INTERIM REPORT QUARTERS 1–2/2010

Verbund

CONTENT

DEAR SHAREHOLDERS,

while the European economy slowly recovers, there are initial promising signs in the electricity sector too: industrial energy consumption is on the rise again and European wholesale prices for electric power are rising slightly.

However, due to the hedging strategy of own power generation, it will be some time before any major benefits are reflected in Verbund's results. It also remains to be seen whether the economic recovery is truly sustainable. As a hydropower company, this year we have been affected by a much lower water supply for own power generation. Thus, while our results have declined significantly for the first half of the year, we can confirm our outlook for 2010 as a whole.

Despite the fact that economic conditions remain tough, VERBUND AG took key steps in Q2/2010 to enhance its capital structure and improve its results. Of special mention in this regard is the planned capital increase of approximately € 1 billion.

POOR WATER SUPPLY DETRIMENTAL TO RESULTS

Verbund's figures during Q1–2/2010 were as follows: sales declined by 5.1 % to € 1,582.0 million, the operating result fell by 28.4 % to € 382.3 million, and the group result was down 41.6 % to € 210.3 million.

Of particular detriment to the half year results was the water supply from rivers, which was well below average. The hydro coefficient lay at 0.92 in the first half of 2010 and was therefore 8 % below the long-term average and 15 percentage points below the value recorded in the previous year. This led to a major reduction in energy production from run-of-river power plants. Generation by annual storage power plants also dropped by approximately 11 % due to a decline in inflows. The reduction in Verbund's hydropower energy production, however, was shored up considerably by the acquisition of power plants on Bavaria's River Inn in August of last year. It dropped 7.6 % from the previous year to 12,497 GWh. Thermal generation, however, rose 55.3 % from the previous year to 1,830 GWh. Verbund's portion of the volume at the POWEO power plant in Pont-sur-Sambre (France), which began operating at the end of September 2009, accounts for a large share of this increase.

Apart from a low water supply, European wholesale energy prices remained relatively low, which had a negative impact on the results. While these are rising slightly, they are still at a fairly low level. Due to the hedging strategy, positive effects of a long-term price increase are expected to be felt in subsequent quarters.

STEPS TO STREAMLINE THE CAPITAL STRUCTURE AND IMPROVE RESULTS

Because economic conditions remain difficult, Verbund continues to put a great deal of stock in concentration, savings and efficiency enhancing measures.

We are making every effort toward further steps to streamline the capital structure and to improve results. One of the first results has been the decision to a 50 %-participation of EVN AG in the Albanian hydropower plant, Ashta, previously announced in the Q1/2010. Additionally, in June 2010, an initial tranche of holdings in the Inn power plants (purchased in August 2009) was sold. After a great deal of preparation and negotiations, Innkraft Bayern GmbH & Co. KG's 17 partners purchased a 3.46 % stake. Negotiations are ongoing for the sale of additional tranches of holdings.

CAPITAL INCREASE PLANNED

On 30 June, the Supervisory Board authorised the Managing Board to call an Extraordinary General Meeting in order to generate authorised capital subject to the necessary resolutions by the majority shareholder, the Republic of Austria. If the General Meeting approves this measure, the company would have the option of a capital increase that would give it additional flexibility in implementing its long-term investment plan while securing a solid capital structure and stable ratings.

INVESTMENTS IN THE DOMESTIC MARKET

Despite all efforts to improve the results, investments in Austria, the company's home market, are still underway. They are focusing in particular on innovative hydropower with long-term profitability and the security of Austria's electricity supply. Taking priority will be the Limberg II and Mellach power plants, which are under construction according to plan, and the completion of the 380 kV Austrian ring. A construction decision was made regarding the Reißeck II project in Q2/2010. Efforts are running at full speed for additional hydropower projects like pumped storage plants in the Alps and run-of-river plants on Austria's rivers.

OUTLOOK

Despite the significant decline in the operating result and Group result as of mid-year, we confirm our results forecast. For 2010 as a whole – assuming average water supply in the second half of 2010 and further stabilisation of wholesale prices – we expect an approximately 25 % reduction in the operating result and group result. Dividends will approach a payout ratio of 45 % to 50 %.

DI Wolfgang Anzengruber Chairman of the Managing Board	Dr. Johann Sereinig Deputy Chairman of the Managing Board	Dr. Ulrike Baumgartner-Gabitzer Member of the Managing Board

THE VERBUND SHARE

STOCK MARKET ENVIRONMENT

The first half of 2010 saw continued investor hesitation, which had a negative impact on the equity markets.

In 2009, the major stock markets closed with significant price gains. At the beginning of 2010, this positive trend continued. However, starting in mid-January, negative economic data resulted in greater uncertainty, and in early February the financial problems of Greece and other EU countries became much clearer, leading to price losses on the capital markets. Overwhelmingly positive macro-economic data helped the prices recover starting mid-February; between the middle and end of April, record highs were recorded on international markets.

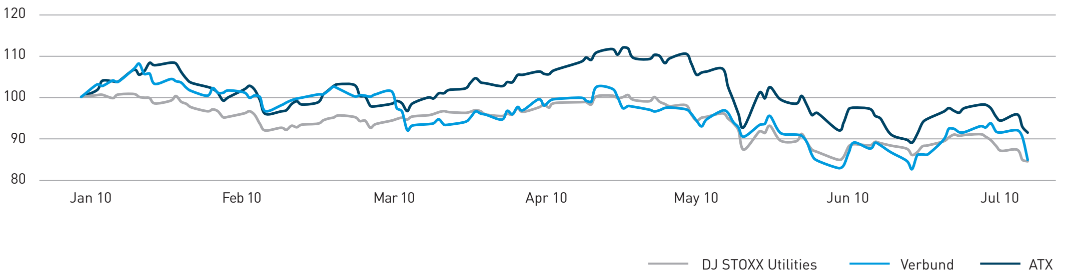
Within a few weeks, however, these gains were outweighed, as poorer credit ratings of European debtor nations caused investors to be more risk adverse. A comprehensive EU stimulus package to refinance government bonds shored up the losses on the equity markets, but did not reverse the trend. In the last few weeks of the first half of 2010, prices – which were highly volatile – continued to drop; thus, as at the end of June, key stock indices were below the respective 2009 figures. The US Dow Jones Industrial Index (DJI) lost 6.3 % in value as at the end of June; Japan's Nikkei dropped by 11.0 % and Euro Stoxx 50 even declined by 13.2 %.

VIENNA STOCK EXCHANGE

The Vienna Stock Exchange was not unaffected by the weak international environment in the first half of 2010. As at 30 June 2010, it recorded an 8.7% loss, down to 2,278.8 points, in its leading index ATX. After European debtor nations were downgraded, the ATX lost about a fifth of its value over the annual high of mid-April. Despite an overall very volatile price development on the European stock markets, the performance of the Vienna Stock Exchange at least outpaced the Euro Stoxx 50 equity benchmark.

PRICE DEVELOPMENT OF THE VERBUND SHARE

RELATIVE SHARE PRICE DEVELOPMENT (01.01.2010 = 100 %)



The Verbund share was influenced by the negative developments on the capital markets in the first half of 2010 and lost value.

The Verbund share closed the 2009 financial year at € 29.7, corresponding to a negative performance of 8.8 %. In the first two months of 2010, the Verbund share kept pace with the ATX, the key index of the Vienna Stock exchange. Price gains at the start of January were followed by a corrective phase lasting through the end of the month. In February, both the Verbund share and the ATX moved sideward. At the beginning of March the Verbund share dropped seriously due to 2009 annual results, which were slightly below analysts expectations and the surprisingly negative outlook for the 2010 fiscal year. After an upward trend in March and early April, the Verbund share was subjected to a continual loss in value and reached its annual low on 8 June. After a recovery phase in mid-June, the Verbund share lost considerable value again at the end of Q2/2010, following announcements of a planned capital increase.

As at 30 June 2010, the Verbund share closed at € 25.2, representing negative performance of 15.3 % in the first two quarters of 2010. Accordingly, the Verbund share developed worther than the ATX in the first six months of the year (–8.7 %), but performed better than the DJ STOXX Utilities index (–15.7 %).

TURNOVER AND MARKET CAPITALISATION

Stock exchange turnover in Verbund shares reached € 1,665.4 million at the end of Q1–2/2010. On average, 482,318 shares were traded every day. The total value of the company based on its market capitalisation was € 7,754.3 million as at 30 June 2010, while its weighting in the ATX was 5.9 %.

STOCK SPECIFIC FIGURES

	UNIT	Q 1–2/2010	Q 1–2/2009
SHARE PRICE HIGH	€	32.1	38.1
SHARE PRICE LOW	€	24.5	23.7
LAST SHARE PRICE	€	25.2	36.3
PERFORMANCE	%	–15.3	11.4
MARKET CAPITALISATION	MILLION €	7,754.3	11,181.5
ATX WEIGHTING	%	5.9	9.3
STOCK EXCHANGE TURNOVER	MILLION €	1,665.4	1,763.5
TRADING VOLUME/DAY	SHARES	482,318	481,511

CAPITAL MARKET CALENDAR 2010

EVENT	DATE
PUBLICATION OF 2009 RESULTS	2 MARCH 2010
PUBLICATION OF ANNUAL REPORT	2 MARCH 2010
ANNUAL GENERAL MEETING	7 APRIL 2010
DIVIDEND EX-DATE	14 APRIL 2010
DIVIDEND PAYMENT DATE	27 APRIL 2010
INTERIM REPORT QUARTER 1/2010	27 APRIL 2010
INTERIM REPORT QUARTERS 1–2/2010	27 JULY 2010
INTERIM REPORT QUARTERS 1–3/2010	28 OCTOBER 2010

MANAGEMENT REPORT

BUSINESS DEVELOPMENT

As the economic environment remained challenging, the business development of Verbund Group was marked by lower earnings and cash flows in Q1–2/2010 and a slight increase in debt. Factors included a much lower water volume for hydropower generation, continued low demand for electricity and lower sales prices in the wake of low forward market prices on the international electricity markets. This development was only partly compensated for by increased sales volume and costcutting measures.

In the last weeks, electricity demand and prices have risen on the spot and forward markets. We see this as a first sign that economic conditions are improving and anticipate a positive business trend for Q3–4/2010.

Sales decreased in Q1–2/2010 by € 85.7 million or 5.1 % to € 1,582.0 million. The operating result dropped by € 151.4 million or 28.4 % to € 382.3 million and the group result slipped by € 149.6 million or 41.6 % to € 210.3 million.

CONSOLIDATED INCOME STATEMENT (SHORT VERSION) MILLION €

	Q 1–2/2009	Q 1–2/2010	CHANGE
SALES	1,667.8	1,582.0	–85.8
OPERATING RESULT	533.7	382.3	–151.4
FINANCIAL RESULT	–19.2	–74.9	–55.7
GROUP RESULT	359.9	210.3	–149.6

EARNINGS POSITION

GROUP SALES DROPPED DUE TO LOWER WATER VOLUME

Group revenue in Q1–2/2010 decreased by € 85.8 million or 5.1 % year-on-year to € 1,582 million.

Electricity sales dropped by € 115.2 million or 7.7 % to €1,376.0 million. In Q1–2/2010, the total electricity generation of the Verbund Group was 14,387 GWh, which was 378.3 GWh, or 2.6 %, below the corresponding value of the previous year. This decrease resulted from lower river water volume and thus lower generation from run-of-river plants as well as reduced output of pumped storage plants. The water supply, with a hydro coefficient of 0.92 was 8 % below the long-term average and 15 percentage points lower than the same period of the previous year. This development was not completely balanced out by the additional generation volumes from the 13 run-of-river plants purchased in Q3/2009 on Bavaria's Inn river and the increase in thermal generation, which primarily came from the partial electricity procurement from the POWEO combined-cycle-gas-turbine power plant Pont-sur-Sambre in France, which began operations in September 2009.

In addition to lower generation volumes, lower sales prices were the cause of negative electricity sales development. While spot market prices were largely stable, the contracted forward market prices fell sharply. The total average sales price generated was some € 9/MWh below that of Q1–2/2009.

Electricity sales with resellers dropped € 65.2 million or 10.2 % due to price levels. The € 71.4 million or 14.1 % decline in electricity sales from traders resulted mainly from the increase in trading business with standardised forward contracts that are recognised net in sales. In the end customer segment (households, commercial enterprises, farms, industrial customers and their trading companies), sales were up by € 21.3 million or 6.2 %. This increase is due to new acquisitions in the industrial customer area and increasing sales volume to household customers. Foreign markets (in particular, Germany and France) accounted for 55.1 % of electricity sales (Q1–2/2009: 51.5 %).

Grid revenue in Q1–2/2010 decreased by € 12.4 million or 8.3 % year-on-year to € 136.7 million. This development is particularly due to the decline in international sales from auctions of congested cross-border capacities and the reduction in international ITC (Inter-Transmission System Operator Compensation) sales revenue for cross-border transit. Increased national grid revenue due to much lower hydropower production and the resulting higher level of electricity imports via the high-voltage grid did not completely make up for these effects.

Year-on-year, other sales revenue rose in Q1–2/2010 by € 41.9 million or 152.8 % to € 69.3 million. This is particularly due to the recognition of construction services for the Ashta, Albania hydropower plant as other sales revenue.

SALES — MILLION €

	Q 1–2/2009	Q 1–2/2010
ELECTRICITY SALES	1,491.3	1,376.0
GRID SALES	149.1	136.7
OTHER	27.4	69.3
SALES	**1,667.8**	**1,582.0**

HIGHER ELECTRICITY SALES INCREASES ELECTRICITY PROCUREMENT

Electricity procurement prices rose by € 32.3 million, or 4.9 %, to € 696.9 million. In terms of volume, purchased electricity rose year-on-year in Q1–2/2010 by 2,325.3 GWh or 23.1 %. This is primarily due to a slight decline in own generation coupled with rising electricity sales. Electricity sales rose by a total of 7.8 % to 1,947.0 GWh.

DECLINE IN FUEL EXPENSES

Fuel expenses and other utilisation-dependent expenses decreased by € 29.7 million or 37.7 % to € 49.1 million. This change was due to the use of provisions for impending losses and the elimination of the inventory adjustments to the stocks of coal and heating oil that had been recorded in Q1–2/2009.

HIGHER PAYROLL EXPENSES

The salary and wage increase of 1.45 % pursuant to the collective bargaining agreement and the recruitment of 277 additional employees, for a total of 2,975 (30 June 2009: 2,698) resulted in 8.7 %, or € 11.3 million, higher current payroll costs. The increase in headcount (195) is primarily due to the expansion of the group of consolidated companies from 2009. VERBUND-Innkraftwerke GmbH was included in the scope of consolidation.

Expenses for severance payments and pensions were € 11.4 million lower (41.7 %) year-on-year.

INCREASE IN OTHER OPERATING EXPENSES

Other operating expenses increased by € 25.4 million, or 25.7 %, to € 124.1 million. This increase is primarily due to construction expenses related to a hydropower concession in Albania. Group-wide savings measures along with the elimination of one-off renovation expenses for a hydropower plant (Wagspeicher) compared with the same period of the prior year made up for these effects.

LOWER RESULTS FROM INTERESTS ACCOUNTED FOR AT EQUITY

The result from interests accounted for using the at equity method decreased by € 16.4 million or 24.2 % to € 51.2 million. This includes in particular the prorated results from foreign companies

Sorgenia S.p.A. Group (Italy), POWEO SA (France), Enerjisa Enerji Üretim A.S. and Enerjisa Elektrik Dagitim A.S. (Turkey) and the domestic participating interest in Steweag-Steg GmbH (SSG), Kärntner Elektrizitäts-AG (KELAG), Ennskraft and Energie Klagenfurt GmbH (EKG).

All interests accounted for using the at equity method have been included since 2009 with their prorated IFRSs result from interim or annual financial statements, the balance sheet date of which falls a maxi-mum of three months prior to the balance sheet date of the parent company. The resulting one-off changeover effects, mean that the comparative information for Q1–2/2009 is only somewhat representative.

DECLINE IN INTEREST INCOME

Interest income dropped by € 12.6 million or 42.9 % to € 16.9 million. This is due to the reversal of invest-ments resulting from premature terminations of cross-border leasing transactions. The reduction in interest income is offset by a reduction in interest expense.

HIGHER INTEREST EXPENSES

Interest income rose by € 32.1 million, or 35.8 %, to € 121.7 million. Interest on borrowing in 2009 and interest on the electricity supply commitment that formed part of the purchase of Kraftwerksgruppe Inn GmbH during Q3/2009 were particular costs driving up costs. The reduction in interest expense following the premature total or partial terminations of cross-border leasing transactions and addition of profit shares to VERBUND Austrian Thermal Power GmbH & Co KG's limited partners, compensated for these effects.

INCREASE IN OTHER FINANCIAL RESULT

The other financial result improved by € 5.7 million to € –27.0 million. Q1–2/2009 were marked by one-off earnings effects such as profits from a hedging transaction in connection with the acquisition of Turkish distribution grid company Baskent Elektrik Dagitim A.S. and amortisation of financial instru-ments for which no comparable effects existed in Q1–2/2010.

Net earnings effects from premature termination of cross-border leasing transactions reduced the other financial result to a much lower extent than the same period of the prior year. However, this effect on the other financial result was largely cancelled out by unrealised, measurement-related price losses from a long-term JPY bond.

DECLINE IN INCOME TAX EXPENSE

The effective tax rate of 20 % is much lower than the corporate tax rate of 25 %, and is largely due to the participating interests with no tax effect that are accounted for using the equity method.

NET WORTH AND FINANCIAL POSITION

NON-CURRENT AND CURRENT ASSETS

Non-current assets increased from 31 December 2009 by 1.4 % to € 9,495.0 million, mainly due to higher capital expenditure.

The interests accounted for using the equity method increased by € 119.9 million since 31 December 2009. Of this 5.5 % increase, € 25 million related to a capital increase in Turkish generation company Enerjisa Enerji Üretim A.S. and € 1.8 million to a purchase of shares in Italy's Sorgenia S.p.A. (Group). Other comprehensive income (recorded directly in equity) accounted for about 64 % of this increase; € 76.1 million were attributable alone to (positive) currency differences from the Turkish participating interests. € 51.2 million of the increase is due to recognised gains or losses; dividend payments impacted in a converse manner.

Non-current assets increased by 29.9 % to € 687.4 million from 31 December 2009. The reason for this in particular was the reduction of inventories in primary energy sources, the changes in fair value of derivatives in the energy sector and a decline in liquid funds.

NON-CURRENT AND CURRENT LIABILITIES

Non-current and current liabilities rose just slightly by 4.5 % from 31 December 2009 to € 4,504.0 million. The repayment amount of financial liabilities, in the wake of premature termination of cross-border leasing transactions, was essentially balanced out by accrued interest and measurement effects which increased the financial liabilities. The reason for the increase is primarily two new loans in the amount of totalling € 200 million from the European Investment Bank (EIB).

OTHER NON-CURRENT AND CURRENT DEBT WITHOUT FINANCIAL LIABILITIES

Other non-current and current liabilities, excluding financial obligations, rose 6.1 % from 31 December 2009 to € 2,465.4 million. The change is due mainly to lower provisions for outstanding receipts for investments and maintenance expenses, as well as fair value in derivatives in the energy sector.

CASH FLOW

Cash flow from operating activities for Q1–2/2010 decreased by € 119.2 million or 22.1 % year-on-year to € 420.9 million.

The change in contributions from electricity generation in the amount of € –139.6 million was largely compensated for by payments from prior periods for energy derivatives in the amount of € 105.6 million. Cash flow increasing were higher contributions from the business and industrial customer segment in the amount of € 15.4 million and the lower personnel expenses in the amount of € 14.0 million. Cash flow reducing was the € 21.5 million lower contribution from the grid segment, the € 22.0 million higher net interest payments and the € 32.7 million higher sales tax payments.

Cash flow from investing activities during Q1–2/2010 equalled € –269.8 million, representing a change year-on-year of € 410.4 million or 60.3 %. Investments in property, plant and equipment and intangible assets were € 318.0 million. The capital increase of Enerjisa Enerji Üretim A.S. led to payments in the amount of € 25.0 million. Payments in the amount of € 88.1 million from the disposal of assets must also be taken into consideration.

Cash flow from financing activities increased in Q1–2/2010 by € 455.8 million to € –257.3 million. Dividends amounting to € 454.5 million were distributed. Payments of non-current payables to banks in the amount of € 26.0 million were offset by new loans in the amount of €200 million. The premature termination of cross-border leasing transactions led to an outflow of funds including related costs in the amount of € 32.5.

KEY FIGURES

RATIOS OF VERBUND GROUP

	UNIT	Q 1–2/2010	Q 1–2/2009
AVERAGE NUMBER OF SHARES IN CIRCULATION [1]	NUMBER	308,200,000	308,200,000
GEARING [2]	%	159.2	103.7
NET DEBT [2]	MILLION €	5,113.8	3,281.0
ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	MILLION €	258.4	172.9
ADDITIONS TO PARTICIPATING INTERESTS	MILLION €	27.4	466.1
EBITDA-MARGIN	%	31.3	37.8
EBIT-MARGIN	%	24.2	32.0
AVERAGE NUMBER OF EMPLOYEES		2,975	2,698
ELECTRICITY SALES [3]	GWh	26,779	24,832
HYDRO COEFFICIENT		0.92	1.07

[1] Diluted = non-diluted.

[2] Key figure has been revised. Previous year figures have been adjusted.

[3] Electricity sales before netting of external electricity trading: Q1–2/2010: 70.208 GWh; Q1–2/2009: 52.765 GWh

GEARING

Gearing rose from 103.7 % on 30 June 2009 to 159.2 % on 30 June 2010. This increase is due to the major increase in financial liabilities from issuing bonds or taking out loans.

EBIT-MARGIN

The EBIT margin fell from 32.0 % to 24.2 % compared with the corresponding period of the previous year. This reduction can be explained by the significantly lower forward market prices, the drop in grid sales, and higher electricity purchases and amortisation. This was offset by the substantially lower level of fuel expenses, the increased sales volume and cost-cutting measures.

RISKS AND OPPORTUNITIES

As part of its many activities in Austria and abroad, the Verbund Group is exposed to a wide variety of opportunities to be leveraged and risks to be contained in the best manner possible. Once deregulation began in Austria, therefore, an enterprise-wide opportunity and risk management system was developed and installed affecting all areas of the group and encompassing all stages of the Group's value creation process. Under this system, all opportunities and risks that are relevant for Verbund are updated, and new ones are recorded, at regular intervals and whenever deemed necessary. Additionally, measures to manage opportunities and risks are documented in the software-based risk management system as appropriate. The impact of these risks and opportunities on consolidated net profit before taxes is reported regularly to the Managing Board and the Supervisory Board as part of quarterly reporting.

Verbund also recently possesses a risk-based portfolio management system that takes into account all activities of Verbund from both return and risk perspectives.

VOLUME AND PRICE RISK (EBIT MARGIN)

Volume and price risk affecting the electricity business as a whole poses the greatest potential risk to the group result. The total profit of Verbund depends heavily on weather conditions and the generation of hydropower that results from them. A deviation of 1 % either way from the planned generation value for the remainder of 2010 would have an earnings effect of +/– € 6.0 million.

Changes in wholesale prices for electricity are the second major source of potential risk/opportunity for Verbund. A 1 % rise/fall in wholesale prices for the remainder of 2010 would increase/reduce earnings by € 1.5 million.

A further risk area relates to the need for primary energy sources and sufficient emission rights.

PARTICIPATION RISKS

Verbund's participating interests, concentrated on Turkey, Italy, Germany and France pose both opportunities and risks. Because Verbund's risks in this area primarily relate to fluctuations in investment income, potential changes in the carrying amount of its participating interests (including as a result of currency differences) and liabilities and guarantees assumed on a pro rata basis, quick reactions to changes can be assured.

COUNTERPARTY RISK

Although Verbund has yet to see any significant defaults among its business partners, there remains a substantial risk that customers will experience payment difficulties, and hence that the energy volumes sold or procured for them will have to be resold. This may result in significant financial losses on account of the sharp fall in wholesale prices for electricity triggered by the economic crisis.

REGULATORY RISKS

Currently, Verbund is working with E-Control to obtain the necessary certification for the formation of an "Independent Transmission Operator" in the wake of the VERBUND-Austrian Power Grid AG's plan for ownership unbundling.

RATING CHANGE RISK

The rating agencies did not issue new ratings in Q2/2010. Given acquisitions and borrowing in the next months, it is possible that the ratings-relevant figures will continue to worsen, resulting in another downgrade. This could make, in particular, project financing and guarantees more expensive for Verbund. However, Verbund's rating, relative to other European utilities, is good on average.

OUTLOOK

Moderate economic recovery can be felt in 2010. Energy demand rose by 4 % in the first five months of 2010 due to higher industrial need (source: E-Control), however, it is still below 2008 demand.

The prices for natural gas, coal and CO_2 certificates, which affect wholesale prices, have been on the upswing since early April. Whether the trend continues depends largely on global economic developments, which are still battling a great deal of uncertainty and risk. Wholesale prices for electricity developed in accordance to primary energy prices and CO_2 certificates. Since April 2010, prices have been recovering on the spot and forward markets. However, these remain relatively low.

On average, in Q1–2/2010, the prices for the front year base were €50.0/MWh, some 2 % higher than the 2009 average (German/Austrian market territory); the prices for the front year peak, however, were € 66.2/MWh, about 5 % below the 2009 average. The base spot prices for the German/Austrian market territory in Q1–2/2010 were about 6 % above the band energy annual average for 2009, at € 41.3/MWh on the EPEX. The peak prices were € 51.2/MWh, which corresponds to the peak energy average for 2009.

Because economic conditions remain difficult, Verbund continues to put a great deal of stock in concentration, savings and efficiency enhancing measures. Steps to streamline the capital structure and improve results take priority.

In terms of capital expenditure, Verbund focuses on targeted expansion of hydropower plants and high voltage networks in Austria. Examples are the construction of the Limberg II and Mellach power plants, which are under construction according to plan, and the completion of the 380 kV Austrian ring. Once these plants are commissioned, Verbund will benefit from an improved economic environment.

In order to implement these projects and others more quickly in Austria, Verbund – with the aid of the majority shareholder, the Republic of Austria and depending on the market environment – is planning a capital increase of round €1 billion at the earliest in Q4/2010. This capital increase will give Verbund more flexibility in implementing its long-term investment plan while securing a solid capital structure.

Despite the significant drop in the operating result and the group result in the first half of the year, Verbund is confirming its earnings forecast and expects both the operating result and the group result for 2010 as a whole to decline by around 25 % year-on-year. This assumes average water supply in the second half of 2010 and additional stabilisation of wholesale prices. Dividends will approach a payout ratio of 45 % to 50 %.

BUSINESS DIVISIONS

ELECTRICITY

KEY FIGURES ELECTRICITY SEGMENT

MILLION €

	Q 1–2/2009	Q 1–2/2010	CHANGE
EXTERNAL SALES	1,509.8	1,401.3	–7.2 %
EBIT	499.4	366.4	–26.6 %
CAPITAL EMPLOYED	3,506.2	4,723.7	34.7 %
ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	89.1	184.7	107.3 %

In the Electricity segment, external sales dropped by 7.2 % to € 1,401.3 million (Q1–2/2009: € 1,509.8 million). EBIT fell by 26.6 % to €3 66.4 million (Q1–2/2009: € 499.4 million). The reason for this negative development included in particular a considerable decline in water supply and forward market prices (contracted in prior periods) that were significantly lower than the previous year and by slightly lower spot market prices. The 7.8 % increase in sales volume did not compensate for the negative deviation in proceeds.

PROCUREMENT

GWh

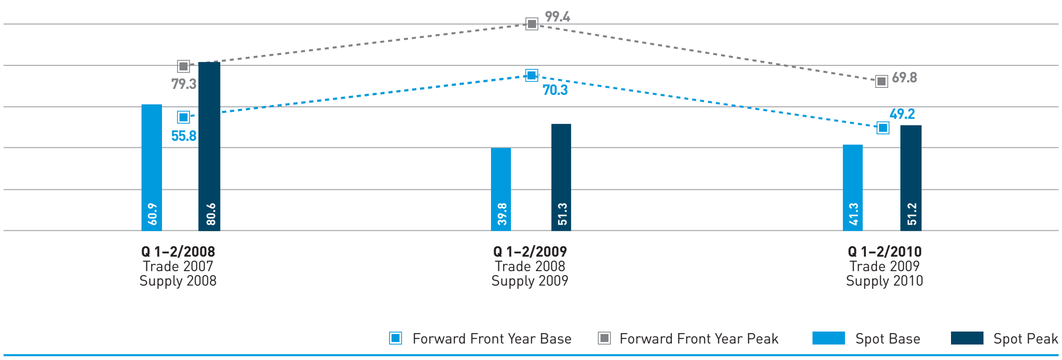
	Q 1–2/2009	Q 1–2/2010	CHANGE
HYDRO POWER	13,528	12,497	–7.6 %
THERMAL POWER	1,178	1,830	55.3 %
WIND/SUN	59	60	1.7 %
OWN GENERATION	**14,765**	**14,387**	**–2.6 %**
PURCHASED ELECTRICITY	10,067	12,392	23.1 %
GROUP PROCUREMENT	**24,832**	**26,779**	**7.8 %**
FORWARD CONTRACTS	27,933	43,430	55.5 %

In Q1–2/2010, the total generation of Verbund came to 14,387 GWh and was therefore 2.6 % above the corresponding value of the previous year. The hydro coefficient lay at 0.92 in Q1–2/2010 and was therefore 8 % below the long-term average and 15 percentage points below the value recorded in the previous year. Thanks to the acquisition of the Bavarian power plants on the Inn, the reduction in generation by Verbund following a low water supply was limited to 7.6 %. Generation by annual storage power plants also dropped by 11 % over the previous year due to a decline in inflows.

In Q1/2010, hydro power plants accounted for 87 % of Verbund's own generation. The pro-rata electricity purchases from the Pont-sur-Sambre power plant in France, which recently launched operations, caused thermal generation to show a significant increase of 55 %. Purchased electricity rose by 23.1 % to account for 46.2 % of total generation.

ELECTRICITY PRICE

DEVELOPMENT OF WHOLESALE PRICES €/MWh



Source: EEX European Energy Exchange, EPEX European Power Exchange

The average prices for year base 2010 electricity forward contracts traded in 2009 was € 49.2/MWh, 30 % below the level recorded in the previous year. The electricity spot market price level in Q1/2010 recovered somewhat over the prior year, by 3.6 % to € 41.3/MWh. In particular, Q2 was much higher (+28 %) than the previous year. This is primarily due to price developments for primary energy sources and emission certificates.

The price of Brent crude oil has ranged since the beginning of 2010 between $ 69/bbl and $ 88/bbl and was $ 77 bbl as at the end of June 2010. Prices for CIF ARA coal supplies (6,000 kcal/kg) fell from $ 84/t in January 2010 to $ 71/t in March and rose to $ 91/t by the end of June, whereby the high since the beginning of the year was $ 96/t in mid-June.

The spot prices on gas hub Net Connect Germany (NCG) have been continually rising since the low of € 11.5 at the end of March 2010 to as much as €20.3/MWh in mid-June and were € 19.1/MWh at the end of June 2010. The same development was seen on the gas futures market. The contract on the NCG trading hub for 2011 (Cal11 contract) rose from its low of € 15/MWh in mid-March 2010 to € 22.5/MWh at the end of June.

SALES

Group sales in Q1–2/2010 rose from the previous year by 7.8 %. The quantities sold on foreign markets – excluding own consumption – amounted to 55 %. This is primarily attributable to the Group's international activities in the German and French electricity markets. The German market represents the definite focal point of these activities, accounting for 68 % of the volume sold abroad.

SALES ACCORDING TO CUSTOMER SEGMENTS GWh

	Q 1–2/2009	Q 1–2/2010	CHANGE
END CUSTOMERS	4,714	5,642	19.7 %
RESELLERS	11,520	11,768	2.2 %
TRADERS	7,726	8,503	10.1 %
OWN CONSUMPTION	873	866	–0.8 %
GROUP SALES	**24,832**	**26,779**	**7.8 %**
FORWARD CONTRACTS	27,933	43,430	55.5 %

The share of business attributable to resellers in Austria dropped slightly, by 0.2 %. The reduction in deliveries to provincial companies under supply agreements, due to low water volume, was nearly compensated for by new, long-term energy supply contracts with provincial companies that were entered into in 2009. Sales to foreign resellers increased. This was primarily due to heavier activity in supplying French grid operators.

SALES ACCORDING TO COUNTRIES	%
AUSTRIA	46.5
GERMANY	36.6
FRANCE	13.0
ITALY	1.3
OTHER	2.6

Revenues from energy supply to trading companies also increased. Sales and trade with standardised forward contracts, which are recognised net in sales, grew.

Sales to end customers in Austria improved by 3.3 % in spite of the persistently uncertain economic conditions. Sales volume abroad saw significant rises, which can be attributed to the increased acquisition on the French market. Consistent implementation of the credit rating ensures that customers are selected according to the strictest standards.

240,000 END CUSTOMERS IN AUSTRIA

In Austria, Verbund has around 240,000 end customers in the household, agricultural and commercial segment (annual consumption of up to 100,000 kWh). Verbund effected a price increase in May 2010 for the household consumer segment, but remains one of Austria's cheapest energy providers. It also offers its customers 100 % hydropower. In January 2010, Verbund introduced an online service for household customers. It gives customers the option of participating in a loyalty program, viewing their invoices, or changing their information online.

In June 2010, a standard product consisting of 100 % hydropower was introduced for larger industrial customers, up to 1 GWh. This will make the switch easier for large industrial customers and make processing more affordable for Verbund.

Verbund is positioned as an innovation and information leader in the business and industrial customer segment. The ongoing development of its products ensures that the company has a competitive edge over the rest of the market. To promote the energy business for industrial customers, plans are underway with the Verbund branch in Germany to open a sales office in Düsseldorf. The office will officially open in October 2010.

EXPANSION OF GENERATION FROM HYDROPOWER

Construction on all of Verbund's power plant projects was generally on schedule. Work on the construction of the 480 MW Limberg II pumped storage power plant at Europe's largest power plant construction site is progressing rapidly. Assembly of the machine units and energy derivation, along with various secondary equipment, is on schedule.

On 28 June, the expanded Enns power plant in Hieflau celebrated its opening. The remaining work will be completed by autumn 2010.

At the Reißeck II project – involving the addition of a new 430 MW pumped storage power plant to the existing power plant – the construction plans were finalised following a legal decision and a relevant final bid in Q2/2010. The construction site will be set up in summer 2010.

Construction work for the revitalisation project at the Pernegg power plant in Styria began in Q2/2010. As planned, the diversion power plant was shut down for five months.

With regard to the cross-border project "Joint Power Plant Inn" (89 MW), 39 months after the application was submitted, Tyrolean EIA authorities issued a positive decision from the court of first instance as coordinated with the Swiss authorities.

EXPANSION OF GENERATION FROM WINDPOWER

Verbund is currently building a wind farm near the Rumanian Black Sea coast. The project has generation capacity of up to 200 MW. Due to its size and to minimise risk, it has been split into subprojects which are running simultaneously. Development is on schedule. Environmental studies, including extensive studies about the effects on fauna, flora and habitats, are underway. Based on these studies, the national agency in charge has already given the go-ahead for the first portion (100 MW) of the project and issued the environmental permit. The positive environmental decision for the second project phase is expected in autumn 2010. In June 2010, an additional key project success was reached. The final feed-in contract was signed for the new wind farm in cooperation with Rumanian transmission grid operator Transelectrica. This fundamental milestone is a first critical step in building the 200 MW wind farm. The construction permit for the entire wind farm project is expected to be issued in Q4 2010.

EXPANSION OF GENERATION FROM THERMAL POWER

The construction of the cycle gas and steam turbine in Mellach near Graz, with a total capacity of 832 MW, is proceeding on schedule. In the first half of the year, major construction and assembly work in the main building, the pipe bridge over the Mur and the reinforced concrete facade for the cooling tower were completed. Boiler construction including the load-bearing steel structure and the chimney assembly are making fast progress; both chimneys will soon reach their final height of 125 m. The work is being overseen by many internal and external monitoring services and quality assurance checks.

A public discussion was held at the end of April 2010 as part of the official EIA processes for the 400 MW gas and steam turbine power plant project in Klagenfurt, operated jointly with Energie Klagenfurt. The EIA decision has already been issued.

GRID

KEY FINANCIAL RATIOS – GRID SEGMENT

MILLION €

	Q 1–2/2009	Q 1–2/2010	CHANGE
EXTERNAL SALES	152.0	140.4	–7.6 %
EBIT	53.3	36.6	–31.3 %
CAPITAL EMPLOYED	794.9	858.2	8.0 %
ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	47.0	49.3	4.9 %

In the Grid segment, external sales dropped by 7.6 % to € 140.4 million (Q1–2/2009: € 152.0 million). EBIT fell by 31.3 % to € 36.6 million (Q1–2/2009: € 53.3 million). This negative trend was caused in particular by lower proceeds from the Inter-TSO compensation and capacity auctions.

OPERATIVE KEY FIGURES – GRID SEGMENT

	UNIT	Q 1–2/2009	Q 1–2/2010
ENERGY VOLUME RELEVANT FOR SETTLEMENT	GWh	7,786	8,654
EXTERNAL GRID REVENUE	MILLION €	149.1	136.7

The decrease in revenue in Verbund's Grid segment for Q1–2/2010 is attributable particularly to lower international revenue from auctions and ITC settlement. National grid proceeds made up for some of this. These increased due to the 11.1 % higher energy volume (relevant for settlement) transported in the 220/380 kV grid (without pumped storage).

AWARD OF CROSS-BORDER CAPACITIES (AUCTIONS)

The forecast revenue from auctions of capacities from congested borders to the control areas in Slovenia, Czech Republic, Hungary, Italy and Switzerland in 2010 decreased from about € 50 million to between € 25 million and € 30 million in comparison with 2009. The primary cause of this was the decline in energy trading and the significant reduction of the price spread compared with neighbouring countries.

INTERNATIONAL REVENUE FOR TRANSIT COSTS

The European Commission presented its guidelines for the Inter-TSO compensation (ITC) to settle international electricity transport costs at the end of 2009. Unfortunately, the entire European allotment for this cost settlement has been set at € 100 million and thus, compared with previous years, was nearly halved. Verbund's own grid subsidiary is only entitled to some € 8 million for 2010 from this compensation.

TARIFF REGULATION

In February 2010, the Austrian Energie-Control-Kommission (ECK) resolved to file suit pursuant to Section 25 in conjunction with Section 55 of the Elektrizitätswirtschafts- und organisationsgesetz (ElWOG, Electricity Act) for the establishment of new system utilisation tariffs starting on 1 January 2011. Tariff review proceedings are expected to be completed in Q4/2010.

PROCUREMENT OF GRID LOSSES PROJECT

Pursuant to a December 2009 agreement with Oesterreichs Energie (Austrian Association of Electricity Companies) and regulatory agency E-Control, a joint procurement strategy was defined for grid losses on the domestic transmission and distribution grid. Central procurement on the international wholesale markets for about 85 % of the grid loss volume in Austria will be taken over as at end of July 2010 by Verbund's grid subsidiary. Going forward, every Austrian grid operator can participate in joint procurement via contracts under private law, which the Verbund subsidiary will implement with market-based tenders.

SECURITY OF SUPPLY, CONGESTION MANAGEMENT

Security of supply was guaranteed in full in the independent Verbund grid subsidiary control area during Q1–2/2010. Supply bottlenecks in the 220 kV north-south lines were eased by the 380 kV Styria line solely with grid-related measures.

THIRD EU ENERGY LIBERALISATION PACKAGE

Certification by regulatory authorities is required for implementation of "independent transmission grid operations" called for in the third energy liberalisation package. The national law is expected in Q4 2010. Then the necessary implementation steps will be introduced.

ASSEMBLY OF THE SECOND SYSTEM FOR THE 380 KV LINE VIENNA/SOUTHEAST GYÖR

In addition to the first system on the 380 kV line Vienna/Southeast-Györ, System 443, a second system, 444, was installed from Vienna/Southeast to Szombathely. A critical, one-day shutdown was needed to install the second system at the border line Vienna/Southeast-Hungary. Thanks to extensive grid and power plant bottleneck management, this was completed without endangering grid safety. Operations successfully began on 4 May 2010.

380 KV STYRIAN LINE

Funding for the 380 kV Styria line in the amount of € 1.4 million was provided by the EU within the framework of the TEN-E programme. The total investment volume for the construction of the line was around € 179 million

CONSTRUCTION ON THE 380 KV SALZBURG LINE AT SALZACH NEU– ST. PETER PROCEEDS AT A FAST PACE

Ninety-two of the 150 pylons have been erected in construction of the "Salzach neu – St. Peter" segment of the 380 kV Salzburg line which started in August 2009. Access to the pylons is complete, all construction work on the line and substations is running on schedule.

The total investment volume for the construction of the line and substations, and dismantling of surplus lines was around € 119 million. This additional phase for the completion of the 380 kV Austrian ring will make an important contribution to guaranteeing the security of supply in the province of Salzburg.

PARTICIPATING INTERESTS

FOREIGN INTERESTS

TURKEY

In June 2007, a new chapter opened for Verbund's international activities when it acquired 50 % of the shares in Enerjisa Enerji Üretim A.S., the power company of Turkey's Sabanci Group. Verbund and its partner set some ambitious goals: by 2015, Enerjisa Enerji Üretim A.S. wants to have a 10 % share in the Turkish electricity market. To this end, the generation portfolio will be expanded to 5,000 MW, primarily in the gas and hydropower technologies. The acquisition of distribution grid companies will give the company an integrated position to limit its risk.

The global financial and economic crisis did not leave Turkey unscathed. Lower demand, lower sales and lower prices on the spot market resulted in revenues of € 45.8 million on the local balance sheet of Enerjisa Enerji Üretim A.S. in Q1/2010. This is a decline of 50.3 % year-on-year. However, earnings after taxes improved from € 12.7 million in Q1/2009 to € 17.1 million in Q1/2010. This was due to the improved financial result, triggered by a devaluation of the euro against the Turkish lira.

Implementation of the expansion plans for the generation segment is at full speed. Gas power plant Bandirma with 920 MW will be fully operational in 2010; construction plans have been set for six additional hydropower plants and a wind farm is being built in Canakkale. These facilities are scheduled for operation between 2011 and 2013. Additional projects have been developed at the same time: There is room for expansion in Turkey in the hydropower segment, where Verbund can contribute its core competence, and renewable energies (wind, solar) and for modern thermal power plants.

In early 2009, Verbund took another key step in implementing its ambitious goals in the Turkish market. Together with its partner Sabanci, Verbund acquired the Turkish distribution grid company Baskent EDAS, which is now operated as part of the Enerjisa Elektrik Dagitim A.S. joint venture Baskent EDAS is already supplying 3.1 million end customers in the region around Ankara; the business plan includes additional growth in electricity sales. By 2012, Baskent EDAS is meant to be a leading distribution grid company in Turkey.

Turkish distribution grid company Enerjisa Elektrik Dagitim A.S. (Group) was also affected by the current difficult economic environment. Nonetheless, management largely met revenue expectations. In its local financial statements, the company reported sales of € 267.6 million as at 31 March 2010; earnings after taxes were € 2.3 million.

ITALY

Sorgenia, founded in 1999 by Verbund's Italian foreign holding which was a joint venture of Energia SpA and Italy's industrial holding CIR (Gruppe de Benedetti) is also growing. Verbund currently holds a 45 % stake in the company, which participated very successfully in the growth of the Italian energy market in years past.

By 2012 the generation portfolio is scheduled to comprise 5,000 MW. Expansion is running at full speed. Currently, Modugno (814 MW) and Termoli (770 MW) are two major gas power plants in operation; an additional thermal power plant in Lodi (805 MW) is planned to start up in 2010. Construction of another major power plant has begun (Aprilia, 792 MW).

Sorgenia is also active in the renewable energies segment. Investments are being made in Italy which has attractive subsidy programmes. In 2009, wind farm Minervo Murge (18 MW), Castelnuovo di Conza (10 MW) and San Gregorio Magno (39 MW) went into operations. The plants exceeded planned performance in the first half of 2010. Sorgenia is tapping the French renewables market with its subsidiary

SFE, which already has more than 100 MW in wind farms and is also active in solar energy. For the mid term, Sorgenia plans investments for renewable energies in Rumania as well.

In tandem with the generation segment activities, Sorgenia is also expanding sales activities in Italy as a key component of its integrated business model.

Sorgenia's sales dropped from € 665.5 million in Q1/2009 to € 613.5 million in Q1/2010. Earnings after taxes declined from € 14.7 million to € –8.9 million. The breakdown of a turbine in the Termoli power plant in November 2009, which could not be fixed until March 2010, had a negative impact .

FRANCE

Last year Verbund significantly increased its stake in France's alternative energy supply company POWEO S.A.; by acquiring a 13.4 % stake from founder Charles Beigbeder and his holding, Gravitation. After a significant capital increase, Verbund now holds 46 % of the company and is by far the largest single shareholder.

One goal of POWEO is to establish a broad generation portfolio in France. In 2009, a key milestone was reached upon the commissioning of a gas and steam power plant (412 MW) in Pont-sur-Sambre. The construction decision is being finalised for another 400 MW gas power plant in Toul. The renewable energies segment was reinforced in 2007 with the acquisition of a project development company (EED) – currently, there is 85 MW of wind farms in operation in France and another 12 MW are being built. POWEO also creates photovoltaic energy. 3 MW are currently installed and a major plant (12 MW) in Toreilles will go into operation in a few months.

For a number of years, POWEO has delivered electricity to French end consumers. The market situation, however, is difficult. Low regulated tariffs combined with high sourcing costs are making it very difficult for alternative providers to remain financially successful in competition with former monopolist EdF. This unfortunate situation for all market players should be remedied by new legal regulations. Under the name NOME, the French energy market will be reorganised legally and sustainable competition will form. This autumn, a vote will be taken on a draft bill after a discussion in the senate. A positive outcome is expected. However, the new regulations would not take effect any sooner than Q1/2011.

ALBANIA

The construction of the Ashta power plant, on the Drin river in Albania (south of Shkoder) began in February of this year. From 2012 onward, the power plant will generate a total of 242 million kWh – electricity for 100,000 households in Albania.

On 20 April 2010, a syndicate agreement was signed with EVN AG (Energie Versorgung Niederösterreich AG). Under the agreement, EVN AG will acquire 50 % of the Ashta power plant project, upon approval by official and anti-trust authorities.

DOMESTIC INTERESTS

STEWEAG-STEG GMBH

To improve earnings over the long term, in 2009 a restructuring project was launched and is now underway. Sales in the mass customer segment are in line with expectations. Sales have increased in the segment of resellers and industrial customers. Additionally, special campaigns have managed to win back SSG customers.

Construction of the Gössendorf and Kalsdorf plants are on schedule.

KELAG - KÄRNTNER ELEKTRIZITÄTS-AKTIENGESELLSCHAFT

Work on the pumped storage plant at Feldsee and the Koralpe power plant are on schedule. KELAG is participating in the Verbund power plant Reißeck II; it is expected to be operational in 2014. The construction plans and permits are already in place.

As part of its long-term strategy, KELAG expanded its wind power activities with projects in Bulgaria, Slovenia and Rumania.

ENERGIE KLAGENFURT GMBH

With regard to mid-term cost and earnings development, management has devised and launched a cost savings programme. Initial results have been achieved.

Together with Verbund, it is developing the 400 MW Klagenfurt combined cycle gas turbine (CCGT), which will ensure electricity and heat supply to the city of Klagenfurt and the state of Carinthia over the long term. The EIA decision has already been issued.

GROUP INTERIM FINANCIAL STATEMENTS

ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

INCOME STATEMENT OF THE VERBUND GROUP IN ACCORDANCE WITH IFRSs

€ MILLION

	NOTES	Q 1–2/2010	Q 1–2/2009	Q 2/2010	Q 2/2009
SALES		**1,582.0**	**1,667.8**	**771.8**	**785.2**
ELECTRICITY SALES	1	1,376.0	1,491.3	659.8	709.5
GRID SALES		136.7	149.1	64.6	64.8
OTHER	2	69.3	27.4	47.4	10.8
OTHER OPERATING INCOME	3	13.8	22.0	7.8	14.5
EXPENSES FOR ELECTRICITY, GRID, GAS AND EMISSION RIGHT PURCHASES (TRADE)	4	–770.6	–725.8	–355.1	–320.1
USE OF FUELS AND EXPENSES FOR OTHER PURCHASED SERVICES	5	–49.1	–78.8	–18.4	–17.1
PAYROLL EXPENSES	6	–156.7	–156.8	–81.1	–83.7
AMORTISATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT		–113.1	–95.9	–57.0	–49.9
OTHER OPERATING EXPENSES		–124.1	–98.7	–80.0	–51.3
OPERATING RESULT		**382.3**	**533.7**	**188.0**	**277.4**
RESULT FROM INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	7	51.2	67.6	19.1	20.2
RESULT FROM PARTICIPATING INTERESTS – OTHER		5.8	6.1	1.7	2.2
INTEREST INCOME	8	16.9	29.5	7.7	14.1
INTEREST EXPENSES	9	–121.7	–89.6	–52.9	–37.4
OTHER FINANCIAL RESULT	10	–27.0	–32.7	–26.1	–38.3
FINANCIAL RESULT		**–74.9**	**–19.2**	**–50.5**	**–39.2**
PROFIT BEFORE TAX		**307.4**	**514.6**	**137.5**	**238.3**
TAXES ON INCOME		–61.4	–109.0	–28.5	–53.5
PROFIT FOR THE PERIOD		**246.0**	**405.6**	**109.0**	**184.8**
ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (GROUP RESULT)		210.3	359.9	90.4	161.8
ATTRIBUTABLE TO MINORITY INTERESTS		35.7	45.7	18.6	22.9
EARNINGS PER SHARE € [1]		**0.68**	**1.17**	**0.29**	**0.53**

[1] Diluted = non-diluted

STATEMENT OF COMPREHENSIVE INCOME OF THE VERBUND GROUP IN ACCORDANCE WITH IFRSs

€ MILLION

	Q 1–2/2010	Q 1–2/2009	Q 2/2010	Q 2/2009
PROFIT FOR THE PERIOD	246.0	405.6	109.0	184.7
OTHER COMPREHENSIVE INCOME (RECOGNISED DIRECTLY IN EQUITY) FROM				
EXCHANGE DIFFERENCES	75.7	–10.5	39.9	17.9
AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	0.1	24.1	–3.8	8.1
CASH FLOW HEDGES	–142.4	1.7	–124.4	–95.0
INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	–11.8	2.9	–14.7	6.8
TOTAL OTHER COMPREHENSIVE INCOME (RECOGNISED IN EQUITY) BEFORE TAXES	**–78.3**	**18.2**	**–103.0**	**–62.1**
– TAXES ON INCOME [1]	38.0	–6.3	36.7	21.5
TOTAL OTHER COMPREHENSIVE INCOME (RECOGNISED IN EQUITY) AFTER TAXES [2]	**–40.4**	**11.9**	**–66.2**	**–40.6**
TOTAL COMPREHENSIVE INCOME	**205.7**	**417.5**	**42.8**	**144.1**
ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	169.8	371.6	24.3	121.2
ATTRIBUTABLE TO MINORITY INTERESTS	35.9	45.9	18.5	23.1

[1] Taxes in other comprehensive income are as follows: Available-for-sale financial instruments: € 0.0 million (Q 1–2/2009: € –5.9 million)
Cash flow hedges: € million 35.7 (Q 1–2/2009: € –0.4 million)
Interests accounted for using the equity method € 2.3 million (Q 1–2/2009: € 0.0 million)

[2] Of the total other comprehensive income after tax, minority interests account for € 0.2 million (previous year: € 0.2 million)

STATEMENT OF CHANGES IN EQUITY OF THE VERBUND GROUP IN ACCORDANCE WITH IFRSs

€ MILLION

	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT									
				OTHER COMPREHENSIVE INCOME (RECOGNISED IN EQUITY) FROM						
	EQUITY	CAPITAL RESERVES	RETAINED EARNINGS	EXCHANGE DIFFERENCES	AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	CASH FLOW HEDGES	OTHER RESERVES	TOTAL	MINORITY INTERESTS	TOTAL SHARE-HOLDERS' EQUITY
AS AT 1/1/2009	**308.2**	**10.9**	**2,505.5**	**–52.5**	**–20.5**	**114.3**	**1.8**	**2,867.8**	**260.3**	**3,128.1**
CHANGES IN COMPANIES CONSOLIDATED	0.0	0.0	18.9	0.0	0.1	–0.5	0.0	18.5	2.0	20.5
TOTAL COMPREHENSIVE INCOME	0.0	0.0	359.9	–10.5	18.0	1.3	2.9	371.6	45.9	417.5
DIVIDENDS	0.0	0.0	–323.6	0.0	0.0	0.0	0.0	–323.6	–79.2	–402.8
AS AT 30/6/2009	**308.2**	**10.9**	**2,560.7**	**–63.0**	**–2.4**	**115.2**	**4.7**	**2,934.3**	**229.0**	**3,163.3**
AS AT 1/1/2010	**308.2**	**10.9**	**2,845.1**	**–59.8**	**3.6**	**4.6**	**5.2**	**3,117.9**	**291.8**	**3,409.7**
SHIFT BETWEEN SHAREHOLDER GROUPS	0.0	0.0	20.5	0.0	0.0	0.0	0.0	20.5	31.6	52.1
TOTAL COMPREHENSIVE INCOME	0.0	0.0	210.3	76.1	0.9	–118.2	0.6	169.8	35.9	205.7
DIVIDENDS	0.0	0.0	–385.3	0.0	0.0	0.0	0.0	–385.3	–69.2	–454.5
AS AT 30/6/2010	**308.2**	**10.9**	**2,690.7**	**16.3**	**4.6**	**–113.6**	**5.8**	**2,922.9**	**290.1**	**3,213.0**

BALANCE SHEET OF THE VERBUND GROUP IN ACCORDANCE WITH IFRSs (CONDENSED)

€ MILLION

	NOTES	30/6/2010	31/12/2009
NON-CURRENT ASSETS		**9,495.0**	**9,364.1**
INTANGIBLE ASSETS	11	652.9	633.3
PROPERTY, PLANT AND EQUIPMENT	12	5.677.2	5,553.8
INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	13	2,294.2	2,174.3
OTHER PARTICIPATING INTERESTS		138.6	138.6
INVESTMENTS AND OTHER RECEIVABLES	14	732.1	864.1
CURRENT ASSETS		**687.4**	**981.1**
INVENTORIES		109.2	127.1
TRADE RECEIVABLES AND OTHER RECEIVABLES		558.4	728.1
CASH AND CASH EQUIVALENTS		19.8	126.0
TOTAL ASSETS		**10,182.4**	**10,345.2**

	NOTES	30/6/2010	31/12/2009
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		**2,922.9**	**3,117.9**
MINORITY INTERESTS	15	**290.1**	**291.8**
NON-CURRENT LIABILITIES		**6,096.8**	**5,956.8**
FINANCIAL LIABILITIES	16	4,329,4	4,153.7
PROVISIONS		660.7	672.0
DEFERRED TAX LIABILITIES		134.1	174.1
CONTRIBUTIONS TO BUILDING COSTS		416.8	401.9
DEFERRED INCOME – CROSS-BORDER LEASING		57.6	74.1
OTHER LIABILITIES		498.2	481.0
CURRENT LIABILITIES		**872.6**	**978.7**
FINANCIAL LIABILITIES		174.6	156.7
PROVISIONS		174.0	284.5
CURRENT TAX LIABILITIES		184.4	151.4
TRADE PAYABLES AND OTHER LIABILITIES		339.6	386.1
TOTAL EQUITY AND LIABILITIES		**10,182.4**	**10,345.2**

CASH FLOW STATEMENT OF THE VERBUND GROUP IN ACCORDANCE WITH IFRSs (CONDENSED)

€ MILLION

	NOTES	Q 1–2/2010	Q 1–2/2009
CASH FLOW FROM OPERATING ACTIVITIES [1]	17	420.9	540.1
CASH FLOW FROM INVESTMENT ACTIVITIES		–269.8	–680.2
CASH FLOW FROM FINANCING ACTIVITIES		–257.3	198.5
CHANGE TO CASH AND CASH EQUIVALENTS		**–106.2**	**58.4**
CASH AND CASH EQUIVALENTS AS AT 1/1		126.0	107.8
CASH AND CASH EQUIVALENTS AS AT 30/6		**19.8**	**166.2**

[1] Includes payments in the amount of € –25.7 million (Q 1–2/2009: € –120.5 million) from electricity futures primarily purchased for hedging purposes.

SEGMENT REPORTING

€ MILLION

	ELECTRICITY	GRID	PARTICIPATING INTERESTS & SERVICES	ELIMINATION	TOTAL GROUP
Q 1–2/2010					
EXTERNAL SALES	1,401.3	140.4	40.4	0.0	1,582.0
INTERNAL SALES	65.5	32.0	73.4	–170.9	0.0
TOTAL SALES	1,466.8	172.4	113.8	–170.9	1,582.0
OPERATING RESULT [1]	**366.4**	**36.6**	**–19.8**	**–0.9**	**382.3**
DEPRECIATION AND AMORTISATION	–81.2	–27.9	–4.4	0.4	–113.1
THEREOF IMPAIRMENT LOSSES	–0.1	0.0	–0.1	0.0	–0.2
OTHER MATERIAL NON-CASH ITEMS [2]	–88.0	0.9	1.6	0.0	–85.5
RESULT FROM PARTICIPATING INTERESTS	0.0	0.0	57.0	0.0	57.0
THEREOF RESULT FROM INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	0,0	0,0	51,2	0.0	51.2
CAPITAL EMPLOYED [3]	**4,723.7**	**858.2**	**6,176.7**	**–4,053.5**	**7,705.1**
THEREOF CARRYING AMOUNT OF INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	2.2	1.2	2,290.8	0.0	2,294.2
ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	184.7	49.3	24.3	0.0	258.4
ADDITIONS TO PARTICIPATING INTERESTS	0.0	0.0	27.3	0.0	27.4
Q 1–2/2009					
EXTERNAL SALES	1,509.8	152.0	6.0	0.0	1,667.8
INTERNAL SALES	71.7	38.9	38.1	–148.8	0.0
TOTAL SALES	1,581.5	191.0	44.1	–148.8	1,667.8
OPERATING RESULT [1]	**499.4**	**53.3**	**–19.1**	**0.1**	**533.7**
DEPRECIATION AND AMORTISATION	–63.7	–28.7	–4.0	0.5	–95.9
THEREOF IMPAIRMENT LOSSES	0.0	0.0	0.0	0.0	0.0
OTHER MATERIAL NON-CASH ITEMS [2]	73.6	2.6	–0.3	–0.1	75.8
RESULT FROM PARTICIPATING INTERESTS	0.0	0.0	73.7	0.0	73.7
THEREOF RESULT FROM INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	0.0	0.0	67.6	0.0	67.6
CAPITAL EMPLOYED [3]	**3,506.2**	**794.9**	**4,559.5**	**–2,475.4**	**6,385.2**
THEREOF CARRYING AMOUNT OF INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	2.2	1.3	2,032.2	0.0	2,035.6
ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	89.1	47.0	36.8	0.0	172.9
ADDITIONS TO PARTICIPATING INTERESTS	0.0	0.0	466.1	0.0	466.1

[1] The operating result in the total column corresponds to the value in the income statement. The reconciliation with profit before tax can therefore be taken from the income statement.

[2] Other material non-cash items, which are included in the operating result apart from the amortisation of intangible assets and the depreciation of property, plant and equipment, include, in particular, valuation effects from hedging transactions and in the energy area and non-cash changes to provisions.

[3] Capital employed corresponds to the total capital less those assets that do not contribute to the process of providing and utilising services (e.g. prepayments, plants under construction and closed items on the assets and liabilities side) as well as non-interest-bearing debts. The figure was revised. Comparative information has been adjusted accordingly.

SELECTED EXPLANATORY NOTES

BASIS

These condensed consolidated interim financial statements of VERBUND AG for Q1–2/2010 comply with the requirements of IAS 34 »Interim Financial Reporting« and have been prepared in accordance with the International Financial Reporting Standards (IFRSs), as endorsed by the European Union.

In accordance with IAS 34, these condensed interim financial statements do not include all information and disclosures required in the annual financial statements and should therefore be read in conjunction with the consolidated financial statements of Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft)[1] as at 31/12/2009.

[1] The company name was changed to VERBUND AG upon entry in the commercial register on 18/5/2010.

These condensed consolidated interim financial statements for Q1–2/2010 were reviewed by Deloitte Audit Wirtschaftsprüfungs GmbH.

ACCOUNTING POLICIES

The following new or amended IFRSs and a new interpretation of the IFRIC are applied mandatorily for the first time in the financial year 2010:

NEW OR AMENDED IFRSs UND IFRICs

STANDARD/INTERPRETATION		PUBLISHED BY THE IASB (ENDORSED BY THE EU) [1]	EFFECTS ON THE VERBUND GROUP
IAS 27	AMENDMENTS: CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS	10/1/2008 (3/6/2009)	ACCOUNTING FOR SHARE PURCHASES AND SALES WITHOUT CHANGE OF CONTROL AS PURE EQUITY TRANSACTIONS; CHANGE IN ACCOUNTING FOR SHARE SALES WITH LOSS OF CONTROL
IAS 32	AMENDMENTS: CLASSIFICATION OF RIGHTS ISSUES	8/10/2009 (23/12/2009)	NONE
IAS 39	AMENDMENTS: ELIGIBLE HEDGED ITEMS	31/7/2008 (15/9/2009)	NONE
IFRS 1	AMENDMENTS: FIRST-TIME ADOPTION OF IFRSs	27/11/2008 (25/11/2009)	NONE
IFRS 2	AMENDMENTS: GROUP CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS	18/6/2009 (23/3/2010)	NONE
IFRS 3	AMENDMENTS: BUSINESS COMBINATIONS	10/1/2008 (3/6/2009)	CHANGE IN ACCOUNTING OF COMPANY ACQUISITIONS ACHIEVED IN STAGES; RIGHT TO CHOOSE BETWEEN ACCOUNTING FOR GOODWILL IN PROPORTION TO THE STAKE AND FULL-GOODWILL METHOD; ACQUISITION-RELATED COSTS TO BE FULLY EXPENSED AS INCURRED
IFRIC 18	TRANSFERS OF ASSETS FROM CUSTOMERS	29/1/2009 (27/11/2009)	RECOGNITION OF CONTRIBUTIONS TO BUILDING COSTS RECEIVED AS SALES (TO BE DEFERRED)
VARIOUS	IMPROVEMENTS TO IFRSs	16/4/2009 (23/3/2010)	NONE

[1] Basis: Endorsement Status Report dated 1/7/2010

Due to the amendments to IAS 27, share purchases and sales without change of control are to be reported purely as equity transactions. It is no longer possible to reduce goodwill in proportion to the stake. This accounting rule applies to the sale of a 3.46 % stake in VERBUND-Innkraftwerke GmbH in connection with the »Bavarian/Austrian Regional Plan«.

In the event of a sale of shares leading to loss of control, the remaining stake is remeasured in income after deconsolidation due to the amendments to IAS 27. This accounting rule will apply to the EVN AG's acquisition of a 50 % stake in Energji Ashta Shpk in the second half of 2010. This means that the project company will become a joint venture.

Further amendments to IAS 27 particularly apply to the accounting for losses attributable to minority interests. The allocation of loss shares can now lead to negative minority interests in the balance sheet.

The amendments to IFRS 3 now allow for a choice between accounting for goodwill in proportion to the stake and the full-goodwill method in business combinations. Additionally, acquisition-related costs of a business combination must be expensed as incurred; later corrections to the initial measurement of contingent considerations are recognised in income and no longer have an influence on the amount of goodwill.

For company acquisitions achieved in stages, the amendments to IFRS 3 mean uniform acquisition accounting for all shares on the acquisition date. As a result, the existing shares must be remeasured and are to be included in the fair value of the consideration transferred.

IFRIC 18 regulates the accounting treatment of business transactions in which a company receives an asset (or the funds to purchase or produce such an asset) from a customer in order to provide the customer in return with a network connection or ongoing access to a supply of goods or services. Within the Verbund Group, contributions to building costs received (especially from provincial energy companies) e.g. for power plants, fall under the scope of this interpretation. The electricity-purchase rights and user rights provided in return result in an item of deferred income that is reversed in income over the term of the contract or (if there is none) over the useful lives of the power plant facilities. Up until now, the reversals of the deferred income item have been recognised in other operating income. IFRIC 18, however, requires a recognition in sales. As provided for in IFRIC 18, this accounting rule will be used prospectively (i.e. for all contributions to building costs that the Verbund Group has received since 1/1/2010). The reversals resulting from contributions to building costs received in prior periods will equally be recognised in sales starting from 2010. Due to immateriality, the comparative information will not be adjusted.

In the cash flow statement, up until now the cash inflows from contributions to building costs have been disclosed under financing activities. Following the first-time adoption of IFRIC 18, contributions to building costs received by the Verbund Group after 1/1/2010 are now disclosed under operating activities.

The first-time application requirement of the amendments to IAS 32, IAS 39, IFRS 1, IFRS 2 and the changes from the Annual Improvements 2009 do not affect the condensed interim financial statements for Q1–2/2010.

The other accounting policies and calculation/presentation methods applied in the condensed interim financial statements remain unchanged as compared to the last financial statements. Due to the utilisation of EDP devices, differences may arise in the addition of rounded totals and percentages.

CHANGES IN COMPANIES CONSOLIDATED

There were no business combinations or other changes in consolidated companies in Q1–2/2010 in the Verbund Group.

(1) ELECTRICITY SALES

ELECTRICITY SALES ACCORDING TO CUSTOMER SEGMENTS

€ MILLION

	Q 1–2/2010	Q 1–2/2009	CHANGE ABSOLUTE	CHANGE IN %
END CUSTOMERS	367.2	345.9	21.3	6.2
RESELLERS	574.8	640.0	–65.2	–10.2
TRADERS	434.0	505.4	–71.4	–14.1
TOTAL ELECTRICITY SALES	**1.376.0**	**1.491.3**	**–115.3**	**–7.7**
THEREOF DOMESTIC	618.0	723.2	–105.2	–14.5
THEREOF ABROAD	758.0	768.1	–10.1	–1.3

(2) OTHER SALES

Other sales increased in Q1–2/2010 by € 41.9 million or 152.9 % to € 69.3 million. € 33.6 million of these additional sales are due to construction services in connection with a hydropower plant concession in Albania that was accounted for in accordance with IFRIC 12. The corresponding construction costs are largely contained in other operating expenses.

(3) OTHER OPERATING INCOME

In Q1–2/2010, € 0.3 million (Q1–2/2009: € 8.1 million) of other operating income result from reversals from deferred income for contributions to building costs received. This change is due to the first-time adoption of IFRIC 18, which has led to the reversals of deferred income to be largely recognised in sales (see: accounting policies).

(4) EXPENSES FOR ELECTRICITY, GRID, GAS AND EMISSION RIGHT PURCHASES (TRADE)

EXPENSES FOR ELECTRICITY, GRID, GAS AND EMISSION RIGHT PURCHASES (TRADE)

€ MILLION

	Q 1–2/2010	Q 1–2/2009	CHANGE ABSOLUTE	CHANGE IN %
ELECTRICITY PURCHASES	–696.9	–664.6	–32.3	–4.9
GRID PURCHASES	–71.5	–61.2	–10.3	–16.8
GAS PURCHASES AND EMISSION RIGHTS	–2.2	0.0	–2.2	N.A.
TOTAL	**–770.6**	**–725.8**	**–44.8**	**–6.2**

(5) USE OF FUELS AND EXPENSES FOR OTHER PURCHASED SERVICES

Use of fuels and expenses for other purchased services in Q1–2/2010 decreased by € 29.7 million or 37.7 % year-on-year to € 49.1 million. This change is primarily due to the use of provisions for impending losses and value adjustments to the stocks of heating oil and coal. In Q1–2/2009, the latter were necessary due to the price situation on the electricity sales markets. Similar adjustments were not required in Q1–2/2010.

(6) PAYROLL EXPENSES

PAYROLL EXPENSES

€ MILLION

	Q 1–2/2010	Q 1–2/2009	CHANGE ABSOLUTE	CHANGE IN %
WAGES, SALARIES AND RELATED COSTS	–140.7	–129.4	–11.3	–8.7
EXPENSES FOR SEVERANCE PAYMENTS AND PENSIONS	–16.0	–27.4	11.4	41.7
TOTAL	**–156.7**	**–156.8**	**0.1**	**0.1**

The collective bargaining agreement increase of 1.45 % and the increase in personnel by 277 employees, for a total of 2,975 (30/6/2009: 2,698) resulted in an 8.7 %, or € 11.3 million, rise in current payroll costs. The increase in personnel is primarily (195) due to the increase in consolidated companies in 2009.

A total of € 3.7 million (Q1–2/2009: € 3.6 million) was paid into the pension fund assets funding defined contribution plans in Q1–2/2010. For the pension fund assets funding defined benefit plans, the expected return remains at 2.0 % p.a.

(7) RESULTS FROM INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD

RESULTS FROM INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD — € MILLION

	Q 1–2/2010	Q 1–2/2009	CHANGE ABSOLUTE	CHANGE IN %
DOMESTIC	30.4	78.1	–47.7	–61.1
ABROAD	20.8	–10.5	31.3	N.A.
TOTAL	**51.2**	**67.6**	**–16.4**	**–24.2**

The interests accounted for using the equity method have been included since 2009 with their prorated IFRSs results from interim or annual financial statements, the balance sheet date of which falls a maximum of three months prior to the balance sheet date of the parent company. The resulting one-off changeover effects mean that the information from Q1–2/2009 can be compared only to a limited extent.

The increase in the result from foreign interests accounted for using the equity method is largely due to positive foreign exchange developments affecting the measurement of foreign currency liabilities of Enerjisa Elektrik Dagitim A.S. (Group) and Enerjisa Enerji Üretim A.S. as well as positive tax effects from Sorgenia S.p.A. (Group). This tax saving primarily comes from »Tremonti Ter«, a law that allows a 50 % deduction of the total investment amount from the taxable annual profit for a limited time.

(8) INTEREST INCOME

Interest income in Q1–2/2010 decreased by € 12.6 million or 42.9 % year-on-year to € 16.9 million. This decline is primarily due to the fact that, in the course of premature complete or partial terminations of cross-border leasing transactions, the related interest-bearing investments were repaid.

(9) INTEREST EXPENSES

Interest expenses in Q1–2/2010 increased by € 32.1 million or 35.8 % year-on-year to € 121.7 million. This increase was caused primarily by borrowings being part of the EMTN programme (European Medium Term Note) in 2009 as well as by the interest on the obligation from a long-term electricity supply agreement with E.ON Wasserkraft GmbH.

The lower interest expenses due to premature total or partial terminations of cross-border leasing transactions and the allocation of earnings shares to VERBUND Austrian Thermal Power GmbH & Co KG's limited partners compensated for these effects.

Borrowing costs capitalised under IAS 23 amounted to € 6.4 million in Q1–2/2010 (Q1–2/2009: € 2.6 million). The average borrowing costs of the Verbund Group, calculated on a monthly basis, were between 4.16 % and 4.51 % in Q1–2/2010 (Q1–2/2009: between 4.21 % and 4.31 %).

(10) OTHER FINANCIAL RESULT

In Q1–2/2010, the other financial result was € –27.0 million, corresponding to a positive change year-on-year in the amount of € 5.7 million or 17.4 %.

In Q1–2/2009, the other financial result was boosted in particular by profits in the amount of € 20.1 million from a foreign exchange hedging transaction in connection with the acquisition of Baskent Elektrik Dagitim A.S.; a similar effect was not seen in Q1–2/2010. Compensating for this was the change in impairment losses of securities and investment funds to € –0.2 million (Q1–2/2009: € –19.6 million). Valuation gains from a JPY bond in Q1–2/2009 became valuation losses in Q1–2/2010.

The net earnings effect on the other financial result from premature complete or partial terminations of cross-border leasing transactions totalled € –18.8 million (Q1–2/2009: € –50.1 million). This net earnings effect includes the reversal of a provision for interest rate differences from non-current investments as well as the prorated reversal of deferred income from cross-border leasing.

(11) INTANGIBLE ASSETS

As at 30/6/2010, the intangible assets include goodwill totalling € 605.7 million (31/12/2009: € 605.7 million).

(12) PROPERTY, PLANT AND EQUIPMENT

The Verbund Group acquired property, plant and equipment of € 236.9 million in Q1–2/2010 (Q1–2/2009: € 141.3 million). The largest investment projects include the gas and steam combination power plant in Mellach, the pumped storage power plant Limberg II and the 380 kV Salzburg line.

On the other hand, property, plant and equipment with a net carrying amount of € 2.2 million (Q1–2/2009: € 1.7 million) was sold. This resulted in a gain on disposal in the amount of € 0.9 million (Q1–2/2009: € 0.6 million).

(13) INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD

A capital increase was effected at Turkish Enerjisa Enerji Üretim A.S. on 15/6/2010. The Verbund Group's 50 % share in this capital increase is € 25.0 million.

(14) NON-CURRENT INVESTMENTS AND OTHER RECEIVABLES

By 30/6/2010, about 85 % of the cross-border leasing transaction volume has been completely or partly terminated. The last remaining transaction has an off-balance-sheet financing structure (see: contingent liabilities).

In the case of the cross-border-leasing transactions that were prematurely terminated in parts, the B-loans and the related investments have been carried forward by the Verbund Group. As previously, these are still covered with the exception of one financing transaction.

INVESTMENTS AND OTHER NON-CURRENT RECEIVABLES — € MILLION

	30/6/2010	31/12/2009
INVESTMENTS – CROSS-BORDER LEASING	0.0	88.0
INVESTMENTS – CLOSED ITEMS ON THE BALANCE SHEET	269.4	234.0
SUBTOTAL	**269.4**	**322.0**
INTEREST RATE SWAPS – CLOSED ITEMS ON THE BALANCE SHEET	96.9	64.6
OTHER NON-CURRENT INVESTMENT AND OTHER RECEIVABLES	365.8	477.5
TOTAL	**732.1**	**864.1**

(15) MINORITY INTERESTS

On 28/6/2010, as part of the »Bavarian/Austrian Regional Plan«, a 3.46 % stake in VERBUND Innkraftwerke GmbH was sold to the holding company, Innkraft Bayern GmbH & Co. KG.

The stake of Verbund Group in VERBUND-Innkraftwerke GmbH thereby declined from 99.7 % to 96.5 %.

This sale of shares led to a shift between shareholder groups, i.e. from the stake attributable to shareholders of the parent company to minority interests (see: accounting policies). As at 30/6/2010, the share of minority interests in VERBUND-Innkraftwerke GmbH was € 30.1 million.

(16) FINANCIAL LIABILITIES

For the status quo of cross-border leasing transactions see: Non-current investments and other receivables (no. 14).

NON-CURRENT FINANCIAL LIABILITIES € MILLION

	30/6/2010	31/12/2009
FINANCIAL LIABILITIES – CROSS-BORDER LEASING	0.0	94.1
FINANCIAL LIABILITIES – CLOSED ITEMS ON THE BALANCE SHEET	366.3	298.6
SUBTOTAL	**366.3**	**392.7**
OTHER FINANCIAL LIABILITIES	3,963.1	3,761.0
TOTAL	**4,329.4**	**4,153.7**

(17) CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities for Q1–2/2010 decreased by € 119.2 million or 22.1 % year-on-year to € 420.9 million.

The change in contributions from the energy business in the amount of € –139.6 million was largely com-pensated for by aperiodic payments in connection with derivatives in the energy area in the amount of € 105.6 million. Year-on-year, cash flow from operating activities increased as a result of € 15.4 million higher contributions from the business and industrial customer segment and lower payments in connection with personnel in the amount of € 14.0 million.

In contrast, the following factors negatively affected the cash flow from operating activities compared with Q1–2/2009: € –21.5 million from the contributions from the grid segment, € –22 million from net interest payments and € –32.7 million from VAT payments.

DIVIDENDS PAID

DIVIDENDS PAID

	TOTAL (IN € MILLION)	NUMBER OF ORDINARY SHARES (IN UNITS)	PER SHARE (IN €)
DIVIDENDS FOR 2009 PAID IN 2010[3]	385.3	308,200,000	1.25
DIVIDENDS FOR 2008 PAID IN 2009	323.6	308,200,000	1.05

[3] The dividend paid in the amount of € 1.25 per share consists of € 1.00 regular dividend and € 0.25 special dividend.

PURCHASE COMMITMENTS

PURCHASE COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND OTHER SERVICES € MILLION

	30/6/2010	THEREOF DUE IN 2010	THEREOF DUE FROM 2011 TO 2015
TOTAL OBLIGATION	880.5	445.6	434.9

OPEN PAYMENT OBLIGATIONS

Open payment obligations as at 30/6/2010 relate to the 50 % stake in Turkish generation company Enerjisa Enerji Üretim A.S.

OPEN PAYMENT OBLIGATIONS € MILLION

	30/6/2010	THEREOF DUE IN 2010	THEREOF DUE FROM 2011 TO 2015
TOTAL OBLIGATION	384.3	46.0	338.3

CONTINGENT LIABILITIES

By 30/6/2010, approximately 85 % of the original volume of cross-border leasing transactions has been reversed.

With respect to the portion of leasing liabilities not yet repaid from the last remaining cross-border leasing transaction, the Verbund Group has a subsidiary liability as at 30/6/2010 in the amount of € 553.2 million (31/12/2009: € 827.2 million). As for the rights of recourse vis-à-vis the main debtors, € 434.4 million (31/12/2009: € 722.1 million) has been secured by way of counter guarantees from financial institutions, companies authorised to procure electricity and regional authorities (resulting from guarantor liabilities).

As at 30/6/2010, contingent liabilities from other contingencies amounted to € 26.2 million (31/12/2009: € 24.4 million). These refer to guarantees provided by VERBUND-Austrian Hydro Power AG for non-consolidated Verbundplan Birecik Baraji Isletme Ltd. Sti. (VBOC), in which VERBUND-Austrian Hydro Power AG holds a stake of 70.0 %.

RELATED-PARTY DISCLOSURES

The most significant business transactions with companies accounted for using the equity method are as follows:

TRANSACTIONS WITH COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD — € MILLION

	Q 1–2/2010	Q 1–2/2009
SALES		274.5
OTHER OPERATING INCOME	4.9	2.5
ELECTRICITY AND GRID PURCHASES	84.6	75.5
OTHER OPERATING EXPENSES	3.6	7.7
	30/6/2010	**31/12/2009**
RECEIVABLES	44.8	39.0
LIABILITIES	11.7	12.7
LOANS	40.4	40.4

Energy supply to the Republic of Austria was € 0.0 million in Q1–2/2010 (Q1–2/2009: € 0.3 million). Electricity sales to companies controlled by the Republic of Austria in this period were € 37.4 million (Q1–2/2009: € 49.6 million).

In Q1–2/2010, these electricity sales were compensated by electricity purchases from companies controlled by the Republic of Austria in the amount of € 14.2 million (Q1–2/2009: € 14.3 million).

Expenses for supervision by E-Control came to € 4.8 million in Q1–2/2010 (Q1–2/2009: € 4.6 million).

EVENTS AFTER THE BALANCE SHEET DATE

No events subject to disclosure occurred between the balance sheet date of 30/6/2010 and the date of authorisation for issue being 22/7/2010.

Vienna, 22/7/2010

DI Wolfgang Anzengruber Chairman of the Managing Board	Dr. Johann Sereinig Deputy Chairman of the Managing Board	Dr. Ulrike Baumgartner-Gabitzer Member of the Managing Board

DECLARATION OF THE LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the consolidated interim financial statements, prepared according to rules for interim financial statements set forth in the International Financial Reporting Standards, faithfully reflect the Verbund Group's financial position.

We further confirm that the half-year management report faithfully reflects the Verbund Group's financial position with regard to the key events during the first six months of the year and its effects on the consolidated interim report of the Verbund Group, with regard to significant risks and uncertainties in the remaining six months of the year and with regard to the significant transactions with related parties to be disclosed.

Vienna, 22/7/2010

DI Wolfgang Anzengruber
Chairman
of the Managing Board

Dr. Johann Sereinig
Deputy Chairman
of the Managing Board

Dr. Ulrike Baumgartner-Gabitzer
Member
of the Managing Board

TRANSLATION OF THE REPORT ON THE REVIEW OF THE INTERIM FINANCIAL REPORT AS AT 30/6/2010

Courtesy translation from the German original.

INTRODUCTION

We have reviewed the accompanying condensed consolidated interim financial statements of VERBUND AG, Vienna, for the period from 1/1/2010 to 30/6/2010 including the condensed consolidated balance sheet as of 30/6/2010, the related income statement, statement of comprehensive income, condensed statement of cash flows and statement of changes in equity for the period from 1/1/2010 to 30/6/2010 as well as selected explanatory notes.

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (IFRSs) applicable on interim financial reporting, as endorsed by the European Union.

Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

Under reference to section 87 par. 3 of the Austrian Stock Exchange Act in conjunction with section 275 par. 2 of the Austrian Commercial Code, our liability for negligence is limited to € 12 million.

SCOPE OF REVIEW

We conducted our review in accordance with applicable Austrian laws and professional standards and International Standard on Review Engagements 2410 »Review of Interim Financial Information Performed by the Independent Auditor of the Entity«. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly, in all material respects, the financial position of the entity as of 30/6/2010 in accordance with IFRSs applicable on interim financial reporting, as endorsed by the European Union.

Courtesy translation from the German original.

TRANSLATION OF THE STATEMENT ON THE INTERIM GROUP MANAGEMENT REPORT AND ON THE DECLARATION OF THE LEGAL REPRESENTATIVES ACCORDING TO SEC. 87 AUSTRIAN STOCK EXCHANGE ACT

We have read the accompanying condensed interim group management report of VERBUND AG as of 30/6/2010 and assessed whether it contains any obvious contradictions to the condensed consolidated interim financial statements. Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim group management report contains obvious contradictions to the condensed consolidated interim financial statements.

The interim financial report of VERBUND AG as of 30/6/2010 includes the declaration of the legal representatives as required by section 87 par. 1 subpar. 3 Austrian Stock Exchange Act.

Vienna, 22/7/2010

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Gerhard Marterbauer
(Austrian) Certified Public Accountant

Mag. Maximilian Schreyvogl
(Austrian) Certified Public Accountant

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