Interim Report Quarters 1–2/2022

The Power
to Transform

Verbund

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KPIs

	Unit	Q1–2/2021	**Q1–2/2022**	Change
Revenue	€m	1,724.3	**4,731.8**	174.4%
EBITDA	€m	654.9	**1,378.9**	110.5%
EBITDA adjusted	€m	654.9	**1,378.9**	110.5%
Operating result	€m	459.1	**1,184.2**	157.9%
Group result	€m	324.5	**817.1**	151.8%
Group result adjusted	€m	315.2	**734.5**	133.0%
Earnings per share	€	0.93	**2.35**	151.8%
EBIT margin	%	26.6	**25.0**	–
EBITDA margin	%	38.0	**29.1**	–
Cash flow from operating activities	€m	426.4	**920.3**	115.8%
Additions to property, plant and equipment	€m	248.0	**588.1**	137.1%
Free cash flow before dividends	€m	–141.5	**366.9**	–
Free cash flow after dividends	€m	–473.1	**–111.0**	–
Performance of VERBUND shares	%	11.2	**–5.6**	–
Average number of employees		3,011	**3,457**	14.8%
Electricity sales volume	GWh	28,632	**32,630**	14.0%
Hydro coefficient		0.96	**0.90**	–
New renewables coefficient		0.91	**1.03**	–

	Unit	31/12/2021	**30/6/2022**	Change
Total assets	€m	17,111.6	**19,936.4**	16.5%
Equity	€m	6,362.9	**5,329.5**	–16.2%
Equity ratio (adjusted)	%	38.2	**27.3**	–
Net debt	€m	3,510.8	**3,568.4**	1.6%
Gearing	%	55.2	**67.0**	–

Report of the Executive Board

Dear Shareholders,

Geopolitical tensions, the ongoing war in Ukraine, record inflation and expectations of interest rate hikes continued to dominate the landscape in quarter 2/2022. The difficult economic climate caused significant distortion in Europe's energy markets as well as sharp increases and volatility in energy prices. Changes in gas supply volumes and a change in the off-take structure were especially noticeable in the development of gas prices. As a consequence of the surge in global market prices for primary energy and the high cost of emission allowances, Europe also witnessed a rise in wholesale prices for electricity.

The current trend in the international energy markets is a stark reminder of the urgent need to expand renewable electricity generation and also enlarge grids and storage facilities. The spotlight is on fossil fuel phase-out, and VERBUND is making a valuable contribution to this endeavour. In pursuing its 2030 strategy, VERBUND will invest heavily, not only in its traditional core business of hydropower and power grids, but also in the expansion of renewable generation and the development of Europe's hydrogen economy. We will invest around €363m in hydropower operations in 2022, primarily in the Limberg III, Reißeck II plus and Töging projects. Capital spending on our electricity network will come in at around €354m in 2022, the largest projects being the 380-kV Salzburg line and the Reschenpass project. VERBUND is thus making an important contribution to ensuring security of supply in Austria.

In building out renewable generation capacity across Europe, VERBUND reached a milestone in quarter 1/2022 when it acquired a 70% share of four wind farms developed by Capital Energy and one solar farm in Spain. The signing for another acquisition in Spain also took place in quarter 2/2022. In this transaction, VERBUND plans to take over a regulated, operational photovoltaic portfolio with total installed capacity of 82 MWp. The transaction also entails an extensive development platform (wind and solar photovoltaic) together with the development team. Approximately 2,100 MW of this platform are at an advanced stage of project development, while greenfield projects make up around 2,400 MW. 100% of the stakes are to be acquired. The projects are being implemented in different regions of Spain. The transaction is expected to close at the end of July 2022. In Austria, VERBUND also implemented a number of renewables projects with industrial customers including photovoltaic rooftop installations in conjunction with its cooperation partners at their production sites. Battery storage facilities likewise have a vital role to play in the integration of new renewables into the energy system. Here, VERBUND combines its knowledge of storage facilities and the energy market with its expertise in flexibility marketing.

Yet, green electricity and battery storage facilities are not the only decarbonisation solution. VERBUND is looking to carve out a niche for itself in Europe's nascent hydrogen economy and expand its value chain. For example, VERBUND is driving forward the import of green hydrogen together with strong partners. Moreover, becoming a member of the AquaVentus network in quarter 2/2022 strengthened VERBUND's network in Northern Europe, and joining the Dii Desert Energy network strengthened it in the south. Based on the experience already gained from operating a 6 MW proton exchange membrane (PEM) electrolyser demonstration system at industry partner voestalpine in Linz, as well as a pilot plant for high-temperature electrolysis at VERBUND's Mellach power plant site, customised, cost-effective solutions for green hydrogen will also be developed to achieve the decarbonisation goals.

VERBUND saw a significant improvement in the results posted for quarters 1–2/2022. EBITDA climbed by 110.5% to €1,378.9m. The Group result surged by 151.8% to €817.1m compared with the same period of the previous year. The hydro coefficient for the run-of-river power plants dropped to 0.90, or 6 percentage points below the prior-year figure and 10 percentage points below the long-term average. Generation from the annual storage power plants rose by 18.7% in quarters 1–2/2022 compared with the prior-year reporting period. Generation from hydropower thus fell by a total of 455 GWh. The sharp increase in wholesale electricity prices on the futures and spot markets gave a significant boost to earnings. The average sales prices obtained for VERBUND's own generation from hydropower rose by €65.9/MWh to €112.5/MWh. The consolidation of Gas Connect Austria GmbH, the regulated gas transmission and distribution system operator in Austria acquired with effect from 31 May 2021, and the significantly higher contribution from flexibility products also had a positive effect. The Group result for quarters 1–2/2022 was influenced by non-recurring effects of €82.6m (Q1–2/2021: €9.3m). Adjusted for these non-recurring effects, the Group result rose by 133.0% to €734.5m.

Based on average own generation from hydropower, wind power and photovoltaic production in quarters 3–4/2022 and the opportunities and risks identified, VERBUND expects EBITDA of between approximately €3,000m and €3,500m and a reported Group result of between approximately €1,680m and €2,030m in financial year 2022. VERBUND is also planning a payout ratio for 2022 of between 45% and 55% of the Group result of between around €1,600m and €1,950m, after adjustment for non-recurring effects. The earnings forecast and the information on the expected payout ratio are contingent on VERBUND not being impacted by possible energy policy measures to skim off some of the profits at energy companies.

Furthermore, the Executive Board of VERBUND AG has resolved to propose to the 2023 Annual General Meeting that on the basis of the strong business performance a special dividend of €400m be paid in addition to the regular dividend. Distribution of the dividends must be approved by the Supervisory Board at the meeting at which the annual financial statements are to be approved and also requires the approval of the shareholders of VERBUND AG at the 2023 Annual General Meeting.

Mag. Dr. Michael Strugl MBA

Dr. Peter F. Kollmann

Mag. Dr. Achim Kaspar

Investor relations

Growth forecasts for Europe and the United States were cut further on account of the ongoing war in Ukraine as well as historic levels of inflation and expectations of interest rate hikes – although the profit situation of companies is currently largely positive, with some still reaping the benefits of COVID-related catch-up effects. Particularly the continued sharp rise in prices for energy and primary energy had a negative impact on the economy in the quarter now ended. After the US Federal Reserve outlined plans for interest rate hikes, the European Central Bank (ECB) also came under increased pressure to take action to curb soaring inflation. Many experts now anticipate a recession, though it is unclear whether and when this will set in and how bad it will be. The supply difficulties and supply chain problems persisted in spite of a slight relaxation of COVID restrictions in China, which meant that supply at the reporting date failed to keep up with demand. Towards the end of quarter 2/2022, however, COVID infection rates started rising again due to new Omicron subvariants and a summer wave is expected.

The US benchmark index Dow Jones Industrial Average ended quarters 1–2/2022 down 15.3%. The Euro Stoxx 50 failed to match this performance, closing 19.6% lower than at year-end 2021. By contrast, the Japanese benchmark index Nikkei 225 finished the quarter down just 8.3% on 31 December 2021.

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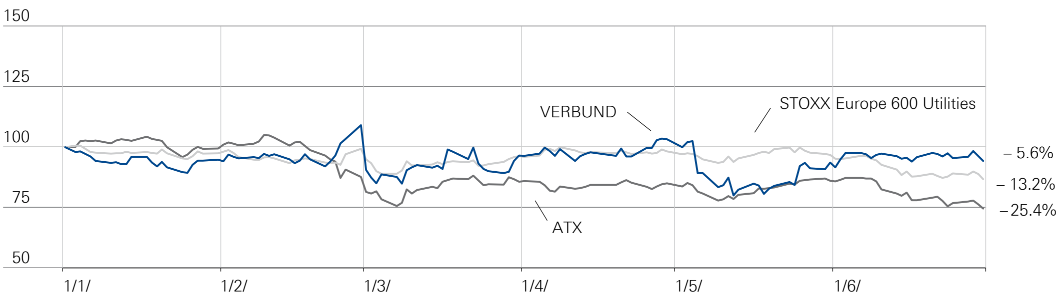
VERBUND share price: relative performance 2022



The ongoing war in Ukraine and its repercussions for the utilities sector put a damper on the performance of VERBUND shares in quarters 1–2/2022. After reaching their high on 28 February, the shares experienced a sharp correction triggered by a debate in Europe about possible market intervention as a result of the sharp rise in raw material prices in the international procurement markets. This was followed by a volatile sideways movement lasting until the end of quarter 1/2022. After rising at the start of quarter 2/2022, share prices plummeted again in early May on statements made by the Austrian Chancellor about skimming off excess profits from state-owned companies. However, the share price then rebounded, especially once the news broke that VERBUND's Executive Board was proposing a special dividend of around €400m for the 2022 financial year. Trading at a closing price of €93.4 as at 30 June 2022, VERBUND shares recorded a loss of 5.6% in quarters 1–2/2022 against year-end 2021, which meant that the stock far outperformed the Austrian benchmark index ATX (–25.4%) and the sector index STOXX Europe 600 Utilities (–13.2%).

Upcoming dates:
Interim financial report quarters 1–3/2022:
3 November 2022

KPIs – shares

	Unit	Q1–2/2021	Q1–2/2022	Change
Share price high	€	81.7	108.0	32.3%
Share price low	€	59.6	79.2	32.9%
Closing price	€	77.7	93.4	20.2%
Performance	%	11.2	–5.6	–
Market capitalisation	€m	26,976.8	32,431.3	20.2%
ATX weighting	%	9.7	13.6	–
Value of shares traded	€m	4,542.9	3,975.8	–12.5%
Shares traded per day	Shares	527,038	339,865	–35.5%

Interim Group management report

Business performance

Electricity supply and sales volume

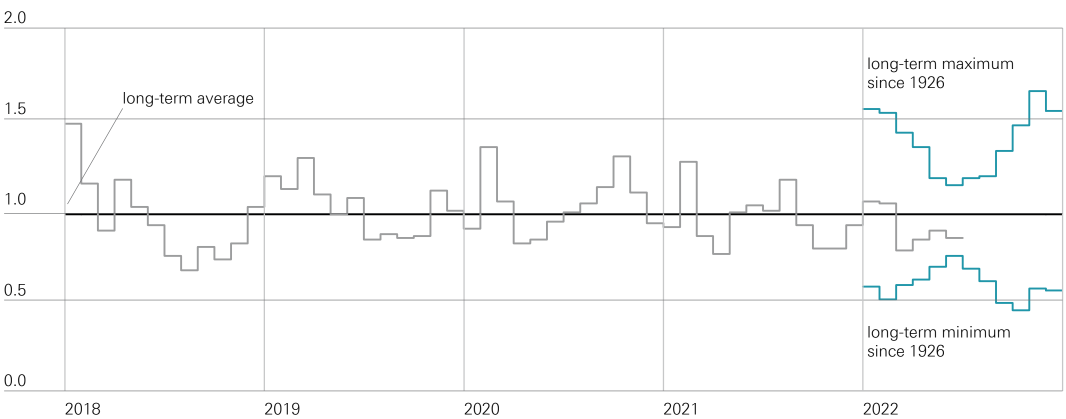
Group electricity supply GWh

	Q1–2/2021	Q1–2/2022	Change
Hydropower[1]	14,561	14,107	–3.1%
Wind power	444	513	15.7%
Solar power	1.0	2.2	–
Thermal power	217	805	–
Own generation	15,223	**15,427**	1.3%
Electricity purchased for trading and sales	13,486	17,390	28.9%
Electricity purchased for grid loss and control power volumes	1,786	2,189	22.6%
Electricity supply	30,495	**35,006**	14.8%

[1] incl. purchase rights

VERBUND's own generation was up by 204 GWh to 15,427 GWh as at the end of quarters 1–2/2022, an increase of 1.3% compared with the same period in 2021. Generation from hydropower fell by 455 GWh versus the prior-year reporting period. The hydro coefficient for the run-of-river power plants dropped to 0.90, or 10 percentage points below the long-term average and 6 percentage points below the comparative prior-year figure. By contrast, generation from VERBUND's annual storage power plants rose by 18.7% in quarters 1–2/2022, due largely to higher generation from turbining.

Hydro coefficient (monthly averages)



The volume of electricity generated by VERBUND's wind power plants in quarters 1–2/2022 was up 70 GWh on the figure for the prior-year period, due mainly to the increased wind supply. Electricity generated from proprietary photovoltaic installations totalled 2.2 GWh in quarters 1–2/2022.

Generation from thermal power plants increased by 588 GWh year-on-year due in particular to the market-driven operations of the Mellach combined cycle gas turbine power plant (Mellach CCGT) in connection with the agreement to supply district heating.

Electricity purchased from third parties for trading and sales increased by 3,904 GWh in quarters 1–2/2022. Electricity purchased from third parties for grid loss and control power volumes increased by 404 GWh in the reporting period.

Group electricity sales volume and own use GWh

	Q1–2/2021	**Q1–2/2022**	Change
Consumers	7,023	7,148	1.8%
Resellers	13,100	14,281	9.0%
Traders	8,510	11,201	31.6%
Electricity sales volume	28,632	**32,630**	14.0%
Own use	1,357	1,890	39.3%
Control power	506	486	–3.8%
Electricity sales volume and own use	30,495	**35,006**	14.8%

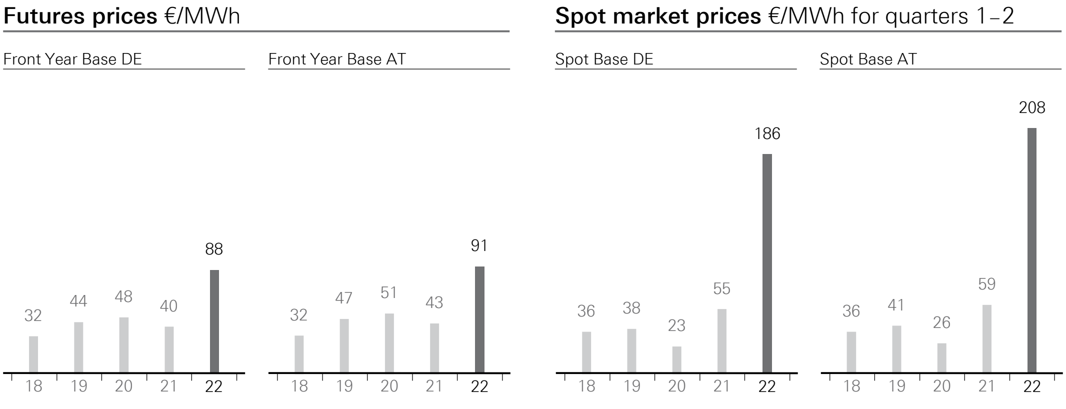
VERBUND's electricity sales volume rose by 3,997 GWh, or 14.0%, in quarters 1–2/2022. The increase was spread across all segments. Sales to consumers were up marginally by 1.8% – the customer base at 30 June 2022 comprised around 528,000 electricity and gas customers –, while sales to resellers rose by 1,181 GWh and sales to traders by 2,692 GWh. In respect of sales to traders, this is attributable to higher delivery volumes to international customers, whereas in sales to resellers it is due to an increase in deliveries in Austria and abroad. Own use of electricity rose by 533 GWh in quarters 1–2/2022. This increase is attributable above all to increased operation of the power plants in turbining mode.

Electricity sales by country GWh

	Q1–2/2021	**Q1–2/2022**	Change
Austria	16,060	16,025	–0.2%
Germany	10,110	13,881	37.3%
France	2,083	2,336	12.1%
Others	379	387	2.3%
Electricity sales volume	28,632	**32,630**	14.0%

Approximately 49% of the electricity sold by VERBUND in quarters 1–2/2022 went to the Austrian market. The German market, which accounted for around 84% of all volumes sold abroad in quarters 1–2/2022, 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.
2018: Market area Germany/Austria. Starting 2019: Market area Germany or Austria respectively.
Spot prices 2018: Market area Germany/Austria. Starting 2019: Market area Germany or Austria respectively. Average prices.

Source: EEX, EPEX Spot

VERBUND contracted for most of its own generation for 2022 on the futures market back in 2020 and 2021. Ever since the split of the joint German-Austrian price zone in October 2018, separate, higher prices have prevailed in Austria. Prices for AT 2022 front-year base load contracts (traded in 2021) averaged €91.3/MWh, and prices for DE 2022 front-year base load contracts averaged €88.4/MWh. Futures market prices thus increased significantly year-on-year by 113.0% (AT) and 120.1% (DE). Front-year peak load (AT) contracts traded at an average of €110.1/MWh and front-year peak load (DE) contracts traded at an average of €107.2/MWh. Futures market prices in this area thus also increased year-on-year by 111.7% (AT) and 118.6% (DE).

On both the Austrian and German spot markets, wholesale trading prices for electricity ballooned in quarters 1–2/2022. Prices for base load electricity increased by an average of 254.8% to €207.6/MWh in Austria and by 239.2% to €186.4/MWh in Germany. Prices for peak load rose by 245.0% to €232.7/MWh in Austria and by 233.2% to €207.6/MWh in Germany.

The spike in electricity prices is mainly fuelled by the increase in gas prices. This in turn is attributable to stronger demand for gas following the pandemic, lower gas stocks and fears of shortages. The war in Ukraine and the uncertainty it has generated further compounded the situation.

Financial performance

Results €m

	Q1–2/2021	Q1–2/2022	Change
Revenue	1,724.3	4,731.8	174.4%
EBITDA	654.9	1,378.9	110.5%
Operating result	459.1	1,184.2	157.9%
Group result	324.5	817.1	151.8%
Earnings per share in €	0.93	2.35	151.8%

Electricity revenue

VERBUND's electricity revenue rose by €2,566.1m to €3,941.6m in quarters 1–2/2022. The sharp increase in electricity revenue can be attributed to the massive increase in wholesale electricity prices. Both futures and spot market prices surged. The average sales price obtained for our own generation from hydropower rose by €65.9/MWh to €112.5/MWh. In terms of quantities, electricity sales volumes increased by 3,997 GWh, or 14.0%, year-on-year.

Grid revenue

Grid revenue increased by €341.2m to €623.4m in quarters 1–2/2022 compared with the prior-year period. The revenue increase at Austrian Power Grid AG (APG) of €208.8m is primarily due to significantly higher international revenue from the auctioning off of cross-border capacity as a consequence of higher DE/AT market spreads. In addition, higher national tariff revenue resulting from volume and price effects and an increase in revenues from balancing services had a positive impact. The consolidation of Gas Connect Austria GmbH (GCA), the regulated gas transmission and distribution system operator in Austria acquired with effect from 31 May 2021, also lifted grid revenue.

Other revenue and other operating income

Other revenue rose by €100.1m to €166.9m. District heating revenue rose significantly due to the inception of the new agreement to supply district heating from the Mellach CCGT at 1 October 2021. Higher proceeds from the sale of green electricity certificates and emission allowances as well as from the gas trading business also had a positive effect. Other operating income rose by €13.3m to €49.6m. This is mainly attributable to changes in inventories in connection with green electricity certificates as well as to an increase in receivables and own work capitalised.

Expenses for electricity, grid, gas and certificates purchases

Expenses for electricity, grid, gas and certificate purchases increased by €2,015.8m to €2,821.3m. A total of 4,308 GWh more electricity was purchased from third parties for trading and sales as well as for grid loss and control power volumes. The higher procurement prices arising from higher price levels for wholesale electricity gave rise to a significant increase in expenses. Expenses for electricity purchases thus increased by €1,939.3m compared with the previous year. Expenses for grid purchases fell by €2.0m and expenses for gas purchases rose by €75.1m.

Fuel expenses

Fuel and other usage-/revenue-dependent expenses were up €228.4m to €244.0m. There was a marked increase in gas expenses due in particular to the sharp rise in gas prices. Production was also up year-on-year (for details please refer to the section entitled Electricity supply and sales volumes). Another contributing factor to the increased expenditure was the higher expenses for emission allowances, likewise attributable to the significant price increases and higher generation volumes.

Personnel expenses

Personnel expenses rose by €25.5m year-on-year to €216.4m in the first half of the year. This increase is due to the consolidation of GCA and SMATRICS GmbH & Co KG (SMATRICS), the hiring of additional employees for the implementation of strategic growth projects in particular and the 3.6% to 4.0% increase in pay rates under the collective bargaining agreement.

Other operating expenses

Other operating expenses rose by €31.2m to €156.2m. The increase was attributable to the consolidation of GCA, an increase in goods and services purchased for third-party maintenance of power plants, higher IT expenses and higher fees in connection with the wind farms in Romania.

Measurement and realisation of energy derivatives

Starting in the 2021 reporting period, the result from the measurement and realisation of energy derivatives for which hedge accounting in accordance with IFRS 9 is not applied is no longer presented under revenue and electricity, grid, gas and certificates purchases but combined in a separate item entitled Measurement and realisation of energy derivatives. In quarters 1–2/2022, the result amounted to €35.4m (Q1–2/2021: €31.2m). This account includes €244.7m (Q1–2/2021: €24.1m) from the realisation of energy derivatives, offset by countervailing effects in revenue and/or procurement cost. The measurement and realisation of energy derivatives for future delivery periods is €–209.3m (Q1–2/2021: €7.1m). Further details are presented in the notes to the consolidated interim financial statements.

EBITDA

As a result of the above-mentioned factors, EBITDA rose by 110.5% to €1,378.9m.

Depreciation and amortisation

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €23.4m to €218.7m. Along with the first-time consolidation of GCA, this is also due to an increase in the investment volume at APG and in hydropower operations.

Impairment losses

The impairment losses of €31.9m mainly related to the goodwill charge on GCA (€16.8m) and the Gratkorn run-of-river power plant (€12.9m). Further details are presented in the notes to the consolidated interim financial statements.

Reversal of impairment losses

Reversals of impairment losses amounted to €56.0m and were due to the reversal of the impairment losses on the Mellach CCGT. Further details are presented in the notes to the consolidated interim financial statements.

Result from interests accounted for using the equity method

The result from interests accounted for using the equity method decreased by €16.1m to €0.9m. This is mainly due to the earnings contributions from KELAG-Kärntner Elektrizitäts-Aktiengesellschaft (KELAG) in the amount of €5.7m (Q1–2/2021: €17.5m; see the section entitled All other segments for more information) and from Trans Austria Gasleitung GmbH (TAG) in the amount of €–4.9m (Q1–2/2021: €0.0m).

Interest income and expenses

Interest income decreased by €1.5m to €17.9m compared with quarters 1–2/2021. Interest expenses increased by €5.3m to €43.2m. This increase is partly due to the issuance of a €500m bond in April 2021.

Other financial result

The other financial result fell by €7.8m to €10.7m in quarters 1–2/2022. This was chiefly attributable to the measurement of an obligation to return an interest (€+15.4m) relating to the Jochenstein power plant on the Danube River as well as the measurement of a profit participation right with respect to material assets (€–11.3m) in respect of TAG. In addition, the measurement of securities funds through profit or loss in accordance with IFRS 9 had a negative effect (€–11.8m).

Impairment losses in the financial result

The impairment losses of €4.2m resulted from the impairment charge on TAG (€3.3m) and the impairment charge on Ashta Beteiligungsverwaltung GmbH (€0.9m). Further details are presented in the notes to the consolidated interim financial statements.

Taxes on income

Taxes on income rose by €121.1m to €235.4m. In quarters 1–2/2022 the figure for taxes on income includes a positive non-recurring effect in the amount of €56.6m. This effect results from the revaluation of deferred tax as a consequence of the decision to lower Austria’s corporate income tax rate from 25% to 24% in 2023 and from 24% to 23% beginning in 2024 in connection with the Eco-social Tax Reform Act (Ökosoziales Steuerreformgesetz, ÖkoStRefG).

Group result

After taking account of an effective tax rate of 20.1% and non-controlling interests in the amount of €116.0m, the Group result amounted to €817.1m. This represents an increase of 151.8% against the previous year. Earnings per share amounted to €2.35 (Q1–2/2021: €0.93) for 347,415,686 shares. The Group result after adjustment for non-recurring effects was €734.5m, an increase of 133.0% on the prior-year period.

Financial position

Consolidated balance sheet (condensed)

€m

	31/12/2021	Share	**30/6/2022**	**Share**	Change
Non-current assets	12,877.4	75%	13,898.7	70%	7.9%
Current assets	4,234.1	25%	6,037.8	30%	42.6%
Total assets	17,111.6	100%	**19,936.4**	**100%**	16.5%
Equity	6,362.9	37%	5,329.5	27%	– 16.2%
Non-current liabilities	4,404.4	26%	4,394.6	22%	– 0.2%
Current liabilities	6,344.2	37%	10,212.4	51%	61.0%
Equity and liabilities	17,111.6	100%	**19,936.4**	**100%**	16.5%

Assets

In addition to higher deferred tax assets, the rise in non-current assets compared with 31 December 2021 is mainly attributable to the increase in property, plant and equipment due in particular to the initial recognition of the Spanish solar and wind power companies acquired during the reporting period. The additions to property, plant and equipment of €588.1m were reduced by depreciation of €206.5m. Impairment testing of property, plant and equipment resulted in a need for a reversal of impairment losses of €56.0m on the Mellach CCGT, among others, after deduction of related government grants, as well as a write-down of €12.9m on an Austrian run-of-river power plant, after deduction of any directly attributable contributions to building costs. Besides the photovoltaic installations and wind power plants being built in Spain, the main additions to property, plant and equipment related to capital expenditure for the Austrian transmission grid and investments at Austrian and German hydropower plants. The increase in current assets is primarily due to substantially higher positive fair values for derivative hedging transactions in the electricity business resulting from the sharp increase in wholesale prices for electricity, as well as to higher receivables for guarantees in electricity trading. A lower cash inflow and lower trade receivables had an offsetting effect.

Equity and liabilities

The decrease in equity is mostly due to considerable negative effects from the measurement of cash flow hedges recognised in other comprehensive income, mainly driven by the significant increase in wholesale prices for electricity, as well as the dividend distribution by VERBUND AG, which were unable to be fully compensated by the profit for the period generated in quarters 1–2/2022. The increase in current and non-current liabilities is primarily due to substantially higher negative fair values for derivative hedging transactions in the electricity business resulting from the sharp increase in wholesale prices for electricity.

Cash flows

Cash flow statement (condensed)

€m

	Q1–2/2021	**Q1–2/2022**	Change
Cash flow from operating activities	426.4	920.3	–
Cash flow from investing activities	–565.9	–564.3	–
Cash flow from financing activities	144.1	–619.9	–
Change in cash and cash equivalents	4.6	–263.9	–
Cash and cash equivalents as at 30/6/	53.8	**54.7**	1.7%

Cash flow from operating activities

Cash flow from operating activities amounted to €920.3m in quarters 1–2/2022, up €493.9m on the prior-year figure. APG's higher operating cash flow and the significantly higher average prices obtained for electricity sales had a positive effect, offset by higher income tax payments as well as increased margining payments for hedging transactions in the electricity business provided as security for open positions held with exchange clearing houses (note: the security deposits shall be returned upon fulfilment of the supply agreements).

Cash flow from investing activities

Cash flow from investing activities amounted to €–564.3m in quarters 1–2/2022 (Q1–2/2021: €–565.9m). The change compared with quarters 1–2/2021 is mainly due to a higher cash outflow from capital expenditure for intangible assets and property, plant and equipment (€–212.0m). A lower cash outflow from capital expenditure for subsidiaries (€+230.5m) had a counteracting effect.

Cash flow from financing activities

Cash flow from financing activities amounted to €–619.9m in quarters 1–2/2022, representing a change of €–764.0m. This change was caused by the change in cash inflows and outflows from money market transactions (€–378.6m), the change in financial liabilities (€–266.4m) and higher dividend payments (€–146.2m). An inflow from shifts between shareholder groups (€+16.4m) and a lower cash outflow from the repayment of lease liabilities (€+10.8m) had an offsetting effect.

Opportunity and risk management

Operating result

The usual risks arising from operating activities (such as the volatility of electricity prices as well as seasonal and regional fluctuations in the water supply) became apparent in the course of quarters 1–2/2022, due at times to lower water supply or to the marked effect on profit or loss of the measurement of derivatives in the electricity business. Furthermore, the markets have also seen a pronounced increase in electricity and gas price volatility in recent months. This has been exacerbated by direct and indirect effects caused by the Ukraine crisis as well as the inflationary economic environment. Although higher energy prices generally have a positive effect on profit or loss from electricity generation, in the electricity transmission network they lead to volatile expenses in congestion management and in the field of grid losses and control power, causing fluctuations in the contribution margin. In gas transmission, higher electricity prices and in particular the current gas price trends generated corresponding fluctuations in revenue and costs.

Financial result

Changes 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, interest rates and changing conditions, and potential expenses from collateral provided being called in. Recently, there have been changes in the interest rate environment in particular, and at times there has been a marked rise in interest rates in the long maturity bucket.

Sensitivities

A change in the factors shown below (all else remaining equal) would be reflected in a projected Group result for full-year 2022 as follows based on the hedging status as at 30 June 2022 for generation volumes and interest rates:

- +/–1% in generation from hydropower: €+/–21.2m
- +/–1% in generation from wind power: €+/–0.6m
- +/–1€/MWh in wholesale electricity prices (renewable generation): €+/–1.9m
- +/–1 percentage point in interest rates: €+/–4.2m

Significant transactions with related parties requiring disclosure are presented in the selected explanatory notes.

Outlook

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

In line with our hedging strategy for own generation, we already contracted for around 88% of our planned own generation of electricity from hydropower for 2022 as at 30 June 2022. The average price obtained was €109.9/MWh. For those volumes not yet hedged, we have based our planning on the current market prices. The performance of own generation depends largely on the water and wind supply.

Based on average own generation from hydropower, wind power and photovoltaic production in quarters 3–4/2022 and the opportunities and risks identified, VERBUND expects EBITDA of between approximately €3,000m and €3,500m and a reported Group result of between approximately €1,680m and €2,030m in financial year 2022. VERBUND is also planning a payout ratio for 2022 of between 45% and 55% of the Group result of between around €1,600m and €1,950m, after adjustment for non-recurring effects. The earnings forecast and the information on the expected payout ratio are contingent on VERBUND not being impacted by possible energy policy measures to skim off some of the profits at energy companies.

Furthermore, the Executive Board of VERBUND AG resolved to propose to the 2023 Annual General Meeting that based on the strong business performance a special dividend of €400m be paid in addition to the regular dividend. Distribution of the dividends must be approved by the Supervisory Board at the meeting at which the annual financial statements are to be approved and also requires the approval of the shareholders of VERBUND AG at the 2023 Annual General Meeting.

Segment report

Hydro segment

Generation from hydropower is reported under the Hydro segment.

KPIs – Hydro segment

	Unit	Q1–2/2021	Q1–2/2022	Change
Total revenue	€m	611.8	1,409.1	–
EBITDA	€m	444.1	1,224.0	–
Result from interests accounted for using the equity method	€m	0.1	0.3	–

KPIs – Hydro segment

	Unit	31/12/2021	30/6/2022	Change
Capital employed	€m	5,920.6	**5,859.6**	– 1.0%

The increase in both total revenue and EBITDA is mainly due to substantially higher average prices obtained for electricity. While generation from storage power plants rose on the whole, generation from run-of-river power plants declined. The hydro coefficient for the run-of-river power plants was 0.90 (Q1–2/2021: 0.96).

The change in capital employed was chiefly due to higher current income tax provisions, offset in particular by higher financial assets and higher working capital.

Current information on the Hydro segment

Current hydropower projects

There was a sharp drop in the number of COVID-19 cases during quarter 2/2022, which allowed all operation and maintenance as well as all current new build, expansion and rehabilitation projects to be conducted as normal again from the beginning of May.

The price increases and difficulties in procuring multiple materials (including cables, cement and various raw materials such as ores, iron and steel) precipitated by the Ukraine crisis continued to persist, however.

In the new Gratkorn power plant construction project on the Mur River, around 50% of the excavation was completed in the reporting period and concreting could begin. The excavation pit is currently being sealed at the same time.

In the project to expand and improve efficiency in Töging, assembly continued in the reporting period and commissioning of the three generator sets was completed in some cases. The finishing work is now being completed and the outdoor facilities are being built. At the Jettenbach weir site, the new weir was put into operation and dismantling of the old weir began.

The tunnel boring machine in the pressure shaft for the Limberg III project was put into operation in May and boring commenced. Tunnelling work at the Drossen inlet tunnel (75% completed) was also continued. As 55% of the underwater tunnel has been excavated, work to complete the cavern excavation proceeded. Excavation of the transformer cavern has finished and excavation of the power plant cavern is about 65% complete. The tunnel boring machine for the pressure tunnel is currently being assembled. Generally speaking, all work in this project is on schedule.

In the Reißeck II plus project, building of the around 2km-long cemented cable section in the lower main tunnel was completed and construction of the escape tunnel was finalised. In the headrace tunnel with a 40% incline, construction of the sealing system turned out to be more time-consuming than expected and the cavern lining has to be enlarged due to current component dimensions.

Turbine assembly in the Malta-Hauptstufe rehabilitation project was also completed and commissioning could begin. Pump assembly continued until the end of quarter 2/2022 and is expected to be finished in July 2022.

Trial operations at the new pumping station in Reißeck and in the Kaprun-Oberstufe rehabilitation project had to be temporarily suspended in the quarter now ended due to damage to a seal and the inverter. However, commissioning was able to resume at the end of June once repairs had been carried out.

In the Ottensheim-Wilhering rehabilitation project, commissioning of generator set 2 was completed and in the Ering-Frauenstein rehabilitation project commissioning of generator set 3 was completed. Preparations began for renovation work on the next generator set in both projects in autumn 2022. In the Ybbs-Persenbeug rehabilitation project, commissioning of generator set 1 began at the end of June, which will enable the power plant to be successfully upgraded in quarter 3/2022.

Monitoring of the fish pass at the Altenwörth power plant commenced at the start of quarter 2/2022 and the inauguration took place at the end of April. The fish pass at the Erzbach/Hieflau power plant was also completed and is in trial operation. In addition, work at the fish pass at the Feistritz power plant as well as at the Altenmarkt an der Enns power plant was successfully continued.

Job execution in Laos (Xajaburi and Luang Prabang) is proceeding very encouragingly. The Xayaburi service level agreement was renewed until the end of 2022 and also extended to cover another location in Laos (Nam Ngum II) for the years 2023–2024. With regard to the operating agreement in Israel (Manara pumped storage power plant), work on the first phase of the project (pre-mobilisation) began on 1 March 2022. Furthermore, an additional contract was won to support the Israeli general contractor in implementing the project.

New renewables segment

We report on our wind and solar power activities in the New renewables segment.

KPIs – New renewables segment

	Unit	Q1–2/2021	**Q1–2/2022**	Change
Total revenue	€m	49.8	104.2	–
EBITDA	€m	24.4	60.1	–
Result from interests accounted for using the equity method	€m	0.0	–0.1	–

KPIs – New renewables segment

	Unit	31/12/2021	**30/6/2022**	Change
Capital employed	€m	455.2	492.9	8.3%

The New renewables segment was expanded during the reporting period through the addition of the photovoltaic installations and wind farms still being built in Spain.

The increase in total revenue and EBITDA mainly resulted from higher average prices obtained for electricity as well as a significant rise in generation volumes. The new renewables coefficient was 1.03 (Q1–2/2021: 0.91).

The increase in capital employed was due in particular to higher working capital and higher deferred tax assets.

Current projects in the New renewables segment

Operation of the 1.7 MWp open-field solar installation in Mitterkirchen was taken over in March 2022 after any obvious defects had been rectified.

By order of VERBUND Energy4Business GmbH (VEB), VERBUND Green Power GmbH (VGP) continued to be tasked in quarters 1–2/2022 with the construction as well as the maintenance and monitoring of rooftop and open-field solar installations at industrial customers in Austria.

In the reporting period, the team in charge of project development and asset acquisition worked hard on implementation of the wind power and solar photovoltaic project pipeline in and outside Austria. In Austria, the measures implemented concentrated on evaluating projects at different stages of development. Another area of focus was continuing work on projects with existing project development partners. Development of a wind farm portfolio continued in Styria. This currently comprises 20 installations with a potential capacity of around 124 MW. Further open fields of around 40 hectares in total were also secured in Austria.

In the collaboration with JLW/Visiolar in Germany, the focus in recent months has been on the further development of individual solar photovoltaic projects from the portfolio. As things stand today, the first project is to go into operation in 2024, subject to regulatory approvals. In addition, development of wind power projects in western Germany continued in partnership with EFI/Felix Nova GmbH. Along with the EFI I portfolio (eight wind farms with a potential capacity of up to 72 MW, with the first turbines scheduled to come on stream in 2025), a development agreement for a further portfolio of up to 170 MW (EFI II) was signed at the end of February 2022.

A VGP subsidiary was founded in Spain in quarter 2/2022. In terms of the projects, construction of the open-field solar installations acquired at the end of 2021 is advancing, with final acceptance of the three installations scheduled for quarter 3/2022. Four wind farms and another photovoltaic farm with total potential capacity of 171 MWp were acquired in quarter 1/2022. Two of the five installations have already been put into operation, with final acceptance envisaged for quarter 3/2022. According to the current schedule, the three remaining facilities are expected to come on stream by the end of quarter 4/2022.

The signing for another project in Spain also took place in May 2022. This is a portfolio of existing installations (solar photovoltaic with a capacity of 82 MW) and a pipeline (wind and solar photovoltaic with a capacity of up to 4.5 GW) with projects in different stages of development. The closing is expected to take place at the end of July 2022. In the course of the acquisition, 24 employees in Madrid will be taken on who are primarily involved in development of the project pipeline.

A VGP subsidiary was established in Albania in quarter 1/2022 to simplify legal and administrative processes in project development.

Sales segment

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

KPIs – Sales segment

	Unit	Q1–2/2021	Q1–2/2022	Change
Total revenue	€m	1,331.6	3,984.0	–
EBITDA	€m	55.7	–166.0	–
Result from interests accounted for using the equity method	€m	–0.7	–0.1	–

KPIs – Sales segment

	Unit	31/12/2021	30/6/2022	Change
Capital employed	€m	1,609.0	2,584.7	60.6%

The rise in total revenue is primarily attributable to significantly higher prices in the wholesale market for electricity, which were also offset by correspondingly higher expenses for the purchase of electricity. EBITDA was mainly negative on account of a decrease in the result from the measurement of energy derivatives in connection with hedging transactions for future deliveries of energy and higher procurement prices for electricity and gas for consumers. Higher transfer price margins and bigger contributions to earnings from flexibility products had an offsetting effect.

The rise in capital employed was largely due to an increase in deferred tax assets from the measurement of cash flows in other comprehensive income and higher receivables for guarantees in electricity trading.

Current information on B2B activities

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 photovoltaic and small-scale hydropower). The expanded range of products and services will be supplemented by innovative projects and cooperation models involving large-scale batteries.

One of the ways VERBUND plans to achieve this is by building large-scale battery sites in Germany for the provision of grid services and marketing of control power. In this regard, a further battery storage facility with a capacity of 10 MW became operational in Eisenach (Thuringia) in quarter 2/2022. More battery storage projects in Germany are planned for the current financial year.

VERBUND also offers photovoltaic systems in the contracting model for industrial and commercial customers in Austria and Germany. These are either rooftop or open-field solar installations where the customer consumes over 90% of the electricity generated. Project agreements with a scope of 15 MW were signed in quarter 2/2022.

The charging network that SMATRICS EnBW operates across Austria was expanded to more than 530 charging points as at the end of quarter 2/2022, over half of which already have a charging capacity of more than 50kW (including 86 high-power charging points with > 150kW). The basis for even faster expansion in the second half of the year was created with new site framework agreements and the planning and design of multiple projects.

Through the joint fleet product with EnBW in Germany, 42 customers have already been acquired with a total of 80 projects. Over 100 charging points are already in operation here. The current pipeline with more than 300 available offerings shows the potential of the product and augurs robust growth for the future. In addition, demand for the joint municipal utility product is growing apace, and further product partnerships for new target groups are already being developed.

The fitting out of all of VERBUND's power plant sites – powered by SMATRICS – with around 200 alternating current (AC) charging points and 35 direct current (DC)/high-powered (HP) chargers has commenced and will be rolled out in the coming weeks and months. Thanks to VERBUND Business Charging additional customers were acquired in Austria, and VERBUND has also gained a foothold in Germany with the Business Charging product, adding a well-known pilot customer.

Last but not least, a white label solution for charging cards with SMATRICS as the technical enabler and operator was implemented in the oil sector with ENI as well as Stiglechner-iQ.

Current information on B2C activities

The customer base as at the end of June 2022 amounted to around 528,000 residential customers in the electricity and gas sector.

The current price trends in the international energy markets also forced VERBUND to increase prices for household and commercial customers as at May 2022. At the same time, VERBUND provides relief and support to the residential and commercial customers in most need of help: launched in July 2022, the VERBUND energy bonus package includes relief measures for all household and commercial customers affected by electricity price increases in 2022. Over and above this, VERBUND helps people in need irrespective of their energy provider. The funding provided by the VERBUND Electricity Relief Fund run by Caritas has been doubled for 2022.

Grid segment

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

KPIs – Grid segment

	Unit	Q1–2/2021	**Q1–2/2022**	Change
Total revenue	€m	403.3	**1,009.3**	–
EBITDA	€m	130.6	**224.7**	72.1%
Result from interests accounted for using the equity method	€m	0.0	**–4.9**	–

KPIs – Grid segment

	Unit	31/12/2021	**30/6/2022**	Change
Capital employed	€m	2,647.8	**2,625.7**	–0.8%

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

Total revenue increased, primarily due to higher revenue from the auctioning off of cross-border capacity, a significant increase in revenue from the recharging of expenses for congestion management and the first-time consolidation of GCA at 31 May 2021. In spite of a sharp rise in expenses arising from the purchase of grid loss energy as well as from congestion management, this was also a major contributory factor to the increase in EBITDA. The result from interests accounted for using the equity method was generated mainly from TAG.

The decline in capital employed was mostly attributable to impairment on the goodwill of GCA and a profit participation right as well as higher trade payables and other non-interest-bearing debt. The rise in net property, plant and equipment and higher working capital had an offsetting effect.

Current information on the Grid segment – Austrian Power Grid AG

Security of supply and congestion management

Action had to be taken at Austrian power plants in quarter 2/2022 to manage congestion both within and outside the APG grid.

Tariff regulation

The 2022 cost calculation process for the current financial year was initiated on 28 January 2022. In addition to the discussions on the setting of the WACC and regulation parameters for the period of validity starting on 1 January 2023, the initial list of requirements was processed in quarter 2/2022 and questions of detail from E-Control were answered.

Weinviertel line

The last of the finishing work for the 380-kV Weinviertel line was completed in the reporting period. Initial operation is scheduled for 21 July 2022.

General overhaul of Wagrain – Weißenbach

For the general overhaul of the 220-kV line, the authorities set the date for the hearing in accordance with the Austrian Federal High Voltage Lines Act (Starkstromwegegesetz, StWG). This will take place in Gröbming on 12 July 2022. Public display of the documents at the municipal offices near the sites and the period for objections ended on 5 July 2022.

Current information on the Grid segment – Gas Connect Austria GmbH

Gas flows

In quarter 2/2022, gas flows in the East market area remained at a stable, albeit lower, level than in the prior-year reporting period. Rising wholesale prices for gas and electricity again pushed up costs for compressor energy. Gas flows at the Baumgarten entry point were down year-on-year, while gas flows from Germany to Austria (Oberkappel and Überackern entry points) rose. Due to increased demand at specific points in the GCA grid, higher income was generated at some auctions.

Regulation

An amendment of the Gas System Charges Ordinance (Gassystemnutzungsentgelte-Verordnung, GSNE-VO) entered into force at the beginning of June 2022. This amendment introduced an additional volume-based charge for transmission system operators in order to compensate for the sharp rise in costs for compressor energy.

All other segments

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

KPIs – All other segments

	Unit	Q1–2/2021	**Q1–2/2022**	Change
Total revenue	€m	65.4	**319.0**	–
EBITDA	€m	20.6	**56.3**	–
Result from interests accounted for using the equity method	€m	17.5	**5.7**	–67.5%

KPIs – All other segments

	Unit	31/12/2021	**30/6/2022**	Change
Capital employed	€m	512.6	**519.0**	1.3%

The sharp rise in total revenue and EBITDA stemmed mainly from the increased use of the Mellach CCGT in the reporting period which, as a consequence of high sales prices, led to higher electricity and district heating revenue as well as to a corresponding increase in gas usage. The result from interests accounted for using the equity method was generated by KELAG.

The change in capital employed is largely attributable to the rise in property, plant and equipment as a consequence of the reversal of impairment losses charged on the Mellach CCGT, which were offset in particular by the lower investment in KELAG accounted for using the equity method and lower trade receivables.

Current information on the Thermal generation segment

Both lines of the Mellach CCGT were used in quarter 2/2022 to ensure security of supply in congestion management. The planned inspections on the two lines were also successfully finalised.

Following the positive completion of the call for expression of interest in preventing congestion, APG then published a call for tenders. The offer period runs from 1 October 2022 until 30 September 2023. The tender phase ended at the beginning of June. In the next step, APG will now select the contracting bids and present them to E-Control for approval.

Current information on the Services segment

As a shared service organisation, VERBUND Services GmbH again handled central service processes in the Group effectively, cost-efficiently and achieving a high level of customer satisfaction in the quarter now ended.

In fleet management, a contract for optimising the management of company vehicles through professional, consolidated handling was awarded in quarter 2/2022. Roll-out of the uniform Group-wide fleet services began with a pilot project at the Lower Danube power plant sites.

Development of the interior design for the New Work office concept for two companies at the Group's head office located at Am Hof in Vienna was also initiated in the course of the Working World project in quarter 2/2022.

Implementation of the SAP Excellence programme progressed according to plan in the quarter now ended.

Crisis management work within the Group in quarters 1–2/2022 continued to focus on management of the COVID-19 crisis to ensure continued operation of critical infrastructure. VERBUND Services GmbH has an essential role to play here.

In IT services, roll-out of the M365 collaboration platform continued in quarter 2/2022. In addition to this, OneDrive for Business has now been put in service for all users. The storage infrastructure for tamper-proof archiving of documents was also upgraded.

Telecommunications at the Limberg III power plant construction site presented a particular challenge in the reporting period. Along with the standard services in the plant area, the tunnel cutter had to be equipped with telecommunication services. Fibre optic connections also needed to be set up for this.

Current information on the Equity interests segment

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

The contribution of KELAG to the result of the interest accounted for using the equity method amounted to €5.7m in quarters 1–2/2022 (Q1–2/2021: €17.5m). The year-on-year decrease is mainly due to one-off accounting effects and a deterioration in operating performance. Based on the current opportunities and risks, the results for 2022 as a whole are expected to be stable.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 30 June 2022 and authorisation for issue on 26 July 2022.

Consolidated interim financial statements

Consolidated interim financial statements

of VERBUND

Income statement

€m

In accordance with IFRSs	Notes	Q1–2/2021	Q1–2/2022	Q2/2021	Q2/2022
Revenue		1,724.3	**4,731.8**	906.2	**2,199.8**
Electricity revenue	1	1,375.5	3,941.6	735.5	1,877.8
Grid revenue	1	282.1	623.4	143.0	274.9
Other revenue	1	66.7	166.9	27.7	47.1
Other operating income		36.3	49.6	19.4	26.4
Expenses for electricity, grid, gas and certificates purchases	2	–805.5	–2,821.3	–418.0	–1,286.5
Fuel expenses and other usage-/revenue-dependent expenses	3	–15.6	–244.0	–3.6	–58.0
Personnel expenses	4	–190.9	–216.4	–100.9	–111.2
Other operating expenses		–124.9	–156.2	–65.5	–66.6
Measurement and realisation of energy derivatives	5	31.2	35.4	14.6	–140.0
EBITDA		654.9	**1,378.9**	352.3	**563.9**
Depreciation and amortisation	6	–195.3	–218.7	–100.6	–109.5
Impairment losses[1]	7	–0.5	–31.9	–0.5	–31.9
Reversal of impairment losses[1]	7	0.0	56.0	0.0	56.0
Operating result		459.1	**1,184.2**	251.2	**478.5**
Result from interests accounted for using the equity method	8	17.0	0.9	14.5	13.2
Other result from equity interests		2.1	2.1	1.1	1.1
Interest income	9	19.3	17.9	8.2	8.9
Interest expenses	10	–37.9	–43.2	–19.8	–21.9
Other financial result	11	18.4	10.7	15.9	14.3
Impairment losses	12	0.0	–4.2	0.0	–4.2
Financial result		18.9	**–15.7**	19.8	**11.4**
Profit before tax		478.0	**1,168.5**	271.0	**489.9**
Taxes on income	13	–114.3	–235.4	–65.6	–124.4
Profit for the period		363.7	**933.1**	205.4	**365.5**
Attributable to the shareholders of VERBUND AG (Group result)		324.5	817.1	179.8	302.8
Attributable to non-controlling interests		39.2	116.0	25.6	62.7
Earnings per share in €[2]		0.93	**2.35**	0.52	**0.87**

[1] The impairments and reversals of impairment losses have been reduced by the amount of the change in related deferred contributions to building costs and government grants. // [2] Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

€m

In accordance with IFRSs	Notes	Q1–2/2021	**Q1–2/2022**	Q2/2021	**Q2/2022**
Profit for the period		363.7	**933.1**	205.4	**365.5**
Remeasurements of net defined benefit liability	14	52.1	121.6	52.3	122.3
Other comprehensive income from interests accounted for using the equity method[1]		0.6	–3.0	0.0	9.5
Total of items that will not be reclassified subsequently to the income statement		52.7	**118.6**	52.3	**131.8**
Differences from currency translation		–2.3	0.1	–0.1	0.1
Measurements of cash flow hedges		–349.4	–2,082.7	–261.2	–988.8
Other comprehensive income from interests accounted for using the equity method[2]		0.1	–10.4	0.0	–10.4
Total of items that will be reclassified subsequently to the income statement		–351.6	**–2,093.0**	–261.3	**–999.1**
Other comprehensive income before tax		–298.9	**–1,974.4**	–209.0	**–867.4**
Taxes on income relating to items that will not be reclassified subsequently to the income statement		–13.3	–38.9	–13.3	–30.3
Taxes on income relating to items that will be reclassified subsequently to the income statement		87.3	493.3	65.3	230.9
Other comprehensive income after tax		–224.9	**–1,520.0**	–157.0	**–666.8**
Total comprehensive income for the period		138.9	**–586.9**	48.5	**–301.3**
Attributable to the shareholders of VERBUND AG		94.4	–710.4	17.8	–372.4
Attributable to non-controlling interests		44.4	123.5	30.7	71.1

[1] deferred taxes included therein in quarters 1–2/2022: €1.0m (Q1–2/2021: €–0.2m)
[2] deferred taxes included therein in quarters 1–2/2022: €3.5m (Q1–2/2021: €0.0m)

Balance sheet

€m

In accordance with IFRSs	Notes	31/12/2021	30/6/2022
Non-current assets		12,877.4	**13,898.7**
Intangible assets		788.7	780.4
Property, plant and equipment		10,672.0	11,089.6
Right-of-use assets		103.8	112.5
Interests accounted for using the equity method		404.1	383.4
Other equity interests	16	177.1	182.4
Investments and other receivables	16	695.8	721.3
Deferred tax assets		35.8	629.0
Current assets		4,234.1	**6,037.8**
Inventories	15	49.9	61.2
Trade receivables, other receivables and securities	16	3,865.7	5,921.9
Cash and cash equivalents	16	318.6	54.7
Total assets		17,111.6	**19,936.4**

€m

In accordance with IFRSs	Notes	31/12/2021	30/6/2022
Equity		6,362.9	**5,329.5**
Attributable to the shareholders of VERBUND AG		5,461.6	4,400.3
Attributable to non-controlling interests		901.3	929.2
Non-current liabilities		4,404.4	**4,394.6**
Financial liabilities	16	1,834.2	1,913.2
Provisions		832.9	690.3
Deferred tax liabilities		486.9	550.4
Contributions to building costs and grants		788.4	790.0
Other liabilities	16	462.1	450.6
Current liabilities		6,344.2	**10,212.4**
Financial liabilities	16	1,462.5	1,322.3
Provisions		44.7	41.4
Current tax liabilities		222.4	463.5
Trade payables and other liabilities	16	4,614.7	8,385.2
Total equity and liabilities		17,111.6	**19,936.4**

Cash flow statement

€m

In accordance with IFRSs	Notes	Q1–2/2021	Q1–2/2022
Profit for the period		363.7	933.1
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		195.8	194.6
Impairment losses on investments (net of reversals of impairment losses)		–3.6	8.3
Result from interests accounted for using the equity method (net of dividends received)		–12.6	20.5
Result from the disposal of non-current assets		–0.8	–1.3
Change in non-current provisions and deferred tax liabilities		–5.7	–80.9
Change in contributions to building costs and grants		–0.4	1.7
Other non-cash expenses and income		–21.4	–22.9
Subtotal		514.9	**1,053.1**
Change in inventories		–25.9	–11.2
Change in trade receivables and other receivables		–441.8	–1,476.7
Change in trade payables and other liabilities		295.4	1,117.4
Change in current provisions and current tax liabilities		83.7	237.8
Cash flow from operating activities[1]		426.4	**920.3**

[1] Cash flow from operating activities includes income taxes paid of €65.4m (Q1–2/2021: €15.6m), interest paid of €11.0m (Q1–2/2021: €5.8m), interest received of €1.3m (Q1–2/2021: €0.0m) and dividends received of €23.6m (Q1– 2/2021: €2.4m).

€m

In accordance with IFRSs	Notes	Q1–2/2021	Q1–2/2022
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		–339.3	–551.3
Cash inflow from the disposal of intangible assets and property, plant and equipment		1.9	3.1
Cash outflow from capital expenditure for investments		–0.1	–61.1
Cash inflow from the disposal of investments		2.1	50.3
Cash inflow (outflow) from capital expenditure for subsidiaries		–230.5	0.0
Cash outflow from capital expenditure for interests accounted for using the equity method and other equity interests		0.0	–5.2
Cash flow from investing activities		–565.9	**–564.3**
Cash inflow from shifts between shareholder groups		0.0	16.4
Cash inflow from money market transactions		235.1	1,286.5
Cash outflow from money market transactions		0.0	–1,430.0
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		489.1	5.5
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		–231.3	–14.1
Cash outflow from the repayment of lease liabilities		–17.1	–6.4
Dividends paid		–331.7	–477.8
Cash flow from financing activities		144.1	**–619.9**
Change in cash and cash equivalents		4.6	**–263.9**
Cash and cash equivalents as at 1/1/		49.2	**318.6**
Change in cash and cash equivalents		4.6	–263.9
Cash and cash equivalents as at 30/6/		53.8	**54.7**

Statement of changes in equity

In accordance with IFRSs	Called and paid-in share capital	Capital reserves	Retained earnings	Remeasurements of net defined benefit liability
Notes				14
As at 1/1/2021	347.4	954.3	5,325.5	–388.8
Profit for the period	–	–	324.5	–
Other comprehensive income	–	–	0.0	34.2
Total comprehensive income for the period	–	–	324.5	34.2
Changes in the basis of consolidation	–	–	0.0	0.0
Dividends	–	–	–260.6	–
Other changes in equity	–	–	–0.3	0.0
As at 30/6/2021	347.4	954.3	5,389.1	–354.6
As at 1/1/2022	**347.4**	**954.3**	**5,937.5**	**–327.8**
Profit for the period	–	–	817.1	–
Other comprehensive income	–	–	0.0	70.5
Total comprehensive income for the period	–	–	817.1	70.5
Changes in the basis of consolidation	–	–	0.6	0.0
Shifts between shareholder groups	–	–	10.5	0.0
Dividends	–	–	–364.8	–
Other changes in equity	–	–	2.8	0.0
As at 30/6/2022	**347.4**	**954.3**	**6,403.7**	**–257.3**

€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
	–15.2	7.7	–79.8	6,151.2	656.2	6,807.4
	–	–	–	324.5	39.2	363.7
	–2.2	0.0	–262.0	–230.1	5.2	–224.9
	–2.2	0.0	–262.0	94.4	44.4	138.9
	0.0	0.0	0.0	0.0	210.0	210.0
	–	–	–	–260.6	–71.1	–331.7
	0.0	0.0	0.0	–0.3	0.0	–0.3
	–17.5	7.7	–341.8	5,984.8	839.5	6,824.3
	–18.5	**25.5**	**–1,456.8**	**5,461.6**	**901.3**	**6,362.9**
	–	–	–	817.1	116.0	933.1
	0.1	0.6	–1,598.8	–1,527.6	7.6	–1,520.0
	0.1	0.6	–1,598.8	–710.4	123.5	–586.9
	0.0	0.0	0.0	0.6	0.2	0.8
	0.0	0.0	0.0	10.5	0.0	10.5
	–	–	–	–364.8	–95.4	–460.2
	0.0	0.0	0.0	2.8	–0.5	2.3
	–18.4	**26.1**	**–3,055.6**	**4,400.3**	**929.2**	**5,329.5**

Selected explanatory notes

Financial reporting principles

Basic principles

These consolidated interim financial statements of VERBUND for the period ended 30 June 2022 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 2021, which form the basis for these consolidated interim financial statements of VERBUND.

Basis of consolidation

The companies VERBUND Ventures GmbH and VERBUND Green Power Iberia S.L.U. were newly established and consolidated for the first time in quarters 1–2/2022.

In addition, five Spanish companies – Parque Eólico Buseco, S.L.U., Parque Eólico Loma de los Pinos, S.L.U., Parque Eólico El Barroso, S.L.U., Parque Eólico Ayamonte, S.L.U. and Lusitania Renovables, S.L.U. – were acquired and included in the basis of consolidation for the first time.

Effects of the war in Ukraine

The beginning of hostilities on the part of Russian forces in Ukraine in February 2022 represents a watershed event. The potential financial impact on VERBUND's assets was analysed in the course of preparing the interim financial statements for the period ended 30 June 2022. The increase in electricity and gas prices in quarters 1–2/2022 as well as the increase in the cost of capital had immediate effects on the asset measurements. The updating of these parameters resulted in changes in the value of assets recognised by VERBUND (see Note 7. Impairment losses and reversals of impairment losses and Note 12. Impairment losses). The effects of the war in Ukraine particularly affected the gas grid operating subsidiaries Gas Connect Austria GmbH (GCA) and Trans Austria Gasleitung GmbH (TAG). The tight gas supply led to rapidly rising energy prices, which made the operation of the gas grid considerably more expensive. The aspired filling of gas storage facilities and the newly introduced volume-based charge to cover additional energy costs had a stabilising effect on the network business. The development of the war in Ukraine is expected to continue to have a significant impact on the energy market. There are uncertainties primarily due to possible future economic sanctions on the part of the European Union in connection with Russian natural gas supplies on the one hand and a possible complete suspension of gas deliveries by Russia on the other, the financial impact of which is difficult to assess from the current perspective. Developments in Ukraine, the resulting risks and the financial impact on VERBUND continue to be evaluated on an ongoing basis.

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 for the period ended 31 December 2021.

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

Newly applicable or applied accounting standards

Standard or interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Material effects on the consolidated interim financial statements of VERBUND
IFRS 3	Business Combinations – Reference to the Conceptual Framework	14/5/2020 (28/6/2021)	1/1/2022	none
IAS 16	Amendment: Proceeds before Intended Use	14/5/2020 (28/6/2021)	1/1/2022	none
IAS 37	Amendment: Onerous Contracts – Cost of Fulfilling a Contract	14/5/2020 (28/6/2021)	1/1/2022	none
Various	Annual Improvements to IFRS Standards 2018–2020 Cycle	14/5/2020 (28/6/2021)	1/1/2022	none

Segment reporting

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.

€m

	Hydro	New renewables	Sales	Grid	All other segments	Recon-ciliation/ consoli-dation	Total Group
Q1–2/2022							
External revenue	53.7	70.9	3,567.9	986.9	49.3	3.0	4,731.8
Internal revenue	1,355.4	33.4	416.0	22.4	269.6	–2,096.9	0.0
Total revenue	1,409.1	104.2	3,984.0	1,009.3	319.0	–2,093.9	4,731.8
EBITDA	**1,224.0**	**60.1**	**–166.0**	**224.7**	**56.3**	**–20.3**	**1,378.9**
Depreciation and amortisation	–111.1	–15.3	–1.4	–80.1	–9.3	–1.5	–218.7
Effects from impairment tests (operating result)	–12.9	0.0	0.0	–2.2	56.0	–16.8	24.1
Other material non-cash items	23.3	–12.3	–196.9	7.0	–15.5	0.9	–193.6
Result from interests accounted for using the equity method	0.3	–0.1	–0.1	–4.9	5.7	0.0	0.9
Effects from impairment tests (financial result)	–0.9	0.0	0.0	–3.3	0.0	0.0	–4.2
Capital employed	5,859.6	492.9	2,584.7	2,625.7	519.0	–80.1	12,001.7
of which carrying amount of interests accounted for using the equity method	21.4	1.4	12.4	69.7	278.5	0.0	383.4
Additions to intangible assets and property, plant and equipment	204.6	260.8	8.7	111.0	18.6	0.6	604.3

€m

	Hydro	New renewables	Sales	Grid	All other segments	Reconciliation/ consolidation	Total Group
Q1–2/2021							
External revenue	46.2	38.9	1,243.5	389.5	3.6	2.8	1,724.3
Internal revenue	565.6	11.0	88.2	13.8	61.9	–740.5	0.0
Total revenue	611.8	49.8	1,331.6	403.3	65.4	–737.7	1,724.3
EBITDA	**444.1**	**24.4**	**55.7**	**130.6**	**20.6**	**–20.5**	**654.9**
Depreciation and amortisation	–107.5	–13.3	–1.0	–65.4	–6.6	–1.5	–195.3
Effects from impairment tests (operating result)	0.0	–0.5	0.0	0.0	0.0	0.0	–0.5
Other material non-cash items	18.3	0.0	3.8	6.0	4.3	0.7	33.2
Result from interests accounted for using the equity method	0.1	0.0	–0.7	0.0	17.5	0.0	17.0
Capital employed	**5,922.0**	**407.1**	**400.1**	**2,616.4**	**427.5**	**7.6**	**9,780.7**
of which carrying amount of interests accounted for using the equity method	5.1	1.3	9.0	138.6	283.2	0.0	437.2
Additions to intangible assets and property, plant and equipment	118.8	0.8	2.4	125.6	3.6	1.1	252.4

Notes to the income statement

(1) Revenue

Revenue

€m

	Q1–2/2021 Domestic	**Q1-2/2022 Domestic**	Q1–2/2021 Foreign	**Q1-2/2022 Foreign**	Q1- 2/2021 Total	**Q1-2/2022 Total**	Change
Electricity revenue resellers	26.5	24.1	15.0	23.6	41.4	47.7	15.1%
Electricity revenue traders	0.1	0.0	1.5	2.7	1.6	2.7	70.6%
Electricity revenue – Hydro segment	26.5	**24.1**	16.5	**26.3**	43.0	**50.4**	17.2%
Electricity revenue traders	7.4	0.0	8.0	31.4	15.4	31.4	103.2%
Electricity revenue consumers	0.0	0.0	15.7	30.0	15.7	30.0	90.5%
Electricity revenue – New renewables segment	7.4	**0.0**	23.8	**61.4**	31.2	**61.4**	96.7%
Electricity revenue resellers	278.2	877.6	201.0	493.0	479.2	1,370.6	186.0%
Electricity revenue traders	234.6	707.7	133.8	498.0	368.4	1,205.7	n/a
Electricity revenue consumers	99.5	481.0	253.5	418.8	353.0	899.8	154.9%
Electricity revenue – Sales segment	612.4	**2,066.3**	588.3	**1,409.8**	1,200.7	**3,476.1**	189.5%
Electricity revenue resellers	55.2	76.1	39.7	258.5	94.9	334.6	n/a
Electricity revenue traders	4.0	16.9	1.7	2.2	5.7	19.0	n/a
Electricity revenue – Grid segment	59.2	**92.9**	41.4	**260.7**	100.6	**353.7**	n/a
Total electricity sales revenue	705.5	**2,183.4**	670.0	**1,758.2**	1,375.5	**3,941.6**	186.6%
Grid revenue electric utilities	189.6	280.5	5.8	16.4	195.4	296.9	51.9%
Grid revenue industrial customers	2.4	5.2	0.0	0.0	2.4	5.2	120.3%
Grid revenue other	34.0	119.1	50.3	202.1	84.3	321.2	n/a
Total grid revenue – Grid segment	226.0	**404.8**	56.1	**218.6**	282.1	**623.4**	120.9%
Other revenue – Hydro segment					3.1	**3.3**	4.4%
Other revenue – New renewables generation segment					7.7	**9.5**	24.2%
Other revenue – Sales segment					42.8	**91.8**	114.4%
Other revenue – Grid segment					6.8	**9.9**	45.4%
Other revenue – All other segments					3.6	**49.3**	n/a
Other revenue – reconciliation					2.8	**3.0**	9.1%
Total of other revenue					66.7	**166.9**	150.0%
Total revenue					1,724.3	**4,731.8**	174.4%

Expenses for electricity, grid, gas and certificates purchases

€m	Q1–2/2021	Q1–2/2022	Change
Expenses for electricity purchases (including control power)	741.5	2,680.8	n/a
Expenses for gas purchases	33.5	108.6	n/a
Expenses for grid purchases (system use)	28.3	26.3	–7.0%
Purchases of proof of origin and green certificates	0.8	3.0	n/a
Purchases of emission rights (trade)	1.4	2.5	77.5%
Expenses for electricity, grid, gas and certificates purchases	805.5	**2,821.3**	n/a

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

Fuel expenses and other usage-/revenue-dependent expenses

€m	Q1–2/2021	Q1–2/2022	Change
Fuel expenses	3.1	202.0	n/a
Emission rights acquired in exchange for consideration	1.0	24.2	n/a
Other revenue-dependent expenses	11.0	15.0	36.0%
Other usage-dependent expenses	0.5	2.8	n/a
Fuel expenses and other usage-/revenue-dependent expenses	15.6	**244.0**	n/a

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

Personnel expenses

€m	Q1–2/2021	Q1–2/2022	Change
Wages and salaries	145.9	164.8	12.9%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	32.3	37.4	15.9%
Other social expenses	1.8	3.1	67.9%
Subtotal	180.0	**205.2**	14.0%
Expenses for pensions and similar obligations	9.0	9.0	0.2%
Expenses for termination benefits	1.9	2.2	16.9%
Personnel expenses	190.9	**216.4**	13.4%

(4) Personnel expenses

Measurement and realisation of energy derivatives

€m	Q1–2/2021	Q1–2/2022	Change
Realisation of futures	39.8	**–77.9**	n/a
of which positive	124.6	708.8	n/a
of which negative	–84.8	–786.8	n/a
Measurement	–8.6	**113.3**	n/a
of which positive	743.4	3,997.2	n/a
of which negative	–752.0	–3,883.8	n/a
Measurement and realisation of energy derivatives	31.2	**35.4**	13.5%

(5) Measurement and realisation of energy derivatives

(6) Depreciation and amortisation

Depreciation and amortisation €m

	Q1–2/2021	Q1–2/2022	Change
Depreciation of property, plant and equipment	172.2	206.5	19.9%
Amortisation of intangible assets	4.9	7.6	55.5%
Depreciation of right-of-use assets	18.1	4.5	–75.0%
Depreciation and amortisation	195.3	**218.7**	12.0%

(7) Impairment losses and reversals of impairment losses

Impairment losses and reversals of impairment losses €m

	Q1–2/2021	Q1–2/2022	Change
Mellach combined cycle gas turbine power plant[1]	0.0	57.6	n/a
Change in deferred grants for the Mellach combined cycle gas turbine power plant	0.0	–1.6	n/a
Goodwill of Gas Connect Austria[2]	0.0	–16.8	n/a
Gratkorn run-of-river power plant[3]	0.0	–13.6	n/a
Change in deferred grants for the Gratkorn run-of-river power plant	0.0	0.7	n/a
Gas Connect Austria GmbH[4]	0.0	–2.2	n/a
Other	–0.5	0.0	100.0%
Impairment losses and reversals of impairment losses	–0.5	**24.1**	n/a

[1] The details of the reversal of impairment losses at the Mellach combined cycle gas turbine power plant are explained in the table below. // [2] The impairment results from the second step of the two-step impairment test of the group of cash-generating units "Gas Connect Austria". The details of the impairment loss are explained in the table below. // [3] The recoverability of the Gratkorn run-of-river power plant had to be reviewed in quarter 2/2022 on the basis of the updated discount rate. // [4] The recoverability of the CGU Gas Connect Austria GmbH had to be reviewed in quarter 2/2022 due to the updated discount rate and the increase in electricity and gas prices. The impairment results from the first step of the two-step impairment test of the group of cash-generating units "Gas Connect Austria". The recoverability of the individual units, Gas Connect Austria GmbH including Austrian Gas Grid Management AG (AGGM), the equity interest in Trans Austria Gasleitung GmbH (TAG) and the TAG profit participation right with respect to material assets were tested one after the other in the first step.

Impairment test – Mellach combined cycle gas turbine power plant

	31/12/2021	**30/6/2022**
Cash-generating unit	Combined cycle gas turbine power plant (installed electrical capacity: 838 MW)	Combined cycle gas turbine power plant (installed electrical capacity: 838 MW)
Indications of impairment	Updated electricity and/or gas price forecasts and updated discount rate	Updated electricity and/or gas price forecasts and updated discount rate
Basis for recoverable amount	Value in use	Value in use
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	VERBUND Thermal Power GmbH & Co KG budgets (based mainly on near-market data)	VERBUND Thermal Power GmbH & Co KG budgets (based mainly on near-market data)
Volume	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8%)	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8%)
Price	Internal price forecasts; temporarily expected revenue from the grid reserve, congestion management, redispatch and market use, including heat extraction in the winter for one line (Q4/2022 to Q1/2023); estimate of operating, maintenance and downtime costs by the responsible managers	Internal price forecasts; temporarily expected revenue from the grid reserve, congestion management, redispatch and market use, including heat extraction in the winter for one line (Q4/2022 to Q1/2023); estimate of operating, maintenance and downtime costs by the responsible managers
Planning period	Total capacity averaging around 100,000 equivalent operating hours or until 2040 (dependent on earlier entry)	Total capacity averaging around 100,000 equivalent operating hours or until 2040 (dependent on earlier entry)
Key measurement assumptions	Discount rate, expected revenue from the grid reserve, congestion management and redispatch, development of clean spark spreads	Discount rate, expected revenue from the grid reserve, congestion management and redispatch, development of clean spark spreads
After-tax discount rate[1]	WACC: 4.25%	WACC: 5.25%
Recoverable amount	€109.9m	€164.9m
Reversal of impairment losses during the period[2]	€+24.5m	€+56.0m

[1] The implicit input tax interest rate determined through a process of iteration amounted to 6.82% on 30 June 2022 (31 December 2021: 5.67%). // [2] The reversal of impairment losses on 30 June 2022 was reduced by the change in deferred government grants in the amount of €1.6m (31 December 2021: €0.7m).

Impairment testing of the Gratkorn power plant on the Mur River

	30/6/2022
Cash-generating unit	River power plant in the area of the Mur River (50% owned by VERBUND Hydro Power GmbH (VHP), 50% owned by Energie Steiermark Green Power GmbH)
Basis for recoverable amount	Value in use
Indications of impairment	Updated electricity price forecasts and updated discount rate
Valuation technique	Net present value approach (DCF method)
Derivation of cash flow	VHP budgets (based primarily on near-market data)
Volume	The annual output corresponding to the mean energy capability of 56 GWh (for 100% of the power plant)
Price	Internal price forecasts; discounts for generation characteristics and the hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin (derived from quoted prices); estimate of the maintenance costs by the managers responsible
Planning period	Detailed planning phase: 6 years; rough planning phase: 23 years followed by a terminal value phase
Key measurement assumptions	Electricity price, discount rate
After-tax discount rate[1]	WACC: 5.25%
Recoverable amount	€2.9m
Impairment losses during the period[2]	€–12.9m

[1] The iteratively calculated implicit pre-tax interest rate was 5.90% on 30 June 2022. // [2] The impairment loss as at 30 June 2022 was reduced by the €0.7m change in deferred government grants.

Impairment testing of goodwill for Gas Connect Austria[1]

	31/12/2021	**30/6/2022**
Group of cash generating units	Gas Connect Austria GmbH (GCA), Austrian Gas Grid Management AG (AGGM), Trans Austria Gasleitung GmbH (TAG), TAG profit participation right with respect to material assets plus goodwill less deferred tax accruals	Gas Connect Austria GmbH (GCA), Austrian Gas Grid Management AG (AGGM), Trans Austria Gasleitung GmbH (TAG), TAG profit participation right with respect to material assets plus goodwill less deferred tax accruals
Basis for recoverable amount	Fair value (Level 3) less costs of disposal	Fair value (Level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	GCA budgets (based primarily on near-market data)	GCA budgets (based primarily on near-market data)
Volume	Capacity bookings	Capacity bookings
Price	Tariffs published by the regulator by regulation	Tariffs published by the regulator by regulation
Planning period	Detailed planning phase: 6 years; rough planning phase: 33 years plus regulatory asset base (RAB) as exit value	Detailed planning phase: 6 years; rough planning phase: 33 years plus regulatory asset base (RAB) as exit value
Key measurement assumptions	Regulatory interest rate of the RAB	Regulatory interest rate of the RAB
After-tax discount rate	Determination of discount rate taking into account regulatory framework conditions	Determination of discount rate taking into account regulatory framework conditions
Recoverable amount	€852.7m	€799.0m
Impairment losses during the period	€–8.8m	€–16.8m

[1] The following explanations relate to the second step of the two-step impairment test of the group of GCA cash-generating units. The recoverability of the individual units, Gas Connect Austria GmbH including AGGM, the equity interest in TAG and the TAG profit participation right with respect to material assets were tested in the first step.

(8)
Result from interests accounted for using the equity method

Result from interests accounted for using the equity method

€m

	Q1–2/2021 Domestic	**Q1–2/2022 Domestic**	Change	Q1–2/2021 Foreign	**Q1–2/2022 Foreign**	Change
Income or expenses	17.0	**0.8**	–95.4%	0.0	**0.1**	n/a

(9)
Interest income

Interest income

€m

	Q1–2/2021	**Q1–2/2022**	Change
Interest from investments under closed items on the balance sheet	15.4	**15.7**	1.8%
Other interest and similar income	3.9	**2.2**	–44.5%
Interest income	19.3	**17.9**	–13.8%

(10)
Interest expenses

Interest expenses

€m

	Q1–2/2021	**Q1–2/2022**	Change
Interest on financial liabilities under closed items on the balance sheet	15.4	**15.7**	1.8%
Interest on other liabilities from electricity supply commitments	7.0	**6.5**	–6.9%
Interest on bonds	4.8	**6.0**	22.9%
Interest on a share redemption obligation	3.4	**4.3**	27.0%
Interest on bank loans	3.9	**3.5**	–8.6%
Net interest expense on personnel-related liabilities	2.7	**3.5**	30.6%
Interest on other non-current provisions	0.6	**1.1**	88.0%
Interest on leases	0.5	**0.6**	11.2%
Borrowing costs capitalised in accordance with IAS 23	–2.5	**–3.4**	–36.7%
Other interest and similar expenses	2.1	**5.4**	158.3%
Interest expenses	37.9	**43.2**	13.9%

(11)
Other
financial result

Other financial result

€m	Q1–2/2021	Q1–2/2022	Change
Measurement of an obligation to return an interest[1]	12.7	28.0	121.3%
Measurement of derivatives in the finance area	1.2	2.1	76.2%
Income from securities and loans	1.0	0.8	–21.4%
Measurement of non-derivative financial instruments	3.6	–8.2	n/a
Measurement of a profit participation right with respect to material assets[2]	0.0	–11.3	n/a
Other	0.0	–0.7	n/a
Other financial result	18.4	**10.7**	139.6%

[1] The obligation to transfer the 50% interest in Donaukraftwerk Jochenstein AG to the Free State of Bavaria without exchange of consideration is measured at amortised cost. The expected fair value of the interest at the transfer date (31 December 2050) is calculated periodically and discounted based on the original effective interest rate. Changes in the expected fair value of the interest are recognised in the other financial result. // [2] The profit participation right with respect to the material assets of TAG. They are measured at fair value through profit or loss.

(12)
Impairment losses

The recoverability of the investments in TAG and Ashta Beteiligungsverwaltung GmbH (Ashta) accounted for using the equity method had to be tested on 30 June 2022. The reasons for the impairment test were, on the one hand, changes in the economic environment, in particular higher electricity and gas prices, and, on the other hand, adjusted discount rates. The calculated recoverable amount was €50.8m with respect to TAG and €18.1m with respect to Ashta. In quarters 1–2/2022, an impairment loss of €3.3m was recognised for TAG (Q1–2/2021: €0.0m) and of €0.9m for Ashta (Q1–2/2021: €0.0m).

(13)
Taxes on income

The Austrian National Council approved the eco-social tax reform in its third reading in quarter 1/2022. The corporate income tax rate applicable in Austria will be lowered from 25% at present to 24% beginning in 2023 and to 23% beginning in 2024. The revaluation of deferred tax necessitated by these changes resulted in income of €56.6m.

Notes to the statement of comprehensive income

(14) 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 on 30 June 2022. The discount rates used were 2.75% instead of 1.25% (obligations similar to pensions), 2.50% instead of 1.00% (pension obligations) and 2.25% instead of 0.75% (severance payment obligations). Future salary increases were taken into account at 6.75% to 2.75% (31 December 2021: 2.75%) and future pension increases at 2.00% to 1.00% (31 December 2021: 1.75% to 1.00%).

Notes to the balance sheet

(15) Inventories

Inventories €m

	31/12/2021	**30/6/2022**	Change
Inventories of primary energy sources held for generation	23.1	**19.6**	– 15.0%
Emission rights held for trading	4.8	14.6	n/a
Measurements of emission rights held for trading	8.6	10.9	27.5%
Fair value of emission rights held for trading	13.3	**25.5**	91.7%
Proof of origin and green electricity certificates	1.7	**3.7**	115.4%
Other	11.8	**12.4**	4.6%
Inventories	49.9	**61.2**	22.5%

The measurement benchmark for inventories of natural gas and emission rights held for trading by VERBUND is the fair value less costs to sell in accordance with the exemption provided for raw materials and commodity broker-traders (brokerage exemption). The stock exchange price for front-month gas forwards on the Central European Gas Hub (CEGH) or NetConnect Germany (NCG) is the relevant price for inventories of natural gas held for trading. 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.

(16) Additional disclosures regarding financial instruments

Carrying amounts and fair values by measurement category 30/6/2022

€m

Assets – balance sheet items	Measurement category in accordance with IFRS 9	Level	Carrying amount	Fair value
Interests in unconsolidated subsidiaries	FVOCI	2	13.4	13.4
Interests in unconsolidated subsidiaries	FVOCI	AC	5.8	5.8
Other equity interests	FVOCI	1	29.7	29.7
Other equity interests	FVOCI	2	117.0	117.0
Other equity interests	FVOCI	AC	16.4	16.4
Other equity interests			182.4	
Securities	FVPL	1	142.2	142.2
Securities	FVOCI	3	6.7	6.7
Securities	FVOCI	AC	1.3	1.3
Securities – closed items on the balance sheet	AC	2	72.4	68.7
Other loans – closed items on the balance sheet	AC	2	330.8	343.4
Derivatives in the finance area – closed items on the balance sheet	FVPL	2	42.8	42.8
Loans to investees	AC	2	60.9	56.5
Other loans	AC	2	5.7	5.2
Other	FVPL	3	32.4	32.4
Other	–	–	26.2	–
Investments and other receivables			721.3	
Trade receivables	AC	–	714.9	–
Receivables from investees	AC	–	28.5	–
Loans to investees	AC	2	3.5	3.1
Other loans	AC	2	0.1	0.1
Derivatives in the energy area	FVPL	1	23.1	23.1
Derivatives in the energy area	FVPL	2	3,899.1	3,899.1
Securities	FVPL	1	4.4	4.4
Emission rights	–	–	28.7	–
Other	AC	–	1,150.1	–
Other	–	–	69.4	–
Trade receivables, other receivables and securities			5,921.9	
Cash and cash equivalents	AC	–	54.7	–
Aggregated by measurement category				
Financial assets at amortised cost	AC		2,421.6	
Financial assets at fair value through profit or loss	FVPL		4,144.0	
Financial assets at fair value through other comprehensive income	FVOCI		190.4	

Carrying amounts and fair values by measurement category 30/6/2022

€m

Liabilities – balance sheet items	Measurement category in accordance with IFRS 9	Level	Carrying amount	Fair value
Bonds	AC	2	992.8	821.7
Financial liabilities to banks and to others	AC	2	1,753.5	1,759.7
Financial liabilities to banks – closed items on the balance sheet	AC	2	125.3	145.5
Financial liabilities to banks – closed items on the balance sheet	FVPL – D	2	320.7	320.7
Capital shares attributable to limited partners	–	–	10.6	–
Put liability	AC	–	32.7	–
Non-current and current financial liabilities			**3,235.6**	
Electricity supply commitment	–	–	120.1	–
Obligation to return an interest	AC	3	116.7	163.3
Trade payables	AC	–	2.7	–
Lease liabilities	–	–	93.1	–
Other	AC	–	112.9	–
Non-current other liabilities			**450.6**	
Trade payables	AC	–	324.1	–
Derivatives in the energy area	FVPL	1	534.7	534.7
Derivatives in the energy area	FVPL	2	7,157.4	7,157.4
Derivatives in the finance area	FVPL	2	1.4	1.4
Lease liabilities	–	–	8.6	–
Other	AC	–	214.8	–
Other	–	–	144.2	–
Trade payables and current other liabilities			**8,385.2**	
Aggregated by measurement category				
Financial liabilities at amortised cost	AC		3,675.5	
Financial liabilities at fair value through profit or loss	FVPL		7,693.5	
Financial liabilities at fair value through profit or loss – designated	FVPL – D		320.7	

Carrying amounts and fair values by measurement category 31/12/2021

€m

Assets – balance sheet items	Measurement category in accordance with IFRS 9	Level	Carrying amount	Fair value
Interests in unconsolidated subsidiaries	FVOCI	2	13.4	13.4
Interests in unconsolidated subsidiaries	FVOCI	AC	0.6	0.6
Other equity interests	FVOCI	1	29.7	29.7
Other equity interests	FVOCI	2	117.0	117.0
Other equity interests	FVOCI	AC	16.4	16.4
Other equity interests			**177.1**	
Securities	FVPL	1	130.4	130.4
Securities	FVOCI	3	6.7	6.7
Securities	FVOCI	AC	1.3	1.3
Securities – closed items on the balance sheet	AC	2	67.7	65.4
Other loans – closed items on the balance sheet	AC	2	309.2	328.9
Derivatives in the finance area – closed items on the balance sheet	FVPL	2	70.3	70.3
Loans to investees	AC	2	24.6	23.8
Other loans	AC	2	5.6	6.0
Other	FVPL	3	43.5	43.5
Other	–	–	36.5	–
Investments and other receivables			**695.8**	
Trade receivables	AC	–	818.4	–
Receivables from investees	AC	–	57.6	–
Loans to investees	AC	2	49.1	49.6
Other loans	AC	2	0.0	0.0
Derivatives in the energy area	FVPL	1	31.3	31.3
Derivatives in the energy area	FVPL	2	2,226.5	2,226.5
Securities	FVPL	1	4.3	4.3
Emission rights	–	–	31.2	–
Other	AC	–	609.3	–
Other	–	–	38.1	–
Trade receivables, other receivables and securities			**3,865.7**	
Cash and cash equivalents	**AC**	**–**	**318.6**	**–**
Aggregated by measurement category				
Financial assets at amortised cost	AC		2,260.0	
Financial assets at fair value through profit or loss	FVPL		2,506.2	
Financial assets at fair value through other comprehensive income	FVOCI		185.2	

Carrying amounts and fair values by measurement category 31/12/2021 €m

Liabilities – balance sheet items	Measurement category in accordance with IFRS 9	Level	Carrying amount	Fair value
Bonds	AC	2	990.6	1,019.8
Financial liabilities to banks and to others	AC	2	1,858.8	1,740.2
Financial liabilities to banks – closed items on the balance sheet	AC	2	117.1	150.9
Financial liabilities to banks – closed items on the balance sheet	FVPL – D	2	330.1	330.1
Capital shares attributable to limited partners	–	–	0.0	–
Non-current and current financial liabilities			**3,296.6**	
Electricity supply commitment	–	–	126.5	–
Obligation to return an interest	AC	3	140.4	243.3
Trade payables	AC	–	2.1	–
Lease liabilities	–	–	86.0	
Other	AC	–	107.2	–
Non-current other liabilities			**462.1**	
Trade payables	AC	–	293.6	–
Derivatives in the energy area	FVPL	1	117.4	117.4
Derivatives in the energy area	FVPL	2	3,755.1	3,755.1
Derivatives in the finance area	FVPL	2	5.9	5.9
Lease liabilities	–	–	8.3	
Other	AC	–	324.8	–
Other	–	–	109.8	–
Trade payables and current other liabilities			**4,614.7**	
Aggregated by measurement category				
Financial liabilities at amortised cost	AC		3,834.5	
Financial liabilities at fair value through profit or loss	FVPL		3,878.3	
Financial liabilities at fair value through profit or loss – designated	FVPL – D		330.1	

Of the derivative financial instruments in the energy area classified as FVPL in the above tables, positive fair values of €1,118.1m (31 December 2021: €504.1m) and negative fair values of €5,122.5m (31 December 2021: €2,425.8m) relate to hedging relationships designated as cash flow hedges. These fair values represent gross amounts; following the inter-portfolio netting carried out in accordance with VERBUND's accounting policies, 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 RTE	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
3	Other non-current receivables (TAG profit participation right with respect to material assets)	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 2022 for financial year 2021	364.8	347,415,686	1.05
Dividend paid in 2021 for financial year 2020	260.6	347,415,686	0.75

Purchase commitments

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

€m

	30/6/2022	of which due in 2022	of which due 2023-2027
Total commitment	**1,151.4**	325.1	826.3

Court proceedings pending

There were no significant developments compared with the status described as at 31 December 2021 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 to 2019 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.

In January 2020, GCA was informed of the initiation of arbitration proceedings by a transportation customer under Article 4 of the International Chamber of Commerce (ICC) Rules of Arbitration. The subject of the proceedings is contracts for the provision of capacities for the transportation of natural gas. The amount in dispute is approximately €194.0m. No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in relation to these claims for damages because it is likely that such note disclosures would seriously prejudice GCA's position in these proceedings.

Transactions with related parties

Transactions with investees accounted for using the equity method €m

	Q1–2/2021	Q1–2/2022	Change
Income statement			
Electricity revenue	27.4	35.2	28.4%
Grid revenue	17.9	25.5	42.6%
Other revenue	2.0	2.7	36.7%
Other operating income	2.1	1.1	–49.6%
Expenses for electricity, grid, gas and certificates purchases	–11.1	–26.3	–137.3%
Fuel expenses and other usage-/revenue-dependent expenses	–0.5	–1.3	–166.9%
Other operating expenses	–1.1	–5.8	n/a
Interest income	0.6	0.5	–24.2%
Other financial result	0.8	0.6	–26.5%

Transactions with investees accounted for using the equity method €m

	31/12/2021	30/6/2022	Change
Balance sheet			
Investments and other receivables	5.7	41.9	n/a
Trade receivables, other current receivables and securities	67.6	24.7	–63.5%
Contributions to building costs and grants	277.8	274.7	–1.1%
Trade payables and other current liabilities	9.0	11.1	23.1%

Electricity revenue with equity-accounted investees was generated mainly with KELAG-Kärntner Elektrizitäts-Aktiengesellschaft (KELAG) (€34.7m; Q1–2/2021: €21.3m) and with OeMAG Abwicklungsstelle für Ökostrom (OeMAG) (€0.5m; Q1–2/2021: €6.0m). The electricity revenue was offset by electricity purchases from KELAG in the amount of €25.7m (Q1–2/2021: €10.4m). Grid revenue with investees accounted for using the equity method of accounting was generated with KELAG.

Electricity revenue with companies controlled or significantly influenced by the Republic of Austria amounted to a total of €70.4m (Q1–2/2021: €34.4m). Electricity was purchased by ÖBB, OMV and Telekom Austria as well as Bundesbeschaffung GmbH. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria totalled €15.8m (Q1–2/2021: €3.6m). 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 €68.5m in other revenue and purchased gas, respectively (Q1–2/2021: €43.2m).

VERBUND’s expenses for monitoring by E-Control amounted to €6.8m (Q1/2021: €5.0m).

Audit and/or review

These consolidated interim financial statements of VERBUND have been neither audited nor reviewed by an auditor.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 30 June 2022 and authorisation for issue on 26 July 2022.

Vienna, 26 July 2022

Executive Board

Michael Strugl
Chairman of the Executive Board of VERBUND AG

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

Achim Kaspar
Member of the Executive Board of VERBUND AG

Responsibility statement of the legal representatives

We confirm according to the best of our knowledge that the condensed consolidated interim financial statements of VERBUND for the period ended 30 June 2022, prepared in accordance with the accounting standards for interim financial reports under International Financial Reporting Standards (IFRSs), give a true and fair view of the assets and liabilities, financial position and profit or loss of the Group as required under stock exchange regulations.

We also confirm that the interim Group management report of VERBUND gives a true and fair view of the assets and liabilities, financial position and profit or loss of the Group as required under stock exchange regulations with respect to the important events during the first six months of the financial year and their effects on the condensed consolidated interim financial statements as at 30 June 2022 as well as with respect to the principal risks and uncertainties in the remaining six months of the financial year and with respect to the related party transactions to be disclosed.

Vienna, 26 July 2022

Executive Board

Michael Strugl **Chairman of the Executive Board of VERBUND AG**	Peter F. Kollmann **CFO, Member of the Executive Board of VERBUND AG**	Achim Kaspar **Member of the Executive Board of VERBUND AG**

EDITORIAL DETAILS

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

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

Regulatory body/trade associations:
E-Control GmbH/E-Control Kommission
Wirtschaftskammer Österreich
Oesterreichs Energie

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

Executive Board:
Michael Strugl (Chairman),
Peter F. Kollmann,
Achim Kaspar

Supervisory Board:
Martin Ohneberg (Chairman), Edith Hlawati (1st Vice-Chairwoman), Christine Catasta (2nd Vice-Chairwoman), Barbara Praetorius, Jürgen Roth, Eckhardt Rümmler, Christa Schlager, Robert Stajic, Stefan Szyszkowitz, Peter Weinelt, Kurt Christof, Doris Dangl, Isabella Hönlinger, 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 (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) with associated regulations and implementation laws. The legal bases listed can be accessed via the legal information system of the Federal Chancellery of the Republic of Austria at www.ris.bka.gv.at.


V
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