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

Interim report quarters 1-3/2020

Verbund
Power for the Future

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
- Segment report ... 19
- Events after the reporting date ... 26

Consolidated interim financial statements ... 27
- Income statement ... 27
- Statement of comprehensive income ... 28
- Balance sheet ... 29
- Statement of changes in equity ... 30
- Cash flow statement ... 32
- Selected explanatory notes ... 34

Responsibility statement of the legal representatives ... 55

At a glance

- Higher EBITDA and Group result despite negative impacts of COVID-19 and lower water supply (0.98) compared with quarters 1–3/2019 (1.02)
- Acquisition of 51% stake in Austrian gas transmission grid operator Gas Connect Austria GmbH – signing completed, closing expected in first half of 2021
- VERBUND shares trend upwards in quarters 1–3/2020 (4.3%) despite COVID-19, significantly outperforming the ATX (–33.8%) and outperforming the DJ STOXX Utilities (–2.9%)
- Earnings forecast for 2020 raised: EBITDA to reach between around €1,240m and €1,300m and the Group result to between around €570m and €610m based on expectations of average levels of own generation from hydropower and wind power in quarter 4/2020 as well as the opportunities and risks identified

KPIs

	Unit	Q1–3/2019	**Q1–3/2020**	Change
Revenue	€m	2,826.8	**2,522.7**	–10.8%
EBITDA	€m	946.1	**989.5**	4.6%
EBITDA adjusted	€m	946.1	**989.5**	4.6%
Operating result	€m	675.9	**692.9**	2.5%
Group result	€m	450.9	**477.7**	6.0%
Group result adjusted	€m	453.3	**468.3**	3.3%
Earnings per share	€	1.30	**1.38**	6.0%
EBIT margin	%	23.9	**27.5**	–
EBITDA margin	%	33.5	**39.2**	–
Cash flow from operating activities	€m	893.8	**852.3**	–4.6%
Additions to property, plant and equipment	€m	230.8	**362.1**	56.9%
Free cash flow before dividends	€m	629.9	**427.1**	–32.2%
Free cash flow after dividends	€m	451.8	**135.8**	–70.0%
Average number of employees		2,762	**2,858**	3.5%
Electricity sales volume	GWh	47,562	**47,344**	–0.5%
Hydro coefficient		1.02	**0.98**	–
Wind supply		0.99	**1.02**	

	Unit	31/12/2019	**30/9/2020**	Change
Total assets	€m	11,838.6	**11,789.5**	–0.4%
Equity	€m	6,568.0	**6,788.5**	3.4%
Equity ratio (adjusted)	%	57.7	**59.8**	–
Net debt	€m	2,256.1	**2,016.5**	–10.6%
Gearing	%	34.4	**29.7**	–

Report of the Executive Board

Dear Shareholders,

The energy market environment, which is vitally important for our business, has improved again following the deterioration caused by COVID-19 in quarters 1–2/2020. As a result, wholesale electricity prices and coal and natural gas prices are now exhibiting a more stable trend. The strong commitment of the EU member states to achieving decarbonisation of the energy system as quickly as possible is supporting the price of CO_2 emission rights. This environment has enabled VERBUND to present a good result for the first three quarters of 2020, despite the fall in demand for electricity in Austria. VERBUND has also been able to continue with its original investment projects in this setting, as planned. Even though there were brief interruptions to construction and maintenance work in quarter 2/2020, VERBUND's investment timetable is now being implemented and accelerated on schedule. Although we are still in crisis mode, operations are running at full capacity – and in compliance with the relevant safety measures.

An extremely important strategic milestone for us was the agreement between VERBUND and OMV on the acquisition of a 51% stake in the Austrian gas transmission grid operator Gas Connect Austria GmbH. Contracts were signed on 23 September 2020 and closing is expected to take place in the first half of 2021, subject to regulatory approvals. The agreed purchase price for OMV's 51% stake in Gas Connect Austria GmbH is €271m. VERBUND will also assume any liabilities of Gas Connect Austria GmbH to OMV that are outstanding at the closing date in 2021. The purchase price implies an enterprise value of €980m for Gas Connect Austria GmbH (for 100% of the debt-free company). With respect to financial year 2020, VERBUND does not expect any impact on the 2020 annual results. The acquisition of the stake in Gas Connect Austria GmbH will not only sharpen VERBUND's business profile as owner and operator of critical infrastructure but, due to the increased proportion of stable and regulated income and a positive trend in the KPIs, it will in particular put VERBUND in an ideal position for sector coupling with the potential for a future hydrogen economy. Gas plays a major role as a bridge technology to a renewable energy system. The highly sophisticated transport infrastructure of Gas Connect Austria GmbH can be combined with VERBUND's renewable generation portfolio to make an important and valuable contribution to the achievement of climate targets.

With its climate-friendly investments VERBUND also brings vital economic impetus to Austria and to the implementation of Austria's Climate and Energy Strategy. In line with our strategy, we are working on a large number of new renewable energy projects. An important basis for this is the 2020 Renewable Energy Development Act (Erneuerbaren-Ausbau-Gesetz (EAG) 2020), which is currently in the evaluation phase and is expected to come into force at the beginning of 2021. The EAG is intended to create the necessary framework for Austria to be able to cover 100% of its total energy consumption (national balance) from national green electricity by 2030. Currently, the share of renewables is over 70%. However, the EAG also addresses the issue of green hydrogen, which is growing in importance for VERBUND now that it has taken a stake in Gas Connect Austria.

Project highlights in quarter 3/2020 included the ceremonial commissioning of VERBUND's first open-field solar installation at the Feistritz-Ludmannsdorf power plant on the Drau River. This solar pilot plant, which stands on an area of 2.5 hectares, is equipped with special sensor technology that feeds solar power directly into the Austrian transmission grid, with a peak capacity of 1.3 MW. Another open-field solar installation with a capacity of 11.4 MWp, which is being built in cooperation with OMV at the Schönkirchen site on an area of 13.3 hectares, is in the first construction phase. In the final expansion phase the plant will have a total capacity of 14.85 MWp, generating 14.25 GWh. This corresponds to the total annual power consumption of 4,400 households and total savings of 10,400 tonnes of CO_2 per year. In addition, a large-scale battery storage system (Blue Battery) was integrated into the existing Wallsee-Mitterkirchen power plant on the Danube with the aim of being able to provide the grid operator with a Frequency Containment Reserve (FCR). With an output of 8 MW and a storage capacity of 14,200 kWh, Austria's largest battery storage unit by far to date is operated at this location. The Blue Battery can create an FCR, if required, which is available in a matter of seconds and thus makes an important contribution to maintaining security of supply in Austria.

The results posted by VERBUND for quarters 1–3/2020 improved in spite of negative impacts caused by COVID-19 and a lower water supply than in the previous year. EBITDA increased by 4.6% to €989.5m. The Group result rose by 6.0% to €477.7m compared with the same period of the previous year. The water supply was at a lower level in quarters 1–3/2020. The hydro coefficient for the run-of-river hydropower plants came to 0.98, which is 2 percentage points below the long-term average and 4 percentage points below the year-ago figure. In contrast, generation from our annual storage power plants increased substantially in quarters 1–3/2020. Overall, generation from hydropower was therefore at the previous year's level. Earnings benefitted from the rise in wholesale electricity prices on the futures markets during the relevant hedging period. Prices on the spot markets, on the other hand, declined significantly in quarters 1–3/2020, due in particular to the effects of the COVID-19 crisis. In summary, the EBITDA contributions from the Hydro and Sales segments increased, while the contributions from the New renewables, Grid and All other segments decreased. The development of the financial result was very encouraging as a result of a significant reduction in interest expenses due in particular to high repayments of principal in financial year 2019. A number of non-recurring effects were also recognised in quarters 1–3/2020. These related mainly to impairment losses on power plants attributable 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 €468.3m, corresponding to an increase of 3.3% on the prior-year figure.

Based on expectations of average levels of own generation from hydropower and wind power in quarter 4/2020 and the opportunities and risks identified, we currently expect EBITDA of between around €1,240m and €1,300m and a Group result of between around €570m and €610m in financial year 2020. The planned payout ratio for 2020 is between 40% and 50% of the Group result of between around €560m and €600m, after adjustment for non-recurring effects.

VERBUND's business model is therefore demonstrating its value once again in an environment dominated by COVID-19. VERBUND is proving to be a stable partner in times of crisis, both in terms of its earnings figures and its business operations – a partner which guarantees the power supply in Austria and which, in spite of the COVID-19 pandemic, is adhering to and even accelerating its investment programme.

Dipl.-Ing. Wolfgang Anzengruber   Mag. Dr. Michael Strugl   Dr. Peter F. Kollmann   Mag. Dr. Achim Kaspar

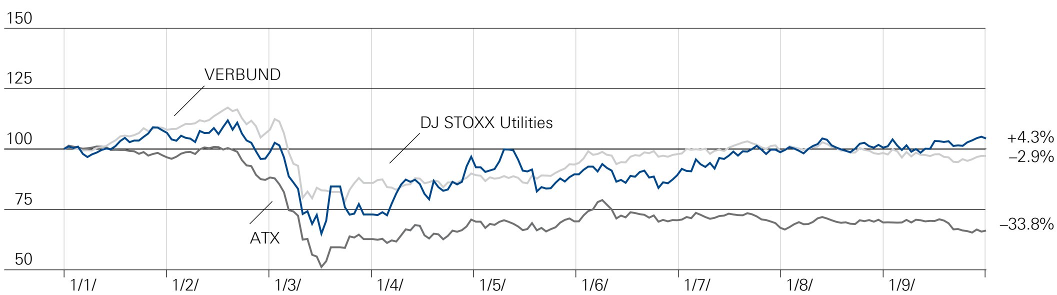
Investor relations

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 caused global stocks to plunge, 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. The considerable volatility of the first half of 2020 continued in quarter 3/2020, however. In many regions, COVID-19 case numbers reached new highs after the summer and a number of countries already have severe (at least regional) restrictions in place again. It is therefore all the more astonishing that some new all-time highs were recorded on the stock markets in the United States over the summer, amid one of the worst crises the real economy has seen since World War II. In contrast to the USA, however, the markets in Europe were very far from record highs in quarter 3/2020. In addition, political risks worldwide are on the rise again – due, among other things, to the renewed intensification of the US-China trade dispute. Some experts are also seeing signs of overheating or an overbought market.

The US benchmark index Dow Jones Industrial ended quarters 1–3/2020 with a slight loss of 2.7% overall. By contrast, the Euro Stoxx 50 posted higher losses compared with the first half of the year and closed down 14.7% on year-end 2019. The Japanese benchmark index Nikkei 225 ended the quarter with a loss of 2.0%, as compared with 31 December 2019. The price decline in the MSCI Emerging Markets Index amounted to 2.9% as at the 30 September 2020 reporting date.

VERBUND share price: relative performance 2020



The performance of VERBUND shares in quarters 1–3/2020 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 the beginning of May, followed by a correction and a volatile sideways movement until the end of June. In quarter 3/2020, the shares then recorded a significant price increase. Closing at €46.7 on 30 September 2020, VERBUND's shares were up 4.3% in quarters 1–3/2020 compared with year-end 2019. This meant that the Group's shares significantly outperformed the Austrian ATX (–33.8%) and also outperformed the DJ STOXX Utilities sector index (–2.9%).

Upcoming dates:
2020 annual results:
17 March 2021

KPIs – shares

	Unit	Q1–3/2019	**Q1–3/2020**	Change
Share price high	€	55.3	50.1	–9.4%
Share price low	€	38.0	29.0	–23.7%
Closing price	€	50.2	46.7	–7.0%
Performance	%	34.8	4.3	–
Market capitalisation	€m	17,440.3	16,217.4	–7.0%
ATX weighting	%	7.4	9.4	–
Value of shares traded	€m	3,385.6	3,341.3	–1.3%
Shares traded per day	Shares	388,987	422,323	8.6%

Interim Group management report

Business performance

Electricity supply and sales volume

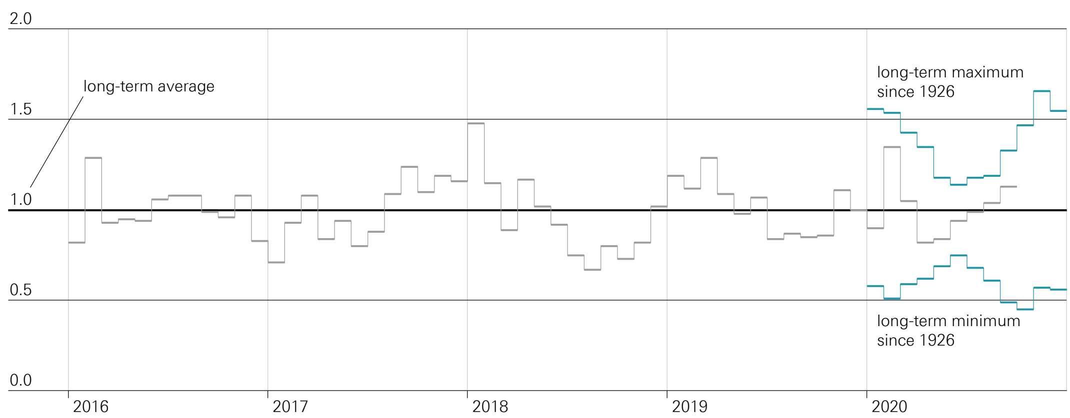
Group electricity supply GWh

	Q1–3/2019	Q1–3/2020	Change
Hydropower[1]	24,265	24,268	0.0%
Wind power	662	680	2.6%
Solar power	–	0.3	–
Thermal power	1,069	808	–24.4%
Own generation	25,996	**25,756**	–0.9%
Electricity purchased for trading and sales	21,342	22,501	5.4%
Electricity purchased for grid loss and control power volumes	3,118	2,346	–24.8%
Electricity supply	50,457	**50,603**	0.3%

[1] incl. purchase rights

VERBUND's own generation decreased by 240 GWh, or 0.9%, to 25,756 GWh in quarters 1–3/2020 compared with the same period of 2019. Generation from hydropower remained almost unchanged compared with the prior-year reporting period. The hydro coefficient for the run-of-river power plants dropped to 0.98, or 2 percentage points below the long-term average and 4 percentage points below the comparative prior-year figure. By contrast, generation from annual storage power plants rose substantially (+16.9%) in quarters 1–3/2020 due to increased lowering of water levels and increased turbining, in spite of the lower water supply.

Hydro coefficient (monthly averages)



The volume of electricity generated by VERBUND's wind power installations in quarters 1–3/2020 was 17 GWh higher than the comparative prior-year figure, with increased volumes in Germany and Romania and reduced volumes in Austria.

Generation from thermal power plants decreased by 261 GWh in quarters 1–3/2020. The Mellach combined cycle gas turbine power plant produced 274 GWh less electricity in the reporting period due to reduced use for congestion management compared with the prior year. By contrast, the Mellach district heating plant, which after the last heating period at the end of quarter 1/2020 was used solely in gas operation for congestion management, showed a 14 GWh increase in generation in quarters 1–3/2020. Electricity purchased from third parties for trading and sales increased by 1,158 GWh in quarters 1–3/2020. Electricity purchased from third parties for grid loss and control power volumes decreased by 772 GWh in the reporting period.

Group electricity sales volume and own use GWh

	Q1–3/2019	**Q1–3/2020**	Change
Consumers	10,819	10,146	–6.2%
Resellers	21,373	21,886	2.4%
Traders	15,370	15,312	–0.4%
Electricity sales volume	47,562	**47,344**	–0.5%
Own use	2,202	2,593	17.7%
Control power	693	667	–3.8%
Electricity sales volume and own use	50,457	**50,603**	0.3%

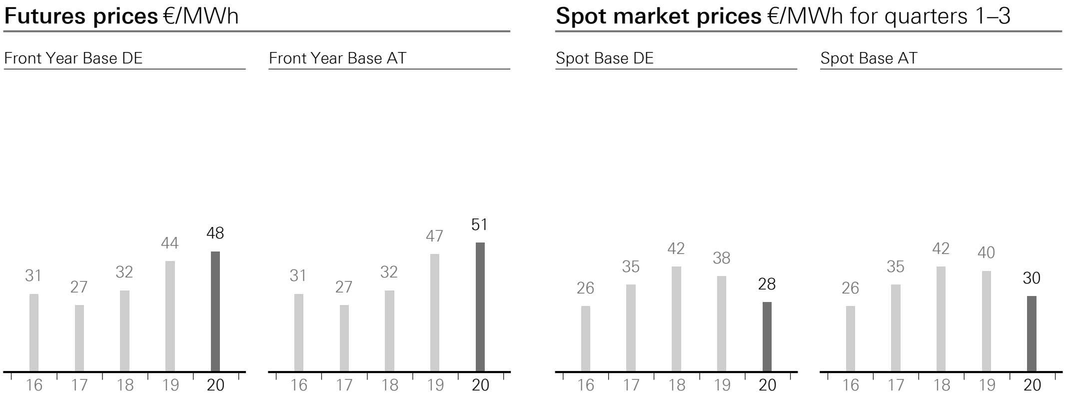
VERBUND's electricity sales volume decreased by 218 GWh, or 0.5%, in quarters 1–3/2020. This decline is mainly attributable to lower sales to consumers (–673 GWh). As at 30 September 2020, our residential customer base comprised approximately 521,000 electricity and gas customers. The increase of 513 GWh in sales to resellers is attributable to higher delivery volumes to international customers. Own use of electricity rose by 391 GWh in quarters 1–3/2020. This increase is attributable above all to increased operation of the Group's power plants in turbining mode.

Electricity sales by country GWh

	Q1–3/2019	**Q1–3/2020**	Change
Austria	26,714	26,233	–1.8%
Germany	17,830	17,357	–2.6%
France	2,385	3,090	29.6%
Others	633	664	4.8%
Electricity sales volume	47,562	**47,344**	–0.5%

Approximately 55% of the electricity sold by VERBUND in quarters 1–3/2020 went to the Austrian market. The German market, which accounted for around 82% of all volumes sold abroad in the first three quarters of financial year 2020, was VERBUND's largest foreign market for its international trading and sales activities.

Electricity prices



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. Futures market prices in this area thus also increased year-on-year by 9.3% (AT) and 6.9% (DE), respectively. These price increases on the futures market were triggered by the sharp rise in the market price of CO_2 emission rights.

The COVID-19 pandemic pushed down wholesale trading prices for electricity on both the Austrian and German spot markets in quarters 1–3/2020 to well below the prior-year level. Prices for base load electricity decreased by an average of 25.0% to €30.1/MWh in Austria and by 27.2% to €27.7/MWh in Germany. Prices for peak load fell by 22.4% to €35.4/MWh in Austria and by 24.4% to €33.1/MWh in Germany.

Financial performance

Results €m

	Q1–3/2019	Q1–3/2020	Change
Revenue	2,826.8	2,522.7	–10.8%
EBITDA	946.1	989.5	4.6%
Operating result	675.9	692.9	2.5%
Group result	450.9	477.7	6.0%
Earnings per share in €	1.30	1.38	6.0%

Electricity revenue

VERBUND's electricity revenue decreased by €252.2m to €2,064.3m in quarters 1–3/2020. This decrease is attributable to the decline in electricity sales volumes (–0.5% or –218 GWh) and to the lower spot market prices for electricity resulting from the negative effects of the COVID-19 crisis. Conversely, the rise in wholesale electricity prices on the futures markets for financial year 2020 had a positive effect on revenue. The measurement of electricity derivatives in accordance with IFRS 9 also had a material adverse effect.

Grid revenue

Grid revenue decreased by €55.1m to €357.7m in quarters 1–3/2020 compared with the prior-year period. This decline is largely attributable to lower domestic grid revenue as a result of tariff reductions compared with 2019 and volume reductions due to COVID-19. Another major factor in this decline is lower proceeds from international auctions for cross-border capacity, owing to reduced demand for energy.

Other revenue and other operating income

Other revenue rose by €3.2m to €100.7m due, among other things, to higher district heating revenue. Other operating income rose by €7.6m to €54.4m. This increase mainly stems from an increase in own work capitalised.

Expenses for electricity, grid, gas and certificates purchases

Expenses for electricity, grid, gas and certificates purchases decreased by €357.0m to €1,099.8m. A total of 386 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 €344.7m compared with quarters 1–3/2019. Expenses for grid purchases fell by €0.2m and expenses for gas purchases by €9.8m.

Fuel expenses

Fuel and other usage-/revenue-dependent expenses decreased by €15.8m to €59.2m. The decline in gas consumption due to the reduced use of the Mellach combined cycle gas turbine power plant for congestion management (for details please refer to the section entitled Electricity supply and sales volumes) and a simultaneous drop in the price of gas were the main causes of this decrease. Coal expenses increased slightly as a result of the increased use of the Mellach district heating plant in quarter 1/2020. The lower fuel expenses were also due to lower expenses for emission rights attributable to the overall decrease in generation.

Personnel expenses

Personnel expenses increased by €10.5m 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 €22.5m to €174.1m. The increase is 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 increased by 4.6% to €989.5m.

Depreciation and amortisation

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €12.5m to €282.0m. This increase is mainly attributable to accelerated depreciation being charged on the Braunau and Schärding power plants based on their gradual rehabilitation.

Impairment losses

The impairment losses in quarters 1–3/2020 amounting to €14.6m (Q1–3/2019: €0.7m) 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 as at 30 June 2020. 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 decreased by €3.8m to €32.5m. This line item essentially contains the earnings contributions from KELAG in the amount of €33.7m (Q1–3/2019: €34.1m).

Interest income and expenses

Interest income decreased by €0.6m to €24.1m compared with quarters 1–3/2019. Interest expenses fell by €24.8m to €62.1m. This is due in particular to the decrease in interest payments on bonds as a result of high repayments of principal in financial years 2019 and 2020.

Other financial result

The other financial result improved by €10.7m to €21.1m in quarters 1–3/2020. This increase was mainly due to the measurement of an obligation to return an interest (€+28.5m) 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 (€–18.9m).

Group result

After taking account of an effective tax rate of 22.8% and non-controlling interests in the amount of €69.9m, the Group result amounted to €477.7m. This represents an increase of 6.0% compared with the previous year. Earnings per share amounted to €1.38 (Q1–3/2019: €0.97) for 347,415,686 shares. The Group result after adjustment for non-recurring effects was €468.3m, corresponding to an increase of 3.3% on the prior-year period.

Financial position

Consolidated balance sheet (condensed) €m

	31/12/2019	Share	**30/9/2020**	**Share**	Change
Non-current assets	11,061.9	93%	11,149.0	95%	0.8%
Current assets	776.7	7%	640.5	5%	–17.5%
Total assets	11,838.6	100%	**11,789.5**	**100%**	–0.4%
Equity	6,568.0	55%	6,788.5	58%	3.4%
Non-current liabilities	4,107.4	35%	3,982.3	34%	–3.0%
Current liabilities	1,163.2	10%	1,018.7	9%	–12.4%
Equity and liabilities	11,838.6	100%	**11,789.5**	**100%**	–0.4%

Assets

VERBUND's non-current assets increased slightly compared with 31 December 2019. Under property, plant and equipment, additions of €362.1m were offset by depreciation of €249.1m. 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 resulted mainly from 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 generated for quarters 1–3/2020, which is offset by the dividend payment by VERBUND AG that reduces equity. In addition to the scheduled repayments on a bond, the reduction in non-current and current liabilities was mainly due to lower liabilities for outstanding receipts for investments, a lower obligation to return an interest and lower provisions for employee benefits relating to pensions and termination benefits, as well as lower negative fair values of derivative hedging transactions in the electricity business. Higher provisions for taxes on income and short-term borrowings had a counteracting effect.

Cash flows

Cash flow statement (condensed)

€m	Q1–3/2019	Q1–3/2020	Change
Cash flow from operating activities	893.8	852.3	–4.6%
Cash flow from investing activities	–172.2	–422.9	–
Cash flow from financing activities	–742.9	–422.3	–
Change in cash and cash equivalents	–21.4	7.1	–
Cash and cash equivalents as at 30/9/	18.0	**51.7**	–

Cash flow from operating activities

Cash flow from operating activities amounted to €852.3m in quarters 1–3/2020, down €41.5m 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. Higher revenue from the generation of electricity from hydropower plants had a counteracting effect.

Cash flow from investing activities

Cash flow from investing activities amounted to €–422.9m in quarters 1–3/2020 (Q1–3/2019: €–172.2m). The change compared with quarters 1–3/2019 was mainly due to a higher cash outflow from capital expenditure for intangible assets and property, plant and equipment (€–158.4m) and a lower net cash inflow in connection with investments (€–89.4m).

Cash flow from financing activities

Cash flow from financing activities amounted to €–422.3m in quarters 1–3/2020, a difference of €+320.6m. This change is mainly due to the lower cash outflow from the repayment of financial liabilities (€+487.0m). The higher cash outflow for dividends (€–113.3m) and a lower cash inflow from money market transactions (€–44.4m) had a counteracting effect.

Opportunity and risk management

Operating result

Fluctuations in the operating result may be caused primarily by fluctuations in the water supply because hydrological conditions cannot be controlled, and by the volatility of electricity prices. In terms of the transmission grid, potential revenue fluctuations may arise due to increased or reduced marketing of control power and congestion management, and due to regulatory effects. Furthermore, changes in the operating environment and ongoing judicial proceedings may lead to measurement-related adjustments of VERBUND's assets or to changes in provisions.

COVID-19 impacts and containment measures

Maintaining a secure supply of electricity in Austria – with respect to both production and transmission – continues to be VERBUND's overriding objective. To this end, elaborated emergency response strategies and contingency plans ensure unrestricted operations in an emergency situation. Due to the recent rise in the rate of infection in Austria, VERBUND employees continue to work from home to a large extent (where possible). Appropriate site protection plans and hygiene measures also ensure protection of employees working on site.

Within the Group, VERBUND continuously identifies and assesses the effects of and risks posed by the COVID-19 crisis (both short-term and long-term). The reduction in electricity consumption caused by the COVID-19 crisis could also be seen in the transmission grid in recent months, based on declines in revenue from grid usage fees. Short-term electricity prices, which fell at the beginning of the crisis, have largely recovered and stabilised again over the last few months.

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, a change in the factors shown below would be reflected in a projected Group result for full-year 2020 as follows (based on the hedging status as at 30 September 2020 for generation volumes and interest rates):

- +/–1% in generation from hydropower plants: €+/–1.5m
- +/–1% in generation from wind power: €+/–0.2m
- +/–1€/MWh in wholesale electricity prices (renewable generation): €+/–0.7m
- +/–1 percentage point in interest rates: €+/–0.6m

Segment report

Hydro segment

Generation from hydropower is reported under the Hydro segment.

KPIs – Hydro segment

	Unit	Q1–3/2019	Q1–3/2020	Change
Total revenue	€m	881.0	952.7	8.1%
EBITDA	€m	656.1	714.7	8.9%
Result from interests accounted for using the equity method	€m	3.5	0.5	–
Capital employed	€m	6,073.7	6,084.5	0.2%

The increase in total revenue and the higher EBITDA, with unchanged output, are mainly due to the higher average prices obtained for electricity compared with the previous year. The hydro coefficient for the run-of-river power plants was 0.98, compared with 1.02 in the previous year. In contrast, generation from our annual storage power plants increased substantially in quarters 1–3/2020. The result from interests accounted for using the equity method was largely made up of the earnings contribution from Ashta Beteiligungsverwaltung GmbH.

The main changes in capital employed were the result of higher current receivables and a decline in property, plant and equipment.

Current information on the Hydro segment

Current hydropower projects

Work on current new build, expansion and rehabilitation projects continued in quarter 3/2020 in compliance with the health and safety precautions in place due to the COVID-19 pandemic.

In the Tuxbach expansion project, the tunnel was commissioned after being approved by the authorities on 1 August 2020, and the small-scale hydropower plant at the Stillup site was completed. As the calibration of the measuring system at the Tux weir is not yet complete and the measurement is therefore inaccurate, the current intake volume is restricted to approx. 60–70%. This means that the officially stipulated residual water flow is ensured at all times. The public was informed about the progress being made in this project at a press conference on 25 September 2020.

In the new construction project in Töging, the concrete construction work on the Töging power plant site was completed up to the draft tube level in quarter 3/2020. Installation of the draft tubes is planned from the end of October 2020. At the Jettenbach weir site, concrete construction work was completed for weir fields 3 and 4, apart from the control buildings. The intervening delays due to the effects of the COVID-19 crisis have largely been made up for, however.

In the Ybbs rehabilitation project, generator set 2 was commissioned on 1 July 2020 after extensive testing. In the Kaprun (upper station) rehabilitation project, dismantling of generator set 2 began on 17 August 2020, around two months later than planned owing to the COVID-19 pandemic. Assembly of the main components had already started at the end of September.

In the Malta (upper station) rehabilitation project, on-site preparations were made in quarter 3/2020 to allow reinstallation to commence in October. In the Ottensheim-Wilhering rehabilitation project, production and quality control of the turbine blades were completed. The impeller blades were produced in Italy and the delays caused by the intervening plant shutdown due to COVID-19 have since been made up for. Renovations of the first generator set (M5) also commenced in October 2020.

With regard to creating fish passability, the Annabrücke fish pass was put into operation in September 2020 and construction work on the Ferlach fish pass also got underway in quarter 3/2020.

New renewables segment

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

KPIs – New renewables segment

	Unit	Q1–3/2019	**Q1–3/2020**	Change
Total revenue	€m	85.4	**78.5**	–8.1%
EBITDA	€m	48.2	**42.8**	–11.2%
Result from interests accounted for using the equity method	€m	0.1	**0.0**	–
Capital employed	€m	414.6	**401.1**	–3.3%

The decrease in total revenue is mainly attributable to a decline in sales volumes in Romania. The change in EBITDA is primarily due to the now stronger focus on the expansion of renewable wind and solar energy, which initially leads to higher expenses. The wind supply amounted to 1.02, compared with 0.99 in the previous year.

The decline in capital employed is due in particular to lower current receivables.

Current projects in the New renewables segment

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 3/2020. Trial operation began in mid-August 2020 and was completed on schedule in mid-September. Final acceptance of the plant is scheduled for mid-October 2020.

In addition to the current construction projects, which also include plants in the Sales segment for VERBUND customers, additional spaces were secured in Austria in quarter 3/2020.

In terms of project development and asset acquisition, work is continuing on the implementation of the extensive wind power and solar power project pipeline in and outside Austria. At the beginning of August 2020, a project development partnership in the wind sector was concluded in West Germany with EFI/Felix Nova GmbH. This partnership will focus on the development of twelve wind farms with a potential output of up to 180 MW.

Sales segment

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

KPIs – Sales segment

	Unit	Q1–3/2019	Q1–3/2020	Change
Total revenue	€m	2,304.2	2,012.3	–12.7%
EBITDA	€m	45.7	56.7	23.9%
Result from interests accounted for using the equity method	€m	–1.4	–1.7	–
Capital employed	€m	178.2	168.3	–5.6%

The change in total revenue is mainly attributable to the result from the measurement of energy derivatives, which led to lower electricity revenue and correspondingly low electricity purchases in quarters 1–3/2020, while electricity revenue and electricity purchases had increased in quarters 1–3/2019. The improvement in EBITDA is due, among other things, to higher transfer price margins in quarters 1–3/2020 as well as revisions of the charging of electricity deliveries and the absence of negative measurement effects from the previous year.

Capital employed was down by €9.9m year-on-year. This change is mainly due to lower current receivables, which were only partly offset by lower non-interest-bearing debt.

Current information on B2B activities

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 as part of the organisational restructuring of the Sales segment. 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.

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 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 EU-sponsored H2Future research project, one of the world's largest operational proton exchange membrane (PEM) electrolysers (with a 6 MW output) successfully completed the first phase of its demo operation at the end of September 2020, in spite of the restrictions imposed by the COVID-19 pandemic. It was also pre-qualified for the control power market. The second part of the demo phase, quasi-commercial operation, is scheduled to begin soon.

VERBUND is also planning cross-sectoral cooperation with industrial companies in Austria with the objective of creating a new kind of value chain based on green hydrogen and CO_2 from cement production. A project has been set up for this and an initial feasibility analysis and a rough implementation plan have been prepared based on the technical design concept.

In the EU-funded SYNERG-E industrial-scale battery project, an additional battery storage system was installed at the Kaltenkirchen site in Germany in quarter 3/2020. This system is to be commissioned by the end of 2020. Since September 2020, the batteries at the three Austrian sites – in addition to being used to cap peak loads at ultra-E fast charging stations – have also been used in the marketing of control power. Two further SYNERG-E sites in Austria are currently under construction and are to be put into operation in quarter 4/2020.

VERBUND also 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 generated. Large-scale projects are also being realised in partnership with other companies, including OMV in Schönkirchen.

Construction of the largest open-field solar installation in Austria began in July 2020 in Schönkirchen in cooperation with OMV. The expansion will be carried out in two construction phases. In the first construction phase, 11.4 MWp of capacity will be installed. Completion is planned for the end of November 2020. In the second construction phase in 2021, the photovoltaic installation will be expanded by 3.45 MWp.

At the end of September 2020, a rooftop solar installation in Unterwaltersdorf was completed, ready for operation, with an installed capacity of 165 kWp. Trial operation followed by final acceptance of the installation is scheduled to be completed by the end of October 2020. Construction of another rooftop solar installation in Ort im Innkreis also commenced. The planned installed capacity of this plant is 398 kWp.

The market position of SMATRICS as a leading e-mobility supplier with a focus on high power charging (HPC) was also further consolidated in quarter 3/2020. The SMATRICS mobility+ joint venture founded by SMATRICS GMBH & Co KG (VERBUND stake 40%) and EnBW (Energie Baden-Württemberg) commenced operations on 2 September 2020. The existing number of over 250 fast-charging stations in the SMATRICS charging network is to be increased by a further 20 stations before the end of this financial year and by at least 80 HPC charging points in the coming year along motorways and in city-centre locations. The parent company SMATRICS GmbH & Co KG designs, installs and operates the network of charging stations as a technical service provider for the joint venture. In terms of B2B, the SMATRICS product portfolio was expanded to include a standardised charging solution for property managers. New customers from the FMCG, automotive and energy sectors were acquired in Germany and Austria.

Current information on B2C activities

Gross acquisitions fell by around 11% in quarters 1–3/2020 compared with same period of 2019, due in particular to the COVID-19 pandemic. Quarter 3/2020 was an improvement on quarter 3/2019 in terms of acquisitions; a catch-up effect was achieved compared with quarter 2/2020, due to various marketing measures and collaborations. As a result, the customer base increased to a total of 521,000 customers.

Grid segment

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

KPIs – Grid segment

	Unit	Q1–3/2019	Q1–3/2020	Change
Total revenue	€m	593.3	519.0	–12.5%
EBITDA	€m	170.2	167.8	–1.4%
Result from interests accounted for using the equity method	€m	0.1	0.0	–
Capital employed	€m	1,418.6	1,571.9	10.8%

Total revenue declined, due in particular to lower revenue from grid usage fees as well as lower revenue from congestion management and from auctioning off cross-border capacity.

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

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 3/2020 to manage congestion both within and outside the APG grid.

Tariff regulation

On 7 August 2020, APG received a copy of E-Control's preliminary findings on the 2020 cost calculation process which had been ongoing since March of this year. APG submitted a commentary in this regard in a timely manner at the start of September 2020. The final tariff notice is expected at the start of quarter 4/2020.

380-kV Salzburg line

The installation of the 380-kV Salzburg line commenced in all six line construction lots and is progressing on schedule. Preparations for construction and work to set up the construction sites for the substations are underway. Commissioning of the Salzburg line is planned for early summer 2025.

380-kV Weinviertel line

Since its implementation began in the second half of 2019, the 380-kV Weinviertel line project has been progressing on schedule. The line construction work is underway and the Zaya substation is already at an advanced stage of construction (GIS hall, control building and transformer foundations). Commissioning of the Weinviertel line is scheduled for summer 2022.

380-kV Germany line

Due to delays in preparation and the approval procedure on the German side, commissioning of the 380-kV Germany line has been postponed until 2024 according to current planning. APG has already started initial construction work.

Central Upper Austria

The submission plans are currently being finalised and the environmental impact statement is being drafted. The environmental impact assessment process is scheduled for autumn 2021.

Reschenpass project

Preparations for construction for the Reschenpass project commenced with the erection of the pylons at the construction site for the Nauders substation. Further construction preparations will continue over winter 2020/2021. The actual construction work will begin in spring 2021.

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	Q1–3/2019	**Q1–3/2020**	Change
Total revenue	€m	161.7	**139.1**	–14.0%
EBITDA	€m	46.3	**31.3**	–32.4%
Result from interests accounted for using the equity method	€m	34.1	**33.7**	–1.3%
Capital employed	€m	523.6	**497.9**	–4.9%

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

The decline in capital employed is chiefly attributable to lower hard coal stocks and a smaller portfolio of emission rights, while the 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 3/2020, the Mellach combined cycle gas turbine power plant and the Mellach district heating plant in gas operation were operated for the sole purpose of guaranteeing security of supply in connection with congestion management.

The objective is to expand the Mellach/Werndorf site into a technology and innovation centre or a "power plant of the future". During the evaluation phase, investment applications will be prepared and cooperation agreements and implementation instruments will be developed with partners. The findings from current R&D projects will then be incorporated and funding from other R&D programmes will be actively sought (COMET programme, H2 strategy, real-world laboratories, sandboxes).

Services segment activities impacted by COVID-19

VERBUND Services GmbH was significantly impacted by the COVID-19 crisis in quarters 1–3/2020. This company bears a substantial co-responsibility for crisis management within the Group and for the operation of critical infrastructure. Resilience in the supply of services during the crisis called for a high level of employee commitment in recent months and was based on the availability of the necessary core skills, information technologies and the experience gained from many years of close cooperation with the Group.

Particularly in the area of digitalisation, projects such as the expansion of the digital signature and holding virtual conferences using webinar platforms were implemented quickly and efficiently. Furthermore, VERBUND's 73rd Annual General Meeting was also successfully held as a virtual general meeting for the first time on 16 June 2020, due to the COVID-19 crisis. All of these issues had to be addressed within VERBUND's strict safety guidelines and in accordance with the COVID-19 regulations prescribed by law.

A future-proof site and occupancy concept was also drafted for Vienna. The objectives of this were to apply the principles of VERBUND's mission statement and corporate philosophy, to optimise costs per workplace and promote synergies and to create more favourable conditions for teleworking.

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

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 €33.7m in quarters 1–3/2020 (Q1–3/2019: €34.1m). The lockdown in March 2020 resulted in significantly lower volumes for business customers and electricity consumption in Kärnten Netz. Since the relaxation of the lockdown measures in May, however, a gradual recovery of sales volumes has been evident.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 30 September 2020 and authorisation for issue on 22 October 2020.

Consolidated interim financial statements

of VERBUND

Income statement

€m

In accordance with IFRSs	Notes	Q1–3/2019[1]	Q1–3/2020	Q3/2019[1]	Q3/2020
Revenue		2,826.8	**2,522.7**	830.5	**808.7**
Electricity revenue	1	2,316.6	2,064.3	685.2	680.7
Grid revenue	1	412.7	357.7	124.3	106.8
Other revenue	1	97.5	100.7	21.1	21.2
Other operating income		46.8	54.4	19.3	18.8
Expenses for electricity, grid, gas and certificates purchases	2	–1,456.8	–1,099.8	–429.9	–323.9
Fuel expenses and other usage-/ revenue-dependent expenses	3	–75.0	–59.2	–29.4	–11.5
Personnel expenses	4	–244.1	–254.6	–74.2	–77.9
Other operating expenses		–151.5	–174.1	–56.2	–63.7
EBITDA		946.1	**989.5**	260.2	**350.4**
Depreciation and amortisation	5	–269.5	–282.0	–89.7	–92.7
Impairment losses[2]	6	–0.7	–14.6	–0.4	0.0
Operating result		675.9	**692.9**	170.1	**257.7**
Result from interests accounted for using the equity method	7	36.4	32.5	11.0	7.3
Other result from equity interests		2.4	2.0	–0.1	0.5
Interest income	8	24.7	24.1	8.0	8.1
Interest expenses	9	–86.9	–62.1	–24.5	–19.5
Other financial result	10	10.4	21.1	3.8	1.0
Impairment losses		0.0	–0.8	0.0	0.0
Financial result		–13.0	**16.8**	–1.6	**–2.5**
Profit before tax		662.9	**709.7**	168.5	**255.2**
Taxes on income		–145.5	–162.1	–36.3	–60.5
Profit for the period		517.4	**547.6**	132.2	**194.7**
Attributable to the shareholders of VERBUND AG (Group result)		450.9	477.7	112.7	167.3
Attributable to non-controlling interests		66.5	69.9	19.5	27.4
Earnings per share in €[3]		1.30	**1.38**	0.32	**0.48**

[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	Q1–3/2019	**Q1–3/2020**	Q3/2019	**Q3/2020**
Profit for the period		517.4	**547.6**	132.2	**194.7**
Remeasurements of net defined benefit liability	11	–87.6	41.1	0.4	0.2
Measurements of financial instruments		0.0	0.0	0.0	0.0
Other comprehensive income from interests accounted for using the equity method		–14.0	–9.1	–9.1	–3.5
Total of items that will not be reclassified subsequently to the income statement		–101.5	**32.0**	–8.7	**–3.3**
Differences from currency translation		–2.9	–3.4	–0.5	–1.0
Measurements of cash flow hedges		247.2	–70.8	33.6	–34.4
Other comprehensive income from interests accounted for using the equity method		–0.4	–0.7	–0.4	0.1
Total of items that will be reclassified subsequently to the income statement		243.9	**–74.9**	32.7	**–35.3**
Other comprehensive income before tax		142.4	**–42.9**	24.0	**–38.6**
Taxes on income relating to items that will not be reclassified subsequently to the income statement		22.3	–10.7	–0.2	–0.1
Taxes on income relating to items that will be reclassified subsequently to the income statement		–61.8	17.7	–8.4	8.6
Other comprehensive income after tax		102.9	**–35.8**	15.4	**–30.1**
Total comprehensive income for the period		620.4	**511.8**	147.6	**164.6**
Attributable to the shareholders of VERBUND AG		560.1	438.5	128.0	137.2
Attributable to non-controlling interests		60.3	73.2	19.6	27.5

Balance sheet

€m

In accordance with IFRSs	Notes	31/12/2019	30/9/2020
Non-current assets		11,061.9	**11,149.0**
Intangible assets		652.0	658.3
Property, plant and equipment		9,110.8	9,206.8
Right-of-use assets		133.4	112.4
Interests accounted for using the equity method		332.2	354.0
Other equity interests	13	138.1	139.1
Investments and other receivables	13	695.4	678.4
Current assets		776.7	**640.5**
Inventories	12	34.3	23.9
Trade receivables, other receivables and securities	13	697.8	564.8
Cash and cash equivalents	13	44.6	51.7
Total assets		11,838.6	**11,789.5**

€m

In accordance with IFRSs	Notes	31/12/2019	30/9/2020
Equity		6,568.0	**6,788.5**
Attributable to the shareholders of VERBUND AG		5,887.8	6,086.7
Attributable to non-controlling interests		680.2	701.8
Non-current liabilities		4,107.4	**3,982.3**
Financial liabilities	13	1,256.6	1,227.8
Provisions		912.2	851.5
Deferred tax liabilities		757.3	781.2
Contributions to building costs and grants		754.1	741.9
Other liabilities	13	427.2	379.9
Current liabilities		1,163.2	**1,018.7**
Financial liabilities	13	310.8	230.2
Provisions		38.6	28.8
Current tax liabilities		106.1	189.0
Trade payables and other liabilities	13	707.7	570.8
Total equity and liabilities		11,838.6	11,789.5

Statement of changes in equity

In accordance with IFRSs	Called and paid-in share capital	Capital reserves	Retained earnings	Remeasure-ments 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	–	–	450.9	–
Other comprehensive income	–	–	0.0	–73.0
Total comprehensive income for the period	–	–	450.9	–73.0
Dividends	–	–	–145.9	–
Other changes in equity	–	–	–0.6	0.0
As at 30/9/2019	347.4	954.3	4,829.8	–357.7
As at 1/1/2020	347.4	954.3	4,933.7	–388.7
Profit for the period	–	–	477.7	–
Other comprehensive income	–	–	0.0	18.0
Total comprehensive income for the period	–	–	477.7	18.0
Dividends	–	–	–239.7	–
Other changes in equity	–	–	0.1	0.0
As at 30/9/2020	347.4	954.3	5,171.8	–370.7

€m

	Difference from currency translation	Measurements of financial instruments	Measurements 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
	–	–	–	450.9	66.5	517.4
	–3.0	0.0	185.1	109.2	–6.2	102.9
	–3.0	0.0	185.1	560.1	60.3	620.4
	–	–	–	–145.9	–32.2	–178.1
	–0.1	0.0	0.0	–0.7	0.0	–0.7
	–10.6	–1.3	–43.2	5,718.7	663.9	6,382.6
	–11.7	3.2	49.5	5,887.8	680.2	6,568.0
	–	–	–	477.7	69.9	547.6
	–3.3	0.0	–53.9	–39.2	3.4	–35.8
	–3.3	0.0	–53.9	438.5	73.2	511.8
	–	–	–	–239.7	–51.6	–291.4
	0.0	0.0	0.0	0.1	0.0	0.1
	–15.0	3.2	–4.4	6,086.7	701.8	6,788.5

Cash flow statement

€m

In accordance with IFRSs	Notes	Q1–3/2019	**Q1–3/2020**
Profit for the period		517.4	547.6
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		270.2	297.7
Impairment losses on investments (net of reversals of impairment losses)		–11.7	8.1
Result from interests accounted for using the equity method (net of dividends received)		–22.1	–32.5
Result from the disposal of non-current assets		–0.3	–0.3
Change in non-current provisions and deferred tax liabilities		19.7	11.1
Change in contributions to building costs and grants		–3.8	–12.2
Other non-cash expenses and income		–30.9	–52.8
Subtotal		738.6	**766.8**
Change in inventories		–28.0	10.4
Change in trade receivables and other receivables		131.3	66.7
Change in trade payables and other liabilities		–11.2	–64.5
Change in current provisions and current tax liabilities		63.1	73.0
Cash flow from operating activities[1]		893.8	**852.3**

[1] Cash flow from operating activities includes income taxes paid of €54.5m (Q1–3/2019: €44.5m), interest paid of €17.2m (Q1–3/2019: €51.1m), interest received of €0.7m (Q1–3/2019: €0.6m) and dividends received of €2.4m (Q1–3/2019: €17.1m).

€m

In accordance with IFRSs	Notes	Q1–3/2019	Q1–3/2020
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		–268.7	–427.1
Cash inflow from the disposal of intangible assets and property, plant and equipment		4.7	1.9
Cash outflow from capital expenditure for investments		–19.1	–1.2
Cash inflow from the disposal of investments		20.8	3.5
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 inflow from the disposal of current investments		295.0	0.0
Cash flow from investing activities		–172.2	**–422.9**
Cash inflow from money market transactions		169.5	125.0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		–709.8	–222.8
Cash outflow from the repayment of lease liabilities		–24.5	–33.2
Dividends paid		–178.1	–291.4
Cash flow from financing activities		–742.9	**–422.3**
Change in cash and cash equivalents		–21.4	**7.1**
Cash and cash equivalents as at 1/1/		39.3	**44.6**
Change in cash and cash equivalents		–21.4	7.1
Cash and cash equivalents as at 30/9/		18.0	51.7

Selected explanatory notes

Financial reporting principles

Basic principles

These consolidated interim financial statements of VERBUND for the period ended 30 September 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 (Phase 1)	26/9/2019 (15/1/2020)	1/1/2020	see below
IFRS 16	COVID-19-Related Rent Concessions (Amendment to IFRS 16)	28/5/2020 (9/10/2020)	1/6/2020	None
Various	Amendments to References to the Conceptual Framework in IFRS Standards	29/3/2018 (29/11/2019)	1/1/2020	None

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 September 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

	Q1–3/2019
Revenue	163.2
Expenses for electricity, grid, gas and certificates purchases	–163.2
EBITDA	**0.0**

Effects of COVID-19

Recoverability of assets

VERBUND's economic environment changed in quarters 1–3/2020 due to the COVID-19 crisis. This environment had an effect in particular in quarter 2/2020 on both wholesale electricity prices and VERBUND's capital costs. These two factors of influence represent the key factors for VERBUND in its assessment of the recoverability of individual assets and cash-generating units (CGUs) – above all power plants.

As 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 only had a relevant impact in the short term, whereby a recovery was observed here in the days leading up to 30 June 2020. This drop in short-term prices can be attributed primarily to the anticipated near-term weakening of demand for electricity, in particular from the industrial sector. However, the price trends for electricity futures for periods further in the future, which are calculated based on current 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 last impairment test, which only resulted in minor changes in value for VERBUND, was conducted on 30 June 2020 based on the aforementioned developments (see "(6) Impairment losses" for details regarding the impairment losses recognized as at 30 June 2020). As at 30 September 2020 there were no indications of (further) impairment or a reduction of previously recognized impairment losses.

Details of impairment test 30/6/2020[1, 2]

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	€20.8m	€12.6m
Impairment for the period[1]	€5.6m	€5.6m	€3.2m

[1] The last impairment test was conducted as at 30 June 2020. As at 30 September 2020 there were no indications of (further) impairment or a reduction of previously recognized impairment losses. // [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.

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 as at 30 June 2020 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 30/6/2020[1, 2]

	Value assigned to the key measurement assumption	Change in key measurement assumption	Effects on the carrying amounts of assets
Clean spark spread[3]	€41.7 per MWh	± 5%	+€6.1m –€6.1m
After tax discount rate	4.50%	± 0.25 PP	–€1.4m +€1.4m
Grid reserve	–[4]	± 10%	+€21.8m –€21.8m

[1] The last impairment test was conducted as at 30 June 2020. As at 30 September 2020 there were no indications of (further) impairment or a reduction of previously recognized impairment losses. // [2] 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. // [3] 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. // [4] 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 third quarter, so that a total price loss of around €7.3m was recognised through profit or loss as at 30 September 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 up to 30 September 2020 due to the COVID-19 lockdown. In the Austrian and German markets, this effect can be attributed primarily to the decline in volumes sold and the lower sales volume of guarantees of origin (green electricity certificates). In the household and commercial segment, COVID-19 led to a shift in volumes away from commercial volumes towards household volumes. Regarding the collection of trade receivables for household and commercial customers, the voluntary industry agreement to abstain from collection activities and cessation of service applied from 26 March to 30 June 2020. The normal debt collection process has been fully operational again since July 2020. In the commercial customer business, COVID-19 led to an increase in overdue receivables in the period ending 30 September 2020. In this context, valuation allowances for trade receivables in the household and commercial customer as well as industrial customer segments increased to €1.2m as at 30 September 2020 (30 September 2019: €0.9m).

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 €21.4m as at 30 September 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	Reconciliation/ consolidation	Total Group
Q1–3/2020							
External revenue	76.8	61.0	1,866.3	496.6	19.2	2.8	2,522.7
Internal revenue	875.9	17.5	146.0	22.4	120.0	–1,181.7	0.0
Total revenue	952.7	78.5	2,012.3	519.0	139.1	–1,178.9	2,522.7
EBITDA	**714.7**	**42.8**	**56.7**	**167.8**	**31.3**	**–23.8**	**989.5**
Depreciation and amortisation	–160.5	–18.5	–1.1	–87.8	–12.3	–1.7	–282.0
Effects from impairment tests (operating result)	–8.8	0.0	0.0	0.0	–5.8	0.0	–14.6
Other material non-cash items	43.4	0.0	–7.2	8.7	6.7	0.9	52.4
Result from interests accounted for using the equity method	0.5	0.0	–1.7	0.0	33.7	0.0	32.5
Effects from impairment tests (financial result)	–0.8	0.0	0.0	0.0	0.0	0.0	–0.8
Capital employed	**6,084.5**	**401.1**	**168.3**	**1,571.9**	**497.9**	**19.2**	**8,742.9**
of which carrying amount of interests accounted for using the equity method	3.0	1.2	8.2	1.4	340.3	0.0	354.0
Additions to intangible assets and property, plant and equipment	164.3	2.2	2.0	201.0	7.5	0.9	378.0

€m

	Hydro	New renewables	Sales	Grid	All other segments	Recon-ciliation/ consoli-dation	Total Group
Q1–3/2019							
External revenue	84.9	69.3	2,084.0	567.6	18.1	2.9	2,826.8
Internal revenue	796.2	16.1	220.2	25.8	143.6	−1,201.8	0.0
Total revenue	881.0	85.4	2,304.2	593.3	161.7	−1,198.9	2,826.8
EBITDA	656.1	48.2	45.7	170.2	46.3	−20.4	946.1
Depreciation and amortisation	−153.1	−17.5	−0.9	−86.5	−10.1	−1.4	−269.5
Effects from impairment tests (operating result)	0.0	0.0	0.0	0.0	−0.7	0.0	−0.7
Other material non-cash items	44.1	0.0	−5.5	9.0	16.0	1.3	64.9
Result from interests accounted for using the equity method	3.5	0.1	−1.4	0.1	34.1	0.0	36.4
Effects from impairment tests (financial result)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital employed	6,073.7	414.6	178.2	1,418.6	523.6	193.5	8,802.2
of which carrying amount of interests accounted for using the equity method	2.9	1.3	9.5	1.4	311.8	0.0	326.9
Additions to intangible assets and property, plant and equipment	115.3	1.6	1.6	113.5	6.4	1.0	239.5

Notes to the income statement

(1) Revenue

Revenue

€m

	Q1–3/ 2019 Domestic	**Q1–3/ 2020 Domestic**	Q1–3/ 2019 Foreign	**Q1–3/ 2020 Foreign**	Q1–3/ 2019 Total	**Q1–3/ 2020 Total**	Change
Electricity revenue resellers	50.8	42.5	23.3	26.5	74.1	69.0	–6.8%
Electricity revenue traders	0.1	0.1	6.1	2.7	6.3	2.8	–55.3%
Electricity revenue – Hydro segment	50.9	**42.6**	29.4	**29.2**	80.4	**71.8**	–10.6%
Electricity revenue resellers	0.0	0.0	–1.4	0.0	–1.4	0.0	100.0%
Electricity revenue traders	11.6	10.4	11.5	–2.5	23.1	7.8	–66.0%
Electricity revenue consumers	0.0	0.0	32.8	32.5	32.8	32.5	–0.7%
Electricity revenue – New renewables segment	11.6	**10.4**	42.8	**30.0**	54.4	**40.4**	–25.8%
Electricity revenue resellers	513.4	368.1	250.3	272.9	763.7	641.0	–16.1%
Electricity revenue traders	278.9	226.5	512.7	551.9	791.5	778.4	–1.7%
Electricity revenue consumers	278.3	218.8	201.1	184.9	479.5	403.7	–15.8%
Electricity revenue – Sales segment	1,070.6	**813.4**	964.1	**1,009.6**	2,034.7	**1,823.0**	–10.4%
Electricity revenue resellers	75.4	92.5	66.0	32.8	141.4	125.2	–11.4%
Electricity revenue traders	4.9	3.8	0.8	0.1	5.7	3.9	–31.8%
Electricity revenue – Grid segment	80.2	**96.2**	66.8	**32.8**	147.1	**129.1**	–12.2%
Total electricity revenue	1,213.4	**962.6**	1,103.2	**1,101.7**	2,316.6	**2,064.3**	–10.9%
Grid revenue electric utilities	272.3	230.3	18.6	18.4	290.9	248.8	–14.5%
Grid revenue industrial customers	5.3	2.9	0.0	0.0	5.3	2.9	–45.3%
Grid revenue other	26.3	27.1	90.2	78.9	116.5	106.0	–9.0%
Total grid revenue – Grid segment	303.9	**260.3**	108.8	**97.4**	412.7	**357.7**	–13.3%
Other revenue – Hydro segment					4.5	**4.9**	9.2%
Other revenue – New renewables segment					14.9	**20.6**	38.7%
Other revenue – Sales segment					49.3	**43.3**	–12.2%
Other revenue – Grid segment					7.8	**9.8**	26.1%
Other revenue – All other segments					18.1	**19.2**	5.7%
Other revenue – reconciliation					2.9	**2.8**	–2.0%
Total other revenue					97.5	**100.7**	3.3%
Total revenue					2,826.8	**2,522.7**	–10.8%

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

Expenses for electricity, grid, gas and certificates purchases €m

	Q1–3/2019	Q1–3/2020	Change
Expenses for electricity purchases (including control power)	1,374.9	1,030.2	–25.1%
Expenses for grid purchases (system use)	53.1	52.9	–0.3%
Expenses for gas purchases	25.1	15.3	–39.2%
Purchases of proof of origin and green electricity certificates	3.5	1.6	–55.2%
Purchases of emission rights (trade)	0.2	–0.2	n.a.
Expenses for electricity, grid, gas and certificates purchases	1,456.8	**1,099.8**	–24.5%

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

Fuel expenses and other usage-/revenue-dependent expenses €m

	Q1–3/2019	Q1–3/2020	Change
Fuel expenses	43.7	35.5	–18.7%
Emission rights acquired in exchange for consideration	15.1	12.2	–19.4%
Other revenue-dependent expenses	16.2	11.5	–29.1%
Fuel expenses and other usage-/revenue-dependent expenses	75.0	**59.2**	–21.1%

(4) Personnel expenses

Personnel expenses €m

	Q1–3/2019	Q1–3/2020	Change
Wages and salaries	188.5	193.7	2.8%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	41.3	43.5	5.3%
Other social expenses	2.8	2.4	–14.0%
Subtotal	232.5	**239.6**	3.0%
Expenses for termination benefits	0.4	3.1	n.a.
Expenses for pensions and similar obligations	11.2	11.9	6.4%
Personnel expenses	244.1	**254.6**	4.3%

(5) Depreciation and amortisation

Depreciation and amortisation €m

	Q1–3/2019	Q1–3/2020	Change
Depreciation of property, plant and equipment	238.1	249.1	4.6%
Depreciation of right-of-use assets	25.9	26.6	2.4%
Amortisation of intangible assets	5.5	6.3	15.6%
Depreciation and amortisation	269.5	**282.0**	4.6%

(6) Impairment losses

Impairment losses[1] — €m

	Q1–3/2019	Q1–3/2020	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	0.7	0.2	–79.2%
Impairment losses	0.7	**14.6**	n.a.

[1] The last impairment test was conducted as at 30 June 2020. As at 30 September 2020 there were no indications of (further) impairment or a reduction of previously recognized impairment losses.

(7) Result from interests accounted for using the equity method

Result from interests accounted for using the equity method — €m

	Q1–3/2019 Domestic	Q1–3/2020 Domestic	Change	Q1–3/2019 Foreign	Q1–3/2020 Foreign	Change
Income or expenses	33.1	**32.1**	–2.8%	3.3	**0.4**	–87.4%

(8) Interest income

Interest income — €m

	Q1–3/2019	Q1–3/2020	Change
Interest from investments under closed items on the balance sheet	22.7	22.7	0.0%
Other interest and similar income	2.0	1.4	–30.0%
Interest income	24.7	**24.1**	–2.5%

(9) Interest expenses

Interest expenses

€m	Q1–3/2019	Q1–3/2020	Change
Interest on financial liabilities under closed items on the balance sheet	22.7	22.7	0.0%
Interest on other liabilities from electricity supply commitments	11.5	11.0	–4.6%
Interest on bonds	30.3	10.2	–66.3%
Interest on bank loans	6.9	6.3	–8.4%
Interest on a share redemption obligation	3.5	5.9	66.9%
Net interest expense on personnel-related liabilities	9.3	4.7	–49.2%
Interest on other non-current provisions	1.5	1.0	–36.4%
Interest on leases	0.8	0.7	–3.4%
Profit or loss attributable to limited partners	0.1	0.0	n.a.
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	–2.6	–3.4	–28.1%
Other interest and similar expenses	38.0	36.6	–3.8%
Interest expenses	86.9	62.1	–28.5%

[1] In quarters 1–3/2019 VERBUND acquired interests in 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.

(10) Other financial result

Other financial result

€m	Q1–3/2019	Q1–3/2020	Change
Measurement of an obligation to return an interest	–2.4	26.1	n.a.
Income from securities and loans	1.6	1.6	–1.0%
Measurement of derivatives in the finance area	–0.6	0.9	n.a.
Change in expected credit losses	0.0	0.0	7.0%
Foreign exchange losses	–0.1	–0.2	n.a.
Foreign exchange gains	0.1	0.0	–83.9%
Measurement of non-derivative financial instruments	11.6	–7.3	–162.7%
Other	0.1	–0.1	n.a.
Other financial result	10.4	**21.1**	103.0%

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% (pensions and termination benefits). 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	**30/9/2020**	Change
Inventories of primary energy sources held for generation	22.5	**3.6**	–83.9%
Emission rights held for trading	4.4	10.7	145.4%
Measurements of emission rights held for trading	2.8	4.2	46.1%
Fair value of emission rights held for trading	7.2	**14.9**	106.2%
Proof of origin and green electricity certificates	0.4	**0.4**	9.8%
Other	4.2	**5.0**	20.0%
Inventories	34.3	**23.9**	–30.2%

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.

(13) Additional disclosures regarding financial instruments

Carrying amounts and fair values by measurement category 30/9/2020 €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	118.3	118.3
Securities	FVOCI	3	6.5	6.5
Securities	FVOCI	AC	1.0	1.0
Securities – closed items on the balance sheet	AC	2	62.5	60.8
Other loans – closed items on the balance sheet	AC	2	287.5	323.2
Derivatives in the finance area – closed items on the balance sheet	FVPL	2	92.6	92.6
Loans to investees	AC	2	72.2	73.9
Other loans	AC	2	5.4	6.1
Other	–	–	32.6	–
Other non-current investments and non-current other receivables			**678.4**	
Trade receivables	AC	–	348.7	–
Receivables from investees	AC	–	23.6	–
Loans to investees	AC	2	3.5	3.6
Other loans	AC	2	0.1	0.1
Derivatives in the energy area	FVPL	2	100.1	100.1
Emission rights	–	–	13.3	–
Other	AC	–	44.6	–
Other	–	–	30.9	–
Trade receivables and current other receivables			**564.8**	
Cash and cash equivalents	**AC**	**–**	**51.7**	**–**
Aggregated by measurement category				
Financial assets at amortised cost	AC		899.7	
Financial assets at fair value through profit or loss	FVPL		311.5	
Financial assets at fair value through other comprehensive income	FVOCI		146.0	

Carrying amounts and fair values by measurement category 30/9/2020

€m

Liabilities – balance sheet items	Measurement category in accordance with IFRS 9	Level	Carrying amount	Fair value
Bonds	AC	2	502.1	536.5
Financial liabilities to banks and to others	AC	2	513.4	553.7
Financial liabilities to banks – closed items on the balance sheet	AC	2	109.5	153.8
Financial liabilities to banks – closed items on the balance sheet	FVPL – D	2	333.1	333.1
Capital shares attributable to limited partners	–	–	–0.1	–
Non-current and current financial liabilities			**1,458.0**	
Electricity supply commitment	–	–	140.6	–
Obligation to return an interest	AC	3	115.5	190.7
Trade payables	AC	–	1.5	–
Deferred income for grants (emission rights)	–	–	0.0	–
Lease liabilities	–	–	70.4	–
Deferred income – cross-border leasing	–	–	4.0	–
Other	AC	–	47.9	–
Non-current other liabilities			**379.9**	
Trade payables	AC	–	204.1	–
Derivatives in the energy area	FVPL	2	90.8	90.8
Derivatives in the finance area	FVPL	2	11.7	11.7
Lease liabilities	–	–	32.0	–
Other	AC	–	147.7	–
Other	–	–	82.2	–
Trade payables and current other liabilities			**570.8**	
Aggregated by measurement category				
Financial liabilities at amortised cost	AC		1,641.8	
Financial liabilities at fair value through profit or loss	FVPL		104.7	
Financial liabilities at fair value through profit or loss – designated	FVPL – D		333.1	

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 €49.5m (31 December 2019: €108.3m) and negative fair values of €48.4m (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 2020 for financial year 2019	239.7	347,415,686	0.69
Dividend paid in 2019 for financial year 2018	145.9	347,415,686	0.42

Purchase commitments

Purchase commitments for property, plant and equipment, intangible assets and other services

€m

	30/9/2020	of which due in 2020	of which due 2021–2025
Total commitment	**1,059.8**	333.8	725.9

Contingent liabilities

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 30 September 2020, VERBUND's subsidiary liability for the unpaid portion of the lease liabilities from cross-border leasing transactions amounted to €480.7m (31 December 2019: €519.4m). Of the rights of recourse against the primary debtors, a total of €269.8m (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, €282.8m (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 related parties

Transactions with investees accounted for using the equity method

€m

	Q1–3/2019	Q1–3/2020	Change
Income statement			
Electricity revenue	57.7	39.3	–31.9%
Grid revenue	26.9	23.1	–14.0%
Other revenue	0.5	–0.6	n.a.
Other operating income	4.0	5.8	46.5%
Expenses for electricity, grid, gas and certificates purchases	–19.9	–18.3	7.9%
Fuel expenses and other usage-/revenue-dependent expenses	0.0	–0.1	n.a.
Other operating expenses	–0.7	–0.2	69.7%
Interest income	1.1	0.9	–11.5%
Other financial result	1.4	1.3	–1.9%

Transactions with investees accounted for using the equity method

€m

	31/12/2019	30/9/2020	Change
Balance sheet			
Investments and other non-current receivables	49.2	45.6	–7.3%
Trade receivables and other current receivables	31.8	24.4	–23.5%
Contributions to building costs and grants	272.1	269.2	–1.1%
Trade payables and other current liabilities	6.3	4.5	–29.0%

Electricity revenue with equity-accounted investees was generated mainly with KELAG (€28.6m; Q1–3/2019: €46.5m) and with OeMAG (€10.2m; Q1–3/2019: €10.8m). The electricity revenue was offset by electricity purchases from KELAG in the amount of €17.3m (Q1–3/2019: €19.0m). 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 €49.5m (Q1–3/2019: €47.0m). 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 €3.5m (Q1–3/2019: €2.0m). 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 €6.3m in other revenue and purchased gas, respectively (Q1–3/2019: €21.0m).

VERBUND's expenses for monitoring by E-Control amounted to €8.5m (Q1–3/2019: €8.2m).

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 September 2020 and authorisation for issue on 22 October 2020.

Vienna, 22 October 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 September 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.

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 with respect to the important events during the first nine months of the financial year and their effects on the condensed consolidated interim financial statements as at 30 September 2020 as well as with respect to the principal risks and uncertainties in the remaining three months of the financial year.

Vienna, 22 October 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:
Brainds, 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
E-mail: 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
E-mail: investor-relations@verbund.com

Group Communications:
Corinna Tinkler
Phone: +43 (0)50 313-53702
E-mail: 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%, and Wiener Stadtwerke, 28.4%) and Wiener Stadtwerke (the sole shareholder is the City of Vienna)
– TIWAG-Tiroler Wasserkraft AG (>5.0%; the sole shareholder is the province of Tyrol)
– Free float (<20.0%): No further information is available concerning owners of shares in free float.

Legal and statutory limitations of voting rights:
With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder 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 of customers, partners and the general public about the utilities sector and the Group.

Specific laws applicable:
Austrian Electricity Industry and Organisation Act (Österreichisches Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) with associated regulations and implemented 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.

Verbund
Power for the Future