

Report of the Executive Board
of
VERBUND AG
Vienna, FN 76023 z,
on the
Executive Board authorisation and the approval of the Supervisory Board
to acquire own shares off exchange and
to sell purchased own shares in a manner other than on the stock exchange
or by public offer
(TOP 6: the Executive Board authorisation to purchase own shares)

The members of the Executive Board present the following report of the Executive Board of VERBUND AG, with registered office in Vienna, pursuant to Section 65(1b) in conjunction with Section 170(2) and Section 153(4)(2) of the Stock Corporation Act (AktG) to the 66th Annual General Meeting of VERBUND AG on 17 April 2013.

1. VERBUND AG, with registered office in Vienna and the business address 1011 Vienna, Am Hof 6a, entered in the commercial register under FN 76023 z, currently holds share capital totalling €347,415,686.00, which is divided into 170,233,686 no-par bearer shares (“bearer shares category A”) and 177,182,000 no-par registered shares “registered shares category B”).
2. The Company’s Executive Board and Supervisory Board intend to propose the following resolution on TOP 6 at the Company’s 66th Annual General Meeting on 17 April 2013:
 - a) Pursuant to Section 65(1)(8) as well as (1a) and (1b) AktG, the Executive Board is authorised to acquire no-par registered shares of the Company up to a maximum of 10% of the Company’s share capital both on the stock exchange and off exchange for a period of 30 months beginning on 17 April 2013, in which the value of the shares may not be more than 15% lower or higher the average quoted price in the last 5 exchange days prior to the purchase of the shares. The purpose of the acquisition may not be to trade with own shares. The authorisation can be exercised in full or in several partial amounts, in pursuit of one or more purposes, by the company or a subsidiary (Section 228(3) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)) or on behalf of the company by a third party.

- b) The Executive Board of VERBUND AG can decide to purchase the shares on the stock exchange but must inform the Supervisory Board following the decision to do so. The off-exchange acquisition requires prior approval of the Supervisory Board.
 - c) The Executive Board is authorised, with the approval of the Supervisory Board and for a period of five years beginning on the date the resolution is adopted, in accordance with Section 65(1b) AktG, to resolve a sale in a manner other than on the stock exchange or by public offer for the sale or utilisation of own shares, also with the exclusion of shareholders' right of repurchase (reverse subscription right), and to determine the conditions of sale. The authorisation can be exercised in full or in several partial amounts, in pursuit of one or more purposes, by the company or a subsidiary (Section 228(3) UGB) or on behalf of the company by a third party.
 - d) With the approval of the Supervisory Board, the Executive Board is authorised if necessary to reduce share capital by means of the redemption of these own shares without further resolution of the Annual General Meeting.
3. With respect to the possibility of an off-exchange acquisition of own shares pursuant to Section 65(1)(8) AktG and the sale pursuant to Section 65(1b) AktG of own shares acquired in accordance with Section 65(1)(8) AktG in a manner other than on the stock exchange or by public offer, the Executive Board must, in accordance with Section 65(1b) AktG in conjunction with Section 170(2) and Section 153(4)(2) AktG, present a written resolution concerning the reason for the exclusion of rights of repurchase or, in the event of off-exchange acquisition, for the exclusion of proportionate rights of disposal (reverse exclusion of subscription rights).
4. The Executive Board of the Company must have prior approval of the Supervisory Board to acquire own shares off exchange and it must have approval of the Supervisory Board to sell own shares acquired by the Company in a manner other than on the stock exchange or by public offer. The Executive Board of VERBUND AG can decide to purchase the shares on the stock exchange but must inform the Supervisory Board following the decision to do so.
5. The own shares acquired in accordance with Section 65(1)(8) as well as (1a) and (1b) AktG can be sold in a manner other than on the stock exchange or by public offer if the sale of the shares represents consideration for the acquisition of companies, business operations, separable parts of a business operation or shares in one or more companies, i.e. also through the transfer of equity interests, companies, business

operations, separable parts of a business operation as contributions in kind, both in Austria and neighbouring countries.

VERBUND AG intends to continue to grow both in Austria and neighbouring countries. This growth can also take the form of acquisition of other companies or business operations. The acquisition of businesses, business operations or separable parts of a business operation can have the legal structure of a purchase of certain assets (and liabilities) of a company, business operation or separable part of a business operation (*asset deal*) or it may take the form of an acquisition of shares in a company (*share deal*). Both types of business acquisition or (partial) acquisition of business operations – the *asset deal* and the *share deal* – will hereinafter be termed business acquisition.

During business acquisitions, consideration may take the form not only of money but also of shares in the acquiring enterprise. This may be both in the interest of VERBUND AG as buyer or in the interest of the seller. While the purchase of an business by means of payment of a cash purchase price can result in a high liquidity outflow from the Company, enterprise acquisitions by means of contributions in kind show no liquidity outflow from the acquiring company (VERBUND AG), rather, there is an increase in equity capital. There can also be cases in which, for strategic reasons, it becomes necessary and appropriate for the seller of the business to acquire a small share in VERBUND AG or for the seller to demand an investment in the Company as consideration.

Restrictions on the acquisition of own shares – to a maximum of 10% of the share capital of the Company (for nearly all cases pursuant to Section 65 AktG) – prevent a seller from acquiring a significant interest in VERBUND AG in this way. If the Company acquired the own shares at an earlier date and the share price has since risen, the result of using own shares as consideration for a business acquisition is a savings for the Company; when measuring the consideration for the business acquisition, the own shares offered as (part of the) consideration are usually recognised at the current (average) share price or, at most, at the higher intrinsic value, but not with the lower historic cost.

A business acquisition in which the business or shares in the business are transferred to the Company in exchange for contributions in kind with the exclusion of the remaining shareholders' rights repurchase is generally accepted as objective justification for the exclusion of the rights of repurchase. With regard to VERBUND AG's planned growth, VERBUND AG has an interest in allowing business acquisitions through contributions in

kind while excluding rights of repurchase and protecting the company's liquidity. Consideration in own shares allows the company to act with the necessary speed and flexibility in such transactions.

The sale of own shares in a manner other than on the stock exchange or by public offer is necessary during business acquisitions because, on one hand, it is the only way the Company can guarantee the acquisition of a business in exchange for contributions in kind without liquidity outflows, and because, on the other hand, the seller is often only prepared to transfer the company or shares thereof in exchange for an equity interest in the company of equivalent value. From VERBUND AG's point of view, it may, for strategic or organisational reasons, be necessary to include the seller in the group as shareholder. With business acquisitions in exchange for contributions in kind, the seller, in the capacity of in-kind contributor, can only achieve the desired level of equity interest in exchange for the new shares; a seller wants to achieve a (percentage) interest in VERBUND AG which corresponds to the proportional value of his company in relation to the enterprise value of VERBUND AG and which gives him adequate voting rights (and rights of participation) in the company.

Ultimately, the exclusion of rights of repurchase and the sale of own shares in a manner other than on the stock exchange or by public offer is proportionate because there exists a regular special interest on the part of VERBUND AG to acquire the business or shares in the business in question. The interests of the existing shareholders are secured by the fact that business acquisitions involve a proportionate granting of shares – as a rule, after conclusion of a business valuation. The value of the business to be transferred or of the shares in the business is compared to the value of VERBUND AG; the in-kind contributor receives acquired own shares from the Company in this proportion. The existing shareholders participate in the profits of the acquired business, which, as a rule, should increase as a result of synergies with VERBUND AG.

When selling own shares acquired in accordance with Section 65(1)(8) as well as (1a) and (1b) AktG in a manner other than on the stock exchange or by public offer, the Executive Board must publish a report justifying, among other things, the sale price of the shares (Section 65(1b) in conjunction with Section 171(1) AktG no later than two weeks prior to the resolution of the Supervisory Board (which must approve the sale in a manner other than on the stock market or by public offer).

6. The Executive Board is to be given greater flexibility when buying back own shares to allow for swifter action during future business acquisitions. To this end, it may be

necessary to have the cash required for growth available quickly and to acquire packages of own shares off exchange. The quick availability of cash for growth in the form of own shares for the purposes described above in this report represent the objective justification for the reverse exclusion of subscription rights, i.e. the exclusion of the shareholders' proportionate rights of disposal.

7. In closing, it must be mentioned that granting authorisation to the Executive Board to acquire own shares off exchange with prior approval of the Supervisory Board or to sell acquired own shares with approval of the Supervisory Board in a manner other than on the stock exchange or by public offer for the purpose of issuing shares as consideration for a business acquisition is a usual and widely accepted business practice among many listed Austrian (and German) companies. This is also reflected in Section 5(2)(7) of the Austrian Disclosure Regulations (VeröffentIV), according to which the disclosure to be made at the given time must include the type and purpose of the buyback and/or sale of own shares, including but not limited to whether the buyback and/or sale of own shares is to take place on the stock exchange and/or off exchange.

As described above, it should be pointed out again that prior approval of the Supervisory Board is required to to sell own shares and to acquire own shares off exchange or by public offer. In such cases, the Executive Board of VERBUND AG cannot decide alone.

8. In summary, the Executive Board of VERBUND AG concludes that authorising the Executive Board of the Company to acquire own shares off exchange or to sell own shares acquired in accordance with Section 65(1)(8) as well as (1a) and (1b) AktG with approval of the Supervisory Board, if necessary in a manner other than on the stock exchange or by public offer fully complies with the legal requirements.

Vienna, on 12 March 2013

The Executive Board of
VERBUND AG

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

.....
Deputy CEO Dr. Johann Sereinig
Vice-Chairman of the Executive Board

.....
Dr. Ulrike Baumgartner-Gabitzer

.....
Dr. Günther Rabensteiner

