

Q3 VERBUND
INTERIM REPORT
QUARTER 3/2008

END CUSTOMERS

STOCK MARKET SITUATION

PRICE DEVELOPMENT OF
THE VERBUND SHARE

EARNINGS POSITION

CASH FLOW

SECURITY OF SUPPLY

RISK SITUATION



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DEAR SHAREHOLDER,

In spite of the upheaval on the financial markets and the impending economic crisis, we can present a very good result for quarters 1-3/2008 and confirm that the economic development of Austria's leading electricity company was indeed very positive. All of the key ratios have once again been significantly improved and Verbund's position as one of the leading hydropower groups in the European market has been further strengthened.

On the basis of the good earnings trend, Verbund confirms its earnings forecast for fiscal 2008. We anticipate that the operating result and the group result will increase by at least 20 % compared to fiscal 2007.

The increase in European wholesale prices for electricity compared to the previous year and the above-average water supply had a positive effect on the result but the drop in generation at the thermal power plants and one-off effects did, however, have an adverse impact.

RESULT CLEARLY UP ON
LEVEL OF PREVIOUS YEAR

At the beginning of the year, the spot market prices for electricity recovered from the very low prices quoted in fiscal 2007. This trend continued in the following months, primarily due to the high prices for primary energy sources and CO₂ emission rights. The European forward prices (monthly, quarterly and yearly forwards) are also quoted at a very high level in spite of the drop in primary energy prices since mid-2008 and the anticipated downturn in the economy as a result of the crisis on the financial markets.

Verbund was therefore able to significantly increase its average sales prices in the European electricity markets in quarters 1-3/2008. Based on the present situation, a further clear increase can also be expected in fiscal 2009: As of 30 September 2008, 57 % of Verbund's own generation for fiscal 2009 had already been sold at significantly higher prices.

In quarters 1-3/2008, the water supply of the Austrian rivers, which is measured using a hydro coefficient, came to 1.02 and therefore lay two percentage points above the long-term average and 11 percentage points above the value recorded in the previous year.

The Verbund result in quarters 1-3/2008 was therefore very positive: Sales revenue increased by 17.1 % to € 2,637.2 million, the operating result rose by 29.2 % to € 885.3 million and the group result was up 31.6 % at € 602.5 million.

In Austria, parts of the power plant and transmission line expansion program initiated by Verbund, with a total investment volume of approx. € 2.8 billion up to 2015, are progressing well ahead of schedule. Work on the peak electricity power plant »Limberg II« is now four months ahead of the originally agreed deadlines. Operations at the pumped storage power plant, which will double the capacity of the Kaprun power plant group, are scheduled to commence in 2012.

EXPANSION OF AUSTRIAN
POWER PLANTS AND GRIDS

The construction work for the Mellach natural gas combined cycle power plant is about to commence. The contract with the plant supplier Siemens AG Austria was signed on 30 July. From 2011, the plant will supply 5 TWh of electricity and 0.8 TWh of district heating per year.

The construction of the Styria line, an important section of the 380 kV high-voltage ring in Austria, is also proceeding according to schedule. The commissioning of the 100 km-long transmission line, which will significantly enhance security of supply in Austria and Styria, is scheduled for mid-2009.

END CUSTOMER BUSINESS EXPANDED

Verbund's activities in the Austrian end customer segment are also thriving: In just over three years, the distribution subsidiary APS has already acquired approx. 165,000 customers.

NEW POWER PLANT PROJECT ABROAD

Verbund is also enjoying a high level of success at an international level and plans are already in place to invest approx. € 4 billion by 2015. Verbund has won the tender for the 48 Megawatt power plant Ashta, located on the river Drin in northern Albania not far from the town of Shkoder. The corresponding contract was signed on 30 September in Tirana. Industrially managed by Verbund, the project will be constructed jointly with EVN. Commissioning is planned for 2012.

Verbund's joint ventures in Italy, France and Turkey are also developing well. The electricity revenue of the Italian Sorgenia Group increased by almost a third in the first half of the year; sales were up 8 %. Sales at the French Poweo Group increased by 58 % in the same period. The Turkish company Enerjisa, in which Verbund and Sabanci Holding each hold a 50 % stake, has decided to erect two further hydropower plants. Enerjisa aims to create new generation capacities of 5000 MW by 2015.

A year ago Verbund confirmed its commitment to advancing investments in renewable energies with a focus on wind power and photovoltaics. Recently the two photovoltaic power plants in Spain, with a total capacity of 3 MW, were connected to the grid, thereby supplying approx. 1,500 households with environmentally friendly solar power all year round.

EFFECTS OF THE FINANCIAL MARKET CRISIS ON VERBUND

Verbund's growth strategy has not changed despite the turbulence on the international financial markets. Thanks to the positive result development, the increasing cash flow and the strong rating, Verbund disposes of a strong internal financing power and sufficient liquidity.

POSITIVE OUTLOOK FOR 2008

Against the backdrop of a positive business development, Verbund confirms its earnings forecast for fiscal 2008. We expect that the operating result and the group result will increase by at least 20 %. In addition, we intend to further increase the dividend on the basis of a pay-out ratio of between 45 % and 50 %.

Dr. Michael Pistauer
Chairman of the Managing Board

Dr. Ulrike Baumgartner-Gabitzer
Member of the Managing Board

Dr. Johann Sereinig
Deputy Chairman of the Managing Board

Mag. Christian Kern
Member of the Managing Board

THE VERBUND SHARE

All of the international stock markets recorded a negative price development in quarter 3/2008. Following a volatile lateral movement of the markets in the months of July and August, massive price losses were recorded in September as a result of the confidence crisis triggered by the US mortgage market. In the first half of September, US mortgage giants, Fannie Mae and Freddie Mac were put under state conservatorship. In mid-September, Lehman Brothers had to file for bankruptcy, while Merrill Lynch was bought out by the Bank of America. As a result, the US key index Dow Jones recorded the biggest day loss since the terrorist attacks of 11 September 2001. A couple of days later, the US central bank rescued the insurance giant AIG. The financial market crisis reached the European and Japanese banks in the second half of September. Negative news was coming in from the banking sector on a daily basis. All of the rescue plans had only very slow effect.

The losses at the stock exchanges in the USA, the country in which the crisis originated, were lower than in other markets. In quarter 3/2008, the US stock index Dow Jones Industrial (DJI) fell by 4.4 % (YTD: 18.7 %). The Eurostoxx 50, however, lost 9.4 % (YTD: 30.9 %) and the Nikkei 225 was down 16.5 % (YTD: 26.4 %). The negative market sentiment also had an adverse effect on the emerging markets. The East European Index CECE, which is calculated in Euro, recorded a minus of 13.3 % (YTD 25.6 %) in quarter 3/2008.

The key index of the Vienna Stock Exchange ATX, which clearly outperformed the European benchmark index Euro Stoxx 50 in the first half of 2008, had to contend with a drop of 29.8 % in the presence of high market turnover. The total loss since the beginning of the year lies at 38.7 %. The heavy weighting of the financial stocks also contributed to the above-average price decline as did the poor sentiment resulting from the extremely negative price development of the property stocks that are so well represented on the Vienna Stock Exchange (even though they are not listed in the ATX).

The Verbund share closed fiscal 2007 at € 47.9 after a positive performance of 18.5 %. The share continued its positive development at the beginning of the new trading year and achieved a new all-time high of € 51.1 on 8 January 2008. The price of the Verbund share did, however, drop significantly in the days that followed – in step with the trend on the international stock markets. The share fell to € 40.5 but managed to recover very quickly in quarter 1/2008. On 31 March 2008, the Verbund share closed at € 45.1 with a negative performance of 5.8 % in quarter 1/2008. Hence, the Verbund share significantly outperformed the ATX (–16.6 %) and the DJ STOXX Utilities index (–17.2 %).

In quarter 2/2008, the Verbund share increased by a considerable 26.2 % – in what was still a very difficult market environment – and therefore clearly outperformed the ATX (+4.7 %) and the DJ STOXX Utilities (+0.9 %) once again. On 23 June 2008, the share reached a new all-time high of € 59.3. This massive increase was essentially attributable to the rise in prices for primary energy sources and the corresponding increase in the wholesale prices for electricity. On 30 June 2008, the Verbund share closed at € 56.9 with a positive performance of 18.9 % in quarters 1–2/2008. Hence, the Verbund share again sig-

STOCK MARKET SITUATION

VIENNA STOCK EXCHANGE

PRICE DEVELOPMENT OF THE VERBUND SHARE

nificantly outperformed the ATX (-12.6 %) and the DJ STOXX Utilities index (-16.4 %) in the first half of 2008.

In quarter 3/2008, the value of the Verbund share fell by 24.2 % and closed at € 43.2 on 30 September 2008. By comparison, the key index of the Vienna Stock Exchange ATX was down 29.8 % and the DJ STOXX Utilities index fell by 11.0 %. Despite the extremely positive corporate news and the positive environment for generators of hydropower, the Verbund share could not escape the extremely negative stock market environment unscathed. Over the year to date, the Verbund share developed well ahead of the ATX and the DJ STOXX Utilities index. The performance of the Verbund share as of 30 September was -9.9 %. The ATX and DJ STOXX Utilities index, on the other hand, recorded performances of -38.7 % and -25.6 % respectively.

RELATIVE SHARE PRICE DEVELOPMENT (1 YEAR, 01. 01. 2008 = 100 %)



SALES AND MARKET CAPITALIZATION

Stock exchange turnover in Verbund shares reached € 4,985.2 million. On average, 542,946 shares were traded every day. The total value of the company derived from its market capitalization amounted to € 13,298.8 million as of 30 September 2008; its weighting at the ATX was 8.0 %. As a result, Verbund had – based on the market capitalization – the highest valuation of all the companies on the Vienna Stock Exchange.

STOCK RATIOS

		Q 1-3/2008	Q 1-3/2007
PEAK PRICE	€	59.3	40.9
LOWEST PRICE	€	40.5	31.2
CLOSING PRICE	€	43.2	40.4
PERFORMANCE	%	-9.9	0.0
MARKET CAPITALIZATION	MILLION €	13,298.8	12,457.4
WEIGHTING ATX	%	8.0	4.8
STOCK EXCHANGE TURNOVER	MILLION €	4,985.2	4,792.0
STOCK EXCHANGE TURNOVER/DAY	UNITS	542,946	713,276

MANAGEMENT REPORT

BUSINESS DEVELOPMENT

In quarters 1–3/2008, Verbund once again significantly improved the sales revenue, the operating result and the group result. The increase in European wholesale prices for electricity and the above-average water supply had a positive effect on the result but the drop in generation at the thermal power plants and one-off effects did, however, have an adverse impact. Sales revenue increased by 17.1 % to € 2,637.2 million, the operating result rose by 29.2 % to € 885.3 million and the group result was up 31.6 % at € 602.5 million.

CONSOLIDATED INCOME STATEMENT (SHORT VERSION)

MILLION €

	Q 1–3/2006	Q 1–3/2007	Q 1–3/2008	CHANGE
SALES REVENUE	2,128.2	2,252.6	2,637.2	384.6
OPERATING RESULT	646.0	685.1	885.3	200.2
FINANCIAL RESULT	–8.9	2.2	2.6	0.4
GROUP RESULT	410.1	457.9	602.5	144.6

EARNINGS POSITION

The improved water supply compared to the previous year favored the generation of additional volumes which were sold on top of the already contracted volumes at high spot market prices. The decommissioning of Dürnrrohr power plant for overhaul did, however, lead to a drop in thermal generation. The significantly lower reservoir levels at the beginning of the year resulted in a decline in production at the annual storage power plants.

Specifically, total electricity revenue rose by 18.3 % to € 2,387.3 million. Electricity revenue from end customers displayed a substantial € 259.8 million or 136.0 % increase due to the reacquisition of Austrian Power Vertriebs GmbH (APC). The € 80.1 million or 9.6 % rise in electricity revenue from resellers and the € 29.1 million or 2.9 % improvement in electricity revenue from traders are attributable to the high spot market prices. Foreign markets, in particular Germany, France and Slovenia, accounted for 60.8 % of the electricity revenue (previous year: 63.5 %). The sales volume displayed a decrease of 135 GWh or –0.3 % compared to the corresponding period of the previous year.

In quarters 1–3/2008, grid revenue rose by 7.7 % to € 220.3 million compared to the first three quarters of fiscal 2007. In spite of the drop in transport volumes, grid revenue improved due to the increase in international ITC revenue (Inter Transmission System Operator Compensation) and higher revenue from the auctioning-off of cross border capacities.

Other sales revenue remained more or less unchanged compared to the level recorded in the previous year.

GOOD WATER SUPPLY AND
HIGH SPOT MARKET PRICES
INCREASE SALES REVENUE

SALES REVENUE	MILLION €		
	Q 1–3/2006	Q 1–3/2007	Q 1–3/2008
ELECTRICITY SALES	1,872.2	2,018.3	2,387.3
GRID SALES	196.1	204.6	220.3
EMISSION RIGHTS (SALES)	34.8	0.3	–0.3
OTHER	25.1	29.4	29.9
SALES REVENUE	2,128.2	2,252.6	2,637.2

RISE IN ELECTRICITY AND GRID PURCHASES

From a volume perspective, electricity purchases including purchase rights dropped by 1,070 GWh or 4.5 % compared to the corresponding period of the previous year. Parallel to this, the high spot market price level compared to the first three quarters of fiscal 2007 resulted in a € 48.3 million or 4.6 % increase in the value of the electricity purchases. The good water supply (hydro coefficient: 1.02, previous year 0.91) led to a 1,260 GWh or 5.9 % increase in own generation in the period under review. The 50.0 % or € 25.6 million increase in grid purchases resulted from the clear expansion of the end customer business both in Austria and abroad.

CO₂ PURCHASE PRICES BURDEN FUEL EXPENSES

In quarters 1–3/2008, thermal generation dropped by 421 GWh gross (–15.8 %) compared to the corresponding period in the previous year but the increase in prices for primary energy sources and CO₂ certificates led to a rise in fuel costs.

HIGHER PAYROLL EXPENSES

The € 15.1 million (9.5 %) increase in wages, salaries and related costs was due to the adjustments for the collective wage agreement in the amount of 3.7 % and the recruitment of an additional 97 employees bringing the new total to 2,528 (30 September 2007: 2,431).

Expenses for severance payments and pensions also increased by € 4.1 million (12.2 %). This is attributable to the adjustment of the social capital provisions.

EXTRAORDINARY EFFECTS BURDEN OTHER OPERATING EXPENSES

Other operating expenses increased by 65.0 % to € 171.8 million compared to the corresponding period of the previous year.

This increase resulted, above all, from the higher costs for maintenance measures such as the sealing of a reservoir (€ 10.0 million) as well as dredging work (€ 4.7 million). The elimination of storm damage in the grid (€ 2.3 million), costs for preliminary projects (€ 13.0 million), the provision for costs associated with the demolition of a thermal power plant (€ 7.7 million) and higher legal and consulting fees (€ 7.1 million) had a negative impact on the result.

FINANCING RESULT

The financing result rose by 6.3 % or € 4.2 million to –€ 70.5 million. This development is essentially due to the loans that were taken out from the European Investment Bank (EIB) and Oesterreichische Kontrollbank AG in the previous year and the issue of the € 500 million bond in June 2007. The interest rate increases for variable loans and valuation-related foreign currency effects from financial obligations in JPY in the amount of € 10.8 million also had an adverse effect on the financing result. Higher earnings from money market transactions due to interim investments did, however, have a positive effect.

RESULT FROM OTHER LONG-TERM INVESTMENTS

The international financial market crisis and its effects on the investment portfolio of Verbund led to impairments in accordance with IAS 39 and, consequently, to value adjustments of securities held to secure trading on the EEX in the amount of € 25 million.

The effective tax rate of 22.5 % (as compared to a corporate tax rate of 25 %) was largely due to the non-tax-effective investment income from the interests accounted for using the equity method as well as the non-tax-effective profit/loss shares of the limited partners of VERBUND-Austrian Thermal Power GmbH & Co KG which were recognized in the financing result.

INCOME TAX EXPENSES

NET WORTH AND FINANCIAL POSITION

Non-current assets increased by 10.9 % from € 6,323.3 million as on 31 December 2007 to € 7,013.7 million as on 30 September 2008. This was largely due to the € 392.0 million or 33.9 % increase in interests accounted for using the equity method which essentially resulted from the capital increases carried out by Verbund at the Sorgenia Group in the amount of € 200.0 million, at EnerjiSA Enerji Üretim A.S. in the amount of € 91.0 million and at POWEO Production SAS in the amount of € 26.8 million from share purchases of the Sorgenia Group in the amount of € 39.4 million as well as the annual proceeds in the amount of € 81.3 million. This increase was offset by distributions in the amount of € 38.5 million and the recognition in equity of the foreign currency valuation of the Turkish joint venture EnerjiSA in the amount of € 9.3 million.

NON-CURRENT AND CURRENT ASSETS

The 283.4 % increase in other interests to € 152.2 million as on 30 September 2008 is largely due to the acquisition of a 5 % stake in Energie AG Oberösterreich.

Current assets increased by 23.8 % from € 1,016.5 million as on 31 December 2007 to € 1,258.3 million as on 30 September 2008. This is attributable, above all, to the increase in other receivables as a result of the market price increases that are represented in the evaluation of the electricity derivatives. Moreover, inventories increased by € 28.6 million or 58.6 % on account of the higher price level and the reduced consumption of primary energy sources.

The long and short-term financial obligations increased by 10.4 % to € 2,856.1 million compared to 31 December 2007. This increase is largely due to the rise in short-term obligations to banks resulting from money market transactions but was offset, however, by a reduction in bonds and other financial obligations.

LONG AND SHORT-TERM FINANCIAL OBLIGATIONS

The increase in trade payables and other liabilities by € 451.7 million is essentially due to the market price increases represented in the valuation of the electricity derivatives.

OTHER LONG AND SHORT-TERM LIABILITIES WITHOUT FINANCIAL OBLIGATIONS

The operating cash flow improved by € 472.5 million to € 985.1 million compared to the corresponding period of the previous year. This primarily resulted from the higher contributions from the electricity business, payments from prior periods (+€ 236.1 million) in connection with energy derivatives less securities for the electricity trade (–€ 61.2 million) which balance out in later periods, as well as reduced income tax payments (+€ 133.7 million).

CASH FLOW

The cash flow from investment activities changed by –€ 249.5 million to –€ 821.2 million. This is essentially due to the investment in the Sorgenia Group (€ 239.4 million) and in the EnerjiSA Enerji Üretim A.S. (€ 91.0 million) as well as increased investment in property, plant and equipment.

The cash flow from financing activities changed by –€ 389.2 million to –€ 189.5 million. Long-term borrowing from banks in the amount of € 130.0 million and short-term borrowing on the money market in the amount of € 143.1 million was offset by the redemption of bonds, loans and credits in the amount of € 45.1 million. Dividends amounting to € 410.1 million were distributed.

RATIOS

NET GEARING DISPLAYS FURTHER IMPROVEMENT

Net gearing dropped from 82.0 % as on 30 September 2007 to 76.7 % as on 30 September 2008 despite the increase in financial obligations. An increase of 6.7 percentage points was achieved compared to 31 December 2007.

EBIT MARGIN

The EBIT margin rose from 30.4 % to 33.6 % compared to the corresponding period of the previous year. This increase is primarily attributable to the higher contributions in the electricity business.

RISK AND OPPORTUNITY SITUATION

To ensure that it can deal with the risks and capitalize on the opportunities it encounters on its international growth path, Verbund has implemented a group-wide risk management system which embraces all steps of the value-added chain. All relevant opportunities and risks are identified, updated and evaluated on a regular basis and documented in corresponding measures, using the appropriate software. The possible effects of these opportunities and risks on the group result are reported to the Managing Board and the Supervisory Board on a quarterly basis.

VOLUME AND PRICE RISK

The group result is influenced to the greatest extent by the volume and price risk in the electricity business. The group is highly dependent on hydraulic generation and hence, on the meteorological conditions that influence the water supply. A deviation of 1 % either way from the planned generation value for the remainder of the year due to overproduction or underproduction would have an earnings effect of € 3.9 million.

Changes in the wholesale prices also represent significant opportunity/risk potential for Verbund. A 1 % rise/fall for the remainder of the year would increase/reduce earnings by approx. € 0.6 million.

The need to acquire sufficient emission rights and the primary energy sources heating oil, natural gas or hard coal required to operate the power plants poses a further risk. The growing international demand is likely to lead to a massive increase in prices for these fuels.

INVESTMENT RISKS

Verbund's international growth strategy, which provides for further acquisitions in Italy, Turkey, France and South East Europe, increases both the risks and the opportunities of investment into the future. Investment risks essentially result from fluctuations in the investment income, changes in the interest value (depending on the currency translation differences) as well as liabilities and guarantees that are assumed.

REGULATORY RISKS

In the EU, where competition and environmental protection are central issues, Verbund has to comply with numerous energy and environment-related regulations. These often take the form of national regulations which extend beyond the minimum statutory requirements under European law. The EU Water Framework Directive which, in addition to imposing strict standards, also grants the member states room to negotiate and the possibility of exception provisions when transposing the directive into national law, serves as a good example here.

Verbund is also exposed to legal risks. Legal proceedings and amendments to the legal framework may be initiated for a number of reasons. Such amendments are imminent, not least due to the intention of the EU to increase the independence of the transmission grid operators. To achieve this, the EU Commission favors either ownership unbundling or the establishment of an »independent grid opera-

tor« (where grid operations are outsourced to a company that is fully independent of the grid owner). It still remains to be seen whether the »third alternative«, which is supported by the competent EU ministers and favored by Verbund, namely that of an »Independent Transmission Grid and Transmission System Operator«, can be established as an alternative to the proposals of the Commission.

The financial market crisis and its effects on the real economy increase the financial risks within the Verbund Group.

RISKS ARISING FROM THE FINANCIAL MARKET CRISIS

LIQUIDITY RISK

Short, medium and long-term financing has become more expensive and more difficult as a result of the financial market crisis.

Verbund is very well positioned in terms of its liquidity and has adequate liquidity reserves as well as secured access to liquidity. Liquidity (cash items including money market-related investments) as of 30 September 2008 came to +€ 386 million. Verbund has a syndicated loan facility in the amount of € 750 million which has not been used. This loan facility, which has a remaining maturity of four years, can be drawn down at any time – even in a difficult market environment – at favorable conditions. In addition, Verbund has non-committed lines of credit in the amount of approx. € 800 million which have already been available for a long period.

INVESTMENT RISK

Verbund invests its liquidity conservatively in a widely spread investment portfolio mainly in the money market (overnight money, time deposits) in banks with first class ratings. A small share is invested in money market-related securities and bonds which serve as security for the electricity trading activities. The financial market crisis and its effects have, however, increased the price risk and the risk of individual security issuers defaulting. The value of Verbund's securities portfolio is measured on a regular basis in accordance with IFRS. Price losses/gains that are not sustainable are booked against equity, sustainable price losses/gains are recognized in the income statement.

RISKS FROM CROSS BORDER LEASING TRANSACTIONS

Verbund entered into a number of lease and lease back agreements between 1999 and 2001. These agreements provide Verbund with a net gain in the total amount of € 300 million.

As a result of the financial crisis, the ratings of some of the contracting parties have, however, been downgraded. Verbund is obliged to put forward additional collateral in the event that the ratings of the contracting parties fall below the minimum rating. A guarantee is currently being processed for one contracting party. This will result in a slight increase in annual costs.

BUSINESS DIVISIONS

ELECTRICITY

GENERATION

GENERATION	Q 1–3/2007	Q 1–3/2008	CHANGE
HYDROPOWER	18,519	20,200	9.1 %
THERMAL POWER	2,669	2,248	–15.8 %
OWN GENERATION	21,188	22,448	5.9 %
EXTERNAL PROCUREMENT	21,366	19,971	–6.5 %
GROUP GENERATION	42,554	42,419	–0.3 %
FORWARD CONTRACTS	32,681	26,838	–17.9 %

In quarters 1–3/2008, the total generation of the group was 5.9 % higher than in the previous year at 22,448 GWh, whereby generation at hydropower plants was up 9.1 %. Generation at the run-of-river power plants displayed a clear increase compared to the previous year. Since the beginning of the year, the hydro coefficient is 2 % up on the long-term average. Generation at the storage power plants fell by 3 % despite the higher inflows on account of the significantly lower reservoir levels at the beginning of the year compared to 2007. In total, the hydropower plants accounted for a share of 90 % of group generation.

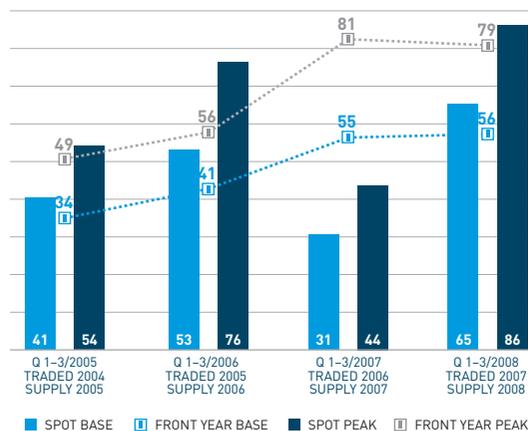
Generation at thermal power plants fell by 15.8 %. This is largely attributable to renovation work at the Dürnröhr power plant in the first half of the year.

Electricity purchases were reduced by 6.5 % to just under 47 % of total generation.

SALES

The average prices for forward contracts year base 2008 traded in 2007 came to € 55.83/MWh and were just under 2 % higher than the level recorded in the previous year. The spot market price level, on the other hand, displayed a strong increase of 107.5 % to € 65.01/MWh in quarters 1–3/2008. The endorsement of the forward prices by the spot market is attributable, above all, to the stable CO₂ spot market prices and the consistently high prices for primary energy sources.

DEVELOPMENT OF WHOLESALE PRICES



SOURCE: EUROPEAN ENERGY EXCHANGE

Price increases for crude oil and hard coal slowed in quarter 1/2008 compared to the strong price development in fiscal 2007. The markets did, however, display a strong upsurge in quarter 2/2008. In quarter 3/2008, the prices for crude oil and hard coal dropped due to the muted economic growth brought on by the crisis on the financial markets. In quarters 1–3/2008, the spot market prices for Brent crude oil rose from approx. USD 94/bbl to just under USD 98.2/bbl (+4.5 %) and hit a temporary all-time high of USD 146.1/bbl in June. The prices for hard coal supplies on the spot market rose from approx. USD 127/t to USD 164.2/t (+29.5 %). Here too, a temporary all-time high of just under USD 219.4/t was recorded in quarters 1–3/2008.

Against the backdrop of these conditions, sales were further increased thanks to Verbund's marketing strategy for group generation. The group's electricity sales came to € 2,387.3 million in quarters 1–3/2008. This represents a significant improvement on the value recorded in the corresponding period in the previous year (€ 2,018.3 million).

**SIGNIFICANT INCREASE
IN GROUP'S ELECTRICITY
SALES**

SALES	GWh, %		
	Q 1–3/2007	Q 1–3/2008	CHANGE
END CUSTOMERS	2,946	6,799	130.8
RESELLERS	18,933	18,677	-1.4
TRADERS	19,201	15,635	-18.6
OWN CONSUMPTION	1,474	1,307	-11.3
GROUP CONSUMPTION	42,554	42,419	-0.3
FORWARD CONTRACTS	32,681	26,838	-17.9

Electricity sales in quarters 1–3/2008 fell slightly compared to the previous year (-0.3 %). The quantities sold on foreign markets – excluding own consumption – amounted to just under 57 %. This is mainly attributable to the international activities associated with the expansion of business in the German and French electricity markets. The German market accounted for 73 % of the volume sold abroad and is therefore the focal point of foreign activities.

SALES ACCORDING TO REGIONAL MARKETS	%
AUSTRIA	44.8
GERMANY	40.5
FRANCE	12.9
BULGARIA	0.6
SLOVENIA	0.5
ITALY	0.4
LUXEMBOURG	0.1
BELGIUM	0.1
MACEDONIA	0.04
ALBANIA	0.01

Business with resellers in Austria declined by 3.3 %. This is a direct result of the reacquisition of Austrian Power Vertriebs GmbH (APC), the sales volumes of which are now posted in the end customer

segment. Adjusted for this effect, business with Austrian provincial companies was even expanded. Business with foreign resellers improved slightly. The expansion of business on the German market and the cooperation with the joint venture partner Poweo in France paved the way for an increase of 2.6 %.

Sales to trading companies continued to decline and also led to a reduction in trading business with derivative forward contracts. This was due to the increase in direct marketing of own generation through wholesale and end customer channels and the focus on marketing high-quality products.

Business with end customers in Austria and abroad developed positively. Significant growth was achieved abroad following the acquisition of major customers.

EXPANSION OF SALES TO END CUSTOMERS IN AUSTRIA

The prices offered by Verbund in this segment are among the most favorable in Austria. Although Verbund has only been operating in the end customer segment for little over three years, it has already acquired 165,000 customers. In the Business and Industrial Customer segment Verbund is positioned as an innovation and information leader who, due to the continuing development of its products, now has a competitive edge over the market. In addition, the reacquisition of the former distribution subsidiary APC last year led to a significant increase in the business volume.

EXPANSION OF GENERATION

HYDROPOWER

All power plant construction projects are running to schedule. The work on Europe's largest power plant construction site, Limberg II (480 MW), is progressing swiftly. The storage measures for the raw materials needed for construction during the winter months are more or less completed.

The construction work for the Gstatterboden works water channel at the 63 MW Hieflau power plant is still ongoing. Construction work is also progressing swiftly at the 16 MW Salzach power plant Werfen/Pfarrwerfen. The concrete work at the power plant is practically completed.

The preliminary work for the Environmental Impact Declaration within the framework of the Reißbeck II project – the construction of a 430 MW pumped storage power plant to supplement the existing power plant – is currently being carried out. The construction decision for the revitalization project Pernegg was issued in the quarter just ended.

The Environmental Impact Analysis (EIA) for the cross-border project »Joint-venture power plant Inn« (88 MW) is currently being carried out by the Austrian authorities. In tandem with this, the Swiss authorities are engaged in the preliminary work for the official approval.

THERMAL POWER

Due to the positive development in the EIA and allocation process, the decision to construct a gas and steam turbine combination power plant at Mellach-Werndorf was taken as early as May 2008. After accepting the tender and finalizing the contracts with the general contractor Siemens AG Austria, the contracts were signed on 30 July 2008. The Administrative Tribunal's dismissal of the last pending appeals in the EIA process on 10 September marked the completion of the approval procedure for the planned power plant. Parallel to the approval and allocation processes, the contractual requirements for the provision of the natural gas infrastructure and natural gas supplies were drawn up with the result that the agreement with ECONGAS pertaining to the expansion of the required gas network capacity and the supply of natural gas could be signed.

The state-of-the-art process control system in the steam-generating power plant Dürnrrohr was installed according to schedule and the trial operation phase has commenced. The new system clearly optimized operations at the power plant within just a short period of time.

GRID

KEY FIGURES GRID

	UNIT	Q 1–3/2007	Q 1–3/2008
AMOUNT OF ENERGY RELEVANT TO CLEARING	GWh	14,870	13,519
GRID SALES	MILLION €	204.6	220.3

In quarters 1–3/2008, the amount of energy transmitted over Verbund's 220/380 kV grid that is relevant to clearing sank by 9.1 % to 13,519 GWh (previous year: 14,870 GWh). This is attributable, above all, to the significant increase in hydraulic and thermal generation in the underlying distribution grids in quarters 1–3/2008. In spite of the lower net volumes, sales increases were achieved as a result of the growth in international revenue from auctions and the increase in the tariffs for »work gross« and »system services«.

In accordance with EU Directive 1228/2003, VERBUND-Austrian Power Grid AG (APG) operates the congested borders to the control areas in Slovenia, the Czech Republic, Hungary, Italy and Switzerland by way of explicit auctions. Here, the capacities of the cross border lines are allocated to the market participants through annual, monthly and daily auctions in accordance with clearly defined market criteria.

ALLOCATION OF CROSS
BORDER CAPACITIES
(AUCTIONS)

The ITC agreement, which was signed in October 2007, has come into effect for the years 2008 and 2009. A project group, in which APG is also involved, has been set up within the framework of ETSO (European Transmission System Operators) to organize the future balancing of costs for transits at an international level.

INTERNATIONAL REVENUE
ITC FOR TRANSIT COSTS

In July 2008, a joint auction office was set up in Freising near Munich for the Central East Europe region. The cross border capacities for electricity transports between the countries Germany, Poland, the Czech Republic, Slovakia, Hungary, Austria and Slovenia will be auctioned off here from January 2009. APG holds a 12.5 % share in this auction office.

DEVELOPMENT OF THE
REGIONAL MARKETS

In quarter 1/2008, the Energy Control Commission initiated a tariff audit process for APG. For the first time, APG received coterminous compensation for the capital costs associated with the construction of the Styria line and the new main control in the tariff for 2009. The current audit report provides for a slight increase in the APG tariffs. The new tariffs should come into effect from 1 January 2009.

TARIFF REGULATION

The situation on the 220 kV north-south connection lines in quarter 3/2008 was relatively relaxed for season-related reasons. Due to the implementation of technical measures, the (n-1)-safety limits were

SECURITY OF SUPPLY,
CONGESTION MANAGEMENT

only exceeded for 0.2 % of the period under review. Without these measures, the (n-1) safety limits would have been exceeded for 3.5 % of the period under review.

The (n-1) limit was not exceeded on the cross border Czech Republic–Austria lines in quarter 3/2008 as a result of technical measures that were carried out. Had these measures not been implemented, the (n-1) limit would have been exceeded for approx. 1.2 % of the period under review. The Slavetice – Dürnrohr line was shut down from 1 September 2008 to facilitate the realization of the second system. As a result, the (n-1) safety limit was occasionally exceeded on the 220 kV cross border Sokolnice–Bisamberg lines. Appropriate technical measures were, however, implemented to control this situation. Congestion on the cross border Czech Republic–Austria lines will be relieved from the beginning of November 2008 following the commissioning of the second system.

CONSTRUCTION OF STYRIA LINE PROGRESSING SWIFTLY

Route construction and felling activities for the construction of the 380 kV Styria line commenced in all five sections in October 2007. By the end of September 2008, the foundation work for over 80 % of the pylons had already been completed and pylons were being installed in all sections. Approx. 10 % of the pylons have now been erected. The construction of the East Styria substation and the plant expansion activities at the substations, Vienna Southeast and Southern Burgenland are more or less completed. The entire project will be carried out under the close supervision of ecology and forestry experts.

At the end of May 2008, the 380 kV Styria line was closely examined within the framework of the APG audit in accordance with EMAS. The subsequent evaluation was very positive.

The construction of the line with 340 pylons and the accompanying substations requires a total investment volume (including preliminary project costs) of approx. € 181.4 million. The commissioning of the Styria line is scheduled for mid-2009.

APPEAL PROCEEDINGS INITIATED FOR SALZBURG LINE

The independent environment tribunal in Vienna, the authority in the second instance which is activated in the event of appeals, issued its second instance decision on 9 April 2008 in the form of an edict confirming the environmental compatibility of the 380 kV Salzburg line from St. Peter to Elixhausen.

The decision was appealed by a number of municipalities and landowners at the Administrative Tribunal and the Constitutional Court and, parallel to this, an application for a suspensive effect was submitted. In a first step, the Constitutional Court refused the application for a suspensive effect in its decision of 18 June 2008.

This project, which – due to the latest increases in the prices for raw materials – has a projected investment volume of approx. € 116 million, is urgently required and will make an important contribution to guaranteeing security of supply in the province of Salzburg.

APG PUSHES FOR OVERHEAD LINE

The feasibility study on the total or partial underground cabling of the 380 kV line »St. Peter – Tauern« in the province of Salzburg, which was carried out by KEMA and commissioned by the province of Salzburg, was presented to the provincial government of Salzburg on 28 January 2008. On the basis of the presentation of the KEMA study, the provincial government of Salzburg issued a government decision on the implementation of partial underground cabling.

On 6 May 2008, the APG statement pertaining to the KEMA feasibility study on total or partial underground cabling was submitted to the province of Salzburg and introduced to the media and the public by way of a press conference. The shortcomings identified by APG in the KEMA study could not be invalidated in a meeting between APG, KEMA, representatives of the provincial government of Salzburg and experts from the province of Salzburg on 28 May 2008. APG is still convinced that the project

should be implemented as an overhead line. The environmental tribunal also examined the KEMA study within the framework of the approval process for the »Salzach neu – St. Peter« project and determined that, in the case of the Salzburg line, the (partial) laying of underground cable would not be in line with the latest technical standards.

From today's perspective, the Environmental Impact Declaration for this project, which – due to the latest increases in the prices for raw materials – has a projected investment volume of € 372 million, cannot be submitted before the end of 2010 at the earliest.

Depending on how the approval process progresses and assuming that construction can commence in 2015, commissioning could take place at the end of 2016/beginning of 2017. The dismantling measures could be completed by the end of 2017.

PARTICIPATING INTERESTS

A unilateral € 200 million capital increase in Sorgenia Holding S.p.A by Verbund Italia in June 2008 and a simultaneous capital increase in Sorgenia S.p.A. resulted in the further expansion of the power plant park. Furthermore, Verbund Italia acquired shares in the amount of € 39.4 million in Sorgenia S.p.A. As a result, Verbund increased its share in Sorgenia S.p.A. from 38 % to 42 % this year.

VERBUND INCREASED
STAKE IN SORGENIA

A further unilateral capital increase in the amount of € 150 million has been agreed with the majority shareholder CIR for 2009. This will increase Verbund's stake in the Sorgenia Group to approx. 44 %. Consequently, Verbund can now strengthen its strategic position in the Italian market and participate to a greater extent in the excellent results and value increases within the Sorgenia Group.

In quarters 1–2/2008, the electricity revenue of the Sorgenia Group increased by 30 % from € 883.7 million to € 1,145.7 million compared to the previous period. The focus on the small-scale consumer segment led to an 8 % increase in total sales to 5.1 TWh.

The introduction of the »Robin Hood Tax« in Italy had a negative impact on the result. Corporation tax for companies that operate in the energy sector was increased by 5.5 % to 33 %. Consequently, the participation in the generation subsidiary Tirreno Power had an adverse effect on the result of the Sorgenia Group.

The power plant portfolio of the Sorgenia Group will be further expanded and optimized. Implementation problems in the subcontractor area are, however, delaying the commissioning of the 770 MW gas power plant in Modugno in the south of Italy: Commissioning is now scheduled for the second quarter of 2009. The construction work for the gas power plant in Lodi (770 MW) commenced in April 2008. The construction of a further 770 MW gas power plant will commence in Aprilia in the Latium Region at the beginning of 2009. Extensive investments in the renewable energies area are also planned.

In quarters 1–2/2008, the French Poweo Group recorded a 58 % increase in sales to € 247 million. Sales rose in the large customer area in tandem with an increase in the number of customers in the household customer segment.

POWEO GROUP ACCELERATES
CUSTOMER ACQUISITION

At the end of August, the Poweo Group had approx. 200,000 customers. Poweo currently acquires approx. 800 new customers a day via the distribution organization Arelys. The company aims to increase this figure to 1,000 a day by the end of the year.

The construction work for the thermal power plant Pont sur Sambre (412 MW) is already well advanced. Commissioning is scheduled for the first half of 2009. Further thermal power plants are currently in the planning and approval phase. Building permission for the Toul 420 MW gas power plant in the north of France was issued in August 2008 and the final investment decision can be expected in 2009.

In the renewable energy area, the installed capacity rose from 17 MW at the end of 2007 to the present value of 68 MW. This includes the wind power plants Moulins de Boulay, Luc Fonds de Plaine and Rose de Vents, which already existed in 2007, the wind power plants Louville (24 MW), Renardières (12 MW) and Is-en-Bassigny (12 MW), which were added in 2008, and the hydropower plant Pradeaux (3 MW).

ACQUISITION OF TURKISH ELECTRICITY SUPPLIER BASKENT EDAS

At the beginning of July 2008, Verbund and its Turkish partner Sabanci Holding purchased the formerly publicly owned utility Baskent EDAS. The purchase price was set at USD 1.225 billion. The acquisition was made by way of a public auction where Verbund had to compete against international competitors such as the Czech company CEZ and the Turkish Dogan Holding. The signing & closing is expected to take place in quarter 4/2008.

Baskent EDAS supplies approx. 2.9 million electricity consumers in the Ankara region. Austria has – by way of comparison – approx. four million electricity consumers.

ENERJISA ISSUES CONSTRUCTION DECISION FOR TWO FURTHER HYDROPOWER PLANTS

The construction decisions for the gas power plant, Bandirma (930 MW) and the hydropower plants, Hacininoglu (142 MW) and Kavsakbendi (180 MW) were issued with a view to implementing the ambitious business plans of Enerjisa, in which Verbund and the Turkish Sabanci Holding each hold a 50 % stake. A further step towards the realization of the 5,000 MW generation portfolio was taken in mid-July with the construction decisions for the two hydropower plants, Kandil (214 MW) and Sarigüzel (103 MW). All power plant projects are progressing swiftly. The majority of the power plants should be connected to the grid between 2010 and 2012.

To finance the power plant projects, EnerjiSA agreed a loan in the amount of € 1 billion with a bank syndicate led by IFC (a member of the Worldbank Group), West LB and Akbank.

The business development of Enerjisa in quarters 1–2/2008 was also positive with sales of € 161.9 million (TRY 302.9 million).

RENEWABLE ENERGIES

EXPANSION OF PHOTO- VOLTAIC ACTIVITIES IN SPAIN

Verbund has extended its commitment to photovoltaics in Spain: The acquisition of the Mercadillo photovoltaic power plant in the Andalusian province of Jaén in spring 2008 was followed by the purchase of the 1 MW power plant, Macael, in the south of Spain. Both were connected to the grid recently. The annual production of the two power plants totals approx. 5.2 GWh – this is enough to supply approx. 1,500 households with environmentally friendly solar electricity for a full year. The power plants make an important contribution to climate protection by preventing 4,000 tons of CO₂ emissions per year.

All photovoltaic activities in Spain are managed by the recently founded subsidiary VERBUND-Photovoltaics Iberica S.L..

In addition to its photovoltaic activities in the renewables energy sector, Verbund focuses also on wind power. In Croatia, Verbund is currently developing a wind farm with a planned capacity of approx. 60 MW. This cooperation project is located in Krs Padene, in the Knin-Ervenik region. Further projects with a total capacity of up to 140 MW are currently being planned in this Southeast European country. Moreover, wind power projects are currently being planned in Romania and Bulgaria. Both of these countries offer favorable wind conditions and high development potential. Numerous wind park projects are in the pipeline for the coming years.

WIND POWER: COMMITMENT
IN ROMANIA, BULGARIA AND
CROATIA

GROUP FINANCIAL STATEMENTS

ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

INCOME STATEMENT OF THE VERBUND GROUP ACCORDING TO IFRS

MILLION €

	NOTES	Q 1-3/2008	Q 1-3/2007	Q 3/2008	Q 3/2007
SALES REVENUE		2,637.2	2,252.6	988.0	761.7
ELECTRICITY SALES	(1)	2,387.3	2,018.3	921.6	686.1
GRID SALES		220.3	204.6	58.8	66.8
OTHERS		29.6	29.7	7.6	8.8
OTHER OPERATING INCOME		35.5	35.3	12.7	10.2
EXPENSES FOR ELECTRICITY, GRID, AND EMISSION RIGHTS PURCHASES (TRADE)	(2)	-1,170.1	-1,096.5	-452.3	-374.9
USE OF FUELS AND EXPENSES FOR OTHER PURCHASED SERVICES		-101.2	-75.5	-41.3	-27.7
PAYROLL EXPENSES	(3)	-211.1	-191.9	-67.2	-51.8
AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT		-133.2	-134.8	-44.3	-44.6
OTHER OPERATING EXPENSES		-171.8	-104.1	-74.5	-35.3
OPERATING RESULT		885.3	685.1	321.1	237.6
FINANCING RESULT		-70.5	-66.3	-29.1	-23.6
RESULT FROM INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	(4)	84.2	60.1	1.3	0.0
RESULT FROM PARTICIPATING INTERESTS - OTHER		4.2	3.1	0.3	0.2
RESULT FROM LONG-TERM INVESTMENTS		-15.3	5.3	-21.6	2.2
FINANCIAL RESULT		2.6	2.2	-49.1	-21.2
PROFIT BEFORE TAXES		887.9	687.3	272.0	216.4
TAXES ON INCOME		-200.0	-166.0	-67.1	-64.5
TOTAL PROFIT		687.9	521.3	204.9	151.9
ATTRIBUTABLE TO MINORITY INTERESTS		-85.4	-63.4	-31.4	-23.9
ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (GROUP RESULT)		602.5	457.9	173.5	128.0
EARNINGS PER SHARE €¹		1.95	1.49	0.56	0.42

¹ DILUTED = NON-DILUTED.

BALANCE SHEET OF THE VERBUND GROUP ACCORDING TO IFRS

MILLION €

	NOTES	30. 09. 2008	31. 12. 2007
NON-CURRENT ASSETS		7,013.7	6,323.3
INTANGIBLE ASSETS		9.8	11.0
PROPERTY, PLANT AND EQUIPMENT	(5)	4,274.3	4,132.0
INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD		1,548.3	1,156.3
OTHER PARTICIPATING INTERESTS		152.2	39.7
LONG-TERM INVESTMENTS – CROSS BORDER LEASING		568.6	537.8
OTHER LONG-TERM INVESTMENTS AND OTHER LONG-TERM RECEIVABLES		460.5	446.5
CURRENT ASSETS		1,258.3	1,016.5
INVENTORIES		77.4	48.8
TRADE RECEIVABLES AND OTHER RECEIVABLES		876.4	637.6
CASH AND CASH ITEMS		304.5	330.1
TOTAL ASSETS		8,272.0	7,339.8
	NOTES	30. 09. 2008	31. 12. 2007
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		2,630.5	2,407.5
MINORITY INTERESTS		241.6	267.2
LONG-TERM LIABILITIES		3,561.3	3,680.0
FINANCIAL OBLIGATIONS		1,488.6	1,605.2
FINANCIAL OBLIGATIONS – CROSS BORDER LEASING		649.9	604.6
PROVISIONS		621.8	620.0
PROVISIONS FOR DEFERRED TAXES		121.1	148.6
CONTRIBUTIONS TO BUILDING COSTS		402.7	419.4
DEFERRED INCOME – CROSS BORDER LEASING		246.3	250.8
TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES		30.9	31.6
SHORT-TERM LIABILITIES		1,838.6	985.2
FINANCIAL OBLIGATIONS		717.6	376.8
PROVISIONS		178.2	225.4
PROVISIONS FOR CURRENT TAXES		154.8	47.4
TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES		788.0	335.6
TOTAL EQUITY AND LIABILITIES		8,272.0	7,339.8

CASH FLOW STATEMENT OF THE VERBUND GROUP (SHORT VERSION)

MILLION €

	NOTES	Q 1-3/2008	Q 1-3/2007
OPERATING CASH FLOW	[7]	985.1 ¹	512.6
CASH FLOW FROM INVESTING ACTIVITIES		-821.2	-571.7
CASH FLOW FROM FINANCING ACTIVITIES		-189.5	199.8
CHANGES TO CASH AND CASH ITEMS		-25.6	140.7
CASH AND CASH ITEMS AS OF 01. 01.		330.1	87.9
CASH AND CASH ITEMS AS OF 30. 09.		304.5	228.6

¹ INCLUDES PAYMENTS IN THE AMOUNT OF € 110.4 MILLION (CORRESPONDING PERIOD THE PREVIOUS YEAR: -€ 125.7 MILLION) FROM ELECTRICITY FUTURES PRIMARILY.

RATIOS OF THE VERBUND GROUP

	UNIT	Q 1-3/2008	Q 1-3/2007
AVERAGE NUMBER OF SHARES IN CIRCULATION ¹	SHARE	308,200,000	308,200,000
NET GEARING ²	%	76.7	82.0
NET DEBT ²	MILLION €	2,201.9	2,082.6
INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT	MILLION €	274.8	132.3
INVESTMENT IN HOLDINGS	MILLION €	470.7	283.0
EBITDA MARGIN	%	38.6	36.4
EBIT MARGIN	%	33.6	30.4
AVERAGE NO. OF EMPLOYEES		2,528	2,431
ELECTRICITY SALES	GWh	42,419	42,554
HYDRO COEFFICIENT		1.02	0.91

¹ DILUTED = NON-DILUTED.

² THE RATIOS WERE MODIFIED. THE PREVIOUS YEAR'S FIGURES WERE ADJUSTED.

STATEMENT OF CHANGES IN EQUITY OF THE VERBUND GROUP

MILLION €

	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT							
	SHARE CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	RESERVES FOR CURRENCY DIFFERENCES	OTHER RESERVES	TOTAL	MINORITY INTERESTS	TOTAL SHAREHOLDERS' EQUITY
AS OF 01. 01. 2007	308.2	10.9	1,748.2	0.0	3.7	2,071.1	221.6	2,292.7
PROFITS/LOSSES RECOGNIZED DIRECTLY IN EQUITY FROM								
AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	0.0	0.0	0.0	0.0	-3.8	-3.8	0.0	-3.8
INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	0.0	0.0	0.0	0.0	-2.7	-2.7	0.0	-2.7
CASH FLOW HEDGING	0.0	0.0	0.0	0.0	1.0	1.0	0.0	1.0
TOTAL PROFITS/LOSSES RECOGNIZED DIRECTLY IN EQUITY BEFORE TAXES	0.0	0.0	0.0	0.0	-5.4	-5.4	0.0	-5.4
- TAXES THEREON	0.0	0.0	0.0	0.0	0.3	0.3	0.0	0.3
TOTAL PROFITS/LOSSES RECOGNIZED DIRECTLY IN EQUITY AFTER TAXES	0.0	0.0	0.0	0.0	-5.2	-5.2	0.0	-5.2
PROFIT FOR THE PERIOD	0.0	0.0	457.9	0.0	0.0	457.9	39.5	497.4
TOTAL OF RECOGNIZED PROFITS AND LOSSES	0.0	0.0	457.9	0.0	-5.2	452.7	39.5	492.2
DIVIDENDS	0.0	0.0	-231.2	0.0	0.0	-231.2	-39.8	-271.0
AS OF 30. 09. 2007	308.2	10.9	1,974.9	0.0	-1.5	2,292.6	221.3	2,513.9
AS OF 01. 01. 2008	308.2	10.9	2,096.3	0.0	-7.9	2,407.5	267.2	2,674.6
PROFITS/LOSSES RECOGNIZED DIRECTLY IN EQUITY FROM								
AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	0.0	0.0	0.0	0.0	-17.5	-17.5	-0.4	-18.0
INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	0.0	0.0	0.0	-9.3	0.7	-8.6	0.0	-8.6
CASH FLOW HEDGING	0.0	0.0	0.0	0.0	-108.0	-108.0	0.0	-108.0
TOTAL PROFITS/LOSSES RECOGNIZED DIRECTLY IN EQUITY BEFORE TAXES	0.0	0.0	0.0	-9.3	-124.9	-134.1	-0.4	-134.6
- TAXES THEREON	0.0	0.0	0.0	0.0	32.1	32.1	0.1	32.2
TOTAL PROFITS/LOSSES RECOGNIZED DIRECTLY IN EQUITY AFTER TAXES	0.0	0.0	0.0	-9.3	-92.8	-102.1	-0.3	-102.4
PROFIT FOR THE PERIOD	0.0	0.0	602.5	0.0	0.0	602.5	85.4	687.8
TOTAL OF RECOGNIZED PROFITS AND LOSSES	0.0	0.0	602.5	-9.3	-92.8	500.4	85.1	585.5
DIVIDENDS	0.0	0.0	-277.4	0.0	0.0	-277.4	-110.6	-388.0
AS OF 30. 09. 2008	308.2	10.9	2,421.4	-9.3	-100.7	2,630.5	241.6	2,872.1

SEGMENTAL REPORTING OF THE VERBUND GROUP (BUSINESS SEGMENTS)

MILLION €

	ELECTRICITY	GRID	PARTICI- PATING INTEREST & SERVICES	ELIMI- NATION	TOTAL GROUP
QUARTERS 1-3/2008					
EXTERNAL SALES	2,404.6	224.7	7.8	0.0	2,637.2
INTERNAL SALES	18.1	33.8	63.8	-115.7	0.0
TOTAL SALES	2,422.7	258.5	71.8	-115.7	2,637.2
DEPRECIATION AND AMORTIZATION	-89.2	-39.7	-5.2	0.0	-133.2
EXPENSES/INCOME	-1,483.5	-155.8	-94.8	115.7	-1,618.7
OPERATING RESULT (EBIT)	850.0	63.0	-28.3	0.0	885.3
RESULTS OF INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	0.0	0.0	84.2	0.0	84.2
CARRYING AMOUNT OF INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	0.0	0.0	1,548.3	0.0	1,548.3
NON-INTEREST BEARING SEGMENT ASSETS	3,534.7	896.1	403.8	51.8	4,886.4
SEGMENT LIABILITIES EXCL. FINANCIAL OBLIGATIONS	-156.0	-194.0	-950.7	-51.8	-1,352.5
OPERATING CASH FLOW	677.5	101.1	665.1	-458.6	985.1
INVESTMENT IN NON-CURRENT INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	166.6	83.8	25.6	0.0	276.0
QUARTERS 1-3/2007					
EXTERNAL SALES	2,033.4	212.6	6.6	0.0	2,252.6
INTERNAL SALES	95.0	31.4	43.7	-170.1	0.0
TOTAL SALES	2,128.4	244.0	50.3	-170.1	2,252.6
DEPRECIATION AND AMORTIZATION	-92.1	-39.5	-3.2	0.0	-134.8
EXPENSES/INCOME	-1,390.6	-148.6	-63.7	170.1	-1,432.8
OPERATING RESULT (EBIT)	645.7	55.9	-16.6	0.0	685.0
RESULTS OF INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	0.0	0.0	60.1	0.0	60.1
CARRYING AMOUNT OF INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	0.0	0.0	1,156.3	0.0	1,156.3
NON-INTEREST BEARING SEGMENT ASSETS ¹	3,520.3	813.6	291.8	29.7	4,655.4
SEGMENT LIABILITIES EXCL. FINANCIAL OBLIGATIONS ¹	-177.7	-133.0	-784.5	-29.7	-1,124.9
OPERATING CASH FLOW	619.6	85.0	239.0	-431.0	512.6
INVESTMENT IN NON-CURRENT INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	106.2	29.4	5.5	0.0	141.0

¹ ALL NON-INTEREST BEARING ITEMS WERE INCLUDED (UP TO NOW, INTEREST-BEARING ITEMS THAT DO NOT PRIMARILY INFLUENCE THE OPERATING RESULT WERE ALSO BROUGHT IN).

SELECTED EXPLANATORY NOTES

GENERAL BASIS

These condensed consolidated interim financial statements of Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft) for quarters 1–3/2008 comply with the requirements of IAS 34 and have been prepared in accordance with the International Financial Reporting Standards (IFRSs), as applicable in the European Union.

In accordance with IAS 34, these condensed consolidated interim financial statements do not include all the information and details required in the annual financial statements and should therefore be read in connection with the group financial statements of Verbundgesellschaft as of 31 December 2007.

ACCOUNTING POLICIES

With effect from 1 April 2008, the portfolio structure in the electricity segment was modified as a result of the increased net balancing of electricity contracts. The corresponding disclosures in the balance sheet for quarters 1–3/2008 were adjusted accordingly so as to faithfully reflect the income and financial situation of the company.

Within the framework of this reorganization, the existing hedging instruments from fair value hedges were redesignated as of 1 April 2008. As of this date, cash flow hedges were designated on the basis of anticipated future transactions with a greater realization potential. These cash flow hedges are used to hedge the price risks associated with future sales and procurement transactions.

The modification led to an increase in the result in the amount of € 8.2 million in quarters 1–3/2008. Moreover, the fair value of the hedging instruments used within the framework of cash flow hedging comes to –€110.8 million as of 30 September 2008 and is therefore € 194.8 million down on the value recorded on 30 June 2008. This is recognized directly in equity up to the realization of the underlying transaction and will subsequently be offset against the positive result of the underlying transaction, whereby the result will not be burdened. The future sales and procurement transactions hedged within the framework of the cash flow hedges will be carried out in the following four years.

Electricity derivatives in the wholesale portfolio not designated as hedging instruments are measured at the fair value. The resulting measurement effect lowered the result in the amount of € 2.0 million.

The electricity derivatives as on 30 September 2008 are shown overleaf.

The other accounting policies and methods applied in the interim financial report remain unchanged as compared to the last annual financial statements.

Due to the utilization of EDP devices, differences can arise in the addition of rounded totals and percentages.

ELECTRICITY DERIVATIVES

MILLION €

	FAIR VALUES		NET
	POSITIVE	NEGATIVE	
CASH FLOW HEDGING			
FUTURES	138.0	56.7	81.3
FORWARDS	33.7	222.0	-188.3
TOTAL BEFORE NETTING	171.7	278.8	-107.0
THEREOF ONE-OFF RECOGNITION IN PROFIT OR LOSS			3.8
THEREOF IN EQUITY, CASH FLOW HEDGE RESERVE			-110.8
WHOLESALE			
FUTURES	59.5	22.2	37.2
FORWARDS	532.7	715.1	-182.4
TOTAL BEFORE NETTING	592.1	737.3	-145.2
PREVIOUSLY REALIZED FUTURES			143.1
RECOGNITION IN PROFIT OR LOSS			-2.0
TRADING			
FUTURES	1.9	2.1	-0.2
FORWARDS	460.9	469.7	-8.8
TOTAL BEFORE NETTING	462.8	471.8	-9.0
GESAMT			
FUTURES	199.4	81.1	118.3
FORWARDS	1,027.3	1,406.8	-379.5
TOTAL BEFORE NETTING	1,226.7	1,487.8	-261.2
INCLUDING THE NETTING AGREEMENTS	-972.8	-972.8	0.0
TOTAL AFTER NETTING	253.9	515.0	-261.2
EEX AND PNX SETTLEMENT OF VARIATION MARGIN TO FUTURES	-118.5		
RECOGNIZED UNDER OTHER RECEIVABLES OR OTHER LIABILITIES	135.4	515.0	

With effect from 1 January 2008, Austrian Power Vertriebs GmbH was merged with VERBUND-Austrian Power Sales GmbH.

In quarters 1–3/2008, the Verbund Group acquired a 100 % stake in the previously founded Mercadillo Group and in the Macael Group which were established to erect solar parks in Spain. There were no notable assets or liabilities at the time of acquisition.

At the beginning of the year, the Verbund Group acquired 50.0 % of the shares in the Turkish electricity trading company EnerjiSA Elektrik Enerjisi Satis A.S for a purchase price of € 0.3 million. In addition, the Verbund Group purchased 50.0 % of the shares in the Turkish gas wholesale company EnerjiSA Dogalgaz Toptan S.A.S. for € 0.2 million in April 2008. These investments are recognized under the interests accounted for using the equity method.

Following a non-proportional capital increase in the amount of € 200 million in June 2008 and the acquisition of shares to the value of € 39.4 million in September 2008, the Verbund Group increased its share in the Sorgenia Group by 4.6 % to 42.4 %. The transactions resulted in a preliminary goodwill in the amount of € 81.4 million.

CHANGES IN COMPANIES
TO BE CONSOLIDATED AND
ACQUISITION OF COMPANIES
ACCOUNTED FOR USING
THE EQUITY METHOD

In January and July 2008, proportional capital increases were made at EnerjiSA Enerji Üretim A.S. The share attributable to Verbund comes to € 91.0 million.

Proportional capital increases were carried out at POWEO Production SAS in March and in August 2008. The share attributable to the Verbund Group comes to € 26.8 million.

(1) ELECTRICITY REVENUE ACCORDING TO CUSTOMER SEGMENTS AND REGIONAL MARKETS

ELECTRICITY REVENUE ACCORDING TO CUSTOMER SEGMENTS				
	MILLION €			
	Q 1–3/2008 TOTAL	Q 1–3/2007 TOTAL	CHANGE TOTAL	CHANGE IN %
END CUSTOMERS	450.9	191.1	259.8	136.0
RESELLERS	918.5	838.4	80.1	9.6
TRADERS	1,017.9	988.8	29.1	2.9
TOTAL ELECTRICITY	2,387.3	2,018.3	369.0	18.3
THEREOF IN DOMESTIC	936.0	736.4	199.6	27.1
THEREOF ABROAD	1,451.3	1,281.9	169.4	13.2

(2) ELECTRICITY, GRID AND EMISSION RIGHTS PURCHASES (TRADE)

ELECTRICITY, GRID AND EMISSION RIGHTS PURCHASES (TRADE)				
	MILLION €			
	Q 1–3/2008 TOTAL	Q 1–3/2007 TOTAL	CHANGE TOTAL	CHANGE IN %
ELECTRICITY PURCHASES	-1,093.3	-1,045.0	-48.3	4.6
GRID PURCHASES	-76.8	-51.2	-25.6	50.0
EMISSION RIGHTS PURCHASES	0.0	-0.3	0.3	-100.0
TOTAL	-1,170.1	-1,096.5	-73.6	6.7

(3) PAYROLL EXPENSES

PAYROLL EXPENSES			MILLION €	
	Q 1–3/2008	Q 1–3/2007		
WAGES, SALARIES AND RELATED EXPENSES	-173.3	-158.2		
EXPENSES FOR SEVERANCE PAYMENTS AND PENSIONS	-37.8	-33.7		
TOTAL PAYROLL EXPENSES	-211.1	-191.9		

A total of € 4.8 million (quarters 1–3/2007: € 4.5 million) was paid into the defined-contribution pension fund in quarters 1–3/2008.

(4) RESULT FROM INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD

RESULT FROM INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD				
	MILLION €			
	Q 1–3/2008 TOTAL	Q 1–3/2007 TOTAL	CHANGE TOTAL	CHANGE IN %
DOMESTIC INTERESTS	63.0	45.2	17.8	39.4
FOREIGN INTERESTS	21.2	14.9	6.3	42.3
TOTAL	84.2	60.1	24.1	40.1

The result from domestic interests accounted for using the equity method increased by 39.4 % compared to the corresponding period of the previous year. This increase is primarily attributable to the profit from KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

The result from foreign interests accounted for using the equity method increased by 42.3 % compared to the corresponding period of the previous year. This essentially resulted from the profits of the Sorgenia Group.

In quarters 1–3/2008, property, plant and equipment in the amount of € 274.8 million (30 September 2007: € 132.3 million) was purchased within the Verbund Group.

On the other hand, property, plant and equipment with a net carrying amount of € 1.7 million (30 September 2007: € 4.5 million) was sold. This resulted in a gain on disposal in the amount of € 0.3 million (quarters 1–3/2007: loss on disposal in the amount of € 1.7 million).

(5) PURCHASE AND SALE OF PROPERTY, PLANT AND EQUIPMENT

The operating cash flow increased by € 472.5 million to € 985.1 million compared to the corresponding period of the previous year. This primarily resulted from the higher contributions from the electricity business, payments from prior periods (+€ 236.1 million) in connection with energy derivatives less securities for the electricity trade, which balance out in later periods, as well as reduced income tax payments (+€ 133.7 million).

(6) OPERATING CASH FLOW

DIVIDENDS DISTRIBUTED

	TOTAL (MILLION €)	NUMBER OF SHARES (ORDINARY SHARES)	PER SHARE (€)
DIVIDEND DISTRIBUTED IN 2008 FOR FISCAL 2007	277.4	308,200,000	0.90
DIVIDEND DISTRIBUTED IN 2007 FOR FISCAL 2006	231.2	308,200,000	0.75

DIVIDENDS DISTRIBUTED

PURCHASE COMMITMENT FOR PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND OTHER SERVICES AS OF 30. 09. 2008

	TOTAL OBLIGATION AS OF 30. 09. 2008	THEREOF DUE 2008/2009	THEREOF DUE 2010 TO 2013
PURCHASE COMMITMENT	1,370.6	450.8	919.8

PURCHASE COMMITMENT FOR PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND OTHER SERVICES

As on 30 September 2008, the following open payment obligations existed in the investment area, in particular with regard to the interests in the Sorgenia Group, EnerjiSA Enerji Üretim A.S and Baskent EDAS:

OPEN PAYMENT OBLIGATIONS

OPEN PAYMENT OBLIGATIONS

	30. 09. 2008	THEREOF DUE 2008	THEREOF DUE 2009 TO 2013
TOTAL OBLIGATION	769.7	476.0	293.7

In connection with the borrowing to finance a power plant portfolio, Verbundgesellschaft and its joint venture partner Haci Ömer Sabanci Holding A.S. have undertaken an obligation to guarantee the solvency of the joint venture EnerjiSA Enerji Üretim A.S. by way of capital increases or subordinated loans.

CONTINGENT LIABILITIES

Within the framework of the financial crisis, the rating of one of Verbund's contracting parties in the cross border leasing transactions was downgraded. Verbund must therefore provide a bank guarantee for approx. € 28 million.

In view of the unchanged negative performance of the pension fund investments in fiscal 2008, it is also likely that Verbund will have to make an additional contribution to the defined benefit pension fund. In accordance with IFRS, this must be recognized in equity as adequate provisions have been set up.

There were no further changes to the contingent liabilities since the last balance sheet date.

RELATED-PARTY DISCLOSURES

The group of related parties has been extended to include the companies EnerjiSA Elektrik Enerjisi Satıs A.S. and EnerjiSA Dogalgaz Toptan S.A.S. since the publication of last group financial statements.

The most significant business transactions were carried out with associated companies accounted for using the equity method and are shown as follows:

BUSINESS TRANSACTIONS CARRIED OUT WITH ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

	MILLION €	
	Q 1-3/2008	Q 1-3/2007
SALES REVENUE	470.7	432.0
OTHER INCOME	2.5	2.6
ELECTRICITY AND GRID PURCHASES	165.7	110.4
OTHER EXPENSES	2.8	3.0
	30. 09. 2008	30. 09. 2007
RECEIVABLES	35.5	31.2
LIABILITIES	47.7	43.8
LOANS	41.3	72.7

IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

No events that require disclosure took place between the balance sheet date 30 September 2008 and the publication approval on 13 October 2008.

CAPITAL MARKET CALENDAR 2008/2009

EVENT	LOCATION	DATE
INTERIM REPORT QUARTAL 1-3/2008		21. 10. 2008
INVESTORS' CONFERENCE VIENNA STOCK EXCHANGE	NEW YORK	01. 12. 2008
ANNUAL REPORT 2008		25. 02. 2009
INTERIM REPORT QUARTER 1/2009		28. 04. 2009
INTERIM REPORT QUARTERS 1-2/2009		28. 07. 2009
INTERIM REPORT QUARTERS 1-3/2009		27. 10. 2009

I would like to receive the following information in the future:

Interim Report at the end of each quarter print version per e-mail*
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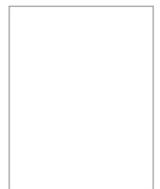
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* Reports can be read online or downloaded via link on Verbund homepage.



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