND AG	Equity attributable to non-controlling interests	Total equity
	-7.4	-1.3	-228.4	5,305.3	635.7	5,941.0
	-	-	-	338.2	47.0	385.2
	-2.4	0.0	160.2	93.8	-6.3	87.5
	-2.4	0.0	160.2	432.0	40.7	472.7
	-	-	-	-145.9	-32.2	-178.1
	0.0	0.0	0.0	0.2	0.0	0.2
	-9.9	-1.3	-68.1	5,591.7	644.3	6,235.9
	-11.7	3.2	49.5	5,887.8	680.2	6,568.0
	-	-	-	310.4	42.5	352.9
	-2.3	0.0	-28.2	-9.1	3.3	-5.8
	-2.3	0.0	-28.2	301.3	45.8	347.1
	-	-	-	-239.7	-51.6	-291.4
	0.0	0.0	0.0	-0.2	0.0	-0.2
	-14.0	3.2	21.3	5,949.3	674.4	6,623.6

Cash flow statement

		€m	
In accordance with IFRSs	Notes	Q1–2/2019	Q1–2/2020
Profit for the period		385.2	352.9
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		180.1	205.0
Impairment losses on investments (net of reversals of impairment losses)		–8.7	8.8
Result from interests accounted for using the equity method (net of dividends received)		–11.2	–25.2
Result from the disposal of non-current assets		0.0	1.0
Change in non-current provisions and deferred tax liabilities		20.8	8.0
Change in contributions to building costs and grants		–3.7	–12.0
Other non-cash expenses and income		3.5	–49.2
Subtotal		566.1	489.3
Change in inventories		–11.3	14.1
Change in trade receivables and other receivables		178.7	65.9
Change in trade payables and other liabilities		–73.2	–54.5
Change in current provisions and current tax liabilities		30.4	69.8
Cash flow from operating activities¹		690.7	584.6

¹ Cash flow from operating activities includes income taxes paid of €1.1m (Q1–2/2019: €29.6m), interest paid of €16.5m (Q1–2/2019: €16.9m), interest received of €0m (Q1–2/2019: €0.1m) and dividends received of €1.7m (Q1–2/2019: €16.9m).

		€m	
In accordance with IFRSs	Notes	Q1-2/2019	Q1-2/2020
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		-159.7	-265.2
Cash inflow from the disposal of intangible assets and property, plant and equipment		2.4	0.3
Cash outflow from capital expenditure for investments		-19.1	-1.2
Cash inflow from the disposal of investments		19.9	2.4
Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method and other equity interests		0.1	0.0
Cash outflow from capital expenditure for current investments		-205.0	0.0
Cash flow from investing activities		-361.3	-263.7
Cash outflow from money market transactions		-11.1	-25.0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		-19.9	-222.8
Cash outflow from the repayment of lease liabilities		-16.7	-22.7
Dividends paid		-178.1	-51.6
Cash flow from financing activities		-225.7	-322.2
Change in cash and cash equivalents		103.7	-1.2
Cash and cash equivalents as at 1/1/		39.3	44.6
Change in cash and cash equivalents		103.7	-1.2
Cash and cash equivalents as at 30/6/		143.0	43.4

Selected explanatory notes

Basic principles

Financial reporting principles

These consolidated interim financial statements of VERBUND for the period ended 30 June 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial statements as adopted by the European Union.

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

Basis of consolidation

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

VERBUND Trading & Sales Deutschland GmbH (VTR-DE) was merged with the absorbing entity VERBUND Sales Deutschland GmbH (VSA-DE) under a merger agreement dated 2 April 2020. The merger of VTR-DE with VSA-DE was entered in the commercial register of the acquiring entity VSA-DE on 24 April 2020, whereby the merger became effective under corporate law.

The limited partnership wind farms Dörrebach, Eichberg, Ellern, Rheinböllen, Schönborn, Seibersbach, Utschenwald, Hochfels and Stetten I were merged with the absorbing wind farm Dichtelbach under a merger agreement dated 7 April 2020. At the same time, the name of the Dichtelbach limited partnership was changed to VERBUND Green Power Hunsrück GmbH & Co. KG (Hunsrück KG) and the partnership agreement was amended in several places. The entries of the mergers of the various limited partnership wind farms with Hunsrück KG in the commercial register took effect on 20 May 2020.

Accounting policies

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

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

Newly applicable or applied accounting standards

Standard or interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Material effects on the consolidated interim financial statements of VERBUND
IAS 1 and IAS 8	Amendments: Definition of Material	31/10/2018 (29/11/2019)	1/1/2020	None
IFRS 3	Amendments: Definition of a Business	22/10/2018 (21/4/2020)	1/1/2020	Depending on the structure of any future transactions, the acquisition of power plants in the form of a share deal is more likely to be classified as the acquisition of a group of assets
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	26/9/2019 (15/1/2020)	1/1/2020	see below
IFRS 16	Amendment to IFRS 16 Leases COVID-19 Related Rent Concessions	28/05/2020 (expected Q3/2020)	1/6/2020	None
Various	Amendments to References to the Conceptual Framework in IFRS Standards	29/3/2018 (29/11/2019)	1/1/2020	None

Newly applicable or applied accounting standards

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

At VERBUND, future payments from variable-interest financial liabilities are hedged by means of interest rate swaps in order to reduce the cash flow risk resulting from an increase in market interest rates. The underlying variable market interest rate is the 6-month EURIBOR. The notional amount of interest rate swaps directly affected by the IBOR reform was €78.8m as at 30 June 2020. Following the completed changeover of the EURIBOR to a transaction-based calculation method as of quarter 4/2019, the EURIBOR as a reference interest rate is BMR-compliant and therefore does not lead to any changes to existing contracts.

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

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

Change in an accounting policy

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

Adjustments to income statement items		€m
		Q1-2/2019
Revenue		161.1
Expenses for electricity, grid, gas and certificates purchases		- 161.1
EBITDA		0

Effects of COVID-19

Recoverability of assets

VERBUND's economic environment changed quite suddenly in quarters 1-2/2020 due to the COVID-19 crisis. This environment had an effect on both wholesale electricity prices and VERBUND's capital costs. These two influencing factors are the most important factors for VERBUND in assessing the recoverability of individual assets and cash-generating units (CGUs), above all power plants, which is why indications of impairment were identified in accordance with IAS 36.

As at 30 June 2020, there was a rise in the cost of capital that was mainly attributable to an increase in borrowing costs as well as in the beta factors resulting from greater COVID-19-related uncertainty. With respect to wholesale prices, however, COVID-19 has so far only had a relevant impact in the short term, though even here a recovery was observed in the days leading up to 30 June 2020. This drop in short-term prices can be attributed primarily to the anticipated near-term weakening of demand for electricity, in particular from the industrial sector. However, the price trends for electricity futures for periods further in the future, which are calculated based on current exchange prices, and the estimates of reputable providers of electricity price forecasts indicate that longer-term wholesale prices are not significantly influenced by COVID-19 at present. The impairment tests conducted also revealed only minor changes in value overall for VERBUND (see also "(6) Impairment losses" for details regarding the impairment losses recognised as at 30 June 2020).

Details of impairment test 30/6/2020

Cash-generating unit	Mellach combined cycle gas turbine power plant	Gries run-of-river power plant	Electricity purchase right Graz power plant on the Mur River
Basis for recoverable amount	Fair value (Level 3) less costs of disposal	Fair value (Level 3) less costs of disposal	Fair value (Level 3) less costs of disposal
Discount rate (WACC after taxes)	4.50%	4.50%	4.50%
Recoverable amount	€99.9m	€16.6m	€12.9m
Impairment losses in the period ¹	€5.6m	€5.6m	€3.2m

¹ The impairment losses have been reduced by the amount of the change in any possible deferred contributions to building costs and government grants.

For the Mellach combined cycle gas turbine power plant cash-generating unit, the effects of a change in future-related assumptions on the carrying amount were tested on the basis of the relevant carrying amount in the context of the following sensitivity analysis:

Sensitivity analysis for the Mellach combined cycle gas turbine power plant 30/6/2020¹

	Value assigned to the key measurement assumption	Change in key measurement assumptions	Effects on the carrying amounts of assets
Clean spark spread ²	€41.7 per MWh	± 5%	+€6.1m –€6.1m
After tax discount rate	4.50%	± 0.25 PP	–€1.4m +€1.4m
Grid reserve	– ³	± 10%	+€21.8m –€21.8m

¹ In the sensitivity analysis, one key measurement assumption was changed at a time while the other inputs were held constant. In reality, however, changes to the key measurement assumptions can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // ² The indicated clean spark spread relates to the average for the years 2025–2030. The sensitivity analysis varies the clean spark spread steadily over time up to the planning horizon. // ³ A statement of the value assigned to the temporarily expected revenue from grid reserve, congestion management and redispatch is omitted because such a statement could harm VERBUND's position in the tendering process.

Measurement of securities and loans

The COVID-19 crisis also had an effect on the market values of securities funds held by VERBUND, which are measured at fair value through profit or loss. The fund units are held to cover securities obligations to personnel. After the stock markets recovered, the initially significant price losses were partially recovered towards the end of the second quarter, so that a total price loss of around €7.5m was recognised through profit or loss as at 30 June 2020.

In the case of loans and money market investments carried at cost, COVID-19 did not result in any material changes in the expected credit losses recognised in accordance with IFRS 9, as VERBUND's counterparties (mainly banks) continue to have correspondingly good ratings.

Effects on household, commercial and industrial customers

There were negative effects on profit or loss of around €2m in the industrial customer business in the first half of 2020 due to the COVID-19 lockdown. This effect can be attributed primarily to the decline in volumes sold and the lower sales volume of guarantees of origin (green electricity certificates). In the household and commercial segment, COVID-19 led to a shift in quantities away from commercial quantities towards household quantities. Regarding the collection of trade receivables for household and commercial customers, the voluntary industry agreement to abstain from collection activities and cessation of service applied from 26 March to 30 June 2020. The normal debt collection process will be fully operational again beginning July 2020. In the commercial customer business, COVID-19 led to an increase in overdue receivables in the period ending 30 June 2020. In this connection, valuation allowances for trade receivables in the household and commercial customer as well as industrial customer segments increased to €0.8m in the first half of 2020 (30 June 2019: €0.4m).

Effects on the grid

COVID-19 led to a reduction in demand for energy, which was reflected in declining national as well as international grid revenue for APG. Reduced energy demand resulted in lower cross-border allocation revenue as well as declining volume-based grid usage fees in Austria. In total, the negative impact on profit or loss from these developments attributable to COVID-19 amounted to around €10.5m as at 30 June 2020.

Segment reporting

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

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

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

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

In the past, goodwill was allocated in the amount of €287.0m to the (former) Renewable generation segment, which was assigned in its entirety to the new Hydro segment during the reorganisation of internal group management.

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

	€m						
	Hydro	New renewables	Sales	Grid	All other segments	Recon- ciliation/ consoli- dation	Total Group
Q1-2/2020							
External revenue	50.0	44.3	1,248.9	349.0	17.7	4.1	1,714.0
Internal revenue	549.6	14.0	100.2	14.4	85.3	-763.4	0.0
Total revenue	599.6	58.3	1,349.0	363.4	103.0	-759.4	1,714.0
EBITDA	444.2	35.0	33.5	122.0	19.6	-15.2	639.0
Depreciation and amortisation	-107.1	-12.3	-0.7	-58.8	-9.2	-1.2	-189.3
Effects from impairment tests (operating result)	-8.8	0.0	0.0	0.0	-5.7	0.0	-14.6
Other material non-cash items	28.7	0.0	-6.6	5.9	3.7	0.6	32.3
Result from interests accounted for using the equity method	0.4	0.0	-1.0	0.0	25.8	0.0	25.2
Effects from impairment tests (financial result)	-0.8	0.0	0.0	0.0	0.0	0.0	-0.8
Capital employed	5,948.5	410.5	133.5	1,502.3	492.7	-124.0	8,363.4
of which carrying amount of interests accounted for using the equity method	2.9	1.4	8.8	1.5	335.6	0.0	350.2
Additions to intangible assets and property, plant and equipment	109.5	1.5	1.4	99.8	3.4	0.5	216.0
Additions to interests accounted for using the equity method	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	€m						
	Hydro	New renewables	Sales	Grid	All other segments	Recon- ciliation/ consoli- dation	Total Group
Q1-2/2019							
External revenue	59.0	36.9	1,504.6	376.1	16.9	2.8	1,996.3
Internal revenue	545.7	13.0	104.6	15.6	81.1	-760.0	0.0
Total revenue	604.7	50.0	1,609.2	391.6	98.0	-757.2	1,996.3
EBITDA	455.9	32.4	32.1	156.0	23.0	-13.6	685.9
Depreciation and amortisation	-102.3	-12.1	-0.6	-57.8	-6.0	-0.9	-179.8
Effects from impairment tests (operating result)	0.0	0.0	0.0	0.0	-0.3	0.0	-0.3
Other material non-cash items	28.4	0.0	-0.5	6.0	12.4	1.2	47.5
Result from interests accounted for using the equity method	3.4	0.0	-0.8	0.0	22.7	0.0	25.4
Effects from impairment tests (financial result)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital employed	6,131.9	405.7	199.1	1,392.5	498.0	434.9	9,062.2
of which carrying amount of interests accounted for using the equity method	2.9	1.3	10.1	1.4	310.8	0.0	326.4
Additions to intangible assets and property, plant and equipment	68.5	1.6	0.5	62.6	3.5	0.5	137.1
Additions to interests accounted for using the equity method	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Notes to the income statement

(1)
Revenue

Revenue	€m						
	Q1– 2/2019 Domestic	Q1– 2/2020 Domestic	Q1– 2/2019 Foreign	Q1– 2/2020 Foreign	Q1– 2/2019 Total	Q1– 2/2020 Total	Change
Electricity revenue resellers	37.0	27.0	13.5	17.8	50.5	44.8	–11.3%
Electricity revenue traders	0.1	0.1	5.3	1.8	5.4	1.9	–65.4%
Electricity revenue – Hydro segment	37.1	27.1	18.8	19.6	55.9	46.7	–16.6%
Electricity revenue resellers	0.0	0.0	18.4	0.0	18.4	0.0	–100.0%
Electricity revenue traders	9.3	8.0	0.0	–3.4	9.3	4.5	–51.4%
Electricity revenue consumers	0.0	0.0	0.0	25.5	0.0	25.5	n. a.
Electricity revenue – New renewables segment	9.3	8.0	18.4	22.0	27.7	30.0	8.3%
Electricity revenue resellers	368.5	220.7	168.4	193.6	536.9	414.4	–22.8%
Electricity revenue traders	202.8	130.1	397.0	404.4	599.8	534.5	–10.9%
Electricity revenue consumers	202.4	147.9	126.4	116.8	328.8	264.7	–19.5%
Electricity revenue – Sales segment	773.7	498.8	691.8	714.8	1,465.5	1,213.5	–17.2%
Electricity revenue resellers	52.8	60.4	26.5	30.8	79.3	91.2	15.0%
Electricity revenue traders	2.1	2.3	0.9	–0.1	3.0	2.2	–26.2%
Electricity revenue – Grid segment	54.8	62.7	27.4	30.8	82.3	93.4	13.5%
Total electricity revenue	875.0	596.5	756.4	787.1	1,631.4	1,383.6	–15.2%
Grid revenue electric utilities	189.9	161.5	12.0	11.9	201.9	173.4	–14.1%
Grid revenue industrial customers	3.6	2.1	0.0	0.0	3.6	2.1	–42.2%
Grid revenue other	18.3	19.6	64.7	55.8	83.0	75.4	–9.1%
Total grid revenue – Grid segment	211.8	183.2	76.7	67.7	288.5	250.9	–13.0%
Other revenue – Hydro segment					3.1	3.4	8.9%
Other revenue – New renewables segment					9.2	14.3	55.5%
Other revenue – Sales segment					39.1	35.3	–9.7%
Other revenue – Grid segment					5.3	4.7	–12.1%
Other revenue – All other segments					16.9	17.7	4.6%
Other revenue – reconciliation					2.8	4.1	47.3%
Total other revenue					76.4	79.5	4.0%
Total revenue					1,996.3	1,714.0	–14.1%

Expenses for electricity, grid, gas and certificates purchases

	Q1-2/2019	Q1-2/2020	Change
Expenses for electricity purchases (including control power)	970.3	728.8	-24.9%
Expenses for grid purchases (system use)	31.0	30.9	-0.4%
Expenses for gas purchases	22.9	15.3	-33.2%
Purchases of proof of origin and green electricity certificates	3.0	1.0	-66.4%
Purchases of emission rights (trade)	-0.19	-0.12	33.9%
Expenses for electricity, grid, gas and certificates purchases	1,027.0	775.9	-24.5%

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

Fuel expenses and other usage-/revenue-dependent expenses

	Q1-2/2019	Q1-2/2020	Change
Fuel expenses	25.4	31.1	22.5%
Emission rights acquired in exchange for consideration	9.5	10.8	13.1%
Other revenue-dependent expenses	10.7	5.8	-45.7%
Fuel expenses and other usage-/revenue-dependent expenses	45.7	47.7	4.5%

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

Personnel expenses

	Q1-2/2019	Q1-2/2020	Change
Wages and salaries	131.3	134.5	2.4%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	28.4	29.9	5.2%
Other social expenses	1.9	1.7	-10.5%
Subtotal	161.5	166.0	2.8%
Expenses for termination benefits	-0.3	2.1	n. a.
Expenses for pensions and similar obligations	8.7	8.5	-2.4%
Personnel expenses	169.9	176.6	4.0%

(4)
Personnel expenses

Depreciation and amortisation

	Q1-2/2019	Q1-2/2020	Change
Depreciation of property, plant and equipment	158.9	167.4	5.3%
Depreciation of right-of-use assets	17.2	17.7	2.5%
Amortisation of intangible assets	3.6	4.3	16.9%
Depreciation and amortisation	179.8	189.3	5.3%

(5)
Depreciation and amortisation

(6) Impairment losses		Impairment losses			€m
		Q1-2/2019	Q1-2/2020	Change	
Mellach combined cycle gas turbine power plant		0.0	5.7	n. a.	
Change in deferred grants for the Mellach combined cycle gas turbine power plant		0.0	-0.1	n. a.	
Gries run-of-river power plant		0.0	6.6	n. a.	
Change in deferred contributions to building costs for the Gries run-of-river power plant		0.0	-1.0	n. a.	
Electricity purchase right Graz power plant on the Mur River		0.0	3.2	n. a.	
Other		0.3	0.1	-61.9%	
Impairment losses		0.3	14.6	n. a.	

(7) Result from interests accounted for using the equity method		Result from interests accounted for using the equity method					€m
		Q1-2/2019 Domestic	Q1-2/2020 Domestic	Change	Q1-2/2019 Foreign	Q1-2/2020 Foreign	Change
Income or expenses		22.1	24.8	12.4%	3.3	0.4	-87.4%

(8) Interest income		Interest income			€m
		Q1-2/2019	Q1-2/2020	Change	
Interest from investments under closed items on the balance sheet		15.1	15.1	0.0%	
Other interest and similar income		1.6	0.9	-42.8%	
Interest income		16.6	16.0	-13.8%	

Interest expenses	€m		
	Q1-2/2019	Q1-2/2020	Change
Interest on financial liabilities under closed items on the balance sheet	15.1	15.1	-0.1%
Interest on bonds	24.7	8.3	-66.2%
Interest on other liabilities from electricity supply commitments	7.7	7.4	-4.5%
Interest on bank loans	4.6	4.3	-7.6%
Interest on a share redemption obligation	2.3	4.2	80.0%
Net interest expense on personnel-related liabilities	6.2	3.2	-49.2%
Interest on other non-current provisions	1.1	0.8	-31.7%
Interest on leases	0.5	0.5	-3.9%
Profit or loss attributable to limited partners	0.1	0.0	-113.5%
Repayment of non-current financial liabilities from capital shares attributable to limited partners ¹	-1.0	0.0	100.0%
Borrowing costs capitalised in accordance with IAS 23	-1.7	-2.9	-66.8%
Other interest and similar expenses	17.8	16.9	-5.0%
Interest expenses	62.4	42.6	-31.7%

¹ In quarters 1-2/2019 VERBUND acquired interests in the ten wind farms and two infrastructure companies in the Hunsrück area of Rhineland-Palatinate previously held by the other limited partners. This reduced the capital shares attributable to limited partners presented under non-current financial liabilities.

(9)
Interest expenses

Other financial result	€m		
	Q1-2/2019	Q1-2/2020	Change
Measurement of an obligation to return an interest	0.0	26.1	n. a.
Income from securities and loans	1.1	1.1	-0.7%
Measurement of derivatives in the finance area	-0.6	0.7	n. a.
Foreign exchange gains	0.1	0.0	-88.8%
Change in expected credit losses	-0.1	0.0	147.9%
Foreign exchange losses	-0.1	-0.2	-61.8%
Measurement of non-derivative financial instruments	8.4	-7.5	-189.0%
Other	-2.2	-0.2	93.2%
Other financial result	6.6	20.1	139.6%

(10)
Other financial result

Notes to the statement of comprehensive income

(11) Remeasurements of the net defined benefit liability

Provisions for pensions and similar obligations and for statutory termination benefits were measured based on an actuarial report updated as at 30 June 2020. The discount rate applied was 1.25% instead of 1.00% (obligations similar to pensions) and 1.00% instead of 0.75% (pension and termination benefit obligations). Furthermore, the measurement reflects future salary increases of 2.75% instead of 2.75% to 3.75% and future pension increases of 1.00% to 2.25% instead of 1.00% to 2.50%.

Notes to the balance sheet

(12) Inventories

Inventories	€m		
	31/12/2019	30/6/2020	Change
Inventories of primary energy sources held for generation	22.5	3.5	–84.4%
Emission rights held for trading	4.4	7.4	70.3%
Measurements of emission rights held for trading	2.8	4.2	47.9%
Fair value of emission rights held for trading	7.2	11.6	61.4%
Proof of origin and green electricity certificates	0.4	0.3	–28.2%
Other	4.2	4.8	15.1%
Inventories	34.3	20.3	–41.0%

The measurement benchmark for emission rights held for trading by VERBUND is fair value less costs to sell in accordance with the exemption provided for raw materials and commodity broker-traders (brokerage exemption). The fair value of emission rights held for trading corresponds to the price quoted on the European Energy Exchange (EEX). The fair values are thus based on Level 1 measurements.

Carrying amounts and fair values by measurement category 30/6/2020

€m

Assets – balance sheet items	Measurement category in accordance with IFRS 9	Level	Carrying amount	Fair value
Interests in unconsolidated subsidiaries	FVOCI	2	12.5	12.5
Interests in unconsolidated subsidiaries	FVPL	3	0.5	0.5
Interests in unconsolidated subsidiaries	FVOCI	AC	0.5	0.5
Other equity interests	FVOCI	1	23.9	23.9
Other equity interests	FVOCI	2	93.9	93.9
Other equity interests	FVOCI	AC	7.7	7.7
Other equity interests			139.1	
Securities	FVPL	1	118.0	118.0
Securities	FVOCI	3	6.5	6.5
Securities	FVOCI	AC	1.0	1.0
Securities – closed items on the balance sheet	AC	2	64.1	61.4
Other loans – closed items on the balance sheet	AC	2	295.1	338.9
Derivatives in the finance area – closed items on the balance sheet	FVPL	2	96.6	96.6
Loans to investees	AC	2	73.1	75.5
Other loans	AC	2	5.3	6.0
Other	–	–	31.6	–
Other non-current investments and non-current other receivables			691.3	
Trade receivables	AC	–	313.0	–
Receivables from investees	AC	–	34.6	–
Loans to investees	AC	2	3.8	3.9
Other loans	AC	2	0.1	0.1
Other loans – closed items on the balance sheet	AC	2	0.0	0.0
Derivatives in the energy area	FVPL	1	4.3	4.3
Derivatives in the energy area	FVPL	2	164.4	164.4
Emission rights	–	–	11.7	–
Other	AC	–	45.5	–
Other	–	–	32.7	–
Trade receivables and current other receivables			610.0	
Cash and cash equivalents	AC	–	43.4	–
Aggregated by measurement category				
Financial assets at amortised cost	AC		877.9	
Financial assets at fair value through profit or loss	FVPL		383.8	
Financial assets at fair value through other comprehensive income	FVOCI		146.1	

(13)
Additional disclosures regarding financial instruments

Carrying amounts and fair values by measurement category 30/6/2020

€m

Liabilities – balance sheet items	Measurement category in accordance with IFRS 9	Level	Carrying amount	Fair value
Bonds	AC	2	500.0	532.7
Financial liabilities to banks and to others	AC	2	361.7	399.7
Financial liabilities to banks – closed items on the balance sheet	AC	2	112.4	160.0
Financial liabilities to banks – closed items on the balance sheet	FVPL – D	2	343.5	343.5
Capital shares attributable to limited partners	–	–	–0.1	–
Non-current and current financial liabilities			1,317.4	
Electricity supply commitment	–	–	143.0	–
Obligation to return an interest	AC	3	113.8	188.6
Trade payables	AC	–	1.9	–
Deferred income for grants (emission rights)	–	–	0.0	–
Lease liabilities	–	–	77.3	–
Deferred income – cross-border leasing	–	–	8.0	–
Other	AC	–	46.3	–
Non-current other liabilities			390.2	
Trade payables	AC	–	198.6	–
Derivatives in the energy area	FVPL	2	127.7	127.7
Derivatives in the finance area	FVPL	2	12.3	12.3
Lease liabilities	–	–	35.7	–
Other	AC	–	376.9	–
Other	–	–	85.6	–
Trade payables and current other liabilities			836.7	
Aggregated by measurement category				
Financial liabilities at amortised cost	AC		1,711.4	
Financial liabilities at fair value through profit or loss	FVPL		140.0	
Financial liabilities at fair value through profit or loss – designated	FVPL – D		343.5	

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

€m

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

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

€m

Liabilities – balance sheet items	Measurement category in accordance with IFRS 9	Level	Carrying amount	Fair value
Bonds	AC	2	700.7	742.0
Financial liabilities to banks and to others	AC	2	410.9	452.4
Financial liabilities to banks – closed items on the balance sheet	AC	2	118.4	159.6
Financial liabilities to banks – closed items on the balance sheet	FVPL – D	2	337.5	337.5
Capital shares attributable to limited partners	–	–	0.0	–
Non-current and current financial liabilities			1,567.4	
Electricity supply commitment	–	–	147.7	–
Obligation to return an interest	AC	3	135.7	263.2
Trade payables	AC	–	1.2	–
Deferred income – cross-border leasing	–	–	16.0	–
Lease liabilities			87.1	
Other	AC	–	39.4	–
Non-current other liabilities			427.2	
Trade payables	AC	–	225.8	–
Derivatives in the energy area	FVPL	2	133.1	133.1
Derivatives in the finance area	FVPL	2	13.8	13.8
Lease liabilities			46.8	
Other	AC	–	215.3	–
Other	–	–	72.9	–
Trade payables and current other liabilities			707.7	
Aggregated by measurement category				
Financial liabilities at amortised cost	AC		1,847.4	
Financial liabilities at fair value through profit or loss	FVPL		146.9	
Financial liabilities at fair value through profit or loss – designated	FVPL – D		337.5	

Of the derivative financial instruments in the energy area classified as FVPL in the above tables, positive fair values of €92.6m (31 December 2019: €108.3m) and negative fair values of €56.7m (31 December 2019: €35.3m) relate to hedging relationships designated as cash flow hedges. These fair values represent gross amounts; following the inter-portfolio netting carried out in accordance with VERBUND's accounting policies, cash flow hedges can no longer be isolated.

Valuation techniques and input factors for determining fair values

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

Other note disclosures

Dividends paid

Dividends paid	Total (€m)	Number of ordinary shares	Per share (€)
Dividend paid in 2019 for financial year 2018	145.9	347,415,686	0.42

A dividend of €0.69 per share (number of ordinary shares at 30 June 2020: 347,415,686), which had not yet been paid out as at 30 June 2020, was resolved for the 2019 financial year at the Annual General Meeting held on 16 June 2020. The dividend payment date for the 2019 financial year is 6 July 2020.

Purchase commitments

Purchase commitments for property, plant and equipment, intangible assets and other services	€m		
	30/6/2020	of which due in 2020	of which due 2021–2025
Total commitment	1,093.3	442.3	651.0

Contingent liabilities

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. VERBUND's subsidiary liability for the unpaid portion of the lease liabilities from cross-border leasing transactions amounted to €495.0m as at 30 June 2020 (31 December 2019: €519.4m). Of the rights of recourse against the primary debtors, a total of €277.5m (31 December 2019: €308.8m) was secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €291.9m (31 December 2019: €283.8m) was covered by off-balance sheet investments.

Pending court proceedings

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

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

Transactions with investees accounted for using the equity method

	Q1-2/2019	Q1-2/2020	Change
Income statement			
Electricity revenue	40.1	24.7	-38.4%
Grid revenue	18.9	16.8	-11.0%
Other revenue	0.3	-0.4	n. a.
Other operating income	0.7	2.4	n. a.
Expenses for electricity, grid, gas and certificates purchases	-12.7	-11.4	10.3%
Other operating expenses	-0.2	-0.2	10.4%
Interest income	0.7	0.7	-10.8%
Other financial result	0.9	0.9	-1.8%

Transactions with related parties**Transactions with investees accounted for using the equity method**

	31/12/2019	30/6/2020	Change
Balance sheet			
Investments and other non-current receivables	49.2	47.0	-4.4%
Trade receivables and other current receivables	31.8	32.3	1.3%
Contributions to building costs and grants	272.1	269.1	-1.1%
Trade payables and other current liabilities	6.3	1.7	-72.6%

Electricity revenue with equity-accounted investees was generated mainly with KELAG (€17.2m; Q1-2/2019: €31.6m) and with OeMAG (€7.3m; Q1-2/2019: €8.3m). The electricity revenue was offset by electricity purchases from KELAG in the amount of €10.9m (Q1-2/2019: €12.2m). Grid revenue was only realised with KELAG.

Electricity revenue with companies controlled or significantly influenced by the Republic of Austria amounted to a total of €32.5m (Q1-2/2019: €30.8m). Electricity was purchased by ÖBB, OMV and Telekom Austria. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €2.7m (Q1-2/2019: €1.3m). The electricity was supplied primarily by ÖBB. Gas trading contracts with OMV and gas deliveries on the part of OMV resulted in a total expense of €4.1m in other revenue and purchased gas, respectively (Q1-2/2019: €11.6m).

VERBUND's expenses for monitoring by E-Control amounted to €5.3m (Q1-2/2019: €5.0m).

Audit and/or review	These consolidated interim financial statements of VERBUND have been neither audited nor reviewed by an auditor.
Events after the reporting date	There were no events requiring disclosure between the reporting date of 30 June 2020 and authorisation for issue on 21 July 2020.

Vienna, 21 July 2020

The Executive Board



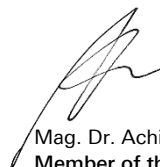
Dipl.-Ing. Wolfgang Anzengruber
Chairman of the Executive Board



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



Dr. Peter F. Kollmann
Member of the Executive Board



Mag. Dr. Achim Kaspar
Member of the Executive Board

Responsibility statement of the legal representatives

We confirm according to the best of our knowledge that the condensed consolidated interim financial statements of VERBUND as at 30 June 2020, prepared in accordance with the accounting standards for interim financial reports under International Financial Reporting Standards (IFRSs), give a true and fair view of the assets and liabilities, financial position and profit or loss of the Group as required under stock exchange regulations.

We also confirm that the interim Group management report of VERBUND gives a true and fair view of the assets and liabilities, financial position and profit or loss of the Group as required under stock exchange regulations with respect to the important events during the first six months of the financial year and their effects on the condensed consolidated interim financial statements as at 30 June 2020 as well as with respect to the principal risks and uncertainties in the remaining six months of the financial year and with respect to the related party transactions to be disclosed.

Vienna, 21 July 2020

The Executive Board



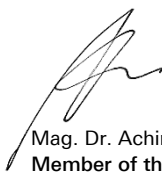
Dipl.-Ing. Wolfgang Anzengruber
Chairman of the Executive Board



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



Dr. Peter F. Kollmann
Member of the Executive Board



Mag. Dr. Achim Kaspar
Member of the Executive Board

EDITORIAL DETAILS

Published by: VERBUND AG
Am Hof 6a, 1010 Vienna, Austria

This **Interim Report** was produced in-house with firesys.

Charts and table concept:
Roman Griesfelder, aspektum gmbh

Creative concept and design:
Brains, Marken und Design GmbH
Consulting: Ute Greutter, Ukcom Finance

Translation and linguistic consulting:
ASI GmbH – Austria Sprachendienst International
Printing: VERBUND AG (in-house)

Contact: VERBUND AG
Am Hof 6a, 1010 Vienna, Austria
Phone: +43 (0)50 313-0
Fax: +43 (0)50 313-54191
Email: information@verbund.com
Homepage: www.verbund.com
Commercial register number: FN 76023z
Commercial register court:
Commercial Court of Vienna
VAT No.: ATU14703908
DPR No.: 0040771
Registered office: Vienna, Austria

Investor Relations:
Andreas Wollein
Phone: +43 (0)50 313-52604
Email: investor-relations@verbund.com

Group Communications:
Corinna Tinkler
Phone: +43 (0)50 313-53702
Email: media@verbund.com

Shareholder structure:

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

Legal and statutory limitations of voting rights:

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

Regulatory body/trade associations:

E-Control GmbH/E-Control Kommission
Wirtschaftskammer Österreich
Oesterreichs Energie

Object of the Group:

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

Executive Board:

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

Supervisory Board:

Thomas Schmid (Chairman), Martin Ohneberg (1st Vice-Chairman), Christine Catasta (2nd Vice-Chairwoman), Susan Hennersdorf, Barbara Praetorius, Jürgen Roth, Eckhardt Rümmler, Christa Schlager, Stefan Szyszkowitz, Peter Weinelt, Doris Dangl, Isabella Hönlinger, Kurt Christof, Wolfgang Liebscher, Veronika Neugeboren

Purpose of publication:

Information for customers, partners and the general public about the utilities sector and the Group.

Specific laws applicable:

Austrian Electricity and Organisation Act (Österreichisches Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) with associated regulations and implementation laws. The legal bases listed can be accessed via the legal information system of the Federal Chancellery of the Republic of Austria at www.ris.bka.gv.at.

