

A scenic landscape photograph of a mountain valley. In the foreground, a calm lake reflects the surrounding green mountains and the misty atmosphere. The mountains are covered in lush green vegetation, and a thick layer of white mist or fog hangs between the peaks, partially obscuring the upper slopes. The sky is a soft, overcast grey. The overall mood is serene and majestic.

Annual Report VERBUND AG 2022

V

The power to transform.
Together.

Verbund

VERBUND AG
Annual Report 2022

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

Three-year comparison

	€m, %		
	2020	2021	2022
Revenue	350.9	392.6	615.3
Earnings before interest and taxes (EBIT)	476.3	689.4	593.9
Earnings before taxes	437.2	649.3	551.2
Net income for the year	420.5	610.6	563.3
Net profit	260.6	364.8	1,250.7
Total assets	5,202.3	6,020.0	6,901.2
Fixed assets	5,044.5	5,809.9	6,557.8
Capital expenditure for property, plant and equipment	3.5	2.9	2.3
Depreciation of property, plant and equipment	2.5	2.2	2.0
Equity	3,268.8	3,618.9	3,817.4
Return on sales (ROS)	135.8%	175.6%	96.5%
Return on equity (ROE)	14.2%	19.9%	15.2%
Return on investment (ROI)	9.2%	13.3%	9.9%
Return on capital employed (ROCE)	7.2%	9.7%	7.4%
Equity ratio	62.8%	60.1%	55.3%
Notional debt repayment period	4.6	4.7	5.6
Cash flow from operating activities	564.3	473.6	721.2
Gearing	51.2%	58.4%	66.5%
Working capital	-870.1	-756.3	-870.5
Net debt	1,673.7	2,112.8	2,538.0
Current liabilities	981.9	978.9	1,116.7
Current assets	111.8	222.6	246.2
Share price high	69.9	106.2	113.6
Share price low	29.0	59.6	75.8
Closing price	69.9	98.9	78.7
(Proposed) dividend per share	0.75	1.05	2.44
(Proposed) special dividend per share	0.00	0.00	1.16
Dividend yield	1.07%	1.06%	4.57%
Average number of employees	148	156.8	181.7
Group electricity sales volume (GWh) ¹	66,989	63,274	68,398

¹ incl. system requirements

Board members

Executive Board

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

Supervisory Board

Name	Year of birth	Date of initial appointment	End of current term of office
Mag. Martin Ohneberg Chairman Managing partner of HENN Industrial Group GmbH & Co KG, HENN GmbH and HENN GmbH & Co KG; member of the boards of directors of Aluflexpack AG, Switzerland (president) and Montana Aerospace AG, Switzerland (vice-president); member of the supervisory boards of VARTA AG, Germany, and Getzner Werkstoffe Holding GmbH, Austria	1971	30/4/2019	AGM 2024
Dr. Edith Hlawati 1st Vice-Chairwoman (from 25/4/2022) Member of the management board of Österreichische Beteiligungs AG Member of the supervisory boards of Österreichische Post AG (chairwoman), Telekom Austria AG (chairwoman) and OMV AG (vice-chairwoman)	1957	25/4/2022	AGM 2026
Mag. Dr. Christine Catasta 1st Vice-Chairwoman (until 25/4/2022) 2nd Vice-Chairwoman (from 25/4/2022) Member of the supervisory boards of Telekom Austria AG (member), Erste Bank der oesterreichischen Sparkassen AG and Erste Group Bank AG (member), Bundesimmobiliengesellschaft m.b.H. (chairwoman), Austrian Airlines AG (member) and ÖLH Österreichische Luftverkehrs-Holding-GmbH (member)	1958	16/6/2020	AGM 2024
Dr. Susan Hengersdorf (until 25/4/2022)	1967	16/6/2020	25/4/2022
Prof. Dr. Barbara Praetorius Professor at the University of Applied Sciences (HTW) Berlin, member of the supervisory board of Berliner Wasserbetriebe (BWB) AöR	1964	16/6/2020	AGM 2024

Name	Year of birth	Date of initial appointment	End of current term of office
Mag. Jürgen Roth Managing partner at Tank Roth GmbH; member of the supervisory boards of ICS Internationalisierungszentrum Steiermark GmbH (chairman) and ELG (Erdöl-Lagergesellschaft m.b.H.); member of the European Economic and Social Committee	1973	22/4/2015	AGM 2023
Dipl.-Ing. Eckhardt Rümmler Member of the supervisory board and management consultant Member of the supervisory board of PreussenElektra GmbH, Germany (member) Member of the board of directors of Northland Power Inc, Toronto (member)	1960	16/6/2020	AGM 2024
Mag. Christa Schlager 2nd Vice-Chairwoman (until 25/4/2022) Head of the economic policy department at the Vienna Chamber of Labour; member of the supervisory board of Forschungsförderungsgesellschaft mbH (member) and Austria Wirtschaftsservice Gesellschaft mbH (aws) (member)	1969	16/6/2020	AGM 2023
Dipl.-Ing. Robert Stajic MBA Executive director of Österreichische Beteiligungs AG Member of the supervisory board of OMV AG (member)	1979	25/4/2022	AGM 2025
Mag. Stefan Szyszkowitz Spokesman of the managing board of EVN AG; member of the supervisory boards of Burgenland Holding Aktiengesellschaft (chairman), EVN Macedonia AD (chairman), RAG-Beteiligungs-Aktiengesellschaft (chairman), RAG Austria AG (chairman), Burgenland Energie AG (vice-chairman), Netz Niederösterreich GmbH (vice-chairman); member of the supervisory boards of Österreichische Post AG (member) and Wiener Börse AG (member)	1964	23/4/2018	AGM 2023
Dipl.-Ing. Peter Weinelt Managing director of Wiener Stadtwerke GmbH and Wiener Stadtwerke Planvermögen GmbH; member of the supervisory boards of Wien Energie GmbH (chairman), Wiener Netze GmbH (chairman), Bestattung und Friedhöfe Wien GmbH (chairman), WienIT GmbH (chairman), EVN AG (member), Burgenland Holding Aktiengesellschaft (member) and Wiener Gesundheitsverbund (member); chairman of Fachverband Gas Wärme of WKÖ	1966	5/4/2017	AGM 2023

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

Employee representatives

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

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

Report of the Supervisory Board

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

Performance of duties

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

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

New members in the Supervisory Board

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

Code of Corporate Governance, Supervisory Board Committees

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

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

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

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

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

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

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

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

Annual financial statements and consolidated financial statements

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

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

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

Vienna, March 2023

Mag. Martin Ohneberg
Chairman of the Supervisory Board

Management report

Report on business performance and economic position

General conditions

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

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

General economic environment

Slower growth amid record inflation

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

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

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

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

Energy market environment

Decrease in electricity consumption and generation

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

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

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

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

Further increase in oil prices

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

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

Surge in gas prices

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

Increase in steam coal prices

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

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

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

Rising carbon prices

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

Sharp price increase in the market for wholesale electricity

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

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

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

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

Political and regulatory framework

EU energy policy

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

(Contingency) measures in the gas sector

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

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

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

Furthermore, the European Commission on 24 November 2022 published a draft for an emergency Council Regulation on a market correction mechanism for natural gas. The Commission’s original draft was significantly modified in the course of negotiations between the EU member states and now provides for the following regulations in principle: if the month-ahead price on the Dutch Title Transfer Facility (TTF) virtual gas trading platform exceeds the threshold of €180/MWh for natural gas on three consecutive trading days and at the same time the difference between the TTF month-ahead price and an LNG price average is more than €35/MWh, a price cap of €180/MWh for natural gas futures traded on the TTF will be introduced for an initial period of 20 working days. The price cap is based dynamically on the LNG price average and is raised automatically when this rises. If the sum of the LNG price average and a price premium of €35/MWh is less than €180/MWh for three consecutive working days, the price cap is automatically deactivated. Furthermore, the emergency regulation provides for safety mechanisms to suspend the market correction mechanism in the event that this generates significant distortion in the European internal market for natural gas. In December 2022 EU member states adopted the emergency regulation, which entered into force on 1 February 2023. The market correction mechanism cannot be triggered before 15 February 2023.

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

Following a brief consultation, the Council of Ministers on 30 September 2022 adopted an emergency Council Regulation (fast-track procedure without involving the EU Parliament) on emergency intervention in the energy markets. The main features of the regulation are taxing the excess revenues of electricity generators that rely on ‘inframarginal’ energy technologies and introducing a solidarity contribution from fossil fuel producers. Furthermore, demand reduction targets for electricity will be mandatory in some cases. The regulation sets an upper limit of €180/MWh on the permissible revenues of electricity generators. Any revenues above that level would pass to member states. The cap will apply

to the following generation technologies: wind, solar, geothermal, hydropower without reservoir (with the exception of pumped storage and storage power plants), biomass (with the exception of biomethane), waste, nuclear, lignite, crude oil and peat. The revenue cap will apply to all trading periods and affects exchange trading and bilateral OTC transactions alike. The emergency regulation sets out that member states can adapt the revenue cap at a national level, i.e. reduce it or introduce upper limits for specific technologies. The regulation is fully effective until 31 December 2023. Some elements such as the inframarginal price cap are applicable for shorter periods. The revenue cap applies between 1 December 2022 and 30 June 2023. However, it may be extended following a review (no later than 30 April 2023).

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

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

Emergency measures to accelerate the rollout of renewables

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

Fit for 55 legislative package

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

Hydrogen and Decarbonised Gas Market Package

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

Sustainable Finance Taxonomy Regulation

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

New legal framework for the energy sector in Austria

Implementation of the EU emergency regulation

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

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

Electricity price cap for households and energy cost subsidy for companies

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

Strategic gas reserve for safeguarding gas supplies in Austria

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

EAG and EAG regulations

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

Amendment of the Environmental Impact Assessment Act

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

Government meeting on energy in January 2023

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

Carbon pricing

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

Presentation of Austria's hydrogen strategy

Austria's hydrogen strategy was presented in June 2022. The strategy sets the main strategic direction, such as clarifying preferred application segments (especially energy-intensive industry and certain mobility segments). Use of hydrogen in space heating and in private transport (cars) is not deemed efficient. Furthermore, capacity targets are set for the ramp-up: 1 GW of electrolysis capacity by 2030 is being targeted in Austria and 80% of domestic fossil H₂ consumption is to be substituted by climate-neutral H₂ (renewable and climate-neutral H₂). Because the quantities required by industry cannot be produced in Austria alone, imports of green hydrogen will be prioritised. For this reason, international hydrogen partnerships will be forged and import routes opened up. Since the hydrogen produced will generally be made available to industry in a pure form, the focus will also be on exclusive hydrogen networks for transportation of H₂. Therefore, with regard to the transport infrastructure, the aim is to convert the existing gas infrastructure into a hydrogen-only network. Blending thus plays a subordinate role and would only gain in importance if H₂ production were significantly increased. Carbon Contracts for Difference (CCfD) are planned as a new funding instrument to support the ramp-up.

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

Report on branch offices

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

Finance

Financial performance

Revenue and result

	Unit	2021	2022
Revenue	€k	392,639.9	615,254.9
Earnings before interest and taxes (EBIT)	€k	689,381.4	593,915.7
Earnings before taxes	€k	649,348.3	551,222.3
Net income for the year	€k	610,569.6	563,341.8
Net profit	€k	364,786.5	1,250,696.5
Return on equity (ROE)	%	19.9	15.2
Return on investment (ROI)	%	13.3	9.9
Return on capital employed (ROCE)	%	9.7	7.4
Return on sales (ROS)	%	175.6	96.5

Revenue

Revenue from electricity deliveries increased by 55.8% or €170,470.2k. The average futures market prices obtained for the 2022 supply year for volumes hedged for the long term were significantly above the prior-year level (for Austria, the average increase was 113%), and the average spot market prices also rose again (144.9%). In financial year 2022, the hydro coefficient for run-of-river power plants was 14 percentage points below the long-term average and 9 percentage points below the previous year. Overall, this resulted in higher electricity revenue from the marketing of purchase rights of approximately €68,331.4k. The increase in the consumer segment amounted to €63,110.7k or 47.6% and is primarily attributable to higher electricity prices at nearly identical volumes. Revenue from marketing free volumes from the consumer segment climbed by €39,456.5k, or 138.9%, to €67,854.8k. This is attributable to higher purchase volumes at increased prices which were not needed to supply the consumer segment and therefore could be resold through VERBUND Energy4Business GmbH.

Revenue from gas deliveries saw one price adjustment in May 2022. Consequently, revenue from gas deliveries increased by €46,102.4k, or 97.6%, to €91,081.1k.

Total revenue thus rose by €222,615.0k, or 56.7%.

Expenses for electricity purchases

Expenses for the purchase of electricity increased by 101.4%, from €189,022.6k to €380,686.7k. Electricity purchases from purchase rights are based on reimbursement of costs and are therefore above the levels of the previous year (€12,868.5k) despite fluctuating volumes. Electricity purchased for the consumer business is procured at market prices and therefore increased by €179,224.1k, or 128.2%, in financial year 2022 at nearly identical sales volumes.

Expenses for gas purchases

A significantly higher price level in the gas market increased the expenses for gas purchases by 142.7%, from €41,167.0k to €99,929.0k.

Personnel expenses

Personnel expenses increased by €212.9k, or 0.8%, to €27,523.5k. Factors contributing to higher personnel expenses were the 3.6% to 4.0% increase in salaries and ancillary expenses under the collective agreement and the biennial pay rises stipulated by the collective agreement as well as an increase of 24.9 average employees to 181.7 employees. Employee benefit expenses fell by €3,089.2k, primarily as a result of the positive effect of the change in underlying calculation parameters in the amount of €7,306.9k (previous year: €2,206.5k).

Other operating expenses

Other operating expenses increased by €33,768.2k, or 67.1%, to €84,106.7k. The increase is mainly attributable to higher expenses for donations in connection with the Ukraine, coronavirus and inflation crises as well as for donations to research institutions (€17,068.4k), the increase in legal, audit and consulting expenses by €6,207.0k, the increase in advertising and market development costs of €4,548.0k and the rise in the miscellaneous item in other operating expenses of €4,089.4k.

Earnings before taxes

Earnings before taxes fell by €98,126.0k from €649,348.3k to €551,222.3k as a result of the influencing factors described above and the lower year-on-year financial result of €566,793.1k (previous year: €596,084.7k).

The financial result changed primarily due to higher impairment losses on equity interests amounting to €119,995.2k (previous year: €28,555.5k), which were offset by lower impairment loss reversals of equity interests in the amount of €92,563.8k (previous year: €135,558.6k). Reduced by transfers of losses, investment income increased by €101,633.8k, from €487,130.5k to €588,764.3k. Interest expenses increased by €2,486.0k, from €33,608.9k to €36,094.9k. The financial result includes income from disposals of investments of €1,078.3k (previous year: €4.5k). Through the issuance of another new bond, the cost of procuring credit amounted to €6,598.5k, thus remaining at nearly the same level as in 2021 (previous year: €6,424.2k).

Financial position

Financial position

	Unit	2021	2022
Fixed assets	€k	5,809,947.4	6,557,834.0
Current assets	€k	119,742.1	213,669.5
Working capital	€k	-756,273.9	-870,484.9
Net debt	€k	2,112,803.9	2,537,975.3
Equity	€k	3,618,852.9	3,817,408.2
Current liabilities	€k	978,887.0	1,116,715.2
Current assets	€k	222,613.1	246,230.3
Average capital employed	€k	5,336,163.3	6,043,229.1
Equity ratio	%	60.1	55.3

Fixed assets

Intangible assets and property, plant and equipment increased by €736.7k. Additions primarily related to intangible assets (rights and software) of 1,209.7k, to office and plant equipment and electrical installations of €1,805.4k and to investments in buildings of €499.5k. Amortisation of intangible assets and depreciation of property, plant and equipment amounted to €2,539.4k in the financial year. Carrying amounts of €238.5k were written off in the financial year.

In accounting for investees, the investments item increased by €640,601.6k. Additions to domestic equity interests amounted to €105,289.3k, of which €43,032.1k was attributable to restructuring in VERBUND, which lowered the carrying amounts of foreign equity interests, and €49,888.2k was related to conversion of bonds including the associated interest payments. Additions amounting to €605,798.8k increased the carrying amount of foreign equity interests in Spain. In addition, a reversal of impairment losses amounting to €92,563.8k was recognised for one domestic equity interest, and impairment losses of €26,833.7k were recognised for one domestic equity interest. Foreign equity interests were written down in the amount of €93,161.5k. There was a disposal of €43,055.1k under foreign equity interests in Germany, of which €43,032.1k was attributable to restructuring in VERBUND, which increased the carrying amount of one domestic equity interest.

Other investments increased in total by €106,548.3k. Loans were granted in the amount of €421,033.5k, while loans of €247,491.8k were repaid. The carrying amount of securities under fixed assets decreased by €66,993.4k due to impairment losses amounting to €353.6k and disposals totalling €68,559.5k, which were partly offset by additions of €1,919.7k. Austrian Power Grid AG (APG) received a loan of €250,000.0k. Loans in the amount of €128,978.9k were granted to Spanish subsidiaries. A loan of €40,250.0k was granted to ENERGI ASHTA Shpk. In contrast, repayments were made by VERBUND Hydro Power GmbH (€117,000.0k), APG (€17,125.0k), Ennskraftwerke Aktiengesellschaft (€20,000.0k) and ENERGI ASHTA Shpk (€43,750.0k). As part of restructuring in VERBUND, loans to VERBUND Green Power Hunsrück GmbH & Co. KG totalling €49,700.0k were converted into the carrying amount of an Austrian equity interest.

Current assets

The increase of €93,927.4k in current assets resulted mainly from the rise in other receivables from affiliated companies by the amount of €57,136.0k, of which €28,562.5k concerns the increase in corporate income tax allocations which are not yet due and €28,572.4k relates to other taxes and surcharges. Inventories increased by €35,461.1k, of which €35,436.2k related to the legal requirement to maintain gas supplies for the consumer segment. Trade receivables remained close to the level of the previous year.

Equity

Due to the net income for the year in the amount of €563,341.8k, reduced by the distribution for financial year 2021 of €364,786.5k, equity increased to €3,817,408.2k. The equity ratio fell from 60.1% to 55.3% mainly due to external loans of €650,000.0k, the increase in the corporate income tax provision by €198,218.9k and the increase in trade liabilities by €40,375.5k.

Liabilities

Non-current and current liabilities increased by €482,335.8k to €2,632,556.4k. In financial year 2022, new loans were taken out in the amount of €650,000.0k (previous year: €500,000.0k). Repayments of instalments to banks in financial year 2022 amounted to €25,125.0k. Liabilities to affiliated companies decreased by €186,683.8k due to intra-Group invoicing. Trade payables increased by €40,375.5k to €88,781.9k. Other liabilities increased by a total of €1,024.4k.

Financing

Financing strategy

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

Safeguarding liquidity and ensuring suitable liquidity reserves

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

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

Implementing innovative financial transactions in the field of green finance

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

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

- 1) the first corporate green bond in the DACH region;
 - 2) the first green Schuldschein issued over a digital platform;
 - 3) first ESG-linked syndicated loan whose margin structure is linked exclusively to VERBUND's ESG rating (sustainability ranking) over the term of the loan; and
 - 4) the first Green & Sustainability-linked Bond, which combines all four available sustainable components in green finance in a single transaction:
- use of proceeds (classic project-specific green bond);
 - EU taxonomy aligned (the projects must be aligned with the EU Taxonomy Regulation as at the date of issue);
 - sustainable link (margin dependency relating to the achievement of the Group's sustainability goals); and
 - UN Principles for Responsible Investments (strong preference for sustainable investors in accordance with a transparency requirement in bookbuilding).

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

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

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

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

KPIs – finance

	Unit	2021	2022
Cash flow from operating activities	€k	473,615.4	721,175.2
Cash flow from investing activities	€k	-613,008.5	-670,874.4
Cash flow from financing activities	€k	139,393.1	-50,300.8
Financial result	€k	596,084.7	566,793.1
Gearing	%	58.4	66.5
Notional debt repayment period	years	4.7	5.6

Compared with the previous year, the financial result fell by €29,291.7k to €566,793.1k. The main reason for this was the high impairment losses recognised on equity interests in financial year 2022 amounting to €119,995.2k, whereas in financial year 2021 impairment losses recognised on equity interests had amounted to only €28,555.5k. Impairment loss reversals on equity interests amounted to €92,563.8k in financial year 2022, in contrast to €135,558.6k in financial year 2021. Investment income reduced by transfers of losses increased by €101,633.8k to €588,764.3k. Interest income remained largely the same (change: €1,306.5k). Income from loans increased by €4,356.5k to €40,615.8k. Income (net of losses) from the disposal of investments of €563.9k (previous year: €4.5k) was recognised during the financial year. Distributions from securities amounted to €4.9k in 2022 (previous year: €924.5k). Impairment losses on securities amounted to €353.6k (previous year: reversals of impairment losses of €1,444.2k).

A sharp increase of €425,171.3k in interest-bearing net debt and the less sharp increase of €198,555.3k in equity resulted in an increase in gearing by 8.1 percentage points to 66.5%. The notional debt repayment period increased to 5.6 years (previous year: 4.7 years) due to the higher cash inflow from ordinary activities of €550,729.4k (previous year: €510,657.5k) accompanied by a sharp rise in debt of 28.4% (previous year: 24.2%).

Cash flow statement

The cash flow statement is prepared in accordance with AFRAC position statement 36 (cash flow statement in accordance with the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)). Since VERBUND AG also operates as a holding company, income and expenses from equity interests continued to be reported under cash flow from operating activities.

(1) Cash flow from operating activities

Cash flow from operating activities is determined using the indirect method and resulted in a cash inflow of €721,175.2k (previous year: cash inflow of €473,615.4k).

Profit or loss for the period includes investment income impacting the cash flow net of losses transferred amounting to €588,764.3k (previous year: €487,130.5k).

The change in trade receivables and other receivables is primarily attributable to the increase in receivables from affiliated companies in the amount of €25,356.3k and partially offset by a decrease in other accruals and deferrals of €2,761.9k.

The change in trade payables and other liabilities is mainly the result of the increase in liabilities from the electricity and gas business of €36,506.8k. Trade payables, excluding the electricity and gas business, rose by €3,868.7k. Liabilities to tax authorities and other authorities fell by €348.3k. Other liabilities to affiliated companies increased by €19,144.6k.

The change in current provisions is mainly attributable to higher provisions for outstanding purchase invoices in the amount of €4,695.1k. Provisions for personnel expenses rose by €739.0k.

The net asset position arising from income tax payments in the amount of €134,967.9k (previous year: outflow of €72,705.8k) is attributable to the credit from tax allocations from Group members totalling €454,460.6k. Prepayments to the tax authorities of €318,572.7k and a cash outflow related to assessments from previous years totalling €72.6k had a counteracting effect. Other taxes on income such as the capital gains tax resulted in an outflow of €847.4k.

(2) Cash flow from investing activities

Net cash flow from investing activities consisted of an outflow of €670,874.4k (previous year: outflow of €613,008.5k), resulting primarily from investments in affiliated companies of €548,191.2k and the granting of loans in the amount of €417,675.7k (of which €377,416.4k in loans to affiliated companies). These contrast mainly with the repayments of loans in the amount of €197,791.8k (of which €134,039.4k pertained to loans to affiliated companies). Purchases and sales of securities resulted in a net cash inflow of €67,058.2k.

Capital expenditure for intangible assets and property, plant and equipment comprised capital expenditures for office and plant equipment in the amount of €1,206.5k, capital expenditures for rights in the amount of €1,184.1k, capital expenditures for electrical equipment in the amount of €865.2k, capital expenditures for buildings in the amount of €499.5k and capital expenditures for software in the amount of €25.6k. A cash inflow of €251.9k resulted from the disposal of electric equipment.

(3) Cash flow from financing activities

As part of the dividend distribution approved for financial year 2021, €364,786.5k was paid out to shareholders. This was equivalent to a dividend of €1.05 per share. Group clearing resulted in a cash outflow of €268,694.7k (previous year: cash outflow of €30,302.7k).

Cash outflows for interest and similar expenses totalling €41,694.7k (previous year: €39,617.5k) rose slightly compared with the previous year.

In financial year 2022, a new loan was taken out in the amount of €650,000.0k (previous year: €500,000.0k). Financial liabilities amounting to €25,125.0k were repaid on schedule.

Cash flow statement

		2021	2022
	Notes		
Earnings before taxes		649,348.3	551,222.3
Amortisation of intangible assets and depreciation of property, plant and equipment		2,710.4	2,539.4
Amortisation and reversal of impairment of investments		-108,447.3	27,785.0
Result from disposal of non-current assets		-7.4	-13.4
Other interest and similar income, and interest and similar expenses		-770.4	-6,144.4
Change in non-current provisions		-3,770.4	-50.4
Income from the reversal of contributions to building costs		-35.1	-35.1
Other non-cash expenses and income		-4,629.9	5,281.6
Change in inventories		-332.2	-35,461.1
Change in trade receivables and other receivables ¹		-5,416.5	-23,703.7
Change in trade payables and other liabilities ²		26,890.5	59,335.5
Change in current provisions		-9,218.7	5,451.7
Payments for income taxes		-72,705.8	134,967.9
Cash flow from operating activities	(1)	473,615.4	721,175.2
Cash outflow from capital expenditure on intangible assets and property, plant and equipment		-2,968.7	-3,780.9
Cash inflow from the disposal of intangible assets and property, plant and equipment		40.0	251.9
Cash outflow from capital expenditure on investments		-742,071.6	-967,786.6
Cash inflow from the disposal of investments		91,387.6	266,942.2
Cash inflow from investments and securities		924.5	4.9
Cash inflow from interest		39,679.6	33,494.1
Cash flow from investing activities	(2)	-613,008.5	-670,874.4
New non-current loans		500,000.0	650,000.0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		-30,125.0	-25,125.0
Cash inflow (outflow) from increases (decreases) in Group clearing balances		-30,302.7	-268,694.7
Dividends paid		-260,561.8	-364,786.5
Cash outflow for interest and similar expenses		-39,617.5	-41,694.7
Cash flow from financing activities	(3)	139,393.1	-50,300.8
Change in cash and cash equivalents		0.0	0.0
Cash and cash equivalents as at 1/1/		0.0	0.0
Cash and cash equivalents as at 31 Dec.		0.0	0.0

¹ incl. prepayments, accrued income and deferred tax assets // ² incl. other accruals and deferred income

Report on research, development, the environment and social interests

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

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

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

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

Sustainable topics and projects in 2022

Communication and raising awareness of the Code of Conduct

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

ESG due diligence in M&A projects

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

Environmental performance

In all of its fields of activity, VERBUND is committed to taking a responsible approach to the environment. The VERBUND environmental mission and the Group-wide environmental management policy guarantee that the requirements of internal and external stakeholders concerning professional environmental management are taken into consideration.

The Environment executive order and additional environmental provisions define the framework for the systematic planning, execution and measurement of and reporting on VERBUND's environmental achievements. Existing structures, processes and responsibilities in environmental management ensure compliance with legal requirements, nationally and internationally accepted regulations and the Group's own standards. For this, VERBUND has established a decision-making body at the highest management level and a working team made up of in-house environmental experts.

International standards form the basis for the Group-wide collection and reporting of VERBUND environmental data. Detailed information on the standards applied and applicable factors is available from VERBUND's Investor Relations or Corporate Responsibility departments on request.

Please refer to the 2022 Group Integrated Annual Report (NFI Report) and the VERBUND website for detailed environmental information as well as further information on generation, use of materials, energy consumption, waste and by-products, and other environmental KPIs.

Innovation, research and development

KPIs – IR&D

	Unit	2020	2021	2022
Number of IR&D projects	Number	91	127	105
Total project volume ¹	€m	257	266.4	245.1
of which EU projects ¹	€m	152.2	103.5	65.9
VERBUND's total share ¹	€m	77.6	110.4	102.0
Annual VERBUND expenses	€m	9.5	11.3	10.2
Annual VERBUND investments	€m	4.1	2.4	10.2

¹ over the entire duration of the projects

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

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

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

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

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

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

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

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

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

VERBUND X Ventures: investing in energy transition at VERBUND

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

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

Please refer to the 2022 Group Integrated Annual Report for further information as well as additional details on innovation, research and development.

Green hydrogen

VERBUND – a decarbonisation partner

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

Developing a green hydrogen economy through focused implementation

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

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

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

Importing hydrogen as a long-term strategy

Along with developing local hydrogen projects, VERBUND is pursuing the development of diversified hydrogen import routes in order to cover expected future demand for power that cannot be generated locally. The goal is to strengthen the region's standing as a business location by securing a long-term supply of green hydrogen at competitive conditions. Efforts focus on those regions that offer cost-efficient generation conditions for renewable electricity and green hydrogen. Another focal point is on existing infrastructure that can be used or converted for use in the future transport of hydrogen to Austria and southern Germany. Against this backdrop, VERBUND has identified specific import corridors across various regions that it is steadily developing. Together with its implementation partners, VERBUND will define the entire value chain, from production and transport to sales to major industrial buyers, and develop activities along the value chain. To additionally strengthen its network of partners, VERBUND also joined the Dii Desert Energy network, which focuses on developing the hydrogen economy in the MENA region (Middle East and North Africa). VERBUND moreover became a member of the AquaVentus association, which aims to use renewable electricity to generate hydrogen in northern Europe. A critical factor in all of this will be the ability to transport hydrogen, without which it cannot be traded on the market.

Infrastructure as the backbone for a green hydrogen economy

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

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

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

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

Digitalisation, information security and data protection

Digitalisation

Digitalisation is an essential component of VERBUND's strategic focus, an important driver of the Group's strategy and a regular companion in the everyday life of VERBUND employees. A future-proof digitalisation function with a professional and technical development perspective is therefore a critical success factor throughout the entire Group. Thus, digital projects were also continued in financial year 2022 under the Digitalisation master plan, and new ones were started. These projects include projects from the categories of digitalisation, auto machine learning, big data, digital workforce management, digitalisation in power plants and modern working practices. The master plan thus encompasses all strategically relevant digitalisation projects in the Group and serves to help plan and coordinate digital innovations.

In mid-2022, the Digital Workforce Management (DigiWFM) project relating to the introduction of new software solutions to provide digital support for administrative and operational workflows in VERBUND Hydropower came to an end. Driven by the fundamental guiding principle of standardising and streamlining the multitude of necessary operating and maintenance processes, three comprehensive software packages have been developed and successively launched in the past four years. At the end of 2022, the Digital Hydro Power Plant project was also completed in the course of this. The purpose of this innovation project was the technical and commercial testing of new digitalisation technologies to further develop technical processes in hydropower plants. A follow-up project for 2023 has already been approved.

AI applications and machine learning

The Digital Deep Dive project completed in 2021 also gave rise to a number of digital follow-on projects, one of which involved the development of an employee app for VERBUND Thermal Power. The aim was to develop a modern and simple app for centralised presentation of required data for employees. Development was completed in 2022 and the app went live. Another follow-on project was dedicated to the development of an aerial drone strategy. In this project special maintenance applications are being tested in the power plant area using drones. A key aspect of the testing of the applications is automated AI evaluation, which is to be used to build knowledge within the Group. Yet another project in the area of digitalisation is Project Zerberus. The project entails modelling and piloting specific use cases with the objective of having potentially hazardous activities and processes that are currently carried out by humans taken over by a robotic dog in order to improve occupational safety.

Automated machine learning (AutoML) has also been successfully employed at companies within the Group. In addition, VERBUND's customer support will soon be made even more customer-focused and more efficient using AI. Numerous university collaborations enable continuous knowledge transfer with the associated opening of new AI use cases.

Use and efficient management of data was another area of focus. Specialised data models were created based on the foundations established in financial year 2022, which promote a common understanding. VERBUND is also increasingly using cloud and edge computing technologies.

Modern Work@VERBUND initiative

Modern Work@VERBUND is an initiative started by an interdisciplinary, intercompany core team with the aim of creating a new, open, transparent and trusting culture of cooperation throughout the entire Group. The Modern Work team started this initiative in times when there was a mix of working from home and working at the VERBUND sites, with a survey on the topic of hybrid working. As result, a new “Hybrid working” tab was created in the internal KnowledgeHub and filled with tips and tricks for hybrid working. A key message from the results of the survey was that networking with colleagues was missing. This led to the creation of Workdate, a platform for professional networking. Workdate provides an uncomplicated way to make contacts, exchange knowledge and network better internally across companies, divisions, generations and hierarchies.

Information security

Information security is a high priority at VERBUND and extends through all areas of the Group. With the identification of VERBUND and some of its subsidiaries as operators of essential services, the obligations that arise for critical infrastructure companies from the Network and Information Systems Security Act (Netz- und Informationssystemssicherheitsgesetz, NIS-Gesetz) play an important role. In the 2022 reporting period, the central information security management system was once again certified to ISO 27001 and ISO 27019. In addition, the evidence required by the Network and Information Systems Security Act (NIS-Gesetz) was also audited by an external “qualified body”.

IT and digitalisation projects at VERBUND are always carried out with information security in mind. Information security is therefore a key driver of progress and makes an essential contribution to the achievement of the objectives of the Group’s strategy.

The Information Security department was expanded further. The first of three phases of the Information Security master plan adopted by VERBUND’s Executive Board in 2019 was thus completed. The second phase of the “Masterplan Information Security 2.0” was launched at the same time in 2022. The aim of the entire programme is to maintain but also continuously increase the degree of maturity in all areas of information security.

Cyber security

The Security Operation Center (SOC) plays a central role in achieving targets and in countering the significant increase in cybercrime. The SOC was therefore expanded further, the visibility of attempted cyberattacks on VERBUND was further increased and contingency plans were developed and updated. The sphere of action encompasses not only the entire IT landscape, but also the systems for controlling electricity generation.

When warlike activities began in Ukraine, cybersecurity risk assessment was analysed and updated. As a result, the InfoSec task force was set up in May 2022, implementing a number of work packages by the end of the year to increase the effectiveness of information security.

A variety of measures and projects were also implemented to safeguard operational infrastructure. Apart from medium-term planning and the execution of penetration tests and red teaming activities, these also include, for example, the establishment of an efficient vulnerability management system across the entire Group landscape. This identifies vulnerabilities from an internal and external perspective so that they can be handled and processed according to their criticality.

The Security Awareness Programme was intensified in 2022 to raise awareness among employees. Firstly, this provides for individual training when new recruits join the Group, but also obliges the existing staff to complete an online training course on cybersecurity.rs once a year. In-person training courses were also offered, particularly to employees at the companies. These training sessions are supported by, among other things, targeted phishing simulations and the offering of presentations in the form of webinars on various key topics in the area of information security.

The activities are rounded off by domestic and national networking in relevant communities, for example active membership in the Austria-wide working group Energy CERT (Computer Emergency Response Team), in which around 20 companies from the energy sector are involved.

Data protection

VERBUND takes the implementation of the provisions of the EU General Data Protection Regulation (GDPR) very seriously.

Internally, an integrated data protection management system has been established which includes all Group companies and was subjected to a legal compliance check by a law firm in 2022. The Group Data Protection Officer manages and coordinates all of the Group's data protection-related matters and is assisted in this by the data protection officers at the individual companies.

The data protection tool TOM&PIA developed by VERBUND supports the data protection officers in updating the records of processing activities, protecting the rights of data subjects and managing the notifications to the supervisory authority.

In financial year 2022, 18 enquiries from data subjects were processed and responded to, compared with 30 in 2021. There were no cases of personal data breaches that had to be reported to the supervisory authority and no cases of data leaks, data theft or data loss in connection with customer data.

Due to COVID-19, the mandatory awareness and training programme was restricted to online channels and therefore to an e-training course and the proprietary online courses "Stories of TOM&PIA".

Human resources

VERBUND's employees make a vital contribution to the Group's success. Their commitment and entrepreneurial actions enable continuous further development and implementation of VERBUND's strategy, which was redefined in 2022.

After financial years 2020 and 2021, which were dominated by the global COVID-19 pandemic, financial year 2022 also brought numerous challenges for VERBUND to overcome. The fourth wave of the COVID-19 pandemic, the tense political situation caused by the Ukraine conflict, the energy crisis and the inflation rates had a significant impact on 2022.

The financial year now ended again showed very clearly how important the dedication and flexibility of VERBUND's employees are to the Group's success. In spite of the crises, all of VERBUND's projects went ahead and VERBUND continued to consistently pursue its strategy.

Crisis management

As an Austrian industry leader and an operator of critical infrastructure, VERBUND has a responsibility to be as best prepared as possible for crisis situations and to take the appropriate action quickly in case of emergency. The past few years have been exceptional years and have shown that the good preparation of the established crisis management system pays off. Aside from protecting the health of all of its employees, VERBUND's priority in the financial year under review was once again to maintain the electricity supply and ensure continuity of the necessary business processes. A professional and flexible crisis management system ensured that the year 2022 was also successfully weathered.

New works agreement on remote and mobile working

Since 2021 VERBUND has had a new, modern works agreement on remote and mobile working. The new regulations, which were drawn up in successful collaboration with the employee representatives, have set a milestone in the direction of modern working and more flexible working conditions – both during and after the COVID-19 pandemic. This should also make an important contribution to boosting VERBUND's attractiveness as an employer.

To send out a positive signal during the energy crisis, VERBUND decided to implement a bundle of measures for saving energy within the Group and reducing electricity and gas consumption in the administration by up to 20% (e.g. by turning down the heating in the office premises to 19°C). In consultation with the employee representatives, the regulations on working from home were made more flexible in the course of this, and the upper limit on work-from-home days per week at the administrative sites was lifted for the duration of the 2022/2023 heating season.

Personnel planning and management

VERBUND uses a contemporary and user-friendly planning and reporting instrument for employee data. This integrated personnel and expense planning system ensures a transparent personnel planning process. Consistent and strict personnel planning also promotes efficient use of resources.

VERBUND's central personnel management function has the authority to issue guidelines concerning all personnel management matters in the Group. Focal points of the activities include personnel planning and development, personnel controlling, recruitment, personnel marketing and employer branding, labour and social law, company pension management, employer representation in interactions with employee representatives, compensation and benefits, and strategic guidelines relating to occupational health care, as well as diversity and inclusion management.

VERBUND uses a variety of methods such as external audits, internal reviews and analyses of KPIs, including the observation of internal and external benchmarks, to assess the effectiveness of these management approaches. Based on the results of these feedback and performance review processes, compliance with the guidelines is regularly reviewed and adapted if necessary.

Types of employment and benefits offered

VERBUND operates nearly exclusively in Central Europe, a region which has high standards in terms of labour law and social welfare. VERBUND generally offers permanent contracts to all of its employees. Temporary employment contracts are only entered into when there are objective reasons for doing so (e.g. to replace employees on parental leave). VERBUND seeks to retain employees for the long term. Apart from probationary periods, fixed-term employment contracts are only used in exceptional cases. The majority of employment contracts at VERBUND are therefore open-ended. Various working-time models, including full-time, part-time and part-time during parental leave, accommodate the different phases of an employee's life while meeting the requirements of the labour market. Around 25% of part-time employees are men. Temporary workers are also hired to cover capacity peaks, during project work and for temporary leave replacements.

VERBUND provides all of its employees, regardless of the working-time model, with a number of voluntary benefits and benefits under collective bargaining agreements. These include a pension fund, supplementary health insurance, discounted lunches, child benefits and health checks.

Employment of highly and very highly qualified employees entails corresponding personnel costs. VERBUND therefore offers remuneration in line with the market and according to employees' performance. Remuneration is based on minimum salaries stipulated in collective bargaining agreements. A total of 98.6% of the employees are subject to a collective agreement. The salary of those employees who are not subject to a collective agreement is above comparable minimum entitlements under collective agreements. To meet this commitment, we have had a performance-based remuneration model in place since 2010. This model uses targets based on both individual performance and the Group's profitability and ensures fair pay at all levels. The performance-related remuneration scheme which expired at the end of 2021 was revised and renegotiated in 2022. Among other things, a new "Performance & Goals" tool was introduced. The continuation of the performance- and results-based remuneration is in keeping with VERBUND's belief in rewarding the individual achievements of its employees.

Takeover of leased staff

The effects of demographic change within the Group and on the external market are also perceptible for VERBUND. In light of this tense situation on the labour market, the proven measures of apprenticeship training and succession planning will be continued. Furthermore, it was decided to accelerate the takeover of leased staff. Leased staff who hold a core function, whose know-how retention is desirable and whose takeover is expedient shall be taken over in two-year increments.

Refocusing of employer image – employer branding

Demographic effects, the increasing complexity in the fields of work in the energy market and the future cultural transformation of VERBUND also necessitate extensive refocusing of the Group's positioning as an employer. A distinctive, differentiated employer brand is crucial for this.

The brand essence of VERBUND's employer brand was already sharpened in 2020, key positioning statements were developed and a clear differentiating feature from established companies was defined with the aim of continuing efficient, high-quality recruitment and strengthening employee retention and the identification of VERBUND employees with the Group. The intention is to thus improve VERBUND's reputation as an attractive employer and to increase the number of suitable applicants.

Under the new slogan #lead(ing) the way, a new employer campaign was already rolled out in 2021, initially focusing on the apprentices target group. Emotive job stories were created for this and employer videos were produced about VERBUND's power plants.

The development of clear communication messages for the main target groups of students (apprentices), graduates and experts achieved an even better response.

In addition, new career websites were produced for all VERBUND companies and holding company divisions with intensive participation of the employees. This will enable potential applicants to obtain differentiated information and gain authentic insights into job diversity at VERBUND in future. For the apprentices and skilled professionals, regional career sites and advertising materials for the power plant groups in Austria and Germany were produced for a more effective target group approach. The VERBUND POWER:GAME was developed to give young people a better insight into the job profile of a power plant operator. This is an online learning game that gives interested users the opportunity to see what the job of a power plant operator is like and get to know the VERBUND working environment. Anchoring of the #lead(ing) the way slogan internally has also been driven forward by measures such as the job ambassador programme, ongoing training programmes as well as publications on the intranet. In support of Mission V and the determined approach of VERBUND to the climate crisis, job stories were published featuring employees who are making a contribution to the energy transition.

Existing measures, with the strategic focus on maintaining long-term contact with top-performing students from the Vienna University of Technology (TU) and on measures for the advancement of women, were also continued in 2022. COVID-19 continued to make it more difficult to hold events such as Take Your Daughter to Work Day in Vienna, the Women in Technology ("Frauen in die Technik," FIT) initiative and Girls! Tech up in 2022. As in the previous year, the selection process for awarding the VERBUND women's scholarship was held virtually. Once again, this allowed VERBUND to give three highly qualified and committed female technicians additional personal and professional training beyond their everyday university life in 2022.

Personnel development

Due to the COVID-19 crisis, personnel development also required numerous versatile solutions in 2022. Nevertheless, in 2022 each VERBUND employee took part in more than 34 hours of training. This means sustainable development at the pre-crisis level of 2019. Personnel development in financial year 2022 focused on training in the areas of safety, technology and IT. In addition, after the COVID-19 restrictions had been lifted, numerous team and organisational development workshops were held.

The year 2022 was characterised by a mix of different types of events. Training courses were held both online and face-to-face as well as in a hybrid format for the first time, as appropriate and expedient. The courses requiring attendance postponed from 2021 (e.g. first aid courses, working from height, etc.) were made up for in the financial year under review. To ensure employee safety, antigen tests were used at all attended events.

Digital learning

By continuing to adhere to the measures put in place due to the COVID-19 pandemic – for example remote working for employees and the associated increase in online training courses – VERBUND strengthened and expanded its existing basis for digital learning opportunities.

The Learning Management System (LMS) that went live at the start of 2020 laid the foundations for digital learning formats and created a platform for virtual training and continuing education. In-person and online training courses (webinars) and e-training courses were managed in a routine and stable manner on the platform.

During the COVID-19 crisis, numerous e-training courses were produced and purchased, which are available to employees free of charge. In 2022, more and more in-house productions with VERBUND-specific content were added, which were increasingly designed as comic-style explanatory videos. Furthermore, VERBUND-specific content was developed together with external providers and offered to the employees as e-training courses free of charge. These courses included, for example, an informative e-training course on the VERBUND product “Powerflex”, to increase awareness of VERBUND products. In addition, an e-training course was developed with Swiss company AI Business School and the VERBUND Digitalisation department. The focus of this training course was on the digital transformation and artificial intelligence in the energy industry. In addition to many practical and informative examples from the energy sector and related industries, this course put in particular VERBUND projects with a high degree of digitalisation on the stage.

Content purchased in previous years (e.g. LinkedIn Learning, GetAbstract, etc.) was enriched by the providers with courses on current topics and was increasingly promoted within the Group. The rate of uptake of this external content showed continually growing acceptance and a greater need among our employees.

In addition, during the “COVID-free period” (period when measures were relaxed) in-person events were held in compliance with strict safety requirements. The main focus at these events was to protect our employees. Numerous events were held as hybrid events during this time. This format was promoted in almost all areas of training and continuing education and the necessary technology was acquired and implemented.

Many events remained in the virtual format of webinars, in spite of the option to hold in-person or hybrid events. Training on how to use new software, in particular, was increasingly given in this format. However, events in other areas were also organised exclusively virtually, as this allowed them to be planned more reliably and independently of changes in policy.

The onboarding of new employees was partly accomplished via virtual workshops and partly in attendance (or in hybrid form) in 2022, due to the COVID situation. Plant tours were also on offer again for new employees during the “COVID-free period”.

The ongoing global COVID-19 pandemic continued to restrict personnel development, the management and the employees in their daily lives in 2022. Experience from the previous years nevertheless helped them to respond more flexibly and with new solutions to changing circumstances.

Further development of the corporate culture

In order to drive cultural development, VERBUND continued with its Group-wide cultural process, with the aim of initiating behavioural changes and changing mindsets and ways of thinking,

Leadership call

Transparency and trust: The leadership call was introduced in 2022 with the goal of strengthening the exchange and discussion between the Executive Board and all managers and thus creating transparency and trust.

This one-hour virtual format takes place periodically, three to four times a year, in order to also reach out to and include managers from the external locations. The Executive Board members use this format to report on the current situation within the Group. Afterwards, the managers have the opportunity to ask questions and join in the discussion. Regular 270-degree feedback processes are carried out to further improve leadership. The third round was successfully completed in financial year 2022 with the expansion of the group of participants to specialist area leaders.

The ModernWork@VERBUND initiative is another measure aimed at achieving an open, transparent and trusting collaborative culture.

Communication on equal terms: The ModernWork team started the “#gernperDu” initiative in 2022. Employees can now decide themselves if they wish all their colleagues to address them using German’s informal “Du” or if they would prefer to continue to be addressed using the more formal “Sie”. The hashtag is an open yet discreet invitation to go straight to the informal “Du”. Respectful interaction and communication on equal terms is, however, always the goal. Addressing each other using the informal “Du” can simplify working life in many respects and can also foster a stronger team spirit. Because “Du” connects people!

Networking and exchange: In October and November 2022, the ModernWork team launched the test phase of Workdate, a smart networking tool. Workdate is a networking format that uses a random generator to invite registered employees to meet for lunch or a coffee – in person or virtually – and thus enables a simple informal exchange beyond team, site, generational and hierarchical boundaries.

To measure the success of cultural development, VERBUND will once again participate in the “Great Place to Work” survey in 2023. This survey delivers important findings about the state of the perceived quality and attractiveness of the workplace culture.

Value development: setting orientation and action anchors

During the course of the strategy revision and the formulation of VERBUND’s “Mission V” strategy, a coherent umbrella was developed in a multi-stage process and corporate values were defined as a transparent framework. In this context, three core values were etched out that are essential for the implementation of Mission V and give managers and employees guidance in their daily activities: commit, connect and change.

These three core values were developed in two phases. In the first phase, around ten participants, comprising top-level managers and selected experts from the specialist fields developed a first rough draft of the values in a two-day workshop. This first draft of the corporate values was then validated with the top-level managers. In a one-day workshop, the top-level managers carried out a field trial of the values, further validating and ultimately confirming them.

The management conference in 2022 was also held under the umbrella of these three core values. All executives met in October to discuss forward-looking topics over two days and to get to know the values for the first time and experience them in a joint team challenge – also with the participation of the new Spanish colleagues.

The values from Mission V are intended to give all employees guidance in their daily work. The focus of the conference was therefore on the theme of how these values can be put into practice. The three Executive Board members Michael Strugl, Peter Kollmann and Achim Kaspar gave their personal insights into the three values:

- How can we move forward? By committing to our chosen path.
- How can we change? By proactively taking the first steps.
- How can we connect? By listening and connecting people.

The executives were set a team challenge to implement the new values straight away. The aim was to set off a chain reaction as a team. Thus, the executives had to tackle the task resolutely and proactively in order to connect the individual pieces together well.

Going forward, the aim will be to roll out the defined values in a streamlined, practice-oriented process and embed them throughout the entire Group. In a further step, the values will then be explored in greater depth with all employees. Further initiatives and workshops are planned in financial year 2023 for this purpose.

Competency model

Shaping the future at VERBUND also means shaping and continuously developing a future of competency.

The new competency model is embedded in the new performance-related salary model “SmartLOG”, in the form of the competency check. The competency check supersedes the portfolio valuation and also represents a target category in the target agreement form. The criteria for the competency check include several types of behaviour that apply to all employees within the Group and describe the behaviours in the work process that are relevant to success. In this way, the competency model is established as a guideline for employees across the board. Competency criteria are assigned to various workforce groups in different contexts – tailored to the respective function. Three types of behaviour are assigned to each of these criteria, which are assessed using a five-point rating scale in the system. The competency model provides the framework for many personnel development processes. VERBUND has therefore made it its mission to anchor several innovations at the same time in order to make employees at VERBUND fit for the future. Five areas of competency and a total of 30 competencies show what is important in cooperation at VERBUND.

The competency model makes a distinction between basic competencies and future competencies. Basic competencies are competencies that tend to be conducive to performance in the here and now and are more short-term and operative in nature. Their purpose is to ensure efficient and effective business processes. However, future competencies are also relevant for each employee. These focus more on the (re-)design of the medium and long-term future. They increase VERBUND’s ability to learn and adapt.

In addition, executives in particular are considered based on a separate, additional set of competencies. In the best-case scenario, executives can act as a kind of catalyst or supporter. They therefore help to make the aforementioned competencies a reality.

The strategic focus in personnel development is strengthened by the implementation and stringent application of the competency model in the various processes relating to personnel development and personnel work. Under the new name “competency check”, the new competencies are also included in the performance review. Furthermore, all processes are being updated and adapted to the new competency model, for example the documents for the performance review, the inclusion of the competency areas in the selection decision for internal and external audit procedures, as well as initial adjustments to the 270-degree feedback process. Targeted competency development is also taken into consideration in the creation of the management development programme.

Spain integration project

Within the scope of the Spain integration project, a special focus in 2022 was placed on the onboarding of the new employees from Spain and on building sustainable working relations, internal communication and tailored personnel development measures.

Onboarding encompasses all phases of integration and was geared to welcoming the new employees as early as possible and helping them to quickly find their feet in the new VERBUND working environment. Therefore, in addition to a welcome get-together and a formal kick-off meeting, individual visits were also organised to strengthen the connections between the various departments. These measures were complemented by the participation of all managers of VERBUND Green Power Iberia in the 2022 management conference and by intensive onboarding of the HR business partners from Spain on site in Vienna.

Intensive communication measures also aim to help provide employees within the Group with targeted information and present the contribution that the activities of VERBUND Green Power Iberia will make to the 2030 targets that have been set. Reports were provided on the onboarding measures, the team in Spain and the projects of VERBUND Green Power Iberia. A culinary connection was also established during the Spanish weeks held in some VERBUND cafeterias.

The Strategic Personnel Development department continued to implement measures for the development of employees and managers in Spain, with a view to meeting the specific requirements.

High potential programme

VERBUND’s new high potential programme provides a development space for its employees who are forward-looking, like to work on themselves and lead collaboratively. The programme, which was developed as a measure based on the “Great Place to Work” survey as part of the Gender Balance project, kicked off at the beginning of 2023 for two years and will be offered every two years from now on. The objective is to provide motivated employees with a special development programme - including mentoring - that they can help shape. VERBUND will thus stay in shape for the future and interested employees will be offered exciting development opportunities.

For two years, high-potential employees will have time to network across the Group, work on their own personal development and engage in intensive exchange of ideas with senior executives as part of the mentoring scheme. The programme intensively supports individual development, but does not pre-empt any future application processes.

In a first run, 40 high-potential employees were selected. The application phase started in June 2022. By way of self-nomination via the specially developed high potential platform, 79 individuals from various companies applied. In the self-nomination phase, applicants had to answer questions about their attitude and methods of working and upload a one-minute video about themselves.

The 79 applications were then evaluated by around 35 voluntary jurors (first- and second-tier managers). This was done based on predefined criteria such collaboration, commitment, willingness to learn, forward-looking approach, willingness to change and power of persuasion.

The top 54 participants from the final evaluation feedback from the jurors were invited to audit interviews, which were held in October 2022. During these audits, jurors, observers and Personnel Development assessed how the applicants solved tasks in a group or individually. At the end of the audit, the 40 participants in the VERBUND high-potential programme had been decided. The first run of the high potential programme commenced in February 2023.

Diversity management

VERBUND considers diversity management both holistically and in individual dimensions and takes both aspects into account. The diversity strategy defined in 2016 was endorsed in 2018 with the ZukunftVIELFALT® certification and in 2019 with the implementation of planned measures placing particular emphasis on the dimensions of age, gender and disability. The focus from 2020 to 2021 was on gender balance. However, since diversity can by no means be reduced to gender, the focus was turned, from 2022, to another sub-sector of diversity management: people with disabilities. It is not just the social responsibility that VERBUND clearly sees that is crucial here, but above all the firm conviction that diversity makes VERBUND more successful and more resilient. VERBUND aims to support this by making the Group more accessible (for more details please refer to the accessibility management content) and creating more incentives for people with disabilities employed by VERBUND.

The aim of this is to expand the circle of diversity bit by bit and to give a better reflection of the reality of our society, because as a company VERBUND in no way wants to neglect the success factors of diversity and inclusion. VERBUND therefore renewed its ZukunftVIELFALT® certification in 2021. In addition, executives continue to be set diversity targets so as to ensure continuous implementation. Communication on the other dimensions of diversity management is also being developed further.

Focus on gender

Although the proportion of women in a technical company like VERBUND is traditionally small, the effect of the measures taken under the Gender Balance project has been evident since 2021. In 2020 and 2021, a multi-dimensional corporate analysis identified the key issues for change in the corporate culture that bring the greatest and fastest added value in achievement of gender balance. The first of these is the development of the KPIs and the second is the development of the corporate culture. As a result of these measures, the target set for 2025 to increase the proportion of women to a total of 20% was already exceeded ahead of schedule in financial year 2022, with 20.5%. There has also been an extremely positive development of the proportion of women among apprentices.

The proportion of women at management level is also to be increased to 20%. A detailed quota calculation showed, based on strategic personnel planning and labour market data, how the proportion of women can be increased to the target quota by 2025 and forms the basis for the annual targets for the individual operating segments. The actual development will be continuously monitored. Based on the status quo in 2022, the Group is currently on course to achieve its targets.

Sustainable change in corporate culture can only be achieved by continuously developing new procedures and maintaining supporting processes. A clear objective and the stipulation of results criteria will ensure efficient implementation. Thus, measures developed in 2021 were continued or implemented in 2022: fixed quotas for new hires; projects and committees; expansion of flexibility with respect to working hours and remote working; increased communication on job vacancies, tools and internal processes; webinars for executives and employees; new gender rules that include all genders, as well as a gender-responsive high potential programme. By firmly anchoring these main focus areas, VERBUND aims to bring about a lasting change in corporate culture and thus appeal to people of different talents in the labour market. This will ensure the recruitment of qualified personnel in the long term.

Equal pay for women and men is a matter of concern for VERBUND. The basis for ensuring fair pay is strict classification according to the collective agreement as well as standardised payment based on the performance-based remuneration scheme “SmartLOG”, which was introduced in 2022. In addition, every two years we analyse the salaries of men and women in the Group in the context of preparing an income report. Furthermore, in 2022, a detailed analysis of salaries – taking more comprehensive parameters into account than in the income report – was started, which reviews the average salaries of men and women. All employment contracts recorded by the VERBUND modelling system (excluding APG) are examined, with a review of the actual wages/salaries paid to men and women based on their specific activities within comparable groups. This review was still incomplete at the end of the reporting period. However, initial results showed discrepancies in individual comparison groups. These discrepancies will be examined in 2023 on the basis of additional criteria, which may objectively justify a difference in salary. The individual prerequisites of each person shall be referenced for this. If no objective reason for a discrepancy is identified, individual measures to establish pay equity will be taken.

Focus on people with disabilities

VERBUND assumes its social responsibility to offer equal opportunities and has set itself the goal of continuing to fulfil the quotas stipulated in the Austrian Disabled Persons Employment Act (Behinderteneinstellungsgesetz, BEinstG) and to recruit and employ people with disabilities even beyond that. Together with the accessibility management programme, the diversity management programme continually works towards improving the employment of people with disabilities. For VERBUND, the mandatory quota is 151. As at 31 December 2022, VERBUND employed 126 people who qualify. However, as a further decline is expected in the next few years due to many retirements, 2022 was all about employing people with disabilities. In a Group-wide project, more than 30 employees with and without disabilities developed a series of measures to improve the inclusion of people with disabilities even further. A number of measures were already implemented in 2022 – including an information campaign based on a series of articles on the intranet, information sheets on infosccreens at the VERBUND power plants and a series of talks, a reference to inclusivity on all VERBUND job advertisements, participation in the myAbility Talent programme (which connects companies to students with disabilities), the specific search for apprentices with disabilities and the gradual subtitling of VERBUND videos. Further measures are to be implemented in 2023 as well, such as actual recruitment of apprentices with disabilities.

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

Focus on age

VERBUND strives to achieve a balanced age structure. The objectives in managing the demographic change are keeping knowledge in the Group and maintaining the loyalty of VERBUND's top performers.

The demographic trend observed for many years continued during the reporting period. Around 7% of VERBUND employees will retire in the next five years. Over the next ten years, around 19% will retire.

Occupational health and safety

Healthy and motivated employees are very important to the Group's success. Occupational health and safety are therefore also key pillars of VERBUND. Work-related injuries, occupational diseases and work-related illnesses are counteracted with targeted measures to protect employees. VERBUND applies high occupational health and safety standards to protect its own employees and staff employed by external contractors. In addition to complying with the prevailing legal requirements and obligations, considerable attention is paid to providing safe and healthy working conditions, eliminating hazards, and mitigating risks.

Health protection during the COVID-19 pandemic

COVID-19 rapid antigen tests as well as mandatory PCR testing on particular occasions have been carried out at VERBUND since November 2020 as a support measure to mitigate risks. In line with established safeguards, VERBUND's late summer festival in September 2022 was organised with an appropriate COVID-19 prevention concept, demonstrating the practicability of the safety measures at a major event.

During those phases when the Group's crisis management was deactivated due to a low level of pandemic activity, the situation was nevertheless continuously monitored. The management therefore had an adequate basis for decision-making regarding COVID-19 protection measures at its disposal at all times.

A key cornerstone in the fight against the pandemic in 2022 was the offer and administration of company COVID-19 vaccinations (boosters with adjusted vaccine). As in the two previous years, the focus of the free vaccination campaign for employees was on flu and pneumococcal vaccinations to protect against additional infections.

Accident prevention

Preventive measures are based on the analyses of work-related injury statistics at VERBUND. As in 2020 and 2021, the annual continuing education measures for 2022 were heavily influenced by COVID-19. The focus topic in 2021 "Working on the water" was largely continued in 2022; specific events were postponed until 2023. Training on the focus topic for 2022 "Hand and finger injuries" was given in all areas.

Every year, as was the case in financial year 2022, legally mandated safety briefings are successfully completed by close to 100% of the workforce, either in person or via an e-learning programme that includes a final test. COVID-19 likewise posed a considerable challenge for the individual events with respect to briefings. The maximum permitted number of participants had to be continuously adjusted in line with the current COVID-19 case numbers. Some of the briefings were also held as video conferences.

In the area of occupational safety, VERBUND has a large number of internal and national regulations in place that are continually updated and promptly amended as soon as changes in the law come into effect. These regulations relate to the following topics, for example: management of working materials, accident reporting and behaviour after an accident occurs, briefings and instruction, fire safety, personal protective equipment, coordination on construction sites and in projects and dealing with external contractors, occupational health and safety documentation as well as coordination and responsibilities of the occupational health service. These regulations are intended to guarantee that the same standards are available and applied throughout the Group.

In 2022, the existing technical safety guideline for external contractors was extensively revised by the responsible specialist departments and Procurement and expanded into an “Occupational safety and environmental protection guideline”. This guideline, which is mandatory for all deliveries and services, includes additional safety requirements for contractors for extensive work and work involving specific hazards, to promote accident prevention, particularly on construction sites. In the event of non-compliance or infringement of the provisions of the Occupational safety and environmental protection guideline, a four-step escalation scenario shall apply. In addition, all regulations relating to occupational safety were updated for gender equality and the scope and contact persons for the individual regulations were amended.

In the area of personal protective equipment, new protective workwear was introduced. Following extensive testing and wearing trials, standardised workwear was commissioned for VERBUND. This will be rolled out in 2023.

Certification of management systems for health and safety at the workplace

All employees are covered by appropriate health and safety management systems. As many as 27% of the employees work at companies with externally certified management systems in accordance with ISO 45001. VERBUND’s medium-term objective is to achieve Group-wide ISO 45001 certification by the end of 2025. In 2020, initial preparatory work and ISO readiness audits were carried out in this respect in a hydropower plant group and at an administrative site, before the construction of a pilot management system according to ISO 45001 commenced in 2021 for the sites of VERBUND AG in Vienna. After all standard points had been processed and the required documentation developed, including a management manual, this pilot management system was subjected to an internal pre-audit in autumn 2022. External certification of the pilot management system and the start of the Group-wide roll-out are planned for 2023.

Safety culture

Occupational health and safety has reached a high technical level at VERBUND thanks to the great efforts made and extensive measures implemented in recent years. The accident KPIs for the last five years until 2017 stagnated at an average LTIF value of ten. This figure was reduced significantly to below seven when the “We Live Safety” project was launched. The aim of this project, in addition to protection of technical workers, is to invest in the further development of behaviour-based occupational safety.

Besides numerous workshops for executives, 36 safety coaches from all areas were trained, who have the task of conveying to their colleagues the idea of behaviour-based occupational safety as well as the importance of setting a good example.

This project has been continued as a permanent project since 2020. In addition to ongoing activities, core areas are increased safety communication, installation and use of a wide range of tools, such as a

near miss database, safety walks by executives, the introduction of a safety award, a calendar of occupational safety issues for 2022 and 2023, a sub-project entitled “five minutes for safety” or the new regulation for the evaluation of workplace accidents, and much more.

Promoting health among employees

The “Fit and Healthy at VERBUND” initiative is designed to promote a healthy lifestyle among employees. On the one hand, the aim is to increase general health awareness, while, on the other hand, specific measures are offered that enable everyone to become proactive about their own health. Ideally, these services will be free of charge for employees and they will be able to use them directly at their place of work.

In 2022, as in the previous two years, there was a focus on medical screening. Together with a preventive medicine association, health lanes (consisting of a cardiovascular check-up, a physical check-up and a nutrition check) were offered during working hours directly at external site locations in Styria, Tyrol and Bavaria. Another focus was mental health, as stress awareness and resilience are important, particularly during a pandemic. A “Mental Journey” disseminated throughout the year, consisting of 16 motivational webinars, each lasting 15 minutes and accessible to all employees, conveyed scientifically based mental motivation and success strategies as well as tools for more mental strength and stress resilience.

On the Training and Continuing Education side, the offering included webinars on the subject of healthy eating, online visual training sessions, as well as presentations on brain-friendly working and physiotherapy training days at four locations, with a focus on maintaining a healthy back.

An app-based motivation platform introduced in 2021 was used to run a number of challenges in 2022 to promote movement and health and to raise awareness for various sustainability issues. As in the previous year, VERBUND participated via this platform in the Companies Challenge Austria 2022, where minutes of exercise had to be collected.

Accessibility

Breaking down barriers is an important aspect for the inclusion of people with disabilities. The accessibility management programme at VERBUND addresses the three main topics of structural accessibility, digital accessibility and everyday accessibility in the mind.

In 2022, the focus was on accessible information and communication technologies. In the course of regular meetings of the Digital Accessibility Team (DAT) – an intercompany and cross-divisional group of experts from various specialist departments – relevant expertise was built up and needs for improvement were identified. Internal training on the topic of accessibility management raised awareness of accessibility in the DAT.

There was also the annual Purple Light Up Day, the international day raising awareness for people with disabilities, which was held on 3 December 2022. To save energy, the purple lighting was dispensed with at VERBUND Group headquarters and the VERBUND power plants. However, extensive internal communication measures were implemented and posts were made on social media as a visible sign of the inclusion of people with disabilities. For further information on the focus on people with disabilities, please refer to the Human resources section.

Human rights

VERBUND is aware of its responsibility to protect human rights in all Group divisions and in any other areas within its sphere of influence. This holistic responsibility is defined in the internal guideline on respect for human rights. As a result, VERBUND respects all types of civil, political, economic, social and cultural rights. VERBUND also considers human rights to include adherence to laws and standards pertaining to the environment, occupational safety, health and compliance. Information on the topic of human rights can therefore also be found in other sections of this Integrated Annual Report.

All executives and all employees at VERBUND are responsible for respecting human rights and reporting any violations to the Chief Compliance Officer. Four cases of suspected discrimination were reported in 2022. Any significant incidents of environmental pollution and severe deficiencies in occupational health and safety must be reported to the head of the Corporate Responsibility department. There were no such reports in 2022.

Human rights at VERBUND

VERBUND is committed to ensuring due diligence in the protection of human rights in all Group divisions. To this end, VERBUND provides safe and healthy working conditions and relies on preventive measures to minimise hazards and risks in the work environment. Forced and compulsory labour, and child labour in particular, are forbidden.

Under freedom of association and collective bargaining, employees can communicate openly about working conditions and have the right to join a union. They earn wages and salaries that allow them and their families to have a dignified life. VERBUND rejects any form of discrimination, bullying and sexual harassment and works with all people regardless of gender, age, disability, religious beliefs, culture, skin colour, education, social background, sexual orientation or nationality. VERBUND also considers the protection of the environment to be an important part of human rights. Human rights that are at risk from damage to the environment include the right to a reasonable standard of living and the right to health.

Human rights in VERBUND's sphere of influence

Even in its cooperation with business partners and within its supply chain, VERBUND is concerned with the protection of all human rights. Human rights are therefore an important aspect of the Supplier Code of Conduct. However, due to VERBUND's activities in some regions, challenges can arise in the area of human rights. Special attention is required in the event of conflicts, political instability, failure of the rule of law and lack of civil rights. In an environment of corrupt structures, extreme poverty, natural disasters or proximity to vulnerable groups, extreme caution must be exercised in entering into or maintaining business relationships with customers or suppliers. To ensure this, VERBUND carries out business partner integrity checks prior to commencing cooperation in projects, supplier discussions and regular hot spot analyses within the supply chain, among other things.

Please refer to the 2022 Group Integrated Annual Report (NFI Report) for further information as well as additional details on employees, occupational health and safety and human rights.

Report on significant risks and uncertainties

Opportunity and risk management

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

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

Further development

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

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

Current opportunity and risk situation in 2022

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

Volume opportunities/volume risks

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

Electricity price opportunities/electricity price risks

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

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

Financial opportunities/financial risks

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

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

Regulatory opportunities/regulatory risks

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

Project opportunities/project risks

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

Operational opportunities/operational risks

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

Strategic opportunities and risks

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

Effects of aspects of climate change

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

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

Risk-bearing capacity

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

Financial instruments

Primary financial instruments include, in particular, investments such as securities, loans and equity interests, trade receivables, cash at banks, securitised and non-securitised financial liabilities and trade payables.

Derivative financial instruments serve exclusively as hedges against existing interest rate risks. The fluctuations in value of these hedging instruments are balanced out by the fluctuations in value of the hedged items. The change in value of those transactions to which hedge accounting is not applied is always recognised in profit or loss.

Additional information on the accounting treatment and measurement of financial instruments can be found in Section IV (2) of the notes.

Please refer to the 2022 Group Integrated Annual Report for further information as well as additional details on significant risks and opportunities as well as measures.

As at 16 February 2023, no risks were foreseeable for 2023, the effects of which – either individually or in interaction with other risks – could pose a threat to the continued existence of VERBUND AG.

Internal control and risk management system

in accordance with Section 243a(2) of the Austrian Commercial Code (UGB)

Internal control and risk management system

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

Organisational framework

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

Basic principles of the internal control and risk management system

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

Reporting in compliance with unbundling provisions

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

Periodic monitoring

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

Shareholder structure and capital information

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

1. At the reporting date of 31 December 2022, the called and paid-in share capital of VERBUND AG comprised:
170,233,686 no-par value shares (bearer shares Category A), equivalent to 49% of the share capital;
177,182,000 no-par value shares (registered shares Category B), equivalent to 51% of the share capital, authenticated by an interim certificate deposited with the Federal Ministry of Finance and made out in the name of the Republic of Austria. There were 347,415,686 shares in circulation at the reporting date. With the exception of the voting restriction described under point 2, all shares bear the same rights and obligations.
2. In accordance with constitutional law, which regulates the ownership structure of companies in the Austrian electricity sector (Federal Law Gazette I (BGBl.) 1998/143(2)) and also forms the basis for the Company's Articles of Association, the following voting restriction applies: "With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder at the General Meeting are restricted to 5% of the share capital." VERBUND AG is unaware of any other restrictions that affect voting rights or the transfer of shares.
3. The shareholder structure of VERBUND AG is largely defined by the majority holding of the Republic of Austria. In accordance with constitutional law, 51% of the share capital is owned by the Republic of Austria. A syndicate of the state energy companies Wiener Stadtwerke GmbH and EVN AG owns more than 25% of the share capital. More than 5% of the share capital is owned by TIWAG-Tiroler Wasserkraft AG. Less than 20% of the share capital is in free float.
4. There are no shares with special control rights.
5. VERBUND does not offer any employee participation programmes.
6. In accordance with the rules of procedure for the Supervisory Board, the last nomination to the Executive Board must be prior to the nominee's 65th birthday. Pursuant to the Austrian Code of Corporate Governance (ÖCGK), a Nomination Committee has been established within the Supervisory Board and prepares the content for the appointment of Executive Board members on behalf of the entire Supervisory Board. VERBUND AG complies with the rules of the Code with respect to the appointment and dismissal of the members of the Executive Board and the Supervisory Board. Apart from the above, there are no other regulations not derived directly from law that relate to the members of the Executive Board and the Supervisory Board, or to the amendment of the Articles of Association.

7. There are no authorisations of the Executive Board within the meaning of Section 243a(1)(7) UGB.
8. The Company is also not involved in any significant agreements that contain provisions referring to the stipulations under Section 243a(1)(8) UGB. Furthermore, a public takeover bid is improbable under constitutional law.
9. There are no compensation agreements within the meaning of Section 243a(1)(9) UGB.

The Consolidated Corporate Governance Report, which is included in the VERBUND Integrated Annual Report 2022, is available on the VERBUND website.

Report on the expected performance of the Company

Outlook

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

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

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

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

Investment plan 2023–2025

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

Dividend

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

Earnings projection for 2023

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

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

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

Vienna, 16 February 2023

Executive Board

Mag. Dr. Michael Strugl MBA
**Chairman of the
Executive Board**

Dr. Peter F. Kollmann
**Member of the
Executive Board**

Mag. Dr. Achim Kaspar
**Member of the
Executive Board**

Annual financial statements

Balance sheet

Assets		€k	
	Notes	2021	2022
A. Fixed assets			
I. Intangible assets	(1)	534.9	1,186.2
II. Property, plant and equipment		24,246.5	24,331.8
III. Investments	(2)	5,785,166.0	6,532,315.9
		5,809,947.4	6,557,834.0
B. Current assets			
I. Inventories	(3)	534.2	35,995.3
II. Receivables and other assets	(4)	119,207.9	177,674.2
of which due in more than one year		929.8	4,556.8
		119,742.1	213,669.5
C. Prepayments and accrued income	(5)	64,181.3	60,098.0
D. Deferred tax assets	(6)	26,130.2	69,558.3
		6,020,000.9	6,901,159.7
Rights of recourse	(7)	641,007.6	666,838.9
less counter-guarantees from cross-border leasing		-68,884.7	-74,583.4
		572,122.9	592,255.5
Liabilities			
	Notes	2021	2022
A. Equity			
I. Called and paid-in share capital	(8)	347,415.7	347,415.7
II. Capital reserves	(9)	971,720.3	971,720.3
III. Revenue reserves	(10)	1,934,930.4	1,247,575.7
IV. Net profit	(11)	364,786.5	1,250,696.5
of which profit carried forward		0.0	0.0
		3,618,852.9	3,817,408.2
B. Provisions	(12)	250,361.2	450,363.8
C. Liabilities	(13)	2,150,220.6	2,632,556.4
of which due within one year		769,056.9	703,322.0
of which due in more than one year		1,381,163.7	1,929,234.4
D. Accruals and deferred income	(14)	566.3	831.4
		6,020,000.9	6,901,159.7
Contingent liabilities	(15)	641,007.6	666,838.9
less counter-guarantees from cross-border leasing		-68,884.7	-74,583.4
		572,122.9	592,255.5

Income statement

		€k	
	Notes	2021	2022
1. Revenue	(16)	392,639.9	615,254.9
2. Change in total services not yet billable		75.1	-43.2
3. Other operating income	(17)	5,324.3	1,456.8
4. Operating income (subtotal of lines 1 to 3)		398,039.4	616,668.6
5. Expenses for electricity, grid/gas purchases and purchases of emission allowances and other purchased production services and other services		-264,416.4	-518,069.8
6. Personnel expenses	(18)	-27,310.5	-27,523.5
7. Depreciation and amortisation	(19)	-2,710.4	-2,539.4
8. Other operating expenses	(20)	-50,338.5	-84,106.7
9. Operating result (subtotal of lines 4 to 8)		53,263.6	-15,570.8
10. Income from equity interests		486,851.5	589,093.2
11. Income from other securities and loans classified as financial assets		37,183.8	40,620.7
12. Other interest and similar income		3,351.7	7,318.4
13. Income from the disposal and reversal of impairment losses on investments		137,007.3	93,642.1
14. Expenses from investments		-28,276.5	-121,188.0
15. Interest and similar expenses		-40,033.1	-42,693.4
16. Financial result (subtotal of lines 10 to 15)	(21)	596,084.7	566,793.1
17. Earnings before taxes (subtotal of lines 9 and 16)		649,348.3	551,222.3
18. Taxes on income and profit	(22)	-38,778.7	12,119.5
19. Net income for the year		610,569.6	563,341.8
20. Disposal of revenue reserves		0.0	687,354.7
21. Allocation to revenue reserves		-245,783.1	0.0
22. Net profit		364,786.5	1,250,696.5

Statement of changes in fixed assets

	As at 1/1/2022	Additions	Disposals	Reclassifications
I. Intangible assets				
1. Industrial property rights, electricity purchase rights, usage fees and similar rights and benefits as well as licences derived therefrom	8,543.6	1,209.7	906.3	-214.1
	8,543.6	1,209.7	906.3	-214.1
II. Property, plant and equipment				
1. Land, land rights and buildings, including buildings on third-party land				
a. with residential buildings	77.6	0.0	0.0	0.0
b. with plant and other plant facilities	30,471.8	458.5	186.5	0.0
2. Electrical installations	7,234.1	539.3	322.3	0.0
3. Office and plant equipment	23,695.3	788.8	372.0	277.9
4. Prepayments and assets under construction	63.8	518.2	0.0	-63.8
	61,542.5	2,304.8	880.7	214.1
Property, plant and equipment and intangible assets	70,086.1	3,514.5	1,787.0	0.0
III. Investments				
1. Shares in affiliated companies	3,818,168.5	667,422.0	23.0	0.0
2. Loans to affiliated companies	1,613,508.3	380,774.1	183,739.4	0.0
3. Equity interests	282,643.0	634.0	0.0	0.0
4. Loans to equity interests	70,000.0	0.0	20,000.0	0.0
5. Securities (loan stock rights) under fixed assets	74,809.6	1,919.7	68,559.5	0.0
6. Other loans	47,155.9	40,259.4	43,752.4	0.0
	5,906,285.3	1,091,009.1	316,074.3	0.0
Fixed assets	5,976,371.4	1,094,523.7	317,861.3	0.0

	€k				
	As at 31/12/2022	Accumulated amortisation and depreciation as at 31/12/2022	Net carrying amount as at 31/12/2022	Accumulated amortisation and depreciation as at 31/12/2021	Net carrying amount as at 31/12/2021
	8,632.9	7,446.7	1,186.2	8,008.7	534.9
	8,632.9	7,446.7	1,186.2	8,008.7	534.9
	77.6	77.6	0.0	77.6	0.0
	30,743.9	21,229.2	9,514.7	20,758.1	9,713.8
	7,451.1	5,536.2	1,915.0	5,227.5	2,006.6
	24,389.9	12,006.0	12,383.9	11,232.9	12,462.4
	518.2	0.0	518.2	0.0	63.8
	63,180.7	38,848.9	24,331.8	37,296.0	24,246.5
	71,813.6	46,295.6	25,518.0	45,304.7	24,781.4
	4,485,567.5	148,550.7	4,337,016.8	121,119.3	3,697,049.2
	1,810,543.0	0.0	1,810,543.0	0.0	1,613,508.3
	283,277.0	0.0	283,277.0	0.0	282,643.0
	50,000.0	0.0	50,000.0	0.0	70,000.0
	8,169.8	353.6	7,816.3	0.0	74,809.6
	43,662.8	0.0	43,662.8	0.0	47,155.9
	6,681,220.2	148,904.2	6,532,315.9	121,119.3	5,785,166.0
	6,753,033.7	195,199.8	6,557,834.0	166,424.0	5,809,947.4

Statement of changes in amortisation and depreciation of fixed assets

	Accumulated amortisation and depreciation as at 1/1/2022	Additions from amortisation and depreciation
I. Intangible assets		
1. Industrial property rights, electricity purchase rights, usage fees and similar rights and benefits as well as licences derived therefrom	8,008.7	522.7
	8,008.7	522.7
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third-party land		
a. with residential buildings	77.6	0.0
b. with plant and other plant facilities	20,758.1	657.6
2. Electrical installations	5,227.5	394.7
3. Office and plant equipment	11,232.9	964.4
4. Prepayments and assets under construction	0.0	0.0
	37,296.0	2,016.7
Property, plant and equipment and intangible assets	45,304.7	2,539.4
III. Investments		
1. Shares in affiliated companies	121,119.3	0.0
2. Loans to affiliated companies	0.0	0.0
3. Equity interests	0.0	0.0
4. Loans to equity interests	0.0	0.0
5. Securities (loan stock rights) under fixed assets	0.0	0.0
6. Other loans	0.0	0.0
	121,119.3	0.0
Fixed assets	166,424.0	2,539.4

					€k
	Additions from impairment losses	Disposals	Reversal of impairment	Reclassifications	Accumulated amortisation and depreciation as at 31/12/2022
	0.0	906.3	0.0	- 178.4	7,446.7
	0.0	906.3	0.0	- 178.4	7,446.7
	0.0	0.0	0.0	0.0	77.6
	0.0	186.5	0.0	0.0	21,229.2
	0.0	86.1	0.0	0.0	5,536.2
	0.0	369.7	0.0	178.4	12,006.0
	0.0	0.0	0.0	0.0	0.0
	0.0	642.2	0.0	178.4	38,848.9
	0.0	1,548.5	0.0	0.0	46,295.6
	119,995.2	0.0	92,563.8	0.0	148,550.7
	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0
	353.6	0.0	0.0	0.0	353.6
	0.0	0.0	0.0	0.0	0.0
	120,348.7	0.0	92,563.8	0.0	148,904.2
	120,348.7	1,548.5	92,563.8	0.0	195,199.8

Maturity schedule 2022

	€k			
	< 1 year	> 1 year	> 5 years	Residual term to maturity as at 31/12/2022 Total
Loans				
1. Loans to affiliated companies	29,053.0	548,476.7	1,233,013.3	1,810,543.0
2. Loans to equity interests	0.0	50,000.0	0.0	50,000.0
3. Other loans	3,505.3	14,029.5	26,128.1	43,662.8
	32,558.3	612,506.2	1,259,141.3	1,904,205.9
Receivables and other assets				
1. Trade receivables	42,098.2	4,556.8	0.0	46,655.0
2. Receivables from affiliated companies	128,912.3	0.0	0.0	128,912.3
3. Receivables from investees	348.6	0.0	0.0	348.6
4. Other receivables and assets	1,758.3	0.0	0.0	1,758.3
	173,117.4	4,556.8	0.0	177,674.2
Liabilities				
1. Bonds	4,253.4	500,000.0	627,823.0	1,132,076.4
2. Liabilities to banks	180,612.1	566,976.3	161,250.0	908,838.4
3. Trade payables	88,746.5	19.6	15.9	88,781.9
4. Liabilities to affiliated companies	403,908.7	0.0	71,649.7	475,558.4
5. Other liabilities	25,801.3	1,200.0	300.0	27,301.3
	703,322.0	1,068,195.9	861,038.5	2,632,556.4

Maturity schedule 2021

	€k			
	< 1 year	> 1 year	Residual term to maturity > 5 years	as at 31/12/2021 Total
Loans				
1. Loans to affiliated companies	37,804.2	595,690.8	980,013.3	1,613,508.3
2. Loans to equity interests	20,000.0	50,000.0	0.0	70,000.0
3. Other loans	41,466.9	1,844.4	3,844.6	47,155.9
	99,271.1	647,535.2	983,857.9	1,730,664.2
Receivables and other assets				
1. Trade receivables	45,639.4	929.8	0.0	46,569.1
2. Receivables from affiliated companies	71,776.3	0.0	0.0	71,776.3
3. Receivables from investees	124.0	0.0	0.0	124.0
4. Other receivables and assets	738.5	0.0	0.0	738.5
	118,278.1	929.8	0.0	119,207.9
Liabilities				
1. Bonds	4,253.4	500,000.0	627,823.0	1,132,076.4
2. Liabilities to banks	27,939.4	82,529.2	170,750.0	281,218.6
3. Trade payables	48,406.4	0.0	0.0	48,406.4
4. Liabilities to affiliated companies	662,242.2	0.0	0.0	662,242.2
5. Other liabilities	26,215.4	61.6	0.0	26,277.0
	769,056.9	582,590.8	798,573.0	2,150,220.6

Notes to
the annual financial statements

Notes

I. General notes

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

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

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

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

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

II. Accounting policies

The annual financial statements have been prepared in accordance with Austrian Generally Accepted Accounting Principles and the general requirement to present a true and fair view of the Company's assets, liabilities, financial position and financial performance.

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

Fixed assets

As a rule, depreciable fixed assets are measured at cost less depreciation and amortisation.

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

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

In addition to direct material and production costs, the cost of internally generated plant and equipment also includes directly attributable indirect material and production costs. The Company has chosen not to apply the measurement option relating to the inclusion of social security expenses, termination benefits or pensions and similar obligations within the meaning of Section 203(3) of the Austrian Commercial Code (UGB); it has also opted not to capitalise borrowing costs (Section 203(4) of the Austrian Commercial Code (UGB)). Low-value assets are fully written off in the year of acquisition and reported as an asset disposal in the subsequent year.

Shares in affiliated companies and equity interests are recognised at cost or at the lower fair value. Depending on the situation in question, the fair values are determined based on market quotations, comparable recent transactions, measurement using the discounted cash flow method or measurement using the multiples method. Using the discounted cash flow (DCF) method, the prices are determined by price quotations for energy futures and long-term electricity price forecasts. The discount rate is an after-tax interest rate which reflects current market estimates, the time value of money and the specific risks associated with the investment. Securities and loan stock rights under fixed assets are measured at cost or at the lower fair value.

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

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

	Rate of depreciation/ amortisation in %	Useful life in years
Intangible assets		
Rights to telecommunications installations	10	10
Rights to software products	25	4
Other rights	2–25	4–50
Buildings		
Residential and office buildings	2 or 3	33.3 or 50
Plant(s)	3–5	20–33.3
Technical installations and machinery		
Machinery	3–10	10–33.3
Electrical installations	3–14.3	7–33.3
Telecommunications installations	4–33.3	3–25
Office and plant equipment	10–25	4–10

Services not yet billable are recognised at production cost. Production cost includes direct material and production costs as well as directly attributable indirect material and production costs. The Company has chosen not to apply the measurement options relating to the inclusion of social security expenses and to capitalise borrowing costs (Section 203(3) and (4) of the Austrian Commercial Code (UGB)).

Inventories recognised using the moving average price method are measured at cost in accordance with the strict lower of cost or market value principle. Gas supplies are measured at sales market-based prices which were contractually agreed upon storage.

Receivables and other assets are measured at their principal amount, unless a lower fair value is required to be recognised in the case of specific identifiable risks. Receivables in foreign currencies are measured at the mean rate of exchange prevailing at the recognition date or the lower foreign exchange

Current assets

reference rate of the European Central Bank (ECB) prevailing at the reporting date (unless the exchange rate is otherwise hedged).

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

Deferred tax assets

Since the 2004 financial year, if tax relief is expected in subsequent years, deferred tax assets are recognised in accordance with Section 198(9) of the Austrian Commercial Code (UGB) whereby the deferred taxes attributable to Group members based on tax allocation are presented under the current result in their balance sheets. The option to recognise deferred taxes for loss carryforwards is applied from financial year 2016.

This prepayment results from differences between the financial and tax accounts with respect to line items that can only be deducted as expenses for tax purposes in income statements of future periods. The underlying tax rate for taxes due in Austria, based on the eco-social tax reform approved in January 2022, amounts to between 23% and 24% and 15.83% for taxes due in Germany.

Provisions

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

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

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

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

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

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

	%	
	2021	2022
Interest rate		
Pensions	1.00	3.75
Obligations similar to pension obligations	1.25	3.75
Termination benefits	0.75	3.50
Trend		
Pension increases	1.75	1.75–5.75
Salary increases	2.75	2.75–6.75
Contributions to obligations similar to pensions – old contracts	5.50	5.50
Contributions to obligations similar to pensions – new contracts	3.75	3.75
Employee turnover	0.00–4.10	0.00–5.80
Retirement age – women	56.5–65 y.	60–65 y.
Retirement age – men	61.5–69 y.	63–65 y.
Expected non-current return on plan assets	1.00	3.75

The same interest rate is applied to the expected return on plan assets as is used to determine the corresponding provision. The discount rates differ according to the residual term of the commitments and in line with the total contained therein (employees and pensioners).

The effects of the changes in parameters are presented in personnel expenses.

Liabilities are recognised at their settlement amount based on the principle of prudence. Trade payables denominated in foreign currency are measured at the ECB foreign exchange reference rate prevailing at the reporting date, provided that this rate is higher than the rate prevailing at the time of origination.

Liabilities from bonds and loans denominated in foreign currency are measured at the ECB foreign exchange reference rate prevailing at the reporting date, provided that this rate is higher than the rate prevailing at the time of origination. The result of this measurement is presented under the corresponding liabilities. Discounts, the capital procurement cost and loan commitment fees were capitalised in financial years 1994 and 2014 and are being repaid as scheduled. The discounts and capital procurement cost assumed in connection with the merger of VERBUND International Finance GmbH in 2014 are presented under financial liabilities and are being repaid.

In individual cases of external financing, interest rate swaps (variable for fixed rate) were entered into in order to hedge cash flows. Individual interest rate swaps (variable for fixed rate) were also entered into for intra-Group hedging of cash flows and underlying assets.

Liabilities

Derivative financial instruments

Taxes on income

VERBUND AG is the parent of the tax group as defined by Section 9(8) of the Austrian Corporate Income Tax Act (Körperschaftsteuergesetz, KStG) of 1988.

The tax group parent charges (tax allocation rate of 25%) or, in the event of a loss, credits (tax allocation rate of 25%, 20% or 15% depending on the anticipated date of future profits of the Group member) the Group members with the corporate income tax amounts attributable to them by means of a tax allocation. The recharging of the tax allocations results in an adjustment decreasing or increasing the tax expense in the parent's income statement.

The tax recharges to Group members are only adjusted for subsequent deviations if these are material.

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

Matters under corporate law

The limited partnership interest in VERBUND Green Power Hunsrück GmbH & Co. KG was transferred to its general partner VERBUND Green Power Deutschland GmbH by way of the contribution agreement dated 18 July 2022. The company shares in VERBUND Green Power Deutschland GmbH were contributed to VERBUND Green Power GmbH (VGP) on the basis of the contribution and transfer agreement dated 30 August 2022. Furthermore, the limited partnership interest in Infrastruktur Oberheimbach I GmbH & Co. KG and Infrastrukturgesellschaft Bischheim GmbH & Co. KG were transferred to VGP on the basis of the contribution and transfer agreement dated 31 August 2022.

Notes on assets

A. Fixed assets

For details see separate "Statement of changes in fixed assets". The base value of land amounts to €3,340.7k (previous year: €3,340.7k).

(1) I. Intangible assets

The net carrying amount of the rights of use with respect to plants acquired by affiliated companies is €0.0k (previous year: €0.0k).

(2) III. Investments

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

The changes in and structure of equity interests, loans and securities (loan stock rights) classified as fixed assets are shown separately in the "Statement of changes in fixed assets".

Loans For details see separate "Maturity schedule".

Securities (loan stock rights) under fixed assets These consist primarily of Austrian investment fund units and bonds. Securities under fixed assets in the amount of €0.0k (previous year: €0.0k) are pledged as collateral.

B. Current assets**(3) I. Inventories**

	2021	2022
Goods	291.3	35,795.6
Services not yet billable	242.8	199.6
	534.2	35,995.3

(4) II. Receivables and other assets

For details see separate "Maturity schedule".

Of the total receivables from affiliated companies, €1.1k (previous year: €0.0k) related to trade receivables and €128,911.2k (previous year: €71,776.3k) to other receivables.

Of the receivables from investees, €0.0k (previous year: €15.3k) related to trade receivables and €348.6k (previous year: €108.7k) to other receivables.

	2021	2022
Other receivables and assets	301.8	484.0
Tax authorities	315.1	126.3
Loans and accrued interest income from loans	4.9	63.0
Payroll	27.2	11.6
Prepayments	89.4	1,073.5
Other	738.5	1,758.3

(5) C. Prepayments and accrued income

	2021	2022
Prepayments for electricity purchases	16,347.5	15,069.9
Discounts, flotation costs and commitment fee relating to bonds and non-current loans	10,866.7	9,545.2
Other	36,967.1	35,482.8
	64,181.3	60,098.0

(6) D. Deferred tax assets

	2021	2022
Social capital	5,410.3	3,237.6
Valuation of fixed assets	-105.4	-131.6
Special tax deductions	-233.4	-214.7
Other	21,058.7	66,667.1
Deferred tax receivables (+) respectively liabilities (-) balanced	26,130.2	69,558.3

Deferred tax assets are the result of differences between the financial and taxable result in respect of line items affected by expenses for tax purposes in income statements of future periods. The underlying tax rate for taxes due in Austria, based on the eco-social tax reform approved in January 2022, amounts to between 23% and 24%.

Other deferred taxes primarily related to differences between the financial and tax treatment accounting for investees amounting to €64,925.5k (previous year: €21,274.1k).

(7) Rights of recourse

Rights of recourse totalled €666,838.9k (previous year: €641,007.6k). In addition to rights of recourse vis-à-vis Group companies, rights of recourse exist primarily vis-à-vis financial institutions, state energy companies and regional authorities from cross-border leasing transactions carried out at VERBUND Hydro Power GmbH (VHP) in the amount of €74,583.4k (previous year: €68,884.7k). See (15) Contingent liabilities.

Notes on equity and liabilities

A. Equity

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

There were 347,415,686 shares in circulation at the reporting date.

Composition	Stock (shares)	Proportion
Bearer shares category A	170,233,686	49%
Registered shares category B	177,182,000	51%
Authenticated by an interim certificate made out in the name of the Republic of Austria (deposited with the Federal Ministry of Finance)		
	347,415,686	100%

There are no reciprocal equity interests in accordance with Section 241(6) of the Austrian Commercial Code (UGB).

(9) II. Capital reserves

Capital reserves are made up entirely of allocated capital reserves. The allocated capital reserves and the statutory reserves amount to a total of €991,604.3k, which is more than 10% of the share capital.

(10) III. Revenue reserves

	€k	
	2021	2022
Statutory reserves	19,884.0	19,884.0
Distributable reserves	1,915,046.4	1,227,691.7
	1,934,930.4	1,247,575.7

(11) IV. Net profit

	€k
As at 31/12/2021	364,786.5
Distribution of dividends	-364,786.5
Profit carried forward	0.0
Net profit for the year	563,341.8
Changes in reserves	687,354.7
As at 31/12/2022	1,250,696.5

(12) B. Provisions

1. Provisions for termination benefits		€k
	2021	2022
Premium reserve based on actuarial calculations	6,063.2	5,019.6
Taxed proportion of provisions	6,063.2	5,019.6

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

2. Provisions for pensions		€k
	2021	2022
Provisions for pension obligations gross	37,033.4	28,033.3
Pension fund assets	-10,216.8	-8,431.0
Provisions for pension obligations net	26,816.6	19,602.4
of which obligations similar to pensions	6,437.4	4,377.3

3. Provisions for taxes		€k
	2021	2022
Corporate income tax domestic (incl. prior reporting periods)	194,558.0	392,777.0
Other tax provisions	1,219.1	1,077.7
Deferred tax liabilities	3,209.9	0.0
	198,987.1	393,854.7

Deferred tax liabilities are the result of differences between the financial and taxable result in respect of line items affected by expenses for tax purposes in income statements of future periods. The competent tax authorities are located in Germany and, as a result of this, a tax rate of 15.83% was used for calculation.

4. Other provisions		€k
	2021	2022
Trade receivables not yet billed	4,318.1	8,746.9
Electricity/grid purchases	0.0	7,853.2
Other	0.0	17.9
	4,318.1	16,617.9

Of the provisions, €0.0k (previous year: €0.0k) related to affiliated companies.

	€k	
Other personnel-related provisions	2021	2022
Bonuses	8,099.3	8,835.3
Unused holidays	3,066.4	3,369.4
Holiday allowance	1,055.0	1,243.8
Death grant	427.9	319.3
Compensatory time credit	254.4	305.8
Other	1,273.1	1,195.7
	14,176.2	15,269.3

(13) C. Liabilities

For details see separate "Maturity schedule".

Of the liabilities to affiliated companies, €393,423.6k (previous year: €662,118.2k) related to financial liabilities, while €5,843.8k (previous year: €124.0k) related to trade payables and €76,291.1k (previous year: €0.0k) to other liabilities.

	€k	
Other liabilities	2021	2022
From taxes	23,556.6	23,131.3
Related to social security	374.5	451.5
From financing contributions	6.2	140.7
Payroll	226.3	3.5
Other	2,113.3	3,574.3
	26,277.0	27,301.3

(14) D. Accruals and deferred income

	€k	
Other liabilities	2021	2022
Contributions to building costs	526.2	491.2
From electricity business	40.0	26.7
Other	0.0	313.5
	566.3	831.4

Of the accruals and deferred income, €0.0k (previous year: €0.0k) related to affiliated companies.

See (15) Contingent liabilities.

Contingent liabilities that are recognised below the line are primarily for letters of comfort and liabilities assumed for subsidiaries as part of the financing that VERBUND AG carries out centrally as well as other assumptions of liabilities, excluding the contingent liabilities in connection with cross-border leasing transactions in the total amount of €259,469.2k (previous year: €264,033.9k). Of this, €9,469.2k (previous year: €14,030.4k) is attributable to affiliated companies and €0.0k (previous year: €0.0k) to investees.

The subsidiary VERBUND Hydro Power GmbH (VHP) entered into several cross-border leasing transactions during financial years 1999 to 2001. The figures reported in the balance sheet of VHP are all denominated in US dollars. For all transactions, there was full balance sheet cover for all obligations by way of corresponding acquisition of securities or through loans to financial institutions.

Beginning in 2009, and continuing during the 2010 reporting period, about 85% of the original volume of the transactions was terminated. Some of the transactions were terminated early in their entirety; that is, all associated liabilities were repaid. However, some of the transactions were only partially terminated, whereby the transactions with the investors and the associated A-loans were repaid, while VHP continued the existing B-loans and the corresponding investments.

The last remaining transaction (Freudenau), which had an off-balance-sheet financing structure, was terminated as at 4 January 2021, and final settlement took place on 15 December 2021. In connection with these cross-border leasing transactions, VERBUND AG issued guarantee bonds for VHP, which for the most part still exist for the liabilities transferred to VHP totalling €407,369.7k (previous year: €376,973.7k). Of the rights of recourse against the primary debtors, €74,583.4k (previous year: €68,884.7k) were secured through counter-guarantees from financial institutions, state energy companies and regional authorities (from guarantors' liabilities). These counter-guarantees are presented under total rights of recourse (see note (8)). Thus, a total of €332,786.3k (previous year: €308,089.0k) remains in contingent liabilities from cross-border leasing transactions after deducting these counter-guarantees. Minimum ratings for the guarantors are stipulated in the agreements with lenders and with equity investors.

For two transactions which were terminated early and for which the financial liabilities were continued, there is still a risk that the investing banks might have to be replaced or additional collateral may have to be provided if the rating of the investing banks or of VERBUND AG is downgraded below a certain threshold.

The ratings of the contractual partners as well as the rating of VERBUND AG exceeded the contractually agreed thresholds as at 31 December 2022. Thus, there is currently no need for VERBUND AG or VHP to exchange individual contractual parties or investments. This risk is also mitigated not least by the existence in some cases of guarantors' liabilities from regional authorities for individual contractual parties.

VERBUND AG gave a commitment to VERBUND Thermal Power GmbH & Co KG to ensure that the company has adequate financial means to meet its obligations in a timely manner. The commitment is limited to a maximum amount of €250.0m and can be terminated by 31 December 2025 at the earliest.

**Notes to the
income statement**

(16) 1. Revenue		€k	
		2021	2022
Revenue from electricity deliveries			
Domestic	Energy supply companies	4,997.5	4,556.9
	Consumers	132,144.2	194,344.4
	Other customers	168,358.9	277,069.4
		305,500.6	475,970.7
Invoicing of grid tariffs; user and management fees			
		3,054.4	3,178.5
Other revenue (including gas trading)			
		84,085.0	136,105.6
		392,639.9	615,254.9

(17) 3. Other operating income		€k	
		2021	2022
a)	Income from disposal of fixed assets with the exception of investments	8.5	13.4
b)	Income from reversal of provisions	4,274.7	76.4
c)	Other	1,041.2	1,367.1
		5,324.3	1,456.8

(18) 6. Personnel expenses

	2021	2022
		€k
a) Salaries	23,755.4	27,209.1
b) Expenses for termination benefits and payments to employee pension funds		
Termination benefits	542.9	405.0
Contributions to employee pension funds	272.4	325.6
Change in the provision for termination benefits	-397.8	-1,087.9
Expenses/income and takeovers/transfers within the Group	-149.1	-134.3
	268.4	-491.6
c) Expenses for pensions and similar obligations		
Early retirement benefits and pension payments	2,110.9	2,044.3
Change in the provisions for pensions and similar obligations	-4,246.0	-7,484.4
Expenses/income and takeovers/transfers within the Group	-28.6	-83.9
Pension fund contributions	877.5	942.4
	-1,286.2	-4,581.6
d) Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	4,266.3	5,028.1
e) Other social security expenses	306.6	359.5
	27,310.5	27,523.5

Interest rate changes for provisions related to termination benefits and pensions and similar obligations resulted in a positive effect of €7,306.9k in the financial year and a positive effect of €2,206.5k in the previous year. The effect of the changes in parameters was recognised in full in the financial year.

(19) 7. Depreciation and amortisation

	2021	2022
		€k
a) Amortisation of intangible assets and depreciation of property, plant and equipment		
Depreciation and amortisation	2,341.4	2,258.5
Immediate write-off of low-value assets in accordance with Section 13 of the Austrian Income Tax Act (EStG)	368.9	280.9
	2,710.4	2,539.4

(20) 8. Other operating expenses

€k

	2021	2022
a) Taxes other than taxes on income	622.6	706.7
b) Other		
Advertising costs and donations	10,259.9	32,135.0
Legal, audit and consulting expenses	7,445.8	13,652.7
Other administrative expenses	5,628.8	9,718.2
IT expenses	5,637.7	6,262.2
Operating costs for buildings, rent and leasing	3,787.9	5,587.7
Temporary personnel and provision of personnel	1,783.3	2,266.1
Training and further education	690.3	970.4
Membership fees	882.2	883.1
Telecommunications services, data services	593.6	587.9
Other	13,006.5	11,336.6
	49,715.9	83,399.9
	50,338.5	84,106.7

(21) 16. Financial result

€k

	2021	2022
Income from equity interests		
from affiliated companies	464,068.9	563,590.4
of which from profit pools	99,977.2	38,245.5
Income from other securities and loans in financial assets		
from affiliated companies	34,136.5	39,013.3
Other interest and similar income		
from affiliated companies	3,203.7	7,016.4
Income from disposals and impairment loss reversals of investments		
reversal of impairment of shares in affiliated companies	126,336.2	92,563.8
Expenses relating to investments		
impairments on affiliated companies	28,555.5	119,995.2
expenses from affiliated companies	- 279.0	329.4
of which from profit pools	- 279.0	328.9
Interest and similar expenses		
of which interest for long-term personnel provisions	263.5	330.7
from affiliated companies	14,857.2	14,646.7

(22) 18. Taxes on income and profit

	2021	2022
Consolidated taxes on income ¹	216,084.5	524,165.8
Taxes recharged to members of the Group ²	-192,948.1	-482,909.0
Tax expense/income for subsequent taxation of losses from foreign members of the tax group	7,553.2	-10,957.2
Additional amounts/credit notes from previous periods ¹	153.8	4,218.9
Change in deferred taxes ³	7,935.3	-46,638.0
	38,778.7	-12,119.5

¹ tax rate of 15.83% or 25% // ² tax allocation rate of 15% or 25% // ³ tax rate between 23% and 24%

IV. Other disclosures

		2023	2023-2027
Material items	Total commitment		
Rent, lease and insurance agreements	¹	4,789.0	24,373.9
Purchase commitments	9,061.5	7,874.4	9,061.5
of which to affiliated companies	¹	3.8	19.1

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

There is an electricity supply agreement with Ennskraftwerke Aktiengesellschaft according to which the energy generated in its power plants, less electricity purchase rights of other participating partners, must be delivered to VERBUND AG in exchange for reimbursement of the recognised expenses plus a reasonable return on equity.

There are electricity supply agreements with Österreichisch-Bayerische Kraftwerke Aktiengesellschaft and Donaukraftwerk Jochenstein Aktiengesellschaft according to which half of the energy generated in their power plants must be delivered to VERBUND AG in exchange for reimbursement of recognised expenses plus a reasonable return on equity.

In accordance with an electricity supply agreement, Innwerk AG is obligated to deliver half of the energy generated in the Ering and Obernberg power plants to VERBUND AG at total production costs plus an agreed mark-up.

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

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

There are contractor agreements with VERBUND Energy4Business GmbH (VEB) in the sales segment.

The electricity supply agreement between VERBUND AG and VEB governs how the electricity generation provided by VERBUND AG from the purchase rights of Ennskraftwerke Aktiengesellschaft and Grenzkraftwerke power plant group (Österreichisch-Bayerische Kraftwerke Aktiengesellschaft, Donaukraft Jochenstein Aktiengesellschaft, VERBUND Innkraftwerke GmbH) is transacted and settled. The agreement mainly addresses how the prices of electricity generation from the run-of-river power plants are determined. This requires a differentiation between long-term hedged volumes and short-

1. Total amount of other financial obligations

term volumes. For the hedged volumes, price are determined by means of published futures market prices, while short-term volumes are defined by published spot market prices. Besides just addressing the settlement of electricity volumes, the agreement and its annexes also govern other revenue components from the sale of guarantees of origin. From an accounting perspective – in alignment with Section 238(2) Austrian Commercial Code (UGB) and AFRAC position statement 15 “Derivatives and hedging instruments” marginal note (6) – closed commodity futures transactions of this type are treated like electricity deliveries within the scope of VERBUND AG’s expected sale requirement (own use exemption). For settling the marketing activities of VEB, the agreement stipulates that a handling fee will be applied to the generation volumes it manages. Furthermore, the agreement stipulates a committee that convenes on a regular basis to handle ongoing questions to the management of VERBUND AG’s generation portfolio. The corresponding adjustments (addenda) to the agreement are also being developed.

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

As at 31 December 2022, one employee had a letter of loyalty granting a higher degree of employment protection. The prerequisite was 20 years of service at VERBUND and a minimum age of 45.

There are open contribution commitments in the amount of €625.0k (previous year: €8,394.0k) under accounting for investees.

2. Disclosures regarding financial instruments

Finance area

There are interest rate swaps to hedge increases in interest rates for financial liabilities bearing variable interest with an outstanding principal amount of €42,187.5k (previous year: €56,812.5k) as at 31 December 2022. These interest rate hedges consist of the interest rate swaps and the underlying loans. As there is a documented hedge strategy and detailed hedge documentation, and ongoing measurements of effectiveness are conducted, it is not necessary to recognise a separate provision for onerous contracts for the negative fair values amounting to €0.1k (previous year: €3,579.9k). The future interest payments hedged by these hedging instruments will occur in the following four years (2023 to 2026) and will be recognised in profit or loss accordingly.

To avoid fluctuations in future cash flows from interest payments for loans granted to Group companies at variable rates of interest amounting to a total principal amount of €37,275.0k (previous year: €90,825.0k), interest rate hedges were entered into with banks in late 2012 and during the first half of 2013. At the same time, the outstanding credit agreements with the Group companies involved in this hedging transaction were converted to the fixed interest rate terms contractually agreed with the respective bank. As here, too, there is a documented hedge strategy and detailed hedge documentation, and ongoing measurements of effectiveness are conducted, recognition of a separate provision for any onerous contracts for the negative fair values is not required. The reporting date measurement of these transactions resulted in a positive fair value totalling €1,103.8k (previous year: negative fair value of €2,293.2k) as at 31 December 2022.

Average	2021	2022
Salaried employees	156.8	181.7

	2021	2022
Members of the Executive Board, former members of the Executive Board and their surviving dependants	608.8	-973.6
Other employees	-1,626.6	-4,099.6
	-1,017.8	-5,073.2

3. Number of employees

4. Expenses for termination benefits and pensions

A company pension plan has been set up for members of the Executive Board in the form of a defined contribution pension fund agreement. In financial year 2022, contributions to the pension fund were paid for the Executive Board in the amount of €184,500 (previous year: €184,500).

Statutory regulations apply, taking account of the requirements of Rule 27a of the Austrian Code of Corporate Governance (ÖCGK), with respect to the claims of members of the Executive Board upon termination of their position. In financial year 2022, €296,379 was paid out for pensions (previous year: €391,533).

In financial year 2022, income from pensions and similar obligations for former members of the Executive Board and their surviving dependents totalled €1,454,447 (previous year: expenses of €32,812).

Disclosures regarding the Boards of the Company (members of the Executive Board and the Supervisory Board) are presented before the management report.

5. Board members

Remuneration of members of the Executive Board (incl. variable remuneration)					€
	Fixed remuneration	2021 Variable remuneration	Fixed remuneration	2022 Variable remuneration	
Mag. Dr. Michael Strugl MBA	750,000	480,910	750,000	826,750	
Mag. Dr. Achim Kaspar	475,000	332,500	475,000	546,250	
Dr. Peter F. Kollmann	620,000	435,813	620,000	713,000	

Remuneration for the current members of the Executive Board totalled €3,969,703 in 2022 (previous year: €3,128,810); this amount includes €38,703 in payments in kind (previous year: €34,587). Variable remuneration includes performance-related short-term and long-term remuneration components. In the 2022 reporting period, short-term variable remuneration of €1,107,000 (previous year: €1,249,223) and long-term variable remuneration of €979,000 (previous year: €0) was paid to active Executive Board members. Furthermore, long-term variable remuneration (2020 LTIP) of €412,500 (previous year: 2019 LTIP: €412,500) was paid out in 2022 for one former member of the Executive Board. This relates to claims for the period of active participation on the Executive Board.

Because it is only possible to ascertain at the end of the year whether targets have been achieved, short-term variable remuneration components are paid out in the following year. Therefore, the total amount includes the short-term variable remuneration components granted to the active members of the Executive Board in the 2022 reporting period for the 2021 reporting period.

The system of variable remuneration was revised beginning with the 2019 reporting period and a generally three-year Long Term Incentive Programme (LTIP) was agreed in addition to the short-term remuneration (one-year goals). For the one-year goals, the percentage rate for total achievement of the targets beginning in financial year 2021 is a standard 60% of the relevant fixed remuneration. In the 2021 reporting period, 70% of the agreement on targets is based on the achievement of the Group result and 30% on non-financial goals (one-year): expansion of renewable generation (20%) and completion of the Culture Audit (10%). In the 2022 reporting period, 70% of the agreement on targets was based on the achievement of the Group result and 30% on the following non-financial goals (one-year): expansion of renewable generation (10%), proportion of women among new employee hires (10%) and 100% of investment according to ESG criteria (10%).

With respect to the LTI plans for 2019–2021 and 2020–2022, a maximum of 55% of the respective fixed remuneration (maximum target achievement of 100%, variable component 55%) can be paid out as long-term remuneration on the basis of medium-term performance criteria. The actual amount depends not only on the target achievement but also on the performance of VERBUND shares. The duration of the LTIP is three years. In the beginning, the maximum value is depicted as the current price in phantom shares; the undiscounted amount is paid out in arrears, depending on the target achievement and the share price at the end of the three-year assessment period (average daily VERBUND share price in the first quarter after plan completion).

The following performance criteria were defined for LTIP 2019 (assessment period ending 2021): total shareholder return (25%), EBITDA from growth projects (25%), free cash flow (FCF) before dividends (25%), productivity increase (25%); for LTIP 2020 (assessment period ending 2022), application of total shareholder return (30%), FCF before dividends (35%) and net debt/EBITDA (35%). As an exception to this policy, the LTI plans for the member of the Executive Board departing at the end of 2020 were concluded with durations of two years.

Beginning in the 2021 reporting period, a maximum of 78% of the respective fixed remuneration (maximum target achievement of 120%, variable component 65%) can be paid out as long-term remuneration on the basis of medium-term performance criteria. The actual amount depends not only on the target achievement but also on the performance of VERBUND shares. The duration of the LTIP is three years. In the beginning, the maximum value is depicted as the current price in phantom shares; the undiscounted amount is paid out in arrears, depending on the target achievement and the share price at the end of the three-year assessment period (average daily VERBUND share price for the three-year duration of the respective LTI plan). The following performance criteria were defined for LTIP 2021 (assessment period ending 2023): total shareholder return (30%), FCF before dividends (35%) and overhead costs (35%). The following performance criteria were agreed upon for LTIP 2022 (assessment period ending 2024): total shareholder return (30%), FCF before dividends (35%) expansion of new renewables (35%). As in the previous year, no loans or advances were paid out to any Board members of the Group or its subsidiaries. As in the previous year, VERBUND does not have a stock option programme for either the members of the Executive Board or senior management staff.

Remuneration paid to members of the Supervisory Board (including reimbursement of costs/travel expenses recharged) amounted to a total of €397,857 (previous year: €391,778).

Remuneration scheme for the members of the Supervisory Board (in accordance with Rule 51 of the Austrian Code of Corporate Governance (ÖCGK)):

	€	
	2021	2022
Chairperson	25,000	25,000
Vice-Chairpersons	15,000	15,000
Member	10,000	10,000
Attendance fee	500	500

This remuneration also applies to work performed in each case in the Audit Committee and the Strategy Committee. As previously, there is no separate remuneration for work carried out in other committees.

No loans or advances were paid out to members of the Supervisory Board. All members of the Supervisory Board are covered by the D&O insurance taken out by VERBUND.

Agreements with members of the Supervisory Board, or with businesses that are closely associated with individual members of the Supervisory Board, which require consent under Rule 49 of the Austrian Code of Corporate Governance (ÖCGK):

During financial year 2022, no agreements which were not at arm's length were entered into with members of the Supervisory Board or with enterprises with which a member of the Supervisory Board is associated. Services were rendered for various companies in the VERBUND Group; these contracts were approved by the Supervisory Board.

VERBUND AG is the parent company within the VERBUND Group and therefore required to prepare consolidated financial statements. In accordance with Section 238(1)(18) of the Austrian Commercial Code (UGB), the Company elects not to disclose the expenses for the auditor.

There are profit and loss transfer agreements with VERBUND Energy4Business GmbH, VERBUND Energy4Customers GmbH, VERBUND Finanzierungsservice GmbH, VERBUND Green Power GmbH, VERBUND Services GmbH and VERBUND Ventures GmbH.

In addition to the division into business areas (formal unbundling) that existed as early as financial year 1999, VERBUND also implemented legal unbundling by establishing independent companies under corporate law with separate managing entities and accounting departments.

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

Electricity deliveries Ennskraftwerke Aktiengesellschaft, Innwerk AG, Österreichisch-Bayerische Kraftwerke Aktiengesellschaft, Donaukraftwerk Jochenstein Aktiengesellschaft, KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

Electricity and natural gas sales VERBUND Energy4Business GmbH,
VERBUND Energy4Customers GmbH

6. Transactions with related parties

7. Intra-Group relationships

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

Telecommunications VERBUND Services GmbH
 Services VERBUND Services GmbH
 Financing VERBUND Finanzierungsservice GmbH
 Provision of personnel VERBUND Hydro Power GmbH, VERBUND Energy4Business GmbH,
 VERBUND Services GmbH, VERBUND Energy4Customers GmbH

9. Proposed appropriation of profits

The Executive Board proposes (in accordance with Section 96(1) of the Austrian Stock Corporation Act (AktG)) to distribute a dividend in the amount of €3.60 per share to 347,415,686 no-par value shares from the distributable profit of financial year 2022, i.e. a total of €1,250,696,469.60. This dividend comprises an ordinary dividend in the amount of €2.44 per share and a special dividend in the amount of €1.16 per share.

10. Events after the reporting date

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

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

Result of the documentation of electricity by source	Proportion	2022 kWh
Hydropower	99.6%	1,950,120,716
Solar energy	0.4%	8,584,967
Wind power	0.0%	135,297
Total volume of electricity supplied in Austria to consumers for their own use	100.0%	1,958,840,980

100% of the certificates of origin used for the documentation come from Austria.

Environmental impact of electricity generation for the volume of electricity supplied to consumers for their own use	2022
Radioactive waste (mg/kWh)	0.0
CO ₂ emissions (g/kWh)	0.0

Vienna, 16 February 2023
 Executive Board

Mag. Dr. Michael Strugl MBA
 Chairman of the
 Executive Board

Dr. Peter F. Kollmann
 Member of the
 Executive Board

Mag. Dr. Achim Kaspar
 Member of the
 Executive Board

Disclosures of equity interests

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

	Head- quarters	% share- holding as at 31/12/2022	Most recent annual financial statements	(+) (-)	Net income/loss for the year	€k Equity ¹
Consolidated affiliated companies²						
Anselma Issuer, S.A. ³	Madrid	100.00	2022	-	14,637.9	20,630.2
Austrian Power Grid AG	Vienna	100.00	2022	+	92,945.3	596,429.1
Catalpa Solar, S.L.U. ³	Madrid	100.00	2022	-	6.1	42,479.6
Innwerk AG	Stammham	100.00	2022	+	105,042.3	232,607.9
Tejo Solar, S.L.U. ³	Madrid	100.00	2022	-	451.7	228,972.0
Topacio Energy, S.L.U. ³	Madrid	100.00	2022	-	31,771.4	20,193.9
VERBUND Energy4Business GmbH	Vienna	100.00	2022	+	177,798.7	484,372.7
VERBUND Energy4Customers GmbH	Vienna	100.00	2022	+	2,061.8	1,416.6
VERBUND Finanzierungsservice GmbH	Vienna	100.00	2022	+	526.9	218.1
VERBUND Green Power GmbH	Vienna	100.00	2022	+	70,482.7	392,455.7
VERBUND Green Power Renewable Projects, S.L.U. ³	Madrid	100.00	2022	-	49.1	36,031.5
VERBUND Services GmbH	Vienna	100.00	2022	+	9,258.0	10,920.6
VERBUND Thermal Power GmbH	Fernitz- Mellach	100.00	2022	+	35.5	7,590.5
VERBUND Ventures GmbH	Vienna	100.00	2022	-	328.9	8,135.0
WATT DEVELOPMENT SPV 5, S.L.U. ³	Granada	100.00	2022	+	1,567.2	16,546.5
WATT DEVELOPMENT SPV 6, S.L.U. ³	Granada	100.00	2022	+	1,200.0	16,079.4
WATT DEVELOPMENT SPV 7, S.L.U. ³	Granada	100.00	2022	+	1,221.4	16,050.5
VERBUND Thermal Power GmbH & Co KG	Fernitz- Mellach	99.99	2022	+	130,999.7	257,335.9
VERBUND Hydro Power GmbH	Vienna	80.54	2022	+	1,335,891.7	2,962,937.7
VERBUND Innkraftwerke GmbH	Töging	70.27	2022	+	208,741.0	537,720.8
Lusitania Renovables S.L. ³	Madrid	70.00	2022	+	705.3	6,831.0
Parque Eólico Ayamonte S.L. ³	Madrid	70.00	2022	-	653.5	24,716.0
Parque Eólico Buseco S.L. ³	Madrid	70.00	2022	-	10,453.9	36,976.2
Parque Eólico El Barroso S.L. ³	Madrid	70.00	2022	-	496.3	25,539.1
Parque Eólico Loma de los Pinos S.L. ³	Madrid	70.00	2022	-	6,767.9	32,825.9
Gas Connect Austria GmbH	Vienna	51.00	2022	+	38,829.2	236,477.8
Donaukraftwerk Jochenstein Aktiengesellschaft	Passau	50.00	2022	+	747.6	15,600.3
Grenzkraftwerke Gesellschaft mit beschränkter Haftung	Simbach	50.00	2022	+	2,050.8	22,561.4
Österreichisch-Bayerische Kraftwerke Aktiengesellschaft	Simbach	50.00	2022	+	2,693.8	57,048.1

						€k
	Head- quarters	% share- holding as at 31/12/2022	Most recent annual financial statements	(+) (-)	Net income/loss for the year	Equity ¹
Associates						
Ennskraftwerke Aktiengesellschaft ⁴	Steyr	50.00	2022	-	1,034.5	25,314.3
KELAG-Kärntner Elektrizitäts- Aktiengesellschaft ⁵	Klagenfurt	35.17	2021	+	111,712.5	989,918.6
C2PAT GmbH ⁶	Vienna	25.00	2021	-	2.1	33.9
C2PAT GmbH & Co KG ⁶	Vienna	25.00	2021	-	226.7	4,773.3

¹ equity as defined by Section 224(3)a of the Austrian Commercial Code (UGB), IFRSs or local law // ² consolidation in accordance with Sections 253–261 of the Austrian Commercial Code (UGB) // ³ annual financial statements in accordance with IFRSs // ⁴ proportionate consolidation in accordance with Section 262 of the Austrian Commercial Code (UGB) // ⁵ accounted for using the equity method in accordance with Sections 263–264 of the Austrian Commercial Code (UGB) // ⁶ unconsolidated

Independent auditor's report (translation)

Report on the audit of annual financial statements

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter referred to as the EU Audit Regulation) and Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those requirements and standards are further described in the "Auditor's responsibilities for the audit of the annual financial statements" section of our auditor's report. We are independent of the company in accordance with the requirements of Austrian commercial and professional law, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we obtained by the date of the auditor's report is sufficient and appropriate to provide a basis for our opinion on this date.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year under review. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying amounts of shares in affiliated companies

Description and issue

As at 31 December 2022, VERBUND AG reported shares in affiliated companies in the amount of €4,337.0m (previous year: €3,697.0m). Due to the current financial and energy market environment, the company tested the carrying amounts of the shares in these affiliated companies for impairment. Please refer to sections "II. Accounting policies" and "(21) 16. Financial result" of the notes to the annual financial statements for details regarding the impairment tests.

Numerous inputs flow into the valuation model based on net present value methods applied in the test for impairment. These include in particular the future electricity and primary energy price trends, assumptions regarding developments in the regulatory environment and the effects of the expansion of renewable energy. Due to the complexity of the valuation models and the dependence of results on the assessment of market developments by management, this is a key audit matter.

Audit approach

We evaluated the valuations carried out in particular in the following areas:

- the company's assessment for the identification of potential impairment and reversals of impairment losses;
- corroboration of the cash flows used in connection with the valuation models with company-specific information, the contractual framework as well as the Group's relevant market data from external as well as internal sources;
- the mathematical accuracy of the valuation models; and
- assessment of the parameters used in determining the discount rate.

Other information

Management is responsible for the other information. The other information comprises all information in the annual report (excluding the annual financial statements, the management report and the auditor's report thereon). The annual report is expected to be made available to us after the date of the auditor's report.

Our opinion on the annual financial statements does not cover the other information, for which we do not provide any assurance. Please refer to the Report on the audit of the management report regarding the information in the management report.

In connection with our audit of the annual financial statements, our responsibility is to read the above-mentioned other information as soon as it becomes available and, in so doing, thereby to consider whether it is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of management and the audit committee for the annual financial statements

The company's management is responsible for the preparation of the annual financial statements that give a fair and true view of the company's assets, liabilities, financial position and profit or loss in accordance with Austrian Generally Accepted Accounting Principles and the Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) as well as the Gas Industry Act (GWG). Furthermore, the management is responsible for such internal control as it has determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Audit Regulation and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit conducted in accordance with the EU Audit Regulation and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

In addition:

- We identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and related disclosures.
- We conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.
- We evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that give a true and fair view.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the management report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the annual financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code.

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

Opinion

In our opinion, the accompanying management report is prepared in accordance with the applicable legal requirements, includes appropriate disclosures according to Section 243a of the Austrian Commercial Code (UGB) and is consistent with the annual financial statements.

Statement

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

Additional information required under Article 10 of the EU Audit Regulation

We were elected by the annual general meeting held on 25 April 2022 as the auditor for the financial year ended 31 December 2022 and engaged by the supervisory board on 13 June 2022 to audit the annual financial statements. We have been the company's auditor continuously since the financial year ending on 31 December 2007.

We declare that the audit opinion included in the "Report on the audit of annual financial statements" is in line with the additional report to the audit committee and complies with Article 11 of the EU Audit Regulation.

We declare that we have not provided any non-audit-related services in accordance with Article 5(1) of the EU Audit Regulation and that we maintained our independence from the company while conducting our audit.

Engagement partner

The engagement partner responsible for the audit is Mag. Walter Müller.

Vienna, 17 February 2023

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Walter Müller
Wirtschaftsprüfer
(Austrian Certified Public Accountant)

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

Glossary

Glossary

Cash flow

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

Current assets

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

EBIT

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

Equity ratio

Ratio of equity to total capital.

FFO (funds from operations)

Operating result plus depreciation and amortisation, interest income and current taxes.

Gearing

Ratio of net debt to equity.

Net debt

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

Notional debt repayment period

Ratio of debt to surplus funds from earnings after tax.

RCF (retained cash flow)

Funds from operations (FFO) less dividends paid.

ROCE (return on capital employed)

Ratio of earnings before interest (including personnel-related interest) less applicable taxes to average capital employed.

ROE (return on equity)

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

ROI (return on investment)

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

ROS (return on sales)

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

EDITORIAL DETAILS

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Consulting: Ute Greutter, UKcom Finance

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

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

Company Spokesperson:
Ingun Metelko
Phone: +43 (0)50 313-53748
E-mail: ingun.metelko@verbund.com



Pioneering the
energy transition