APPLY

ENERGY – THE HUMAN ELEMENT

INNOVATION

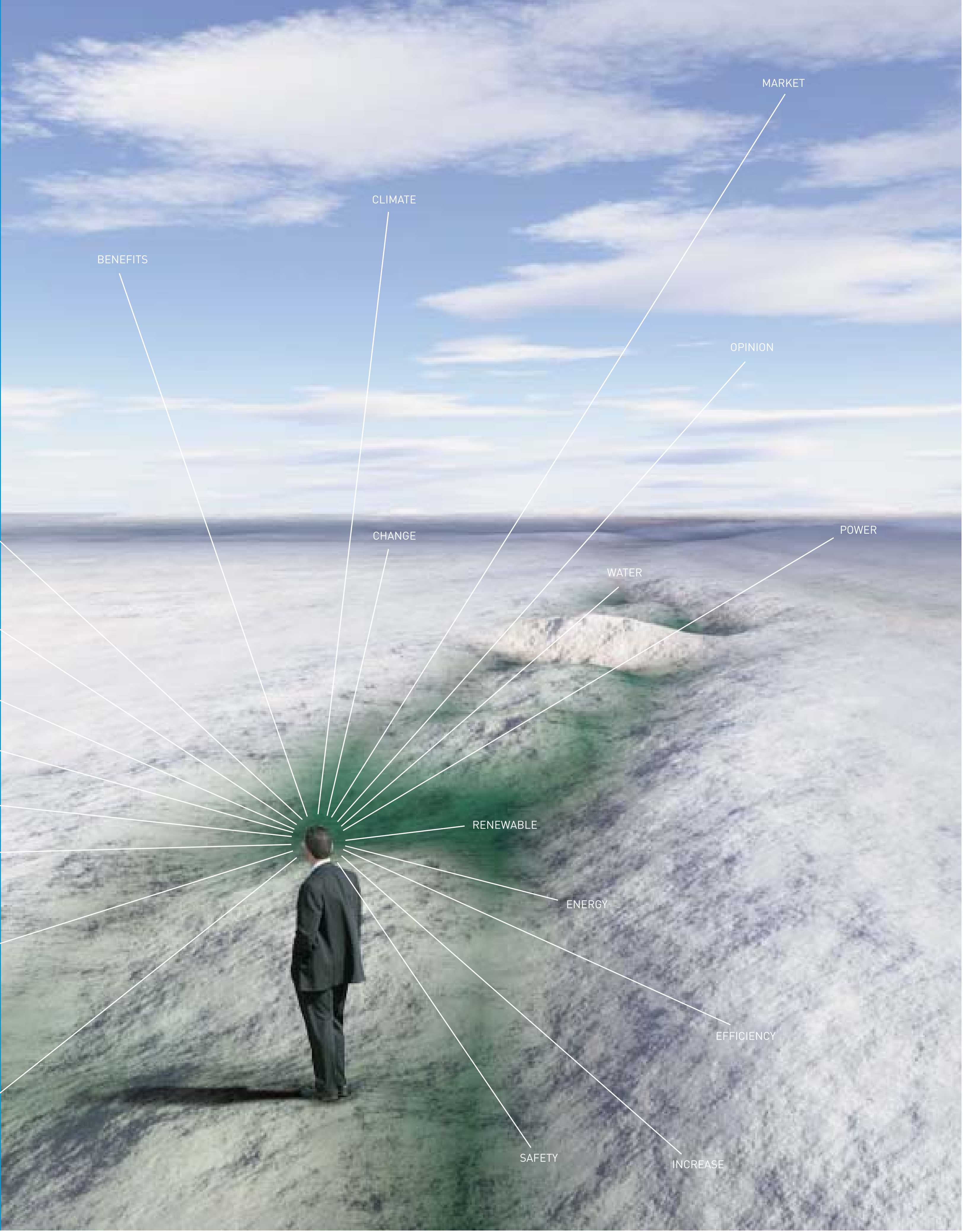
IMAGINATION

LOCAL

GLOBAL

TECHNOLOGY

HUMAN


MARKET
CLIMATE
BENEFITS
OPINION
CHANGE
POWER
WATER
RENEWABLE
ENERGY
EFFICIENCY
SAFETY
INCREASE

SHARE

STOCK-SPECIFIC FIGURES

	UNIT	2007	2006	2005	2004
PEAK PRICE[1]	€	49.95	41.58	30.13	16.56
LOWEST PRICE[1]	€	31.21	30.05	16.39	9.29
CLOSING PRICE[1]	€	47.88	40.42	30.13	16.39
PERFORMANCE	%	18.46	34.15	83.83	77.00
MARKET CAPITALIZATION	MILLION €	14,756.62	12,457.44	9,286.07	5,051.40
WEIGHTING ATX	%	5.36	4.59	4.57	3.99
STOCK EXCHANGE TURNOVER	MILLION €	6,180.40	5,500.65	1,830.90	761.61
STOCK EXCHANGE TURNOVER/DAY[1]	UNITS	665,119	592,491	318,220	225,270
EARNINGS/SHARE[1]	€	1.88	1.63	1.13	0.76
CASH FLOW/SHARE[1]	€	2.62	2.45	2.21	1.42
BOOK VALUE/SHARE[1]	€	7.44	6.18	5.19	
P/E	X	25.48	24.86	26.59	21.45
PRICE/CASH FLOW	X	18.27	16.52	13.65	11.51
PRICE/CARRYING AMOUNT	X	5.52	5.43	4.87	3.16
DIVIDENDS[1]	€	0.90	0.75	0.50	0.30
DIVIDEND YIELD	%	1.88	1.86	1.66	1.83
PAY-OUT RATE	%	47.89	46.13	44.12	39.26
EV/EBITDA	X	15.28	14.39	15.75	12.88

[1] THE STOCK SPLIT OF 23 MAY 2006 IN THE RATIO OF 1 : 10 IS CONSIDERED

CAPITAL MARKET CALENDAR 2008

EVENT	DATE
ANNUAL RESULTS 2007	27. 02. 2008
PUBLICATION OF ANNUAL REPORT 2007	27. 02. 2008
ANNUAL GENERAL MEETING	26. 03. 2008
DIVIDEND EX-DAY	02. 04. 2008
DIVIDEND PAYOUT DAY	15. 04. 2008
INTERIM REPORT QUARTER 1/2008	22. 04. 2008
INTERIM REPORT QUARTERS 1–2/2008	28. 07. 2008
INTERIM REPORT QUARTERS 1–3/2008	21. 10. 2008

SHAREHOLDER STRUCTURE

%

	%
REPUBLIC OF AUSTRIA	51
EVN	> 10
WIENER STADTWERKE	> 10
TIWAG	> 5
FREE FLOAT	< 24

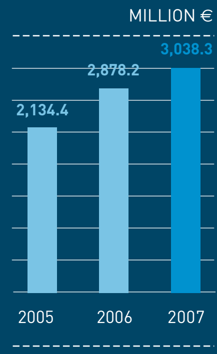
BASIC INFORMATION

SHARE CAPITAL (€)	308,200,000
SHARES	308,200,000
STOCK EXCHANGE LISTINGS	
VIENNA	877738
FRANKFURT	877738
BERLIN	877738
STUTTGART	877738
MUNICH	877738
LONDON	4661607
AMERICAN DEPOSITARY RECEIPT	OEZVY

INFORMATION SYSTEMS	
BLOOMBERG	VER AV
REUTERS	VERB.VI
ISIN	AT0000746409
RATING AGENCIES	
STANDARD & POOR'S	A
MOODY'S	A1

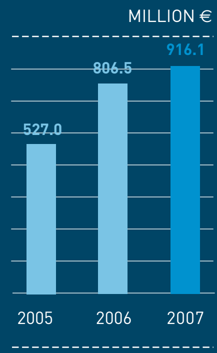
SALES REVENUES

+5.6%



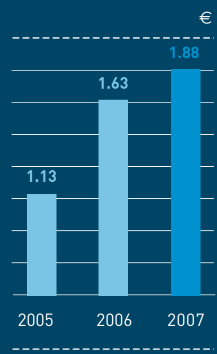
OPERATING RESULT

+13.6%



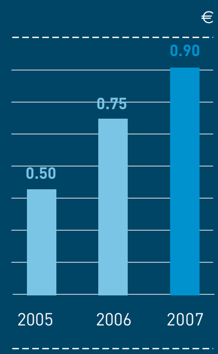
EARNINGS PER SHARE

+15.6%



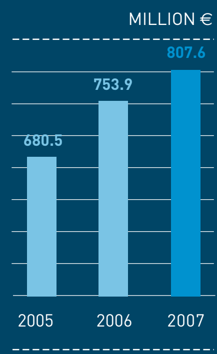
DIVIDEND PER SHARE

+20.0%



OPERATING CASHFLOW

+7.1%



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Human Energy.
The power of ideas
is the energy of the future
in competition for
the markets of tomorrow.

The idea marks the beginning of change. The imagination of the people at Verbund. It moves the company forward. And also motivates our company to master the challenges of the future with new energy.

Thought makes the difference. It gives our company an edge over its competitors. Competing for the best strategies. For the markets of tomorrow. Each change starts in the head. And that is just the beginning.

Action is decisive. The determination to tackle these tasks. The sustainability we practice today, which will bear fruit tomorrow and the day after tomorrow. With energy for the future.

DR. ULRIKE BAUMGARTNER-GABITZER
MEMBER OF THE MANAGING BOARD

DR. MICHAEL PISTAUER
CHAIRMAN OF THE BOARD

DR. JOHANN SEREINIG
DEPUTY CHAIRMAN OF THE BOARD

MAG. CHRISTIAN KERN
MEMBER OF THE MANAGING BOARD

HUMAN ENERGY

The growing momentum towards climate protection and increasing energy consumption represent just two of the challenges facing the energy industry in the future. Verbund took the initiative in 2007 and has set the course for the future development of the group with a new corporate strategy: The medium and long-term focus of the hydropower group lies on the enhanced utilization of renewable energy sources and sources with low CO_2 emissions as well as the further internationalization of the company. A total of € 6.7 billion will be invested in Europe by 2015.

The group is well positioned to meet these new challenges: In fiscal 2007, Verbund once again recorded a very good result in spite of the difficult conditions. Sales were up 5.6 % at € 3,038.3 million and the operating result rose by 13.6 % to € 916.1 million. The group result grew by 15.6 % to € 579.2 million.

This positive development is attributable, above all, to two factors: The »human energy« of our employees and Verbund electricity from renewable Austrian hydropower. The competence, professionalism, ability, expertise and imagination of the Verbund staff and the concentrated power of the water in the Verbund plants supplement each other in an excellent manner.

We would like to take this opportunity to thank all our employees and executives. Without their »human energy« we would not have achieved the pleasing operating result nor would we be able to refer to the excellent competitive position Verbund has achieved not only in Austria but also on the basis of a European comparison: Verbund is now one of the most profitable energy utilities in Europe. This is reflected in the performance of the Verbund share which improved by 18.5 % in 2007 in a very unfavorable environment.

The first half of 2007 was characterized by the extremely mild winter in Central Europe and the long dry periods in spring and early summer. Some of the rivers and streams in Austria displayed the lowest throughflow rate in decades. The water supply of the Austrian rivers did, however, improve significantly from autumn onwards and the hydro coefficient at the end of the year lay at 0.97.

In 2007, the European energy industry was marked by the full deregulation of the EU electricity market in the middle of the year. This led to the creation of a new market with almost half a billion consumers and no less than 20 million business customers. Verbund, the leading producer of electricity from renewable energy sources, is committed to making the best possible use of these new opportunities.

Another very good result achieved in 2007

Verbund is currently engaged in a massive expansion program in Turkey where the group is involved in the energy company »EnerjiSA«, a joint venture with the Sabanci-Holding. The company aims to increase generation capacities tenfold to 5,000 MW by 2015 and raise its share in the Turkish electricity market to at least 10 %. The energy sector in Turkey displays enormous growth potential: Electricity consumption is expected to quadruple by 2020.

In 2007, the Verbund shareholdings once again reported a growth in earnings. In Italy, Sorgenia topped up its interest in the generation subsidiary »Energia Italiana« to 78 % and also became the majority shareholder in SFE, the second largest wind power producer in France. In France, Poweo and Verbund are now the majority shareholders in a major project to erect a liquified natural gas terminal and regasification plant in Antifer near Le Havre.

Investments of € 6.7 billion planned for Europe

In the course of further internationalization, Verbund will also establish a new 100 % subsidiary: The activities of the foreign investments will be bundled in »Verbund International«. In addition to guaranteeing the value development of the shareholdings, this will also create the financial flexibility that is necessary to make optimal use of the new growth opportunities.

Verbund's position as the leading electricity utility in Austria was further strengthened last year. 50 major customers were acquired through the repurchase of the electricity distribution company Austrian Power Vertriebs GmbH (APC) and the market share in the end customer segment was increased to 6 %.

Other pleasing developments include the positive decisions issued by the authorities for the 380 kV Styria line, the construction of which commenced in late autumn, and the completion of the expansion project at Gerlos power plant, the new peakload power plant where output has now been increased threefold. The work on the expansion of the Kaprun power plant group through the construction of the pumped storage power plant Limberg II, which will more than double the capacity by 2012, is also progressing ahead of schedule.

In its role as one of the leading hydropower groups in Europe, Verbund will further enhance its focus on renewable energy in the future. The subsidiary VERBUND-Austrian Renewable Power GmbH (ARP), which aims to create new generation capacities of up to 400 MW in Austria and abroad by 2015, was founded specifically for this purpose. The company will also invest more heavily in the research and development of innovative energy technologies.

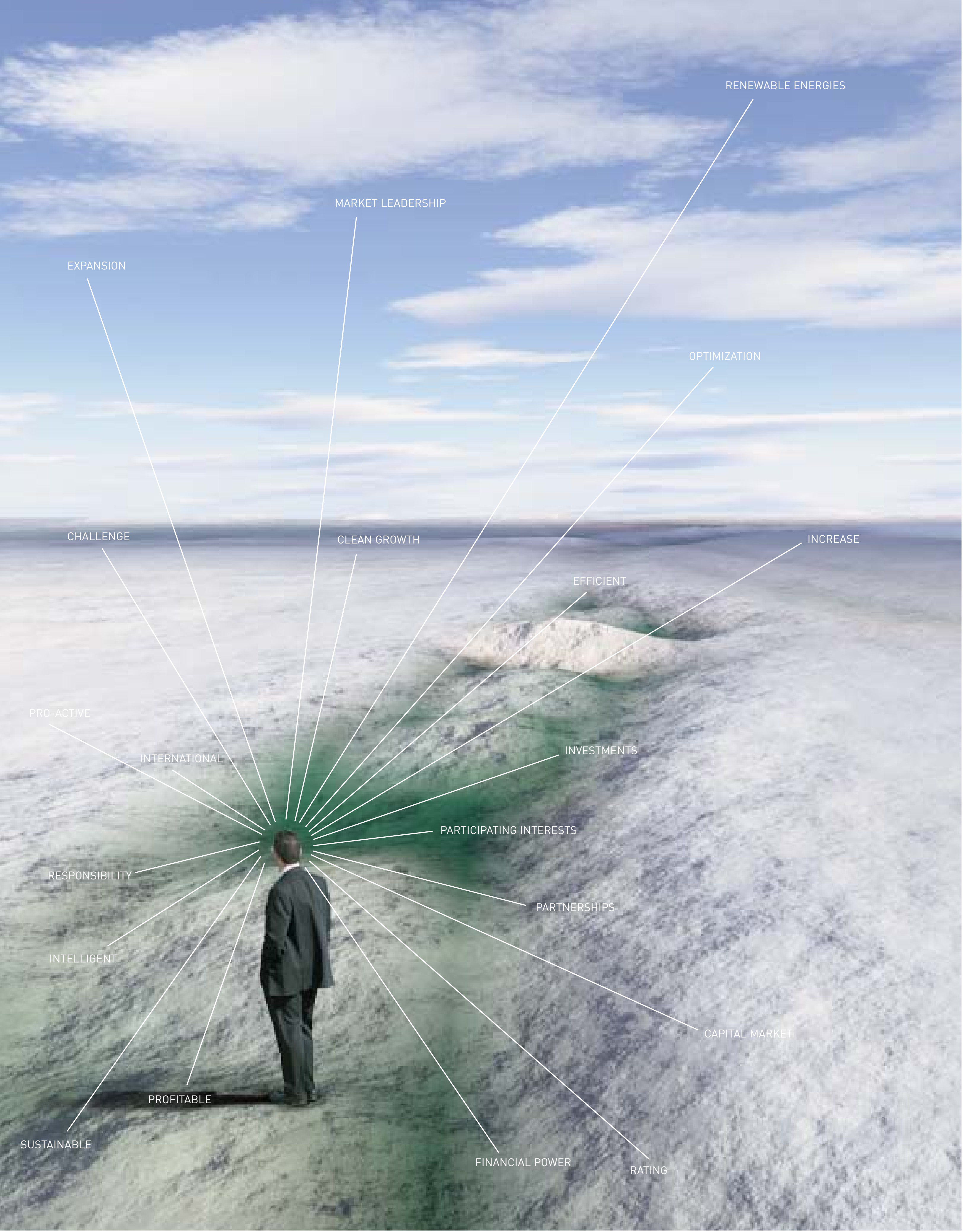
Verbund is well positioned for the future. We expect to see a further improvement in the ratios in 2008. The challenges we face are great but we believe we are well prepared. Together with our partners in Austria and abroad, we aim to create new electricity generation capacities of approx. 15,000 MW, whereby 8,000 MW can be allocated directly to Verbund. This corresponds to a 100 % increase to our current total power plant capacity.

In the coming years, the challenges for the energy industry and, in particular, the electricity industry will grow significantly at a global level. Dwindling resources and growing energy consumption are diametrically opposed concerns. Energy can not be supplied ad infinitum using the conventional system, and hence a change of paradigms would appear to be appropriate: The future of electricity supply can only lie in a complex system which focuses on enhanced energy efficiency and increased energy conservation. The implementation of such a system will require intensive interaction between conventional and decentralized, regenerative electricity systems. The new energy system must be driven by technological, economic and political innovations.

Verbund enhances commitment in renewable energies area

We are confident that Verbund will continue to transform its special strengths into success in the future.

DR. MICHAEL PISTAUER DR. JOHANN SEREINIG MAG. CHRISTIAN KERN DR. ULRIKE BAUMGARTNER-GABITZER


RENEWABLE ENERGIES
MARKET LEADERSHIP
EXPANSION
OPTIMIZATION
CHALLENGE
CLEAN GROWTH
INCREASE
EFFICIENT
PRO-ACTIVE
INTERNATIONAL
INVESTMENTS
PARTICIPATING INTERESTS
RESPONSIBILITY
PARTNERSHIPS
INTELLIGENT
CAPITAL MARKET
PROFITABLE
SUSTAINABLE
FINANCIAL POWER
RATING

STRATEGY

Verbund is one of the most profitable energy groups in Europe and the reason for this success remains unchanged: Verbund generates its electricity from regenerative hydropower in Austria. In fiscal 2007, the Verbund strategy continued to be a central focal point and the group's orientation towards the expansion of profitable industrial assets in Austria and defined target markets abroad was further enhanced.

Sustainability, responsibility and profitable international growth are still the most important values and targets of the Verbund Group. Austrian hydropower is still the main driving force behind Verbund – a challenging growth program for renewable energies in Europe is now being added as a new component.

The proactive development of the strategy compliments the successful growth of the past years: The restructuring of the group has been completed, the competitive reorientation of the group within the framework of the deregulation process was successful and the internationalization of Verbund with joint ventures in Italy, France and Turkey has been successfully introduced.

Verbund is excellently prepared to take on the new challenges that are currently being presented by the market such as the sustained price increases for primary energies, the debates on global climate change and a further intensification of consolidation within the European energy industry. Verbund's strong earning power, derived from the utilization of hydropower which is climate-neutral and immune to fuel costs, facilitates the implementation of long-term investment and expansion plans in Austria and abroad.

Verbund's competitive environment is shaped by the deregulation of the European energy market, a process which is, however, not progressing without contradictions. On the one hand, the EU strives to create competition among »equally positioned« suppliers. On the other hand, there is a strong desire – also on the basis of a global comparison – for competitive »European energy giants«. The market power of the major European energy suppliers is also a factor as are the efforts of the EU to unbundle the transmission grids from the energy generation companies in terms of ownership rights (ownership unbundling).

Political and social expectations – keywords here include »climate protection« and »fair prices« for energy –, the development of the generation capacities and, above all, the question relating to the long-term preservation of primary energy supply create a very strict framework for corporate actions. They do, however, – particularly for companies with Verbund's structure, size and flexibility – leave sufficient room for intelligent niche strategies.

In the coming years, Verbund's independence will be secured through the focus on investment policy. The central pillars of the strategic concept include the concentration on hydropower and other renewable sources of energy, the expansion of market leadership in Austria, a high level of profitability even in an intensive investment phase and the development of existing shareholdings and new foreign investments to secure the further growth of the group.

Verbund's investment program up to 2015 involves a total investment volume of € 6.7 billion. 60 % of these funds will flow into international growth projects in the expanded EU and the remaining 40 % is earmarked for the expansion of generation and the transmission grids in Austria.

MARKET LEADERSHIP IN AUSTRIA

The strengthening of the leading market position as an electricity producer in Austria is carried out under observance of strict profitability standards. In the main markets Austria and Germany, Verbund is pushing ahead with the further expansion and ongoing optimization of trading and sales. Up to € 3 billion should be invested in Austria alone by 2015. Generation will account for 60 % and the remaining 40 % will be used to expand the transmission grid. Hydropower and gas power plants will have an equal share of the investments in new generation capacities. The expansion of further regenerative energy sources will be another focal point.

The structure of the Austrian electricity industry is still essentially based on the federal structure of the country and significant, highly positive efficiency gains could be achieved through corporate consolidation. For this reason, Verbund will maintain the consolidation claim under its leadership and will also pursue this claim if the owners create the appropriate conditions and the participation of Verbund is required in the initial phase of Austrian consolidation.

Verbund warmly welcomes the European Commission's endeavors to harmonize and improve the deregulated electricity market Europe-wide and the important subgoal of promoting grid expansion through the creation of investment incentives. Given that the European market currently has to contend with congestion situations and is hindered in its further development, the cross border connection lines are of particular significance.

Verbund, however, is not convinced that the goals referred to above can be achieved through ownership unbundling, Verbund has played a pioneering role by consistently and comprehensively implementing legal unbundling as early as 1999 before it was made compulsory by the EU from 2006 on. The existing statutory framework for legal unbundling is sufficient provided that the concept is implemented consequently throughout Europe and adherence to the concept is effectively controlled. According to the legal opinion of Verbund, ownership unbundling is not consistent with the Austrian legal system nor is it in line with the relevant provisions – pertaining to ownership – of the EC Treaty.

EXPANSION IN EUROPEAN GROWTH MARKETS

Verbund will continue to grow within the expanded EU through the implementation of generation projects, participations and partnerships. The joint ventures in Italy, France and Turkey over the past years have formed a sound platform for further international growth.

Verbund's expansion strategy will focus not only on the further development of the existing participations but also on the growth region CEE/SEE (Central and South East Europe) where there is an enormous demand for efficient and environmentally friendly electricity production. Verbund will concentrate on power plant projects in countries that offer attractive market conditions but also a stable political, legal and economic environment for investments and partnerships. Verbund will primarily invest in generation from hydropower and other renewable energy sources as well as gas. The utilization of hard coal and brown coal – at all times adhering to the strictest environmental regulations – may be meaningful in individual countries as a supplementary measure to achieve the relevant market shares.

Verbund plans to invest up to € 2 billion in the CEE/SEE region. As in the previous international expansion steps, Verbund may enter into partnerships with regional partners or participate in international cooperations. The primary aim is to establish a market-critical generation and trading position in this growth region.

»CLEAN« GROWTH WITH RENEWABLE ENERGY

Verbund's growth program for renewable energies – extending beyond hydropower in Austria – aims to provide an additional 400 MW of generation capacity from regenerative energy sources in Europe by 2015 so as to make a significant contribution to the clean generation portfolio.

For this purpose, VERBUND-Austrian Renewable Power GmbH (ARP) was founded, which concentrates on all of Verbund's renewable energy-related activities in Austria and abroad that are not covered by the participations in Italy, France and Turkey. Wind power plants will be the central focus of attention supplemented with solar, biomass and biogas activities. A total of over € 300 million has been earmarked for acquisitions, cooperations and the development of projects in Austria and the expanded EU.

»VERBUND INTERNATIONAL« FOR THE OPTIMIZATION OF FOREIGN INVESTMENTS

In 2008, Verbund's existing investments in Italy, France and Turkey will be bundled under the roof of »Verbund International AG« (VI) and all future expansion projects within the expanded EU will be acquired and developed by this company. Verbund will continue to act as the strategic management holding of the group and will therefore retain its lean, group management structure.

Through the establishment of VI, Verbund has met all of the structural prerequisites for important strategic options and international partnerships. The implementation of these options via a capital increase at VI not only facilitates expansive growth but also enhances the financial power of the Verbund Group as a whole.

GOOD POSITION ON CAPITAL MARKET MUST BE RETAINED

Verbund's expansion program will be planned and implemented under consideration on the relevant capital costs (WACC) and the derived profitability requirements (ROIC) of the group. The retention of a stable A rating takes top priority and is a fundamental requirement for all growth steps. A stable A-rating will facilitate the retention of the group's strong internal financing power and will also allow the company to fall back on attractive financing possibilities on the international capital.

Attractive growth through investments and acquisitions in Austria and abroad, above-average profitability and a good standing on the capital market are vital components in the strategy of the Verbund Group as they pave the way for value creation and hence, value enhancement at an industrial level. Verbund's new strategy and the orientation of the group forms a solid platform for the achievement of these objectives.

SHARE

TURBULENT STOCK MARKET YEAR

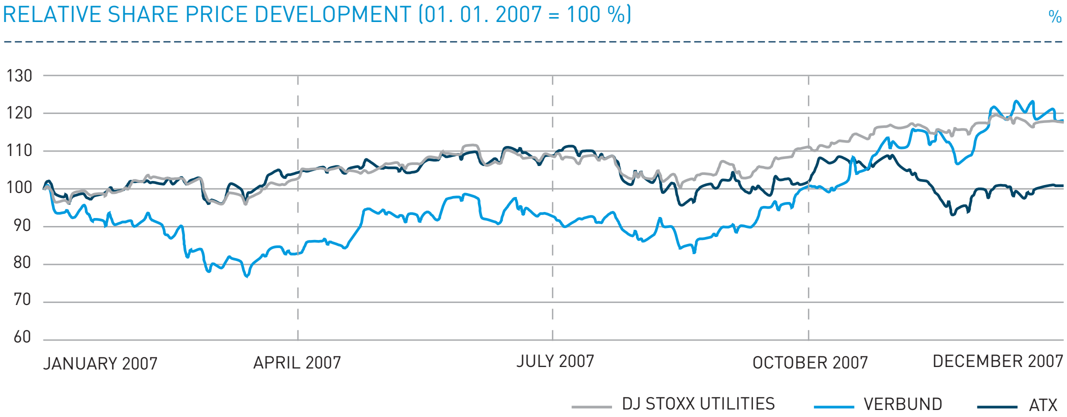
2007 was a turbulent stock market year. The international stock markets generally got off to a promising start in the new stock exchange year but the positive trend was interrupted for the first time at the end of February 2007 by a strong drop in the share prices. This negative price development was triggered by price corrections on the stock market in Shanghai resulting from fears that the Chinese government would introduce measures that would dampen the economy. Added to this was the growing concern relating to global economic development and the first signs of an increase in the delinquency rate for mortgage loans in the USA. Due to the positive company results and the numerous takeovers and mergers, the international stock markets quickly recovered from this setback. By mid-July, many stock market indices had achieved new records or at least recorded highs that had not been achieved for many years. Significant price losses were, however, recorded for the second time in all of the major stock markets between mid-July and mid-August. The losses are primarily attributable to the crisis on the US mortgage market (subprime crisis). As a consequence of the turbulence in the international financial markets, the US central bank slashed the federal funds rate and the European Central Bank ECB opted not to go ahead with the anticipated interest increase in September. The stock markets reacted with significant price gains – many indices once again recorded and, in some cases, exceeded all-year highs in

»In spite of the difficult and turbulent stock market year, the Verbund share was a top performer at the ATX with an annual performance of +18,5 %. Based on its long-term performance, the Verbund share is also one of the top stocks among the European electricity companies. This is a direct result of the confidence investors have in the future business development and strategy of the company.«

MAG. ANDREAS WOLLEIN
HEAD OF GROUP FINANCE AND INVESTOR RELATIONS

At Verbund, investor relations activities focus on providing analysts and investors with comprehensive and transparent information at the same time. In 2007, we further intensified and expanded our investor relations work.

RELATIVE SHARE PRICE DEVELOPMENT (01. 01. 2007 = 100 %)



the latter half of October. The share prices on the international stock markets dropped for the third time at the beginning of November. This is attributable to a number of factors: The true extent of the US mortgage crisis became clearer. News of the banks' massive amortization requirements was published almost on a daily basis. The high oil prices, which almost reached the $ 100/barrel mark on numerous occasions, also had a negative impact. The weak dollar also lead to a high level of uncertainty on the international financial markets. The markets did, however, manage to recover from this setback at the end of November and the majority of the stock markets recorded a slightly positive development in spite of the turbulence.

The New York stock index Dow Jones Industrial improved by 6.4 %. It therefore almost doubled the performance of the more broad-based S&P 500 Index thus reflecting the investors' preference for large caps. This preference on the part of the investors also boosted the Euro Stoxx 50 in 2007 which, with an increase of 6.8 %, outperformed most of the (West) European stock indices. Due to a particularly weak performance in the second half of the year, the Japanese stock index Nikkei 225 closed fiscal 2007 with a minus of 11.1 %. Reduced risk taking propensity had a much lesser impact on the emerging markets in 2007 than was the case with similar events in the past. The share prices on the Chinese markets as well as on the stock markets in the oil-exporting countries developed particularly well. The stock markets in the Central European countries had a good year with clear price gains in the first half of the year and a lateral movement in the second half of the year: The East European Index CECE improved – calculated in Euro – by 10.0 % in fiscal 2007.

PERFORMANCE ATX

+1,1%

The key index of the Vienna Stock Exchange, the ATX, once again recorded a slightly positive price performance with a plus of 1.1 %. Last but not least, the ATX could not match the performance of the Euro Stoxx 50 on account of the dominance of mid and small caps among the companies listed in Vienna. In the first half of the year, the Austrian stock market was boosted by positive economic and company data as well as by company takeovers. On 9 July 2007, the Vienna Stock Index closed at a new all-time high (4,981.87 points), but then dropped significantly in line with the international trend. The property stocks, which are not listed in the ATX but have heavyweight status in the Vienna Stock Exchange, were heavily affected. Their negative price development here had a negative impact on the general mood on the stock market. A negative news flow for individual stocks in the second half of the year also contributed to the erosion of profits that were made in the first six months of the year.

THE VERBUND SHARE

The Verbund share closed fiscal 006 at € 40.4 after a positive performance of 34.2 %. The share came under pressure at the beginning of the new trading year due to profit-taking and dropped to € 37.6

ANNUAL PERFORMANCE

+18.5%

within a few days. Following the publication of the best results in the company's history, the price of the Verbund share once again declined significantly – the annual result did not meet the expectations of the analysts. The price decline on the Shanghai Stock Market also had a burdening effect on the Verbund share. The share did, however, recover slightly by the end of the quarter and closed at € 33.6. This corresponds to a performance of –17.0 % in quarter 1/2007. In quarter 2/2007, the Verbund share recouped most of the losses from quarter 1/2007. This was mainly due to the results for quarter 1/2007 which exceeded the expectations of the analysts. The share price rose by over 10 % in the week in which the results were published. On 30 June 2007, the price lay at € 37.9. With a positive performance of 12.9 %, the Verbund share therefore developed ahead of the ATX and the DJ STOXX Utilities index in quarter 2/2007. The performance in the first half of the year lay at –6.3 %. After a lateral movement at the beginning of the third quarter, the Verbund share came under significant pressure between mid-July and mid-August as a result of the »subprime crisis«. The share did, however, recover very quickly with significant price gains, above all in September. On 30 September 2007, the share closed at exactly the same level that was recorded at the end of 2006, namely € 40.4. This corresponds to a performance of 6.7 % in quarter 3/2007. In quarter 4/2007, the Verbund share improved by a considerable 18.5 % in spite of the turbulence on the international financial markets. This massive increase is essentially attributable to the rising prices for primary energy sources – above all, coal and oil – and the corresponding increase in the wholesale prices for electricity. The good water supply in quarter 4/2007 also had a positive effect on the development of the share price. The share was also boosted by the positive reports from the investment banks who adjusted their forecasts for the electricity wholesale prices in line with the changed framework conditions. The analysts see »environmentally friendly producers« in a particularly favorable light. At the end of the year, the Verbund share closed at € 47.9 and achieved a positive performance of 18.5 % in fiscal 2007. The Verbund share therefore developed well ahead of the ATX and also outperformed the DJ STOXX Utilities index in 2007.

Verbund has a share capital of € 308,200,000, which is spread across a total of 308,200,000 shares. 51 % of the shares are owned by the Republic of Austria and the remaining 49 % are quoted on the stock exchange. Major shareholders include EVN AG and Wiener Stadtwerke Holding AG each with > 10 % and TIWAG-Tiroler Wasserkraft AG (TIWAG) with > 5 %. The remaining < 24 % are in free float.

SHAREHOLDER STRUCTURE REMAINS UNCHANGED

The Verbund share is quoted on the Vienna Stock Exchange. In addition, the share can also be purchased in Frankfurt, at the regional exchanges in Germany, in London and in the USA through an American Depositary Receipt.

SIGNIFICANT INCREASE IN SALES AND MARKET CAPITALIZATION

Stock exchange turnover in Verbund shares reached € 6,180.4 million. On average, 665,119 shares were traded every day. The total value of the company derived from its market capitalization amounted to € 14,756.6 million; its weighting at the ATX was 5.4 %.

SHAREHOLDER STRUCTURE

	%
REPUBLIC OF AUSTRIA	51
EVN	> 10
WIENER STADTWERKE	> 10
TIWAG	> 5
FREE FLOAT	< 24

DIVIDEND INCREASE PLANNED

On 26 March 2008 a dividend increase of 20 % from € 0.75/share to € 0.90/share for fiscal 2007 will be proposed to the General Meeting. Hence, Verbund will be increasing the dividend for the seventh time in succession. The pay-out ratio is 47.89 %. Based on the share price on 31 December 2007, the dividend yield comes to 1.88 %.

STOCK-SPECIFIC FIGURES

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EARNINGS/SHARE*	€	1.88	1.63	1.13	0.76
CASH FLOW/SHARE*	€	2.62	2.45	2.21	1.42
BOOK VALUE/SHARE*	€	8.68	7.44	6.18	5.19
P/E	X	25.48	24.86	26.59	21.4
PRICE/CASH FLOW	X	18.27	16.52	13.65	11.51
PRICE/BOOK VALUE	X	5.52	5.43	4.87	3.16
PROPOSED DIVIDEND/SHARE*	€	0.90	0.75	0.50	0.30
DIVIDEND YIELD	%	1.88	1.86	1.66	1.83
PAY-OUT-RATIO	%	47.89	46.13	44.12	39.26
EV/EBITDA	X	15.28	14.39	15.75	12.88

* THE STOCK SPLIT OF 23 MAY 2006 IN THE RATIO OF 1 : 10 IS CONSIDERED

INVESTOR RELATIONS

INVESTOR RELATIONS WORK INTENSIFIED

At Verbund, investor relations activities focus on providing analysts and investors with comprehensive and transparent information. In 2007, we further intensified and expanded our investor relations work. Within the framework of extensive roadshows in Europe and the USA, management communicated not only the excellent results but also the strategic positioning of the company. As in the past, the capital market honored Verbund's excellent positioning in the European electricity market. The analysts at the investment banks assessed the group very positively. The willingness of the investors to purchase the share remained unbroken and ultimately led to Verbund´s excellent share performance.

EXTENSIVE INTERNATIONAL RESEARCH

In addition to the research reports of the major investment banks and the rating reports of the agencies Moody´s und Standard & Poor´s, which are published on a regular basis, the Verbund share was also covered by Citigroup, the Capital Bank, Credit Suisse and Landsbanki Kepler in 2007.

The following investment banks regularly publish research reports on Verbund:

- Capital Bank (Martin Michalky)
- Credit Suisse (Christopher Kuplent)
- Erste Bank (Christoph Schultes)
- Landsbanki Kepler (Ingo Becker)
- Natixis Securities (Philippe Ourpatian)
- Raiffeisen Centrobank (Teresa Schinwald)
- Société Générale (John Honoré)
- Citigroup (Lauren Thorpe)
- Deutsche Bank (Roland Neuwirth)
- Goldman Sachs (Deborah Wilkens)
- Merrill Lynch (Simon Flowers)
- Oddo Securities (Grégory Deschamps)
- Sal. Oppenheim (Stephen Wulf)
- UniCredit (Harald Weghofer)


FRAMEWORK CONDITIONS
BUSSINESS
SECURITY OF SUPPLY
PROSPECTS
EUROPE
DEMAND
ENVIROMENT
DIRECTION
ORIENTATION


RESULTS
EXPENSES
RISK
INCOME
LONG-TERM
RESEARCH
FINANCING
DEVELOPMENT
EXPANSION
ACQUISITION
GOALS

MANAGEMENT REPORT

MARKET AND INDUSTRY

EUROPEAN ENVIRONMENT

The concentration process in the energy sector in Europe is continuing: The five largest energy suppliers of the EU 27 already have a market share of approx. 65 %. Experts believe that the consolidation process will continue for some time to come. This trend has resulted in a significant drop in competition, particularly in fragmented customer segments. For this reason, the member states of the European Union have committed themselves to creating more competition in the energy market. A central focal point here will be the unbundling of vertically integrated energy groups that own transmission grids and are also involved in production and distribution to end customers.

In March 2007, the EU introduced the three »20 % goals«. By 2020, greenhouse gas emissions should be reduced by 20 % compared to 1999, the share of renewable energies in the total energy mix should be increased to 20 % and energy efficiency should be improved by 20 %.

PRICES, DEMAND AND CAPACITIES

ELECTRICITY MARKET

The most important European stock markets for electricity trading are the German EEX, Nordpool for the Scandinavian countries, Powernext in France and the Italian GME. Germany, Austria, Switzerland, France and Belgium now form a homogeneous price zone.

The prices on Powernext developed at more or less the same rate as on the EEX, the leading stock exchange in continental Europe. The prices on Nordpool were slightly lower while the prices on the Italian GME were significantly higher. Based on the annual average for 2007, all stock markets did, however, record a drop in the spot market prices (base) compared to 2006 (EEX –25 %, Nordpool –25 %, Powernext –17 %, GME –7 %).

The massive decline in the prices for CO_2 certificates for the first allocation period and the mild weather conditions at the beginning of the year had a price damping effect on the spot market. In 2007, the maximum day rate for base spot prices lay at € 159.0/MWh. This is substantially lower than the value of € 301.5/MWh recorded in the previous year. The highest hourly rate was recorded on 15 November 2007 in hour 18 with a value of € 821.9/MWh. By comparison, the peak value on 7 November 2006 was € 2,436.6/MWh.

A similar price decline was not recorded on the futures market where the prices essentially underwent a lateral movement. In 2007, the average annual price for Base Front Year lay at € 55.8/MWh. This corresponds to an increase of 1.5 % compared to the previous year. The rates for Front Year Peak came to an average of € 79.3/MWh and were therefore approx. 2 % down on the value reported the previous year.

INCREASE IN PRIMARY ENERGY PRICES

For many years, the growing demand for oil worldwide has driven up oil prices: The boom in China has resulted in a massive increase in demand. Parallel to this, the numerous geopolitical risks – such as the

PRICE DEVELOPMENT CRUDE OIL US$/BBL

tensions between the West and the major oil producer Iran, the unrest and assassinations in Iraq and the rebel attacks on pump plants in Nigeria – have kept oil prices at a high level. Added to this is the fact that oil consumption is generally higher in the winter months.

In 2007, the price for a barrel of crude oil (Brent, ICE) climbed to USD 95.76/bbl (23 November 2007).

The natural gas prices on the futures market displayed a similar development to the crude oil prices in 2007. The effects of the mild winter were clearly noticeable on the spot market. The average price for natural gas (Zeebrügge) was down approx. 31 % on the value recorded in the previous year at € 14.95/MWh.

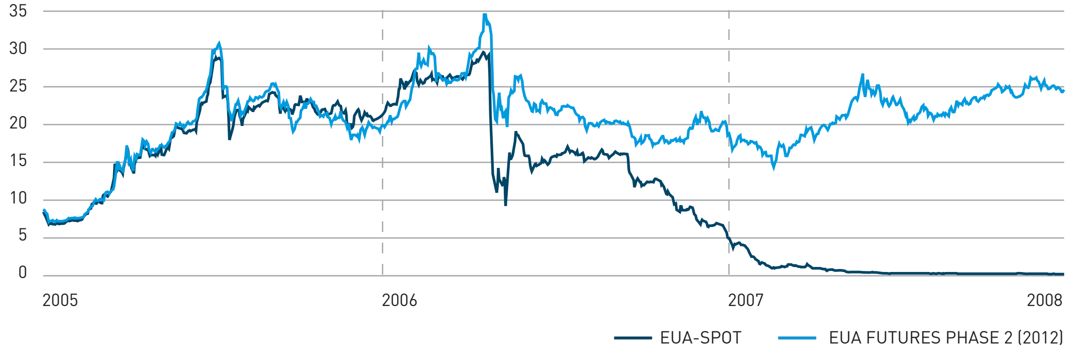
The prices for hard coal increased significantly. The spot market prices in dollar rose by 90 % compared to the end of 2006. This increase was attributable to the high demand from Asia and the low delivery amounts from Australia.

CO_2 MARKET

In the course of its first trading period from 2005 to 2007, the CO_2 market developed to become a significant factor on the energy markets. Second only to the primary energy prices, CO_2 trading is already an important determinant in terms of price formation for the electricity market.

The development of the prices for the European Union Allowances (EUA) was pretty turbulent in the first trading period. At the beginning of the period, mid-2005, the prices rose to just under € 30/t. At the end of the trading period, the price dropped by almost 100 % to € 0.02/t. On the last trading day of 2007, the certificates for the second trading period 2008–2012 lay at € 22/t (for 2008) and € 25/t (for 2012). The price development for the second trading period is attributable to the scarcity of free emission certificates. The national allocation plans provide for a significant reduction in the number of free state allocations from 2008 onwards.

CO_2-FUTURES €/EU ALLOWANCE



DEMAND FOR ELECTRICITY

According to E-Control, electricity consumption in Austria will continue to grow in the medium term. It is estimated that the demand for electricity will increase by 1.7 % per year up to 2016.

Consumption in the new EU states is expected to grow by up to 6 % on account of the economic development that is necessary in these countries.

In 2007, electricity sales in many European countries were, however, influenced by the mild weather conditions in winter 2006/2007. In Austria, consumption also dropped by 3.2 % in the first four months of 2007 but increases were once again recorded from May on.

REGULATORY MEASURES OF THE EU

In addition to the »20 % goals« referred to above, the European Commission examined the national allocation plans for the second trading period (2008 to 2012) in 2007 and introduced an average reduction of 6.4 %. The Austrian Allocation Plan II anticipated free CO_2 allocations in the amount of € 32.8 million t/year. The European Commission did, however, reduce this to € 30.7 million t/year (–7.6 %).

This results in a more difficult starting position for the Austrian electricity industry for the coming period 2008 to 2012. The Austrian electricity industry was allocated free emission certificates in the amount of € 7.7 million t/year. On the basis of the forecast emissions, the energy suppliers would, in accordance with the submitted NAP II, have had to achieve an annual reduction of 3.7 million tons. This figure has now risen to 4.2 million tons. Hence, the required reduction lies at over one-third of the current emission rate. By comparison, industry only has to achieve a reduction of 20 %.

WAVE OF CONSOLIDATION ROLLS ON

Consolidation at corporate level is still continuing in Europe. In 1999, the five largest utilities in the EU 27 accounted for 45 % of electricity sales. This share has now increased to approx. 65 %.

At the beginning of 2007, the Spanish company Iberdrola took over the British electricity supplier Scottish Power. In autumn 2007, the Italian company Enel and the diversified Spanish group Acciona acquired a share in the Spanish company Endesa after an acrimonious takeover battle with the German supplier E.ON which lasted for many months.

The latest merger between Gaz de France (GdF) and Suez, which was announced in September and involved negotiations that extended over one and a half years, is a clear reflection of the diversity super utilities will be aiming to achieve in the future. Companies such as these do not only focus solely on gas or on electricity but operate in both of these areas concurrently.

AUSTRIA

RENEWABLE ENERGY AND ENERGY EFFICIENCY

The government program published in January 2007 defines clear goals in the energy sector. The share of renewable energy in total energy consumption should increase to at least 25 % by 2010 and 45 % by 2020. In the area of electricity generation, the renewable share should be as high as 80 % by 2010. A master plan for the optimal utilization of hydropower should be drawn up.

Moreover, numerous measures will be implemented, e.g. an energy check in all Austrian households, to ensure that energy efficiency is also enhanced. The primary aim here is to increase the efficiency of the energy that is used by at least 5 % by 2010 and 20 % by 2020.

A new Eco-Electricity Act should boost electricity production using wind, the sun or biomass. By 2015, the share of electricity generated at eco-plants and small hydropower plants should be raised to 15 % of the total electricity volume that is sold to end customers. The draft amendment, which was submitted for appraisal at the end of November 2007, provides for an extension of the tariff periods to 15 years, as well as an increase in new annual subsidies from € 17 million to € 21 million. In addition, the binding key, which forms the basis for the division of funds among the individual technologies, should no longer apply. Photovoltaics, for which up to 10 % of the funds will still be made available, forms an exception here. The government bill will be presented at the beginning of 2008 at the end of the six-week appraisal period.

SECURITY OF SUPPLY

In Austria, an investment volume totaling approx. € 4 billion is planned for the construction, renovation or expansion of power plants until 2016. This will result in a 40 % increase in the installed output from 19 GW to just under 27 GW. Specifically, a total of 23 power plants with an overall capacity of 7.8 GW will be constructed (2.2 GW hydropower; 4.3 GW thermal power, primary gas; 1.3 GW renewable energy sources, above all wind and biomass).

In its Security of Supply Study of November 2007, the regulatory authority E-Control identifies a necessity for further power plant investments in the period after 2016 to ensure that security of supply can be maintained in the face of growing electricity consumption.

PROSPECTS FOR THE ENERGY MARKET

ECONOMIC FRAMEWORK CONDITIONS

The world economy was once again marked by strong expansion in 2007. The economic risks have, however, grown as a result of the US subprime crisis and the turbulence on the financial markets. A slowdown of economic growth was observed in the industrial countries. The emerging markets, on the other hand, continued to expand strongly.

In Europe, the basic economic trend remained solid but slightly weaker. According to the forecast of the EU Commission, real economic growth came to 2.9 % in the EU 27 and 2.6 % in the Euro-area. This economic growth was boosted, above all, by the lively investment activity. The industrial economy also remained robust.

According to WIFO, the Austrian economy grew by 3.4 % (real value) in 2007 and therefore once again developed well ahead of the Euro region and the EU 27. The dynamic economy was boosted by exports and includes investment in equipment and construction. The high growth level accelerated the increase in the number of people employed.

FOCUS ON RENEWABLE ENERGIES

Electricity generation from renewable energy sources was not only prioritized in the program of the Austrian government but is steadily growing in importance throughout the entire energy sector.

Wind power plants with a total output of 20,600 MW have already been constructed in Germany. This is greater than the total power plant output in Austria. Germany sees great potential, above all, in the offshore area and even plans to double the output. The Reference Scenario 2007 of the German Federal Ministry for the Environment, Environmental Protection and Reactor Safety assumes that renewable energy sources will have a 27 % share of the total electricity supply in 2020. A share in excess of 40 % could be achieved by 2030. In 2050, the share could be as high as 77 %.

Verbund is well positioned for this development. In 2007, the company generated 86 % of its electricity from hydropower and will invest in renewable energy projects via strategic partnerships and acquisitions in Austria and abroad. VERBUND-Austrian Renewable Power GmbH, which was founded in 2007, will play a leading role here.

BUSINESS DEVELOPMENT

HIGHLIGHTS

VERY GOOD RESULT GENERATED IN FISCAL 2007

In the conditions described above, the Verbund Group once again recorded a very good result in fiscal 2007. Sales revenue increased from € 2,872.2 million in 2006 to € 3,038.3 million. This corresponds to a growth of 5.6 %. The earnings ratios, which display a disproportionate improvement compared to sales, are particularly positive. The operating result rose by 13.6 % from € 806.5 million to € 916.1 million. The group result came to € 579.2 million after € 501.1 million in the previous year resulting in a growth rate of 15.6 %. In fiscal 2007, the Economic Value Added (EVA), the control-specific ratio for value creation within the Verbund Group, rose by 15.3 % to € 405.8 million.

INFLUENCING FACTORS

In 2007, the Verbund income statement was influenced, above all, by the following factors:

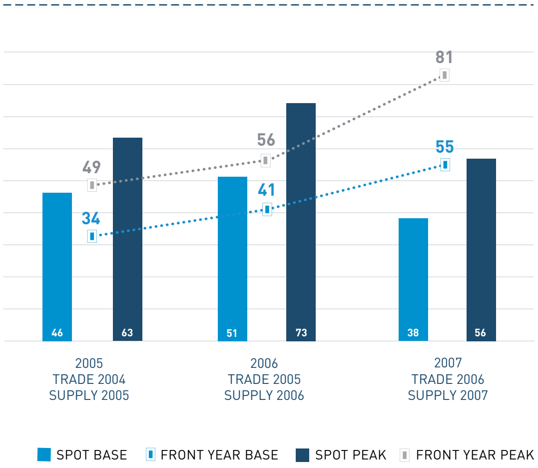
- Higher forward prices/lower spot market prices
- Water supply below the long-term average

HIGHER FORWARD PRICES/LOWER SPOT MARKET PRICES

Verbund managed to increase its average sales price in spite of the strong decline in the spot market prices. This is attributable to the consequent hedging strategy whereby approx. 60 % of the electricity that was generated was already sold in 2006 on a year-ahead basis for 2007.

The average prices for forward contracts base 2007 traded in 2006 came to € 55.0/MWh and were over 34 % higher than the level recorded in the previous year (€ 41.2/MWh). The average price for peak front year 2007 came to € 81.0/MWh in the trading year 2006 and was therefore 44 % higher than in the previous year (€ 56.3/MWh).

WHOLE SALE PRICES €/MWh



SOURCE: EUROPEAN ENERGY EXCHANGE

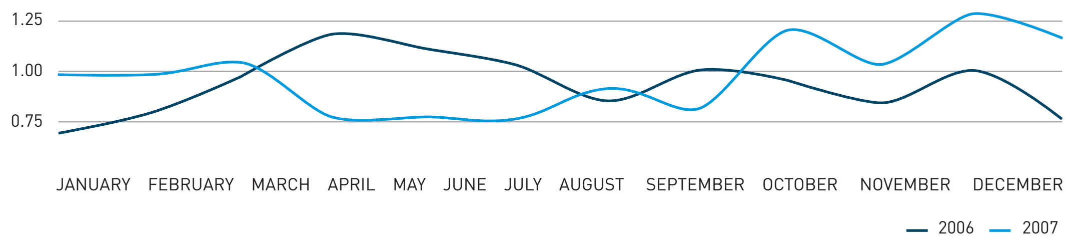
The spot market price level in 2007 did, however, decline sharply. The prices for base-load energy were 25 % (2007: € 38.0/MWh, 2006: € 50.8/ MWh) down on the average prices for 2006 and the prices for peak energy dropped by 23 % (2007: € 56.2/MWh; 2006: € 73.3/MWh). Quarter 1/2007 was marked by the mild weather conditions and the high utilization of the wind power plants. As a result, the spot market listings for base and peak supplies on the EEX in quarter 1/2007 were clearly below the level of the corresponding period the previous year.

Influenced by the drop in the prices for emission certificates, the prices also remained at a low level in quarters 2/2007 and 3/2007 before increasing significantly in quarter 4/2007. This increase is attributable to a cold spell combined with periods of very low wind. In addition, the supply situation was weakened by the closure of the German nuclear power plants Brunsbüttel, Krümmel and Biblis. The strikes in France also pushed up the prices.

WATER SUPPLY BELOW THE LONG-TERM AVERAGE

In 2007, the water supply from the rivers that are used to produce energy lay below the long-term average. Given that Verbund generates 86 % of its electricity in hydropower plants, this is an important factor that can influence the result. The hydro coefficient, which is used to measure the water supply, lay at 0.97 and was therefore 3 % below the long-term average of the last 30 years but 1 % higher than the value reported in 2006.

HYDRO COEFFICIENT



In 2007, the water supply developed as follows: Quarter 1/2007 was characterized by temperatures which were significantly higher than expected. Due to the immediate runoff effect, the hydro coefficient in quarter 1/2007 was higher than in normal years at 1.02. In quarter 2/2007, the hydro coefficient did, however, drop to 0.78 after the thaw in spring and early summer on account of the low snow volumes in winter and therefore lay under the level reported in a normal year. The high temperatures and the extreme drought in some regions in the summer months also resulted in below-average values. September was, however, characterized by massive precipitation and temperatures that were well below average. All in all, the water supply in quarter 3/2007 was slightly below average (hydro coefficient: 0.98). October and November were characterized by north-westerly weather conditions and high precipitation with values which, in individual cases, were up to 250 % above the forecast values. Precipitation levels varied considerably in December. In total, the water supply in quarter 4/2007 was well above average with a hydro coefficient of 1.18.

EARNINGS POSITION

CONSOLIDATED INCOME STATEMENT (SHORT VERSION) MILLION €

	2005	2006	2007	CHANGE
SALES REVENUE	2,134.4	2,878.2	3,038.3	5.6 %
OPERATING RESULT	527.0	806.5	916.1	13.6 %
GROUP RESULT	349.3	501.1	579.2	15.6 %
EARNINGS PER SHARE (€)	1.13	1.63	1.88	15.6 %

* THE STOCK SPLIT OF 23 MAY 2006 IN THE RATIO OF 1 : 10 IS CONSIDERED.

THE MOST IMPORTANT CALCULATION MODALITIES USED IN THE DETERMINATION OF THE RATIOS ARE EXPLAINED IN THE GLOSSARY.

SALES REVENUE INCREASED

The sales revenue of the Verbund Group was up 5.6 % at € 3,038.3 million compared to the previous year.

ELECTRICITY REVENUE

The higher contracted forward prices in previous periods led to an increase in revenue from electricity business in spite of the poor spot market prices. The slight increase in own generation compared to the previous year also had a positive effect on electricity revenue. Hydraulic generation increased by 467 GWh as a result of the increased utilization of the reservoirs but thermal generation dropped by 247 GWh. Specifically, electricity revenue increased by 7.2 % from € 2,535.8 million to € 2,718.0 million.

SALES REVENUE 2007

MILLION €

SALES REVENUE

+5.6%

ELECTRICITY SALES	2,718.0
GRID SALES	274.5
OTHER	44.9
EMISSION RIGHTS (SALES)	0.9

Electricity revenue from end customers (households, commercial enterprises as well as industrial enterprises and their trading companies) rose by € 54.6 million due to the repurchase of Austrian Power Vertriebs GmbH (APC). Sales to resellers increased by € 194.8 million. Electricity revenue from traders did, however, drop slightly.

The End Customer segment accounted for 10.9 % of the total revenue from electricity, the Resellers segment made a contribution of 40.7 % and the remaining 48.4 % came from the Traders segment. Over 63.0 % (previous year: 66.4 %) of electricity sales were generated abroad, particularly in Germany and France.

GRID REVENUE

Grid revenue rose by 2.3 % from € 268.2 million to € 274.5 million. This sales increase was achieved in spite of the tariff reductions for gross and net components and is essentially attributable to the increase in sales at cross border auctions as well as the tariff increases for loss components and system services. Compared to the previous year, the amount of energy transmitted over Verbund's 220/380 kV grid and relevant to clearing rose by 3.2 % to 19,029 GWh.

OTHER SALES REVENUE

Other sales revenue fell strongly due to the decline in the prices for emission certificates. Revenue from trading in emission certificates in the amount of € 0.9 million (previous year: € 31.4 million) is recognized under other sales revenue. This sales revenue was offset by the purchase of emission certificates in the amount of € 1.2 million (previous year € 30.8 million).

DECREASE IN OTHER OPERATING INCOME

Other operating income fell by 20.5 % to € 52.6 million. This is mainly attributable to the decrease in revenue from the sale of assets.

RISE IN ELECTRICITY PROCUREMENT COSTS

Electricity procurement costs rose by 3.4 % to € 1,378.2 million. This was largely influenced by the 4.9 % increase in the volume of electricity purchased as a result of the rise in sales. Own generation rose in the period under review by 0.8 % or 220 GWh due to the increased utilization of the reservoirs. The hydro coefficient lay at 0.97 and was therefore 3 % below the long-term average. The significant € 40.1 million rise in grid procurement to € 78.6 million is attributable to the growth in the end customer business of VERBUND-Austrian Power Sales GmbH (APS), which exceeded all expectations, and the reacquisition of Austrian Power Vertriebs GmbH (APC).

FUEL EXPENSES REMAIN STABLE

Use of fuels and expenses for other purchased services fell slightly by 0.2 % to € 98.6 million. The reduction in costs for the purchase of emission certificates was offset by the rise in expenditure for hard coal. The increased hard coal costs are attributable to the increase in generation at Dürnrohr power plant and the clear rise in coal prices. Thermal generation in 2007 dropped by 247 GWh compared to the previous year. This drop resulted from the closure of Voitsberg power plant in May 2006.

PAYROLL EXPENSES SIGNIFICANTLY REDUCED DUE TO FEWER ONE-OFF ACCOUNTING MEASURES

Payroll expenses, including severance payments and pension expenses, dropped by 5.2 % to € 262.0 million compared to the previous year. Although current payroll expenses rose by 5.7 % to € 219.8 million, the 38.4 % drop in severance payments and pension expenses to € 42.2 million had a positive effect. The adjustment of wages, salaries and related costs in line with the collective wage agreement while the number of employees remained more or less unchanged (2,441 employees; previous year: 2,438 employees) had a negative effect. The omission for the provision for the premium increase for supplementary health insurance shown in the previous year did, however, have a positive impact. In addition, the expense-increasing effect of the pension adjustment in line with the Consumer Price Index was compensated by the capital market oriented increase in the discount rate. The recalculation of the early retirement provisions under consideration of the »Heavy labor Regulation« led to a significant reduction in payroll expenses. The poorer performance of the pension fund did, however, have a burdening effect.

EXPENSES 2007

	%
ELECTRICITY AND GRID PURCHASES AS WELL AS EMISSION RIGHTS (TRADE)	67.0
USE OF FUELS AND EXPENSES FOR OTHER PURCHASED SERVICES	4.5
PAYROLL EXPENSES	12.1
DEPRECIATION AND AMORTIZATION	8.4
OTHER OPERATING EXPENSES	8.0

SIGNIFICANT REDUCTION IN OTHER OPERATING EXPENSES

Other operating expenses fell by € 9.4 million to € 173.2 million. This decline is mainly due to lower expenses for legal and consulting services and lower costs for power plant projects. Advertising expenses, on the other hand, increased slightly.

SIGNIFICANT RISE IN OPERATING RESULT

On the basis of the influencing factors and developments described above, the operating result increased by 13.6 % from € 806.5 million to € 916.1 million.

DEVELOPMENT OF OPERATING RESULT

MILLION €

2005	2006	2007
527.0	806.5	916.1

FINANCIAL RESULT IMPROVED DUE TO HIGHER EQUITY RESULTS

The financial result improved significantly from –€ 67.4 million to –€ 33.7 million.

The financing result improved by 3.2 % or € 3.5 million. The profit share attributable to the limited partners of VERBUND-Austrian Thermal Power GmbH & Co KG (ATP) (€ 41.3 million; previous year: € 47.3 million) was recognized as an interest expense under long-term financial obligations for the first time (see Accounting policies in the Notes). The declining result of ATP led to an improvement of the financing result in the amount of € 6.0 million. The bond interest payments were reduced slightly compared to the previous year. The bond repayments of the previous year were offset by the successful issue in June 2007 of a € 500 million bond with an interest rate of 5 %. The interest expenses at banks rose substantially due to new loans from the European Investment Bank (EIB) and the Oesterreichische Kontrollbank AG. The interest rate change for the impending losses of ATP had a positive effect. The financing result, adjusted for foreign currency effects and shares held by the limited partners, also improved slightly.

The result from participating interests improved significantly by 77.0 % to € 54.9 million. The result from participating interests accounted for using the equity method rose by € 28.6 million to € 51.8 million. This is attributable to the substantial increase in the results recorded by STEWEAG-STEG GmbH and the Sorgenia SpA Group. In addition, the costs shown last year in connection with the conversion of the KELAG Group to IFRS were omitted. The result of Poweo S.A., which is accounted for using the equity method, had a burdening effect on the result from participating interests.

The result from long-term investments improved by € 6.3 million. This increase is mainly attributable to higher income from higher securities investments and increased fund distributions.

The effective tax rate of 24.6 % (as compared to a corporate tax rate of 25 %) is largely due to the non-tax-effective investment income from the associated companies consolidated at equity which was offset by the non-tax-effective contributions of the limited partners of ATP GmbH & Co KG which were recognized in the financing result for the first time.

Minority interests in profit (without limited partners) increased by € 25.5 million to € 85.9 million due to the jump in earnings at VERBUND-Austrian Hydro Power AG (AHP).

BEST GROUP RESULT
IN COMPANY HISTORY

+15.6%

The group result in accordance with International Financial Reporting Standards (IFRS) (profit for the period, attributable to shareholders of the parent) improved by 15.6 % to € 579.2 million. The earnings per share increased to € 1.88.

DEVELOPMENT OF GROUP RESULT — MILLION €

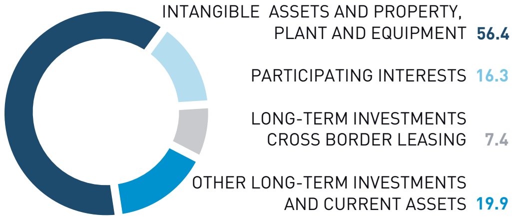
2005	2006	2007
349.3	501.1	579.2

FINANCIAL POSITION

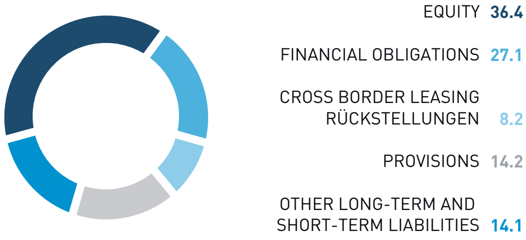
CONSOLIDATED BALANCE SHEET (SHORT VERSION) — MILLION €

	2006	SHARE	2007	SHARE
TOTAL ASSETS	6,440.2	100 %	7,339.8	100 %
NON-CURRENT ASSETS	5,874.4	91 %	6,323.3	86 %
CURRENT ASSETS	565.8	9 %	1,016.5	14 %
TOTAL EQUITY AND LIABILITIES	6,440.2	100 %	7,339.8	100 %
SHAREHOLDERS' EQUITY	2,292.7	36 %	2,674.6	37 %
LONG-TERM LIABILITIES	3,039.1	47 %	3,680.0	50 %
SHORT-TERM LIABILITIES	1,108.4	17 %	985.2	13 %

ASSETS 2007



LIABILITIES 2007 %



INCREASE IN NON-CURRENT ASSETS

Non-current assets were up € 448.9 million on the previous year at € 6,323.3 million. This is mainly due to the purchase of a 49.99 % interest in the Turkish electricity producer EnerjiSA Enerji Üretim A.S. on 31 May 2007. The purchase price of € 245.3 million is recognized under the interests accounted for using the equity method. In addition, capital increases in companies of the Poweo Group as well as the annual proceeds from holdings led to an improvement in interests accounted for using the equity method.

Investments in property, plant and equipment came to € 256.0 million and therefore lay significantly over the value recorded for depreciations. Long-term assets remained more or less unchanged compared to the previous year.

The € 450.7 million increase in current assets to € 1,016.5 million was essentially due to money market transactions and the significantly higher level of cash items.

SHAREHOLDERS´ EQUITY GREATLY STRENGTHENED

The shareholders´ equity increased by € 381.9 million to € 2,674.6 million. The equity ratio, following an adjustment for closed balance sheet items from cross border leasing transactions, came to 39.3 % after 39.2 % in 2006.

The capital shares (44.3 %) attributable to the limited partners of VERBUND-Austrian Thermal Power GmbH & Co KG (ATP) were recognized as liabilities under long-term financial obligations. The previous year's figures were adjusted.

RISE IN FINANCIAL OBLIGATIONS

The long and short-term financial obligations increased by € 634.4 million to € 1,981.9 million. On 25.06.07, a fixed-interest bond with a nominal value of € 500 million was issued by the fully consolidated VERBUND-International Finance B.V., the central financing company of the Verbund Group, at an issue price of 99.487. The bond is guaranteed by Verbundgesellschaft. The term is 7 years, the interest rate is 5.0 %. In addition, borrowings in the amount of € 544.2 million and repayments in the amount of € 430.9 million were carried out. Moreover, the capital and profit share attributable to the limited partners of ATP in the amount of € 125.7 million (previous year: € 107.6 million) was recognized under long-term financial obligations for the first time. Long-term and short-term provisions sank – essentially due to the decrease in provisions for taxes – by 7.2 % to € 1,041.3 million, financial obligations from cross border leasing dropped 6.7 % to € 604.6 million and other long and short-term liabilities increased by 5.9 % to € 367.2 million. In total, the long-and short-term financial liabilities increased by € 517.7 million to € 4,665.2 million.

RISE IN NET DEBT

Net debt increased by € 74.4 million to € 1,763.4 million on account of the rise in long-term financial obligations.

INTEREST-BEARING NET DEBT (SHORT VERSION)

MILLION €

	2005	2006	2007
LONG AND SHORT-TERM FINANCIAL OBLIGATIONS	1,244.8	1,239.9	1,856.3
FINANCIAL OBLIGATIONS FROM CROSS BORDER LEASING	1,100.7	610.1	568.3
CAPITAL SHARES REPAYABLE ON DEMAND	60.6	107.6	125.7
INTEREST-BEARING PROVISIONS	681.2	684.7	651.5
OTHER INTEREST-BEARING DEBT	43.8	61.6	67.2
INTEREST-BEARING GROSS DEBT	**3,131.1**	**2,704.0**	**3,268.8**
CASH AND CASH ITEMS	–29.7	–88.0	–330.1
SECURITIES AND LOANS	–237.8	–333.6	–371.8
SECURITIES AND LOANS – CROSS BORDER LEASING	–1,037.4	–580.3	–537.8
SHORT-TERM DEPOSITS	0.0	0.0	–245.8
OTHER	–8.8	–13.1	–19.8
INTEREST BEARING NET DEBT	**1,817.4**	**1,689.0**	**1,763.4**

FINANCIAL POSITION

CASH FLOW STATEMENT (SHORT VERSION)

MILLION €

	2005	2006	2007
OPERATING CASH FLOW	680.5	753.9	807.6
CASH FLOW FROM INVESTING ACTIVITIES	–83.2	–514.0	–646.6
CASH FLOW FROM FINANCING ACTIVITIES	–579.9	–181.5	81.1
CHANGES TO CASH AND CASH ITEMS	**17.4**	**58.3**	**242.2**
CASH AND CASH ITEMS AS OF 31.12.	29.7	88.0	330.1

OPERATING CASH FLOW INCREASED

The operating cash flow displayed a year-on-year increase of € 53.8 million to € 807.6 million. This increase was achieved as a result of the positive development in the electricity business in spite of the clear rise in income tax payments. The higher inflows from participating interests and lower sales tax payments also had a boosting effect.

The cash flow from investing activities changed by € 132.5 million to € 646.6 million. This resulted, above all, from the increase in long-term investments such as the acquisition of a 49.99 % interest in the Turkish electricity producer EnerjiSA Enerji Üretim A.S. and higher investments in the Poweo Group. Investment in property, plant and equipment rose by € 48.2 million.

The cash flow from financing activities changed by € 262.6 million to € 81.5 million. This is primarily attributable to the increase in borrowing and the issue of a € 500 million bond with an interest rate of 5 %. The term of the bond is 7 years. In addition, bond and loan repayments were reduced. The repayment of short-term borrowings did, however, increase significantly. Dividend distribution increased by € 121.0 million compared to the previous year.

IMPORTANT CONTROL-SPECIFIC RATIOS

The ratios of the Verbund Group underpin the excellent earnings trend and the solid balance sheet structure. The company is therefore well positioned to achieve further profitable and sustainable growth.

In computing ratios, Verbund eliminates the effects from cross-border leasing transactions, since this involves closed items on the asset and liabilities side of the balance sheet.

THE MOST IMPORTANT CALCULATION MODALITIES USED IN THE DETERMINATION OF THE RATIOS ARE EXPLAINED IN THE GLOSSARY.

IMPORTANT CONTROL-SPECIFIC RATIOS

	UNIT	2005	2006	2007
EBIT MARGIN	%	24.7	28.0	30.2
NET GEARING	%	95.4	73.7	65.9
ECONOMIC VALUE ADDED	MILLION €	201.8	351.9	405.8

EBIT MARGIN AMONG THE BEST IN EUROPE

The EBIT margin, the ratio of operating result to sales revenues, once again improved compared to the previous year. It increased from the very high level of 28.0 % to 30.2 %. This improvement resulted, above all, from the higher contributions from the electricity business. Verbund is therefore one of the top utilities in Europe.

NET GEARING STILL CLEARLY UNDER 100 %

Net gearing improved from 73.7 % to 65.9 % due to the slight increase in interest-bearing net debt parallel to an increase in shareholders' equity.

EVA CONTINUES STRONG UPWARD TREND

SEE ALSO »VALUE-BASED MANAGEMENT« PAGE 62

The EVA was improved by € 53.9 million to € 405.8 million and reflects the value increase that was targeted for the stakeholders. This ratio shows the overperformance that is generated after deduction of all cost items, including the risk-adjusted equity and borrowed capital costs (WACC group: 7.0 %).

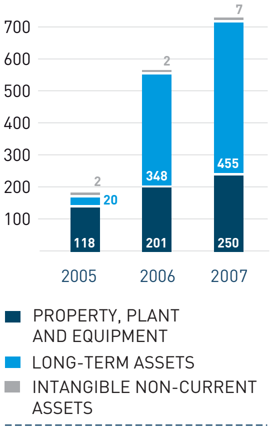
DIVIDEND AND DISTRIBUTION POLICY

The individual accounts of the listed Verbundgesellschaft, which are used as a basis for determining the amount that can be distributed to the shareholders, were prepared in accordance with the Austrian Commercial Code. The net profit for the year in accordance with the Austrian Commercial Code comes to € 333.1 million. The net profit after changes to reserves for the year comes to € 277.4 million.

A distribution in the amount of € 0.90 per share will therefore be proposed to the General Meeting. This corresponds to an increase of 20.0 % compared to the previous year.

In line with its distribution policy, Verbund is once again aiming at a payout ratio of 45–50 % of the group result, in spite of the fact that the level of investment will be increased significantly in the future.

INVESTMENTS MILLION €



INVESTMENTS

CLEAR INCREASE IN LONG-TERM INVESTMENTS

The investment volume totaled € 710.7 million and was therefore 28.9 % up on the value reported in the previous year. This increase is mainly attributable to higher investments in interests accounted for using the equity method and higher investments in property, plant and equipment. Of the total amount, € 256.0 million was invested in property, plant and equipment as well as in intangible assets and long-term investments accounted for € 454.7 million.

The largest investment in property, plant and equipment in 2007 related to the storage power plant Limberg II. A further significant increase in the investment volume is expected in the coming year.

INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT	MILLION €
POWER PLANT KAPRUN LIMBERG II	62.8
380 KV LINE KAINACHTAL SOUTH BURGENLAND	20.4
POWER PLANT GERLOS II	12.6
AUTOMATION OF HYDROPOWER PLANTS (AHP)	11.3
POWER PLANT WERFEN/PFARRWERFEN	10.3
POWER PLANT ASCHACH – REPLACEMENT OF MASTER MACHINES	8.6
POWER PLANT HIEFLAU – EXPANSION	8.5
SUBSTATION SARASDORF	7.2
POWER PLANT WALLSEE – LOCK SYSTEMS	7
220 KV LINE ERNSTHOFEN-BISAMBERG (RENOVATION)	6.1
POWER PLANT SALZA – DAM RENOVATION	4.3
380/110 KV RESERVE TRANSFORMER	3.6
SUBSTATION VIENNA-SOUTHEAST UBH-NEU	3.5
380 KV LINE TAUERN-PONGAU-SALZACH-ST.PETER	3.2
SUBSTATION VIENNA-SOUTHEAST – CONVERSION OF 380/220 KV SYSTEM TO REMOTE CONTROL	3
OTHERS WITH INDIVIDUAL AMOUNTS UNDER € 3 MILLION	77
TOTAL	249.4

FINANCIAL STRATEGY AND FINANCING

Verbund´s financial strategy is founded on five pillars:
- need-oriented, centralized group financing of the subsidiaries
- guaranteeing adequate liquidity reserves
- upholding a strong Single A rating
- maintaining extensive financial flexibility
- optimization of risk structure on the basis of predefined limits

In accordance with this strategy, Verbund introduced a number of measures which were continued in 2007.

CENTRAL GROUP FINANCING THROUGH VERBUND-INTERNATIONAL FINANCE B.V.

In January 2005, the financing company Verbund-International Finance B.V. (VIF) was founded in Amsterdam to centralize all of the medium and long-term financing of the Verbund group in an optimal manner. In the fiscal years 2005 and 2006, all existing loans of the Verbund subsidiaries were – to the extent that this was economically viable – transferred to VIF. In future, all medium and long-term financing for the Verbund Group will be carried out exclusively via VIF under the guarantee of the listed Verbundgesellschaft. The short-term equalization of funds between the subsidiaries of the Verbund Group will be carried out by VERBUND-Finanzierungsservice GmbH (VFG).

GUARANTEEING ADEQUATE LIQUIDITY RESERVES

Verbund has a high and stable inflow of funds from its day-to-day business activities. The maintenance of adequate liquidity reserves is a central element of the financial strategy. Due to its high credit rating, the Verbund Group has uncommitted credit lines with financial institutions in the amount of € 840 million. In addition, Verbund concluded a widely-spread syndicated loan in January 2005 in the amount of € 750 million. The term of this loan was extended by one year in January 2007 with the result that the loan is now available for another five years (up to 2012). The syndicated loan was concluded to provide the group with adequate liquidity reserves and extensive flexibility for future acquisitions. The syndicated load was not used in fiscal 2007.

Moreover, there are additional liquidity reserves in the securities and investment funds.

LONG-TERM GOAL: STRONG SINGLE A RATING

The financing costs of a company are determined on the basis of its credit rating. Companies with a higher credit rating have easier access to the international capital markets and broader possibilities for external borrowing and can therefore avail of better conditions when taking out loans. Safeguarding Verbund's high credit rating long term has now become even more important against the backdrop of the turbulence on the international capital markets triggered by the subprime crisis in America. The Verbund group communicates regularly and intensively with the rating agencies Standard &Poor's and Moody´s with the aim of upholding a strong Single A rating and negotiating the best financing terms on the international capital market. At present, Verbund has an A1/stable outlook rating from Moody´s and an A/stable outlook rating from Standard & Poor´s. The high credit rating of the company is reflected in its low financing costs.

OPTIMIZATION OF RISK STRUCTURE ON THE BASIS OF PREDEFINED LIMITS

The financing activities of Verbund were carried out in strict accordance with the guidelines of the Risk Management Treasury which has already received many awards. This Risk Management System, which is the subject of continuous improvement, is considered to be one of the most developed systems of its kind in the German-speaking territory.

KEY FINANCIAL RATIOS DISPLAY POSITIVE DEVELOPMENT

The key financial ratios displayed the following positive development.

KEY FINANCIAL RATIOS

	UNIT	2005	2006	2007
NET INTEREST EXPENSES INCL. CURRENCY EFFECTS	MILLION €	166.8	149.5	140.2
NET INTEREST EXPENSES EXCL. CURRENCY EFFECTS	MILLION €	160.4	143.9	140.1
GROSS INTEREST COVERAGE*	X	8.9	10.6	11.4
GROSS DEBT COVERAGE	%	35.9	43.7	35.7

*EXCLUDING CAPITAL SHARES REPAYABLE ON DEMAND

Interest expenses including exchange effects were lowered by 6.2 % to € 140.2 million in spite of the increase in borrowing. Over the last three years, Verbund has cleared debts in the total amount of € 1,100.4 million.

RATIOS RELEVANT FOR RATINGS AT HIGH LEVEL

In spite of the high level of borrowing, the gross interest coverage was increased to 11.4 X as a result of the improved cash flow. The gross debt coverage, however, which shows the adjusted operating result in relation to the interest-bearing gross debt, displayed a slightly negative development on account of the borrowings.

FINANCING STRUCTURE

As on 31 December 2007, the Verbund Group had long and short-term financial obligations in the amount of € 1,856.3 million[1] (previous year: € 1,239.9 million). The fair value of the financial obligations comes to € 1,858.2 million and shows that the Verbund Group is financed at a rate that is € 2.1 million less favorable than the current market conditions. 91.7 % of the financial obligations are in Euro and 8.3 % are in Japanese Yen. The average interest rate of the financial obligations is 4.2 %. The interest reaction rate shows that 76.2 % of the financial obligations have a fixed interest rate and 23.8 % are subject to a floating rate. The duration of the financial obligations portfolio is 2.8 years, the average remaining maturity is 5.1 years.

Details relating to the required information on IAS 32 and IAS 39 are provided in the notes.

[1] BALANCE SHEET VALUE EXCLUDING FINANCIAL OBLIGATIONS FROM CROSS BORDER LEASING AND EXCLUDING CAPITAL SHARES REPAYABLE ON DEMAND..

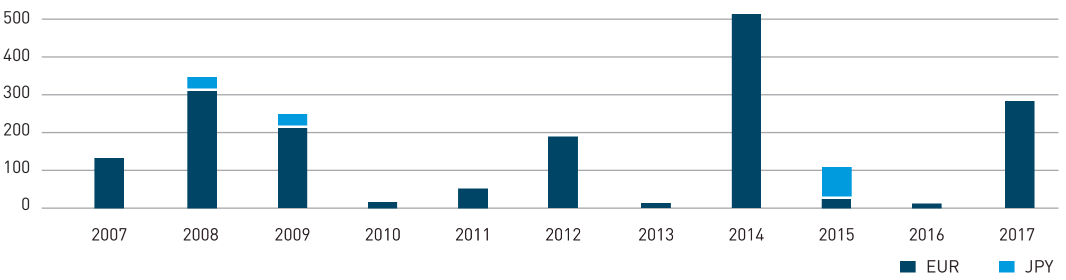
BORROWING ACTIVITIES

Financial obligations increased by € 616.5 million to € 1,856.3 million. This is mainly attributable to the borrowing that was necessary to finance the growing investments in power plants and the expansion of the foreign joint ventures.

On 27 March 2007, VIF took out a 10-year credit with the European Investment Bank (EIB) to finance the storage power plant Limberg II. The credit in the amount of € 200 million has a variable interest rate on the basis of the 6-month Euribor plus a margin of 9.9 basis points.

On 25 June 2007, VIF issued a € 500 million benchmark bond with an interest rate of 5 % and a term of 7 years. The bond was executed with a spread of 20 basis points above the 7-year mid-swap.

REPAYMENT STRUCTURE MILLION €



RESEARCH AND DEVELOPMENT

Research activities focused on application-oriented and innovative research projects with the ultimate aim of utilizing and implementing these projects at an operational level in Verbund's core areas. The R&D activities focus on the further development of plant, techniques, products and processes and also extend to ecological issues.

Many projects were implemented successfully in fiscal 2007. Some of the more pioneering projects include:

• The significant increase in electricity production at the Danube power plant Aschach through the utilization of optimized geometry in the recalculation of the turbine blades.

• Tests to further improve the traditionally high safety standards at the dams were carried out within the framework of an EU project.

• In addition to projects on climate change, for which there is a growing awareness among the public, Verbund also focused on future technologies in the area of energy storage as well as on ways of enhancing the efficiency of the transmission grid.

In 2007, a total of 58 innovative and application-oriented research projects were processed at Verbund. Of these, 21 were completed. The research projects have an overall project volume of € 29.1 million, with € 20.4 million of this amount coming directly from Verbund. In fiscal 2007, research expenses at Verbund amounted to € 9.0 million. Within the framework of European cooperation, Verbund currently participates in 9 EU projects.

In keeping with Verbund's open communication policy, three research forums entitled »Efficiency enhancement measures in the Danube power plant Aschach«, »Grids of the future« and »Architecture in Verbund« were held together with the VERENA research prize award.

OUTLOOK AND GOALS

POSITIVE OUTLOOK FOR 2008

Fiscal 2007 was once again a very good year for Verbund in spite of the difficult conditions, the below-average water supply and the strong decline in spot market prices. This is primarily the result of the successful hedging strategy for own generation volumes, Verbund's strong position in the Austrian electricity market and the highly diversified and internationalized trading and sales activities. Moreover, Verbund has established a sound basis for further growth through the successful expansion of its joint ventures in Italy, France and, more recently, Turkey. We expect that the positive business trend will continue in fiscal 2008.

EUROPEAN WHOLESALE PRICES AT A HIGH LEVEL

The wholesale prices for electricity in Europe rose significantly in quarter 4/2007. One of the main reasons for the rise in electricity prices is the recent sharp increase in the prices for the primary energy sources oil, gas and coal. At the beginning of 2008, strong demand and geopolitical uncertainties pushed the oil price across the magical 100 USD/bbl line. The gas price follows the oil price development with a time delay of some months. The coal prices in fiscal 2007 increased by approx. 90 % due to the high demand from China and India and transport bottlenecks worldwide. At this time there are no indicators for a significant drop in the prices for primary energy sources in 2008. This price-driving development in the Euro region is further cushioned by the weak USD.

In addition, the prices for CO_2 certificates for the second allocation period 2008–2012, which have settled at a level of between € 20 and € 25/t, will push up the production costs of the thermal electricity generating plants in Europe.

The strong increase in investment costs for new power plant facilities will also have a negative impact on the wholesale prices for electricity. The investment costs for a new gas or coal-fired power plant have increased dramatically in the last two years as a result of the strong global demand for new generation capacities. Due to the existing pressure to invest in new power plants, this development is not likely to change significantly in the short term.

At the end of 2007, the wholesale prices for electricity on the German forward market for fiscal 2008 therefore lay at over € 60/MWh for base load and at over € 80/MWh for peak load. The spot market prices at the beginning of 2008 also showed a significant improvement on the poor level recorded in quarters 2 and 3/2007. At the end of fiscal 2007, Verbund already sold 65 % of its own generation for 2008 at contract prices that were significantly higher than those achieved in 2007.

CO_2 EMISSIONS TRADING: HIGH PRICES FOR THE SECOND ALLOCATION PERIOD

Within the framework of the negotiations on the allocation of emission certificates, the European Union clearly signaled its intention to abide by the goal of reducing CO_2 emissions in Europe in a sustainable manner with a view to enhancing climate protection. For this reason, the European Commission massively reduced the national allocation plans of the member states for the second allocation period thus leading to a further reduction in emission certificates. This reduction subsequently led to an increase in the forward prices for CO_2 emission certificates for the second allocation period. The price corridor for CO_2 certificates, which have to be purchased by companies with too few certificates to cover their requirements, lay at between € 20 and €25/t.

PROFITABLE GROWTH THROUGH INVESTMENTS AND ACQUISITIONS IN EUROPE

In fiscal 2007, Verbund approved an investment program of € 6.7 billion up to 2015 for the expansion of generation capacities and electricity grids in Austria and abroad. Of this amount, approx 40 % will be invested in Austria and 60 % abroad. In Austria, priority will be given to the expansion of hydropower generation and the high voltage grid. Investments abroad will focus on the expansion of the existing joint ventures in Italy, France and Turkey as well as on new projects in the South East Europe. In future, these projects will be managed by a subsidiary of Verbundgesellschaft, Verbund International. In addition, Verbund has set aside funds for the further expansion of renewable energies, above all, wind power in Austria and Europe.

The planned investment program will be realized under observance of value-creating criteria. Within the Verbund Group, each potential investment or acquisition project is analyzed with regard to its value contribution and will only be implemented if it generates a return that is higher than the WACC. A WACC of 7 % was defined for the Verbund Group. The WACCs for the individual segments were adjusted on the basis of the value-added segment or the target country. The company's clear commitment to retaining its strong Single A rating represents another important criterion for the planned investments. The recent turbulence on the capital markets within the framework of the subprime crisis clearly showed how important an A rating is for each company.

FURTHER EXPANSION IN DOMESTIC END CUSTOMER MARKET

Verbund also plans to increase its share in the Austrian end customer market in fiscal 2008. Through its direct distribution company VERBUND-Austrian Power Sales GmbH (APS), Verbund has boosted competition in the end customer distribution area. At the end of 2007, 130,000 customers had already been acquired. To partly secure our own generation in Austria and win a higher market share in a customer segment that is less sensitive to prices, we plan to sell approx. 25 % of own generation to end customers in Austria and abroad in the medium term.

FURTHER EARNINGS AND DIVIDEND INCREASE PLANNED

In spite of the difficult environment, we exceeded the ambitious goals that were defined for sales, operating result, earnings per share, net gearing and economic value added in fiscal 2007.

Taking account of the current conditions and on the basis of an average water supply, we aim to achieve a further improvement in the results and key ratios in 2008. A further increase in the dividend distribution is also planned.


CUSTOMER SEGMENTS
FORWARD MARKET
IMPROVED EFFICIENCY
WHOLESALE
AUTOMATION
POWER PLANTS
INFRASTRUCTURE
SAFETY
SUPPLY
DIRECT DISTRIBUTION
HYDROPOWER
PRICE LEADERSHIP
PILOT PROJECTS


PRICE DEVELOPMENT
EXPANSION OF THE GRID
BACKBONE
AVAILABILITY
PARTICIPATING INTERESTS
INNOVATIONS
INTEGRATED

BUSINESS DIVISIONS

ELECTRICITY

Verbund generates 86 percent of its electricity from renewable hydropower. In addition, the company operates three state-of-the-art thermal power plants which reduce the environmental burden to a minimum.

RATIOS POWER PLANTS

	NUMBER	BC MW	SC GWh	2004 GWh	2005 GWh	2006 GWh	2007 GWh
HYDROPOWER PLANTS	87	5,967	21,685	21,978	21,816	20,836	21,406
THERMAL POWER PLANTS	9	1,850		4,891	4,223	4,233	3,986
PROCUREMENT RIGHTS HYDROPOWER PLANTS	20	590	3,030	2,984	2,972	3,017	2,915
TOTAL	**116**	**8,407**	**24,715**	**29,853**	**29,011**	**28,087**	**28,307**

The hydropower output of the group primarily comes from 66 run-of-river plants and 21 storage power plants as well as from procurement rights for the hydropower plants of Ennskraftwerke AG, the Österreichisch-Bayerische Kraftwerke AG, the Donaukraftwerke Jochenstein AG and E.ON Wasserkraft GmbH (a total of 20 run-of-river plants). In total, Verbund therefore has a bottleneck capacity (BC) of 6,557 MW and a standard capacity (SC) of 24,715 GWh from hydropower generation.

Generation is supplemented with output from three thermal power plants that have a bottleneck capacity of 815 MW. Six thermal power plants are currently shut down, taken off line or leased out. The thermal power plant park of Verbund is highly flexible and can generate base load or peak electricity in line with market demand.

Verbund conducts wholesale transactions in the European market by way of trading transactions on electricity exchanges and bilaterally with over 150 partners. The group is represented at the electricity exchanges in Vienna, Leipzig, Paris and Rome. In addition, Verbund supplies industrial companies and resellers in Europe. Subsidiaries in Germany , Slovenia, Hungary, the Czech Republic and Slovakia help to secure Verbund's market position. Verbund has entered into joint ventures in Italy, France, Greece and Turkey. Through its trading activities, Verbund optimizes power plant utilization and markets own generation in the best possible manner. Verbund is one of the leading electricity traders in Europe with a trading volume of approx. 102 GWh. This is more than one and a half times the amount of electricity that is physically consumed in Austria.

In mid-2005, Verbund commenced direct distribution to Austrian end customers with the aim of strengthening its market position in Austria and enhancing vertical integration. To date, approx. 130,000 customers have been acquired. Verbund is therefore by far the most successful »alternative« supplier in Austria. Convincing arguments for switching to Verbund include the price advantage and the »cleanness« of the electricity that is generated from renewable hydropower.

ECONOMIC DEVELOPMENT

RATIOS ELECTRICITY SEGMENT

	UNIT	2005	2006	2007	CHANGE
EXTERNAL SALES	MILLION €	1,871.9	2,595.4	2,743.1	5.7 %
EBITDA	MILLION €	608.6	885.5	1,008.3	13.9 %
EBIT	MILLION €	481.0	762.9	884.5	15.9 %
INVESTED CAPITAL	MILLION €	3,451.0	3,458.3	3,744.9	8.3 %
ROIC	%	12.4	20.0	21.4	7.0 %
INVESTMENTS	MILLION €	63.1	120.4	169.1	40.4 %

The sales revenue in the Electricity segment, which comprises electricity production, electricity trade and electricity distribution, rose by 5.7 % to € 2,743.1 million. This is attributable to sales expansions and the higher contract prices resulting from the increase in wholesale prices. The Electricity segment contributed approx. 90.3 % to consolidated sales.

The EBIT increased by 16.0 % to € 884.6 million. This was due to the benefits derived from the increased wholesale prices in market price indexed contracts parallel to a low cost level. The Electricity segment generated approx. 96.6 % of the group EBIT.

The return on capital employed (ROCE) was increased to 21.4 %. Invested capital rose by 8.3 % to € 3,744.9 million. As a result, profitability within the Electricity segment was improved once again.

INVESTMENTS

Investment in property, plant and equipment was up 40.5 % on the previous year at € 169.1 million. 67 % of the group's investments took place in the Electricity segment. The most important projects relating to generation from renewable energies area include the expansion of the storage power plant Gerlos II, the construction of the pumped-storage power plant Limberg II, the continued work on the replacement of the machine units in the Danube power plant Aschach, the construction of the run-of-river power plant Werfen/Pfarrwerfen on the Salzach, the automation of power plant and weir control on the Danube and the Drau as well as the expansion of Hieflau power plant.

The commissioning of the new machine unit in power plant Gerlos II in November 2007 marked the utilization of an innovative turbine which has a record efficiency level of 91.5 %. The output of the power plant was increased from 65 MW to 200 MW.

The new pumped-storage power plant Limberg II will more than double the output of the existing Kaprun storage power plants (currently 353 MW) without additional water requirements. Commissioning is planned for 2012. The power plant, which will have an output of 833 MW, will further improve the supply of peak electricity in Austria.

Work on the replacement of the machine units at the Danube power plant Aschach, which commenced in 2006, was continued. This project will increase the capacity of the power plant by 45 GWh or approx. four percent. The auditing of the machine units is carried out on an annual basis and will be completed in 2010.

The construction of a modern run-of-river power plant on the Salzach in Salzburg has been ongoing since 2006. The power plant, which is being constructed in cooperation with Salzburg AG, will have a generation capacity of 76.5 GWh. The new Werfen/Pfarrwerfen power plant, which will be the fifth

»We concentrate on locations that offer the best conditions for efficient electricity generation and will enhance our focus on the energy source natural gas in future with a view to further lowering CO_2 emissions. Top priority is also attached to climate protection, security of supply and efficiency enhancement in the area of thermal power.«

DR. OSWIN KOIS
MANAGING DIRECTOR

DIPL.-ING. ANTON SMOLAK
MANAGING DIRECTOR

VERBUND-Austrian Thermal Power Gmbh & Co KG (ATP) has nine thermal power plants and generates approx. 4 billion kWh of electricity. The company is also the second largest supplier of district heating in Austria.

hydropower plant along the middle section of the Salzach, will supply more than 22,000 households with electrical energy from renewable hydropower from March 2009.

The decision to expand the Styrian power plant Hieflau was taken in 2007. The expansion will result in an additional generation capacity of 108 GWh. Work should be completed in 2010. The expansion project involves the construction of a second pressure tunnel which will run parallel to the existing tunnel.

The automation of the control centers on the Danube, the Drau as well as in the Styrian power plants will greatly enhance efficiency. 2007 also saw the opening of a central control station which monitors and controls all of the Verbund storage power plants in Austria. The centralized control stations for the run-of-river power plants on the Danube and the Styrian power plants will be completed in 2010. This will not only greatly improve the availability of the power plants but will also lead to a significant reduction in monitoring and controlling costs. The switchover from local to centralized control will take place during ongoing operations at the power plants.

The most important projects in the thermal power plant area included the planning and preliminary work for the Mellach and Klagenfurt power plants and the renovation work at Dürnrohr power plant.

The existing power plant structure in Mellach/Werndorf meets all the requirements for the construction of a new, state-of-the-art power plant. The new gas combined cycle power plant in Mellach, which has a capacity of 850 MW, will provide approx. 5 million kWh of electricity each year. The decoupling of up to 250 MW of district heating for the Greater Graz Region will further increase energy utilization. The environmental impact analysis received a positive decision in the second instance. The bidding procedure should be completed by mid-2008.

The process control technology in Dürnrohr power plant was completely replaced.

Productivity was further improved through investments and anticipative management. In 2002, an average of 9.5 GWh was produced per employee. In 2007, this value was increased to 16.5 GWh and hence, the goal of generating 30 GWh per employee in 2010 would appear to be realistic.

GENERATION

GENERATION — GWh

	2006	2007	CHANGE
HYDROPOWER	23,854	24,321	2.0 %
THERMAL POWER	4,233	3,986	–5.8 %
OWN GENERATION	**28,087**	**28,307**	**0.8 %**
EXTERNAL PROCUREMENT	27,385	28,731	4.9 %
GROUP GENERATION	**55,472**	**57,038**	**2.8 %**
FORWARD CONTRACTS	47,507	45,153	–5.0 %

The generation ratio of the river-of-river power plants came to 97 % of the long-term average and was therefore slightly up on the value recorded in the previous year. The inflows to the storage power plants merely came to 91 % of the long-term average.

In addition, pumping activities were reduced on account of the unfavorable price development. The high reservoir levels at the beginning of the year did, however, lead to a 7 % increase in generation at the annual storage power plants. Hence, generation at the hydropower plants was 2 % up on the previous year.

SALES

SALES (GWh)

	2006	2007	CHANGE
END CUSTOMERS	4,190	4,392	4.8 %
RESELLERS	22,911	24,799	8.2 %
TRADERS	26,264	25,959	–1.2 %
OWN CONSUMPTION	2,107	1,888	–10.4 %
GROUP CONSUMPTION	**55,472**	**57,038**	**2.8 %**
FORWARD CONTRACTS	47,507	45,153	–5.0 %

In mid-2005, prior to the publication of the half-yearly report, Verbund adjusted the accounting and valuation methods for external electricity trade/third party trading in compliance with the international reporting procedures in the energy sector. In accordance with the net value method under IAS 39, purchases and sales from standard forward contracts in third-party trading were netted out.

The appropriately adjusted electricity sales of the group including own consumption came to 57,038 GWh. Of this amount, 23,523 GWh was sold in Austria and 33,516 GWh was sold in Europe (excluding Austria). This corresponds to an increase of 2.8 percent. The customers of the Verbund Group are segmented into end customers, resellers and wholesalers.

The end customer business in Austria and abroad has a share of 7.7 % (4,392 GWh) in total sales and is growing steadily. This development is driven by the ongoing successes on the Austrian market and internationalization. The repurchase of Austrian Power Vertriebs GmbH (APC) from the Slovenian energy group Istrabenz in August 2007 also contributed to this development. Within the framework of

the repurchase, Verbund acquired approx. 50 industrial customers. APC was sold by Verbund in 2004. This was one of the conditions imposed by the EU cartel authority for the planned »Austrian Electricity Solution«. A total of 3.125 GWh was supplied to Austrian end customers whose number increased from approx. 60,000 to 130,000 in fiscal 2007.

A total of 24.799 GWh of electricity was sold to resellers. This is equivalent to an increase of 8.2 % compared to fiscal 2006. The volume of electricity sold to provincial companies in Austria remained more or less unchanged but the volume of electricity sold abroad, and particularly in France, was increased.

Sales to traders declined by 1.2 % to 25,959 GWh in 2007.

The reduced utilization of circulation pumps led to a 10.4 % drop in own consumption to 1,088 GWh in a period in which grid losses remain unchanged.

The regional sales structure shows – after netting out the forward trading business – that more than 50 % of the electricity that was produced by Verbund was sold outside of Austria. The foreign share (excluding own consumption) lies at 60.8 %.

Foreign sales were increased by a total of 2 %, whereby the largest increases were recorded in France. The largest volumes were sold in the German and French markets. This development clearly shows the immense importance of Verbund's value creation for markets outside of Austria.

A total of 23,523 GWh was sold in Austria in fiscal 2007. This corresponds to an increase of 4.0 %. The Austrian energy utilities had the largest share in domestic sales.

SALES PER COUNTRIES

GWh

	2006	2007
AUSTRIA	22,625	23,523
GERMANY	24,630	23,689
FRANCE	3,962	8,342
SLOVENIA	2,240	513
ITALY	1,499	436
OTHER	516	535
TOTAL	**55,472**	**57,038**

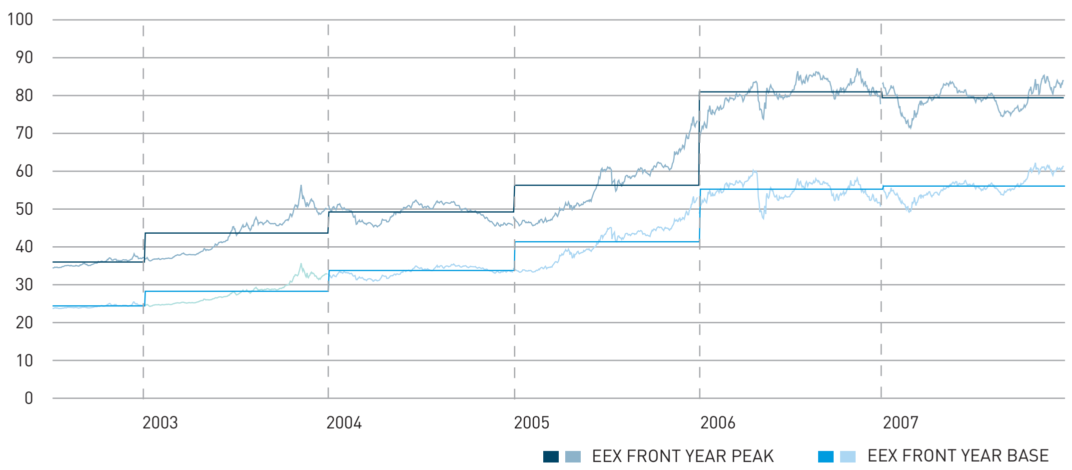
PRICES

The development of the electricity prices on the forward and spot market in 2007 was once again determined by the dwindling generation capacities, high prices for fossil primary energies and, above all, the drop in the prices for CO_2 emission certificates. In Germany, the higher share of wind energy was seen to have a price-influencing effect for the first time.

The average prices for forward contracts base 2007 traded in 2006 were over 34 % higher than the level recorded in the previous year. The spot market price level during the year did, however, drop significantly to € 37.99/MWh (–25.2 %). The low spot market prices for electricity, above all in quarters 1–3/ 2007, were mainly due to the low CO_2 spot market prices (fell by 95 % during the same period) and the poorer spot market prices for natural gas (approx. –10 %). The spot market price level did, however, stabilize in quarter 4/2007.

Strong price increases for hard coal, crude oil and oil products in general were recorded during 2007. The prices for hard coal were affected the most with an increase from approx. $ 67/t at the beginning of

DEVELOPMENT OF ELECTRICITY PRICES ON THE FORWARD MARKET



SOURCE: EUROPEAN ENERGY EXCHANGE

the year to approx. $ 127/t at the end of the year (+90 %). The price increases were caused by the strong rise in freight costs, infrastructural congestion (rail, ports, ships) and the high level of demand.

The prices for Brent crude oil increased from approx. $ 60/bbl at the beginning of the year to over $ 95/bbl at the end of the year (+58 %). This is mainly attributable to fact that the growth in demand did not lead to the anticipated increase in offers thus resulting in lower storage levels worldwide.

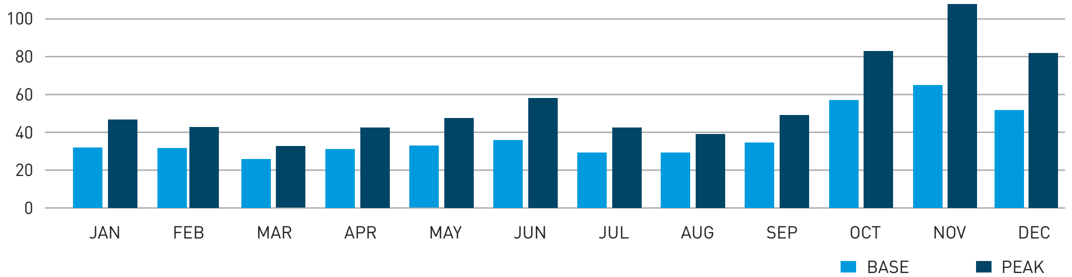
The average prices for natural gas remained at more or less the same level that was recorded last year. Here, increases were prevented by the mild winter in 2006/07 and the below-average price development.

In spite of the low spot market prices in 2007, the trading market for 2008 displayed significantly higher prices as the prices for CO_2 emission certificates for the second allocation period (2008–2012) have also stabilized at a price level of € 22/MWh. If the prices remain at this level, a massive increase in the spot market prices for electricity can also be expected in 2008.

OUTLOOK

Important challenges for 2008 in the generation area include the construction of the pumped-storage power plants Limberg II and Reißeck II, the continuation of construction work at the run-of-river power plant Werfen/Pfarrwerfen, the expansion of Hieflau power plant as well as the construction of two run-of-river power plants on the Mur to the north of Graz, the further automation of controlling of the Danube and Styrian power plants and the gradual replacement of the machine park at the Danube power plant Aschach.

DEVELOPMENT OF ELECTRICITY PRICES ON THE SPOT MARKET



SOURCE: EUROPEAN ENERGY EXCHANGE

The commencement of construction work for the gas-steam power plant in Mellach – planned for autumn 2008 – and the discussions and negotiations on the planned gas-steam power plant block in Klagenfurt will be in the limelight of the public eye. Both of these projects are milestones for the improvement of the energy infrastructure in Austria's southern provinces and significantly strengthen the generation position of the Verbund Group.

The challenges in the trade and distribution area lie in the creation of new marketing structures for additional generation capacities in Austria and abroad as well as the development of structures for gas trading which will be of great significance, above all, for the covering of primary energies.

The group aims to significantly increase its business with Austrian energy utilities. The number of Austrian end customers should be increased to 180,000.

The integration of the distribution subsidiary APC, which was repurchased from Istrabenz in August and the expansion and strengthening of Verbund's market position in Central, East and South East Europe will be the primary tasks of the group's distribution and trading subsidiaries. These companies aim to maintain price leadership, develop innovative products for industry and become established as the most profitable energy distribution companies in Austria.

To support its foreign strategy, the Verbund Group will make its experience and competencies available to its partners in Europe. Not least for this reason, it is vital that qualified personnel be recruited and trained and that junior executives, who can combine expertise with flexibility, be made available.

Further efficiency increases in production and maintenance and the retention of cost leadership are the long-term instruments that will safeguard Verbund's position as Europe's most profitable energy producer. Special market know-how and complex systems for the management of market risks are required

VERBUND-Austrian Power Sales GmbH (APS) is the direct distribution company of Verbund. It has been supplying hydroelectricity from own generation to Austrian households and commercial enterprises since 1 July 2005 and to industrial companies in Austria since the beginning of 2006.

MAG. JÜRGEN BORMANN
MANAGING DIRECTOR

MAG. DDR. KARL GOLLEGGER
MANAGING DIRECTOR

»In 2007, we more than doubled our customer base from 60,000 to 130,000 customers. We promote competition in the Austrian electricity market and distinguish ourselves through our innovative products and transparent price models. We aim to achieve a market share of over 10 % by 2010.«

to achieve sustainable, high-quality results in the presence of increasing volatility in the procurement and sales areas.

GRID

VERBUND-Austrian Power Grid AG, (APG) is the independent grid company of Verbund and operates the largest supra-regional transmission grid in Austria. APG is responsible for the operation, planning, maintenance and expansion of the 3,300-km-long grid which, being a high and extra-high voltage grid, accommodates three voltage levels namely, 110 kV, 220 kV and 380 kV. The lines extend over a length of approx. 6,500 kilometers (system length).

The transmission grid of the Verbund subsidiary forms the backbone of electricity supply in Austria. It allows electrical energy to be exchanged at a national and international level, guarantees a stable supply of electricity to the regional distribution grids and paves the way for participation in international electricity trade. The efficient operation of this grid in the deregulated electricity market is a prerequisite for flexible and profitable power plant utilization and also forms a basis for the safe, efficient and cost-effective transport of electricity in line with the statutory requirements. The 380 kV and 220 kV lines are a part of the pan-European UCTE grid which facilitated the creation of a European energy market.

The requirements for efficient and safe grid operations in Austria are growing enormously due to the expansion of electricity generation from renewable energies, the ongoing deregulation of the European market and the associated market orientation of the participants:

- Power plant utilization, which is controlled by demand and market prices, and increased trading activities lead to regional imbalances between electricity generation and consumption.
- The strong increase in generation from renewable wind power in Austria and Europe leads to fluctuations which require additional backup and balancing energy and frequently, the immediate utilization and transport of this energy. This further increases the technical requirements on the north-south lines in the Austrian transmission grid which are already massively overloaded and also creates organizational challenges with regard to power flow management.

ECONOMIC DEVELOPMENT

RATIOS GRID SEGMENT — MILLION €

	UNIT	2005	2006	2007	CHANGE
EXTERNAL SALES	MILLION €	255.0	274.7	285.4	3.9 %
EBITDA	MILLION €	115.6	117.9	115.8	–1.8 %
EBIT	MILLION €	70.1	68.3	62.2	–8.9 %
INVESTED CAPITAL	MILLION €	751.3	756.5	799.5	5.7 %
ROIC	%	8.1	7.3	6.6	–9.7 %
INVESTMENTS	MILLION €	47.2	73.7	76.0	3.1 %

In 2007, sales revenue in the Grid segment rose by 3.9 % to € 285.4 million. This increase is attributable to the growth in international income from auctions to Slovenia, Italy and Switzerland. Sales revenue from the Grid segment accounted for approx. 9.4 % of total sales.

The growth in sales revenue was overcompensated by the strong rise in expenses for electricity purchases and system utilization (secondary control) as well as the increase in depreciation and amortization. The EBIT only increased slightly by 8.9 % to € 62.2 million. The Grid segment generated approx. 6.8 % of the group EBIT.

The Return on Invested Capital (ROIC) dropped to 6.6 % on account of the decline in the result and the increase in invested capital.

In 2007, the regulator once again conducted a tariff investigation at APG. The arguments put forward by APG relating to the extensive investment plans and the difficult grid situation were acknowledged by the regulator: with effect from 1 January 2008, the tariffs for ancillary services will increase by 18 % and the tariffs for gross component will rise by 30 %. The net components will be reduced by 1 % and the tariffs for losses will be lowered by 14 %. Based on sales, this is equivalent to an average increase of 12 % for all tariff components.

The tariff increases were introduced to generate an appropriate return on the capital employed and provide a sound financial basis for the grid expansion.

INVESTMENTS IN 2007

Investments in intangible assets and property, plant and equipment came to approx. € 76.0 million in fiscal 2007. Compared to the previous year, this represents an increase in investment activity and thus a continuation of the strong upward trend of the previous years.

Important projects include the 380 kV Styria line (€ 20.4 million), the substation Sarasdorf (€ 7.2 million) as well as the continuation of the renovation work on the 220 kV line Ernsthofen – Bisamberg (€ 6.1 million). Investments that also bear mentioning here include the reconstruction of the substation Vienna-Southeast (€ 4.2 million), the construction of the new electricity grid control center (€ 3.6 million), a reserve transformer in substation Dürnrohr (€ 3.6 million), the improvement of the supply to Linz (€ 2.0 million) and the reconstruction of the substation Wallsee (€ 1.7 million).

Another focal point was the preliminary work for the construction of the 380 kV Salzburg line. The project Salzach neu – St. Peter is currently being examined by the environment tribunal, the authority in the second instance. The decision is expected in quarter 2/2008.

SECURITY OF SUPPLY AND CONGESTION MANAGEMENT

The utilization of the phase-shifting transformers installed in the previous year provisionally relieved the situation on the heavily burdened north-south lines. Were it not for the utilization of the phase-shifting transformers and the implementation of congestion management measures, the (n-1) limits would have been exceeded 63 % of the time in quarter 1/2007. In quarters 2 and 3/2007, the (n-1) safety limit was rarely exceeded due to the seasonal weather conditions and favorable load flows. This, however, can not be seen as a permanent solution to the problem. All of the necessary preparations for massive congestion management measures were once again taken for the winter season 2007/08.

The (n-1) criterion is a measure for security of supply that is obligatory at an international level. A grid meets this criterion when the failure of any part of the grid equipment does not lead to supply interruptions or a blackout. In the past years, it was not always possible to meet this criterion. In 2007, APG once again had to apply to the UCTE for special authorization to exceed the (n-1) safety limit and also had to extend this authorization.

The further expansion of the grid is vital to meet the (n-1) criterion and provide a safe and reliable electricity supply in line with the statutory requirements. The closure of the gap in the 380 kV ring in Salzburg and Styria is of particular significance in this respect. The most important milestones for the Verbund subsidiary APG in 2007 were the positive construction decisions for the Styria line. Construction commenced at the beginning of October 2007 after more than 20 years of preliminary work.

Positive decisions were issued for the Salzburg line Salzach neu-St. Peter but appeals were, however, lodged within the statutory timeframe. The decision from the authority in the second instance should be issued in quarter 2/2008.

EXPANSION OF THE GRID

All of the line sections constructed within the framework of the joint project between APG and Linz Strom GmbH and substation Pichling are fully operational since April 2007. As a result, one of the fastest growing economic regions in Austria can now be supplied with a sufficient amount of electrical energy.

Substation Sarasdorf – a joint project with the Lower Austrian EVN AG – was officially opened in November 2007. Following the completion of this substation, the surplus wind energy generated in the Vienna region can be fed into the high-voltage grid and used in consumption centers in the south of the country. As a result, wind power can now be used to generate renewable hydroelectricity at the large pumped storage power plants in the south. This is a good example of how renewable energies can be combined to increase energy efficiency and guarantee sustainable resource utilization.

The construction decision and the turning of the first sod for the erection of the electricity grid control center near Vienna took place in the middle of the year. This project can also be seen as an important milestone for Austria's largest transmission grid operator.

OUTLOOK

Corporate activity in 2008 will focus on the construction of the Styria line so that the gap in the 380 kV ring can finally be closed thus greatly improving security of supply. This project should be completed by mid-2009. The Verbund subsidiary APG plans to invest a total of € 1,100 million in the expansion of the Austrian high and extra-high voltage grid in the period from 2007 to 2015. Complex official procedures and different regional planning regulations in the individual provinces may, however, lead to delays in the completion of the infrastructure which is so important for security of supply and competitive success.

»The largest milestones in fiscal 2007 were the positive construction decisions for the 380 kV Styria line. We can now proceed with the implementation of this important infrastructure project. This is an important step to guarantee long-term security of supply in Austria.«

DIPL.-ING. DR. HEINZ KAUPA
MEMBER OF THE MANAGING BOARD

MAG. THOMAS KARALL
MEMBER OF THE MANAGING BOARD

VERBUND-Austrian Power Grid AG (APG) operates the Austrian high-voltage grid and, in its role as control area manager of the largest domestic control zone, carries out supra-regional tasks.

In spite of the difficult grid situation, the independent grid company of Verbund already guarantees a functioning and non-discriminatory market place in accordance with the EU definitions. Hence, the claim of the EU that grid operators not only prevent competition from unfolding but also invest too little does not apply for APG. Verbund does not see any necessity for the proposed unbundling of the ownership structures between producers and operators (ownership unbundling) as these claims do not apply for the Austrian market. On the contrary: In 2007, Austria was once again a net importer of electricity. At peak times, two-thirds of Austria's electricity requirements are imported. Cross-border trading activities have multiplied since the commencement of deregulation. The goals defined by the EU relating to the availability of cross border capacities are not only met by APG but exceeded. The grid tariffs of the Verbund grid company APG – and this in spite of the unfavorable topographical conditions in Austria – are among the five cheapest within the EU.

The efficiency of the grid company of the Verbund Group is also substantiated by the fact that it has succeeded in playing a leading role in the load-flow based auctioning off of cross border capacities in Central and Eastern Europe. APG will continue to perform its bridgehead function in the structuring of the South European market. These goals, coupled with the maintenance and improvement of the transmission grid as well as the necessary efficiency-enhancement measures, require a higher level of investment. Given the present conditions, APG will aim at making further appropriate earnings contributions in the coming years and will also attempt to build up shareholders' equity to finance the investment activities.

PARTICIPATING INTERESTS

The participating interests of Verbund that are not fully consolidated are grouped in the Participating Interests segment. At present, 14 of Verbund's participating interests in Austria and abroad are consolidated at equity. The tasks of the Participating Interests segment extend from the integration of new interests, investment controlling, investment management and investment development by providing technical, economic and legal expertise for power plant projects to the development of participating interests abroad.

Among the most significant projects last year were the integration of the newly acquired Turkish interest EnerjiSA, the capital increase in the French company Poweo within the framework of a capital market transaction as well as the development of human and organizational resources for further international expansion.

Verbund plans to invest up to € 4 billion at international level up to 2015. The renaming and conversion of »VERBUND-BeteiligungsgmbH«, previously the controlling company for all participating interests in Austria and abroad, to »Verbund International AG« (VI) will create transparent structures in 2008 by separating domestic and foreign interests. Verbund's existing foreign interests in Italy, France and Turkey will be integrated into VI. All future growth projects within the enlarged EU will be undertaken and developed via VI. Options for capital increases will be created to realize even stronger international growth.

The result from participating interests in 2007 contains the results that were recorded in 2006 as the audited results for 2007 are not available at the publishing date of this report. In 2007, the result from participating interests came to € 54.9 million (+77.0 %) and hence, the growth trend of the previous years has been continued following the decline in 2006. The most significant contributions were accom-

RESULT FROM PARTICIPATING INTERESTS

+77%

plished by the Austrian companies STEWEAG-STEG GmbH (€ 29.1 million) and KELAG (€ 13.5 million) and the Italian Sorgenia Group (€ 15.5 million). The Poweo Group in France contributed –€ 7.8 million due to expansion and investment activities. The Turkish company EnerjiSA, acquired in 2007, will be included in the result from participating interests for the first time in 2008.

RESULT FROM PARTICIPATING INTERESTS

MILLION €

2005	2006	2007
47.0	31.0	54.9

DEVELOPMENT OF SELECTED PARTICIPATING INTERESTS

STEWEAG-STEG GMBH

STEWEAG-STEG GmbH (SSG) is the largest energy utility in Styria. The company engages in the generation, procurement, processing, transport and distribution of energy and energy carriers of all kinds and is also involved in electricity trading. Verbund holds a 34.6 % interest in SSG. The remaining 65.4 % is owned by Energie Steiermark AG.

In quarters 1–3/ 2007, the volume of energy sold declined slightly to 8,135 GWh (–1.8 %) compared to the previous year. Sales, on the other hand, increased to € 443.4 million (+7.9 %) in the same period. This is attributable to the implementation of price increases. Profits after tax for quarters 1–3/2007 increased from € 36.6 million in 2006 to € 47.2 million (+29.1 %). This is mainly due to the improved result from participating interests amounting to € 22.5 million.

SSG and Verbund plan to build two new run-of-river plants in Gössendorf and Kalsdorf. The environmental impact analysis (EIA) for the two Mur power plants in the south of Graz is currently being carried out. A positive EIA decision in the first instance is expected at the beginning of 2008. With a total output of 34 MW, these power plants will supply 45,000 Styrian households with electricity. KELAG, the biggest energy utility in Carinthia, operates in the business segments Electricity and Natural Gas. The electricity and natural gas is distributed via the subsidiary KELAG Netz GmbH. The subsidiary Wärmebetriebe Gesellschaft m.b.H. (WBG) operates successfully all over Austria in the Heat segment. Verbund holds 35.1 % of the KELAG shares and is therefore the second-largest shareholder following Kärntner Energieholding Beteiligungs GmbH.

KELAG

In June, KELAG announced an investment and expansion campaign with the German energy group RWE. The companies intend to invest a total of €1 billion over the next ten years. One focal point is the optimization of existing power plants and the construction of a new power plant in Carinthia with an estimated investment volume of €400 to 600 million. A second expansion focus with an investment volume of € 400 million lies with WBG in the area of biomass and biogas, particularly in the South European region.

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KELAG purchased Österreichische Fernwärmegesellschaft mbH (ÖFWG), a former subsidiary of Esso Austria GmbH. The acquisition is subject to the antitrust approval of the Austrian Federal Competition Authority. ÖFWG operates approx. 400 central and district heating units in Austria. Every year, the company sells approx. 800 million kWh of heat and generates annual sales of approx. € 60 million with 100 employees. Through the acquisition of ÖFWG, KELAG has taken an important step towards implementing the growth strategy as defined by the owners.

ENERGIE KLAGENFURT GMBH

Energie Klagenfurt GmbH (EKG) generates transports, distributes and trades in electricity, district heating and gas. Stadtwerke Klagenfurt AG has a 51 % interest in Energie Klagenfurt and the remaining 49 % is owned by Verbund.

In quarters 1–3/2007, electricity sales displayed a slight increase on the budgeted amount to 430 GWh (+1.0 %) and district heating sales declined to 191 GWh (–22.0 %) as a result of the weather conditions. The weather conditions also brought about a drop in gas sales to 77 GWh (–19.4 %). Total sales at EKG therefore fell to € 68.5 million (–5.0 %). The result from ordinary activities, amounting to € 3.1 million, corresponds with the budgeted value.

EKG founded a subsidiary namely, Kraftwerkerrichtungs und -betriebs GmbH, to implement the gas-steam power plant Klagenfurt.

With the gas-steam power plant Klagenfurt, the public utility and Verbund are realizing a project that will secure the supply of electricity and heat to the city of Klagenfurt and the province of Carinthia in the long term. By replacing the old district heating plant and constructing the modern gas-steam power plant in the outskirts of the city, the companies are making a significant contribution towards the improvement of the air and fine dust situation in Klagenfurt. The project is currently undergoing an environmental impact analysis. EKG founded a subsidiary named Kraftwerkerrichtungs und -betriebs GmbH to implement the gas-steam power plant Klagenfurt. With this power plant, the public utility and Verbund are realizing a project that will secure the supply of electricity and heat to the city of Klagenfurt and the province of Carinthia in the long term.

The investment volume amounts to € 250 million. Upon completion, the plant will have an electrical output of 400 MW and a thermal output of 200 MW. In 2015, this will cover approx. 40 % of the electricity consumed in Carinthia or the electricity requirements of 240,000 households respectively. At present, 16,500 households are connected to the district heating network. This figure could rise to 25,000 in the future.

SORGENIA SPA

Sorgenia, a joint venture established with the Italian industry holding CIR (Gruppe De Benedetti) in 1999, is the fifth-largest energy group in Italy. Energia generates electricity and trades in electricity and gas. Verbund's share in Sorgenia SpA is held via Verbund Italia SpA and comes to approx. 38 %. Sorgenia has an indirect shareholding of 39 % (through the 78 % stake in Energia Italiana) in the generation company Tirreno Power SpA, which has an installed output in excess of 3,000 MW.

The Sorgenia Group has numerous subsidiaries that operate in the areas of electricity generation (thermal power plants, hydropower and other renewable energies), electricity and gas distribution, energy conservation and engineering. The group operates very successfully on the Italian market, which is fully deregulated since July 2007, and is characterized by a high price level on account of the dwindling generation capacities. The Sorgenia Group recorded sales of € 727.1 million in quarters 1–3/2007. This corresponds to an increase of 2.1 % compared to the previous year. Profits after tax increased from € 47.9 million to € 57.8 million and were therefore slightly up on the profits for the full year 2006.

The numerous investment projects that have been implemented by Sorgenia were continued according to plan. Followed by the completion of the 770 MW gas-steam power plant Termoli in 2006, the thermal power plant Modugno, which also has an installed output of 770 MW, will be commissioned in 2008. The construction of two further gas-steam power plants of the same size is about to commence. The focus in the renewable energy area lies on wind power plants which are already in operation or are still in the construction phase. In December 2007, Sorgenia acquired a 99.9 % interest in Societé Française d´Eoliennes (SFE), the second largest supplier of electrical energy from wind power in France with an installed wind power capacity of 100 MW and numerous approved wind and photovoltaic projects.

The approval procedure for the 12 billion m^3 LNG terminal Gioia Tauro in Calabria, a project in which Sorgenia and the energy supplier IRIDE equally participate and hold a combined share of 51 %, is now at an advanced stage. Financing for the LNG project has already been approved by the EU.

POWEO SA

Poweo SA, which is listed on Euronext, is the leading independent electricity and gas distribution company in France. Within the framework of the capital increase in Poweo and after exercising its conversion rights, Verbund increased its share from 20.6 to approx. 30 %.

As of 1 July 2007, the French electricity market was fully deregulated. The fact that household customers are from now on in the position to select freely an alternative electricity and gas supplier has opened up significant new market potential for Poweo. At the end of September, Poweo supplied approx. 87,800 customers.

In quarters 1–3/2007, Poweo generated sales in the amount of € 233.2 million. This corresponds to an increase of 40 % compared to quarters 1–3/2006. Due to the low wholesale prices in France, high mar-

»We will invest € 4 billion abroad up to 2015. The conversion of VERBUND-BeteiligungsgmbH to Verbund International AG creates clear structures and strategic options for even stronger international growth.«

DRS. ERIK REGTER
MANAGING DIRECTOR

MAG. GEORG LAUBER
MANAGING DIRECTOR

VERBUND-BeteiligungsgmbH (VBG) is responsible for the investment management of all non-consolidated Verbund companies. The investment portfolio contains successful companies in Austria and abroad. Energy is a core business area for most of these companies.

ket entry costs in the household market and project development costs for the expansion of the generation portfolio, the company, will, however, record a loss in fiscal 2007.

Poweo and Verbund jointly founded the generation company Poweo Production S.A.S. The Verbund Group holds a share of 40 %. The construction of the gas-steam power plant Pont sur Sambre commenced in February 2007. The plant should be commissioned in 2009 with an output of 412 MW. Further thermal power plants are currently in the planning and approval phase. In addition, Poweo is enhancing its generation portfolio with renewable energy projects.

In quarter 3/2007, Verbund acquired a 24.5 % share in the project development company Gaz de Normandie. The co-owners are Poweo S.A (34 %), E.ON Ruhrgas (24.5 %) and Compagnie Industrielle Maritime (17 %). Gaz de Normandie plans to erect a liquid gas terminal (LNG) near Le Havre. This terminal is expected to have a regasification capacity of 9 billion m^3 and an investment volume amounting to € 500–600 million. The construction decision will be taken in 2009 upon completion of a feasibility study and the necessary approval procedures.

ENERJISA ENERJI ÜRETIM A.S.

In May 2007, Verbund entered into a joint venture with the Turkish Sabanci Group. Both partners hold a 49.99 % interest in EnerjiSA Enerji Üretim A.S. Prior to the joint venture, the Sabanci Group was the majority shareholder. The partnership aims to win a minimum market share of 10 % in the Turkish electricity sector by 2015. To ensure that the required generation capacities are available, the installed output of the power plant park will be expanded to 5000 MW by 2015.

EnerjiSA currently operates four gas power plants with a total generation capacity of 370 MW and four hydropower plants with a combined output of 92.5 MW. The company holds licenses for ten additional hydropower plants with a capacity of 908 MW as well as a license for a brown coal-fired power plant with an output of 450 MW. The construction decision for the first two hydropower plants Hacininoglu and Kavsakbendi was issued in autumn 2007. These power plants should be completed and connected to the grid in 2011. The preliminary work for the construction of a 900 MW gas power plant in Bandirma has also commenced.

In quarters 1–3/2007, EnerjiSA sold 1816 GWh of electricity and approx. 710.6 thousand tons of steam and therefore achieved sales of € 165.4 million. Due to the fact that the participation was in the set-up phase, profits after tax in quarters 1–3/2007 only came to € 2.0 million. This result is expected to improve in quarter 4/2007.

EnerjiSA is positioned as an integrated supplier on the Turkish market. For this reason, EnerjiSA Enerjisi Toptan Satis A.S., a trade and wholesale company, was founded at the end of 2007. EnerjiSA will participate in the privatization of regional distribution grids, which is scheduled for 2008, to achieve natural hedging within the generation portfolio.

RENEWABLE ENERGY

FOUNDING OF VERBUND-AUSTRIAN RENEWABLE POWER GMBH (ARP)

In the future, Verbund will further enhance its responsibility as a producer of electricity using renewable energies. This is a main focus of the future strategic orientation of Verbund. Austrian Renewable Power GmbH (ARP), a wholly-owned subsidiary of Verbund, was established in quarter 4/2007 with a view to bundling competence, expertise and all activities. This company will create a portfolio of energy generation plants, vary from the development of greenfield projects to the acquisition of companies, and gain electricity from new renewable energy sources and small hydropower plants.

With a total investment volume of approx. € 800 million, ARP plans, partly in cooperation with partners, to purchase, construct and operate 400 MW of additional generation capacities from renewable energy sources by 2015. Apart from wind power, which has a growing share in the primary energy portfolio, ARP will focus on technologies that display promising long-term growth potential such as generation from small hydropower plants, photovoltaics, biomass and geothermy.

Funds have also been earmarked for innovative pilot projects, research cooperations and risk capital for new energy technologies. The acquisition and investment activities will not be restricted to Austria, but will be carried out all over Europe. The focus lies on the German-speaking region, Croatia, Greece and Romania. South East Europe will be included at a later stage. The Verbund subsidiary ARP will have to contend with a high level of competition as the European energy supply companies plan to invest up to € 50 billion in alternative renewable energies such as wind power, solar energy and biomass by 2011.

The group expects that the new subsidiary will act swiftly on the European market, improve the market profile as a »renewable« group and make a sustainable contribution to profitable growth within the group. The independence from raw material and emission costs will have a boosting effect.


TECHNOLOGY
BENEFITS
RESOURCES
COSTS
SENSE
CONSUMPTION
STAKEHOLDER
HOLISTIC
DIALOGUE
EMOTION
QUALIFICATION
VALUE ORIENTATION
SUSTAINABLE
RELIABLE
ECOLOGY
ENVIRONMENT
AWARENESS
ENERGY
ECONOMY
RENEWABLE

SUSTAINABILITY

Hydropower is one of the most environmentally friendly and reliable types of electricity production. Strategies and lines of action for the coming decades are therefore essential to ensure that hydropower can also be used as an environmentally friendly source of energy in the future. Since it was founded, Verbund has therefore been committed to sustainable action in all corporate activities.

Sustainability is the combination of economic actions and ecological as well as social aspects and is an integral part of Verbund's corporate philosophy. Since 2002, Verbund has documented all matters relating to sustainability in an annual Sustainability Report.

Reporting is carried out in accordance with the international guidelines of the GRI (Global Reporting Initiative), the third generation (G3) of which was published in autumn 2006 and immediately implemented by Verbund – at GRI Level A+ – for the Sustainability Report 2006.

The GRI guidelines are continuously supplemented with the »sector supplements« which contain sector-specific reporting regulations. In spring 2007, Verbund participated in the feedback phase of the »Electric Utility Sector Supplements«. Verbund's experts examined the proposals for new indicators in

»Sustainability has formed an integral part of our corporate philosophy since the founding of the company. Our ecological balance sheets clearly show that environmentally friendly and socially responsible business practices yield rewards. We are proud of this performance.«

MAG. RENATE PRETSCHER
SUSTAINABILITY OFFICER

Verbund follows the sustainability definition of the Brundtland Commission and uses this definition as a basis for its corporate actions.
This means that Verbund pursues a corporate policy that respects ecological limits, ensures the efficient utilization of resources and, at the same time, strives to achieve social justice.

the electricity sector and commented on these proposals. In this way, the experience the group has gathered in the creation and calculation of meaningful ratios could be made available for this international standard.

INTENSIVE DIALOG WITH STAKEHOLDERS

Sustainable dialog with all stakeholder groups is a corporate principle at Verbund. The public is continuously informed about regional and supra-regional projects, e.g. by way of environmental declarations, via information offices and local events. Open communication with neighboring municipalities, the authorities and the media, which commences prior to the implementation of the projects, will be continued. This is the only way of establishing trust which paves the way for consensus-oriented dialog.

IMPLEMENTATION OF SUSTAINABILITY AT VERBUND

The Managing Board is directly responsible for sustainability within Verbund. It defines the sustainability goals and creates the necessary conditions for their implementation. All sustainability activities are coordinated by the sustainability officer.

Each employee at Verbund must act in a sustainable manner to ensure corporate success. One of the most important sustainability goals therefore focuses on anchoring the concept of sustainability in the minds of all employees. To this end, the Sustainability Report 2006 was presented to the employees at group headquarters in Vienna in July 2007. The participants had an opportunity to have a closer look at the work that is carried out in the sustainability area and become more familiar with projects and their contents. This personal dialogue with the sustainability team was rounded off with talks at locations in the provinces.

Today, investors attach growing importance to sustainable and integrated corporate activity. Hence, a sustainable corporate policy can also have a positive impact on the share price.

The Verbund share is represented in numerous sustainability funds.

CREATION OF AN ANTI-CORRUPTION GUIDELINE

As a growing international group, Verbund has established a clear position with regard to the prevention of corruption. This position is communicated internally and externally and the company is also in the process of creating its own anti-corruption guideline. In this way, the corporate practice that has been exercised over the last decades will now also be documented in written form.

In 2007, the principles against corruption and bribery were drawn up in cooperation with an external expert. The guideline will be communicated internally and externally and steps will be taken to ensure that the defined policies are also implemented, monitored and sanctioned.

SOCIAL COMMITMENT

As a company that is fully aware of its social responsibility, Verbund believes that it also has an obligation to become involved in social areas. In 1957, Verbund funded the construction of house »Schwalbennest« (»Swallow's Nest«) in the SOS Children's Village in Hinterbrühl and has been sponsoring it ever since. Since 1989, Verbund has been sponsoring the Hans Radl School for physically handicapped children which is located in the 18th District of Vienna. The annual financial contributions are used to provide education and therapeutic care in various projects.

Verbund also participates in the campaign »A Spark of Heat« which is organized by one of the major Austrian daily newspapers in cooperation with Caritas. Families who cannot afford the heating costs receive up to € 500 in financial support.

ENVIRONMENT

Verbund generates approx. 86 % of its electricity from hydropower. Hence, from the very beginning the practice of generating electricity from renewable hydropower has been a sustainable one. Environmental protection was systematically integrated into all corporate divisions in the 1970s. The Environmental Management System was integrated into general management at Verbund and is certified in accordance with EMAS and ISO 14001 at the production locations. Product audits have been carried out by external auditors each year since 1999. This guarantees customers that the product »hydroelectricity« is really generated from 100 % Austrian hydropower.

Environmental protection and landscape conservation are extensively considered in the planning phase of new construction projects. Existing run-of-river plants are equipped with fish ladders which facilitate the continuity of the waters – as is required in the Water Framework Directive – and allow the fish to migrate upstream. The fish ladders Villach, Spielfeld and Melk were completed in 2007.

In addition to the constructional measures, a number of management measures were also implemented last year, e.g. the continuation of the auditing/certification of power plant locations and grid groups. At the end of 2007, all the power plants of the power plant groups Lower Danube, Mur, Glockner-Kaprun incl. Salzach, the Drau run-of-river plants and the Wallsee-Mitterkirchen power plant, which belongs to the Upper Danube power plant group, had an Environmental Management System. The preliminary work is currently being carried out for the Malta power plant and the Head Office in Vienna. In the grid area, the Environmental Management System was introduced at the grid groups North and East.

Environmental accounting was introduced by Verbund a number of years ago to facilitate the recording and comparison of costs for environmentally-relevant measures. In the past years, the annual costs amounted to almost € 50 million.

Verbund's commitment to protecting the environment and its reporting on this theme has also been honored externally: Verbund's Sustainability Report 2006 once again received an award at the Austrian Sustainability Reporting Award – for the fourth year in succession.

EMPLOYEES

In 2007, Verbund had 2,441 employees. Salaried employees accounted for 95 % of the total workforce, waged workers for 1 % and apprentices for 4 %. The number of employees increased by 3 compared to the previous year. A total of 138 new employees were hired and a further 19 employees were integrated into the group's workforce within the framework of the Austrian Power VertriebsgmbH (APC) takeover thus balancing out the natural fluctuation. The average age of the employees is 44.5. Approx. 72 % of the employees are over 40 years of age.

The new personnel strategy conceived in 2007 with a time horizon of 2008 to 2012 supports the expansion of the group in the Austrian market as well as in the European markets and targeted measures will make an essential contribution to profitable growth in Austria and abroad. Verbund guarantees security of supply and efficient generation.

Work in the personnel area is based on the following values:
- Promotion of performance that is demanded by the company
- Fair and performance-oriented remuneration
- Objectivity and transparency
- Thoughts and actions in accordance with international standards
- Active promotion of women
- Commitment to social responsibility
- Personnel strategy as an integral part of the corporate strategy
- Personnel development

The performance-oriented salary model, which has been used in the electricity business and in the holding for a number of years already, serves as an incentive for all employees. The model is equipped with variable salary components that serve to enhance motivation and performance orientation. Transparent and comprehensible salary formation mechanisms guarantee fair remuneration for the employees. In the coming years, this successful salary model will be adopted by the other companies within the group.

Each company depends on the qualifications and expertise of its employees. Personnel development is therefore a central theme within the Verbund Group and is considered to be a long-term investment in the future of the company.

Human resources management focused on the promotion of high performers and junior management within the framework of the Talent Management program which was once again implemented in a consequent manner. In addition, the executive training program was restructured.

Focal points in 2007 included the continuation of the English language campaign with a view to promoting internationalism, an internal training concept for Controlling and the development of a three-stage training program relating to the energy market.

The energy-related training program aims to further strengthen Verbund's core competencies. Training on safety-related issues forms an essential part of the training and further education in the operating companies.

Female candidates are addressed directly in the job descriptions and further measures are planned. Our social responsibility is reflected in the socially compatible manner in which the necessary staff cuts are implemented.

On average, each Verbund employee claims approx. one training week every year. Approx. 87 % of all employees participated in training measures in 2007. The training investment per employee amounted to € 1,455.

TRAINING INVESTMENT PER EMPLOYEE €

2005	2006	2007
1,068	1,220	1,455

RISK MANAGEMENT

At Verbund, corporate risk management is an essential corporate management tool. Parallel to the identification and utilization of opportunities, risks must also be accepted with the ultimate aim of continuously enhancing corporate value.

Corporate risk management therefore aims to secure the income and financial situation of the group and identify existing and future success and growth potential. Corporate risk management has been executed at Verbund since 2001 to promote the early identification and evaluation of risks in a market which is growing in complexity.

TASKS

At Verbund, corporate risk management forms an integral part of the company´s organizational and operational structures. The essential focus lies on securing the permanent exchange of information on risk-relevant matters and the further development of risk management in all areas.

The risk management software which was implemented to optimize the risk management process throughout the group and further increase risk awareness is running to the full satisfaction of Verbund and therefore supports corporate risk assessment.

Other focal points in fiscal 2007 included the handling of projects risks, the integration of Verbund's participating interests as well as crisis management activities in individual group companies.

At Verbund, risk and opportunity are essentially viewed as a possibility of a negative or positive deviation from the corporate goals and ratios. The systematic risk management process begins with the regular identification of risks in the individual organizational units, subsidiaries and holdings. The individual risks that are ascertained are classified as main risks on the basis of a scoring procedure.

RISKS AND OPPORTUNITIES 2008

The main risks and opportunities are monitored continuously by the risk officers with regard to their quantification and modeling and a corporate risk ratio is determined on a quarterly basis. Modern risk tools and the most appropriate valuation methods (e.g. value at risk, sensitivity analysis, expert appraisals) are employed. Correlations derived using Monte Carlo Simulation are also considered in the aggregation process.

In line with standardized reporting, the Managing Board is informed of the results and subsequently reports to the Supervisory Board on the five most significant risks within the framework of a commercial report.

The calculated deviation (at a confidence level of 95 %) lies within a maximum range of +16 % (best case) and –18 % (worst case) from the group result before tax for 2008. The confidence level is 95 %.

The institutionalized risk reporting system not only serves as an early-warning system for Verbund but also creates a basis for the introduction and early execution of targeted control measures for risk management and limitation. For details relating to the financial instruments and their utilization, the focal points of risk management in the Finance, Electricity, Information Security and Grid segments and methods, please refer to the chapter »Risk/Risk Management« in the notes.

MAIN RISKS FOR 2008

VERBUND (ÖSTERREICHISCHE ELEKTRIZITÄTSWIRTSCHAFTS-AG)

FOREIGN CURRENCY RISK
Results primarily from financing in JPY. Risk minimization through hedging strategies, limits and monitoring.

INFORMATION RISK
Risk minimization through modern hardware and software.

PRICE RISKS FROM SECURITIES
Risk of fluctuation in securities held. Risk minimization through investment strategies, monitoring and quantification.

PERSONNEL RISK
Risks here include changes to the labor laws and absenteeism.

RATING RISK
Risk minimization through orientation towards appropriate capital structure and ongoing communication with rating agencies.

LAWSUIT/LEGAL RISKS
These include risks from legal proceedings. Risk minimization through constant monitoring.

INTEREST RATE RISK
Caused by changes in interest rates. Risk hedged through hedging strategies, limits and monitoring.

GENERATION

EIGENSTROM
This risk comprises the volume risk from the volatile water supply and the associated price risk. Risk minimization through analysis, water forecasts and long-term sales.

INVESTMENT RISK
Resulting from damages to plant and equipment. Risk minimization through optimized maintenance strategy and insurance.

FUEL RISK
Risk of loss resulting from changes in the raw material prices. Optimization through price forecasts, volume planning and hedging strategies.

TRADING/DISTRIBUTION

COUNTERPARTY CREDIT RISK
The risk that business partners cannot meet their obligations or cannot meet these by the due date. Risk minimization through function separation, internal scoring, limit system and monitoring.

PRICE RISK FROM ELECTRICITY PURCHASES
Risk of losses through price volatility in the electricity market. An internal rule book for electricity trading with function separation, responsibility assignment, limits (incl. VaR) has been compiled to monitor risks in this area Electricity forward transactions are also employed to minimize risks in this area.

TRANSMISSION

INVESTMENT RISK
Resulting from damages to plant and equipment. Risk minimization through optimized maintenance strategy and insurance.

LEGAL ENVIRONMENT
Risk of loss resulting from new legislation or legislative amendments.Minimization through monitoring and lobbying.

PARTICIPATING INTERESTS

INVESTMENT EXPOSURE
Resulting from fluctuations in the interest value, dividend or profit distribution and contingent liability risks or receivables. Risk minimization through identification, analysis, quantification and monitoring.

In 2006, a number of consulting companies already named Verbund as being a best-practice company on account of the high quality of its risk management system. To promote continuous improvement, Verbund also exchanges experience with other energy utilities and industrial companies at an international level.

SEE NOTES P. 120 »RISK MANAGEMENT«

Risk manuals and guidelines have been drawn up to create and secure the risk culture in Verbund. Training and workshops are carried out on a regular basis.

The risk situation for the Verbund Group did not change significantly in the period under review. As of 31 December 2007, no risks have been identified for fiscal 2008 which, either individually or in connection with other risks, could have a substance-endangering effect.

Within the framework of reporting in accordance with Point 80 of the Austrian Corporate Governance Code, the functionality of the risk management system was evaluated by auditors and found to be appropriate.

VALUE-BASED MANAGEMENT

Sustainable corporate value enhancement takes first priority in all decisions that are made within Verbund. For this reason, Economic Value Added (EVA) is a decisive indicator for all control measures as, in contrast to EBIT, cash flow or margin-oriented ratios, it also embraces the risk-adjusted capital costs and helps to prevent false allocations. EVA is used in all corporate divisions as a central control criterion.

A sustainable improvement in the corporate value is achieved when the return on invested capital (ROIC) exceeds the weighted average cost of capital (WACC).

The return on invested capital (ROIC) shows the company's overall yield and is the ratio of the net operating profit after tax (NOPAT) and after minorities to the average invested capital after minorities.

The NOPAT after minorities is defined as the operating profit before financing costs, including, however, the result from participating interests, and less income taxes and minorities.

The capital costs are determined by multiplying the invested capital after minorities (this being the sum of all interest-bearing capital items at carrying amounts) by the Weighted Average Cost of Capital.

The difference of ROIC and WACC equals the relative value contribution. The absolute value contribution (EVA) is calculated by multiplying the invested capital after minorities by that difference.

WEIGHTED AVERAGE COST OF CAPITAL (WACC) =

7.0%

The interest rate for capital costs is based on a WACC (Weighted Average Cost of Capital) approach by way of a peer analysis and a target capital structure. In fiscal 2007, the method for determining the capital costs was extensively revised and the WACC was updated on the basis of the adjustment to the current long-term borrowed capital costs, a revised peer analysis and the corresponding change in the current beta factors. The WACC comes to 7.0 %.

WEIGHTED AVERAGE COST OF CAPITAL

EQUITY EXPENSE RATIO	60 %	BORROWED CAPITAL EXPENSE RATIO	40 %
MARKET RISK PREMIUM	5.0 %	RISK-FREE INTEREST RATE	4.4 %
X BETA FACTOR	1.03	+ BORROWED CAPITAL SPREAD	0.6 %
= EQUITY RISK PREMIUM	5.1 %	= BORROWED CAPITAL EXPENSE RATIO BEFORE TAXES	5.0 %
+ RISK-FREE INTEREST RATE	4.4 %	– TAX RATE	25 %
= EQUITY EXPENSE RATIO	9.5 %	= BORROWED CAPITAL EXPENSE RATE AFTER TAXES	3.8 %
EQUITY RATIO	60 %	BORROWED CAPITAL RATIO	40 %

+

WACC = 7.0 %

UTILIZATION IN OPERATIVE REPORTING AND PROJECT EVALUATION

Future investment and acquisition projects will be evaluated on the basis of predefined uniform criteria and models whereby different capital costs will be used for the segments and regions. The capital costs for the different segments range between 6.0 % and 13.5 % depending on the region. The decision-making process is based exclusively on value-oriented and strategic criteria so as to guarantee

- a capital market-oriented yield for the shareholders,
- an increase in the market value and
- a sustainable company result.

To ensure optimal capital allocation, those projects that display the highest cash value will be realized. The integration of the EVA in the decision-making process ensures that the analysis of the periodic value contributions from implemented projects is carried out using the same principles that were employed when making a decision on the projects.

The EVA calculation is based on NOPAT after minorities of € 678.0 million (previous year: € 591.0 million) as well as an average invested capital after minorities of € 3,889.1 million (previous year: € 3,416.0 million).

Within the framework of the invested capital calculation, the interest values of the previous year were used for the first time this year for the interests that were accounted for using the equity method. The previous year's figures were adjusted accordingly.

EVA-DEVELOPMENT

MILLION €

2005	2006	2007
201.8	351.9	405.8

DISCLOSURES IN ACCORDANCE WITH § 243a, CORPORATE CODE

1. The share capital comprises:
151,018,000 individual share certificates (bearer shares category A), equivalent to 49 % of the share capital; 157,182,000 individual share certificates (registered shares category B), equivalent to 51 % of the share capital, authenticated by an interim certificate deposited with the Federal Ministry of Finance and made out in the name of the Republic of Austria. The share capital was paid in full. There were 308,200,000 shares in circulation at the balance sheet date. All shares have, with the exception of the voting restriction described under Point 2, the same rights and obligations.

2. In accordance with constitutional law, which regulates the ownership structure of the companies in the Austrian electricity sector (Federal Law Gazette I 1998/143 Art. 2) and also forms a basis for the company's articles of incorporation, the following voting restriction applies: »With the exception of regional authorities and companies in which the regional authorities hold an interest of at least 51 %, the voting right in the General Meeting is restricted to 5 % of the share capital.« Other restrictions which effect the voting right or the transfer of shares are not known.

3. The shareholder structure of Verbund is essentially characterized by the majority holding of the Republic of Austria. 51 % of the share capital of Verbundgesellschaft is owned by the Republic of Austria under constitutional law. The provincial suppliers Wiener Stadtwerke Holding and EVN each own more than 10 % of the share capital. More than 5 % of the share capital is owned by TIWAG-Tiroler Wasserkraft AG. Less than 24 % of the share capital is in free float.

4. There are no shares with special control rights.

5. No employee participation models exist within the Verbund Group

6. In accordance with the Austrian Corporate Governance Code and the decision of the Supervisory Board, a nomination to the Managing Board must be made for the last time prior to the 65th birthday. Apart from this, there are no other regulations extending beyond the legal requirements that relate to the members of the Managing Board and the Supervisory Board. Moreover, there are no applicable requirements resulting directly from the law regarding the amendment of the articles of incorporation.

7. The authorization granted to the Managing Board at the 59th Ordinary General Meeting held on 20 March 2006 in accordance with § 65 para. 1 no. 8 Stock Corporation Act (AktG) relating to the purchase of own shares expired on 20 September 2007 without the Managing Board having issued a decision on a share buyback program. In addition, the Managing Board has no powers within the meaning of § 243a no. 7, Corporate Code (UGB).

8. The company is not involved in any agreements that contain regulations that refer to the stipulations under § 243a no. 8, Corporate Code (UGB). Furthermore, we do not believe that a public takeover bid is possible at this time under constitutional law.

9. There are no compensation agreements within the meaning of § 243a no. 9, Corporate Code (UGB).

Vienna, 28 January 2008

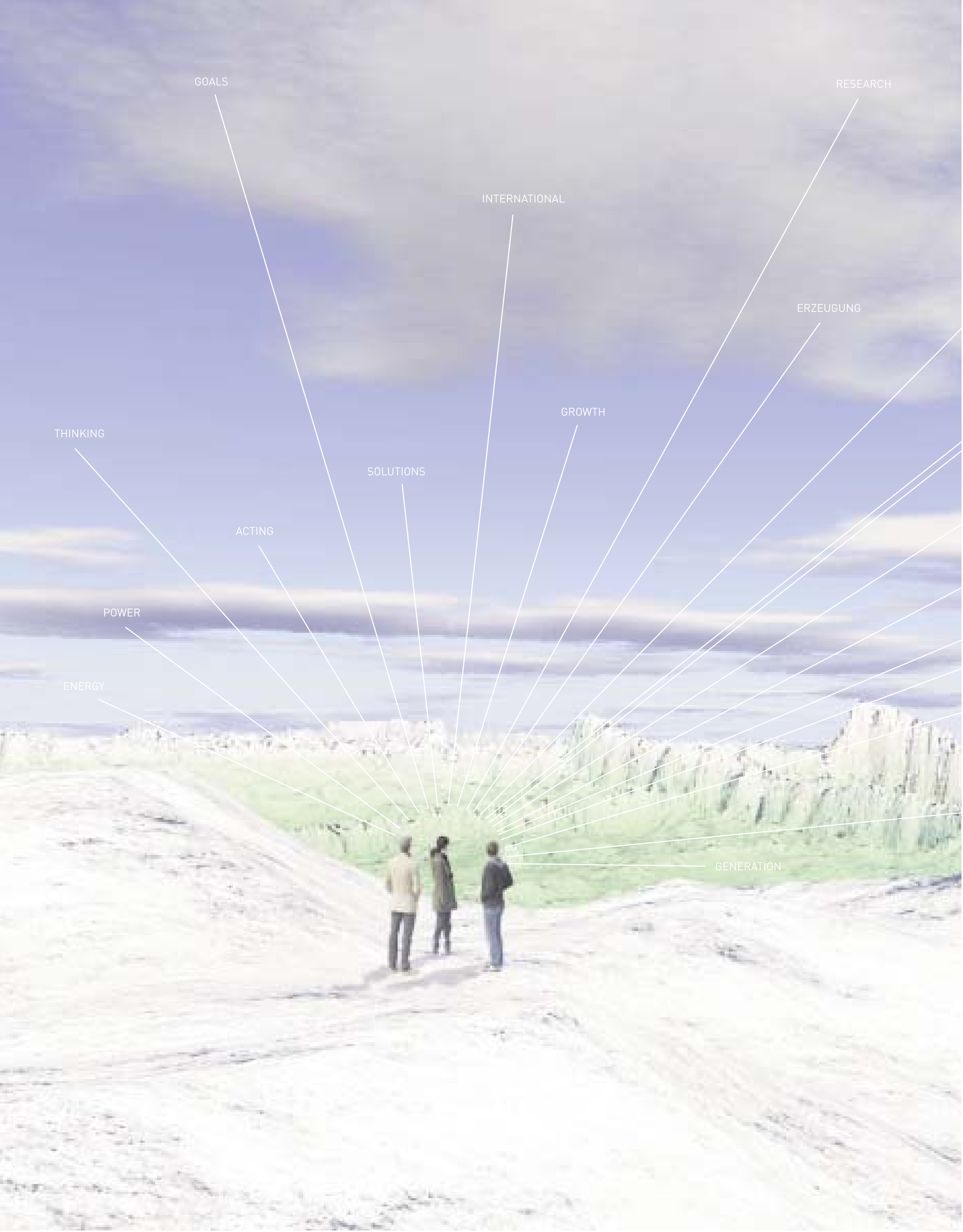
The Managing Board

General Director
Dr. Michael Pistauer
Chairman of the Managing Board

Deputy General Director
Dr. Johann Sereinig
Deputy Chairman of the Managing Board

Managing Director
Dr. Ulrike Baumgartner-Gabitzer
Member of the Managing Board

Managing Director
Mag. Christian Kern
Member of the Managing Board


GOALS
RESEARCH
INTERNATIONAL
ERZEUGUNG
GROWTH
THINKING
SOLUTIONS
ACTING
POWER
ENERGY
GENERATION


DEVELOPMENT
CAPITAL
PROFIT
SUCCESS
INCREASE
PERFORMANCE
DEMAND
BENCHMARK
CAPACITIES

INCOME STATEMENT OF THE VERBUND GROUP

INCOME STATEMENT OF THE VERBUND GROUP

THOUSAND €

	NOTES	2007	2006
SALES REVENUE	**1**	**3,038,343**	**2,878,194**
ELECTRICITY SALES		2,718,004	2,535,760
GRID SALES		274,536	268,234
OTHER		45,803	74,200
OTHER OPERATING INCOME	2	52,560	66,118
EXPENSES FOR ELECTRICITY, GRID AND EMISSION RIGHT PURCHASES (TRADE)	3	–1,458,027	–1,402,676
USE OF FUELS AND EXPENSES FOR OTHER PURCHASED SERVICES	4	–98,620	–98,837
PAYROLL EXPENSES	5	–262,009	–276,382
AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	14	–182,942	–177,410
OTHER OPERATING EXPENSES	6	–173,174	–182,554
OPERATING RESULT		**916,131**	**806,453**
FINANCING RESULT[1]	7	–104,717	–108,229
RESULT FROM INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	8	51,789	23,186
RESULT FROM PARTICIPATING INTERESTS – OTHER	8	3,101	7,830
RESULT FROM LONG-TERM INVESTMENTS	9	16,092	9,811
FINANCIAL RESULT		**–33,735**	**–67,402**
PROFIT BEFORE TAX		**882,396**	**739,051**
TAXES ON INCOME	11	–217,251	–177,587
TOTAL PROFIT		**665,145**	**561,464**
ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT (GROUP RESULT)		579,178	501,060
ATTRIBUTABLE TO MINORITY INTERESTS		85,967	60,404
EARNINGS PER SHARE €[2, 3]	**20**	**1.88**	**1.63**

[1] THE PROFIT/LOSS SHARES ATTRIBUTABLE TO LIMITED PARTNERS WERE RECOGNIZED UNDER FINANCING RESULT. THE VALUES FOR THE PREVIOUS YEAR WERE ADJUSTED.

[2] DILUTED = NON-DILUTED

[3] THE STOCK SPLIT OF 23 MAY IN THE RATIO OF 1 : 10 IS CONSIDERED.

BALANCE SHEET OF THE VERBUND GROUP

BALANCE SHEET OF THE VERBUND GROUP

THOUSAND €

	NOTES	31.12.2007	31.12.2006
NON-CURRENT ASSETS		**6,323,288**	**5,874,424**
INTANGIBLE ASSETS	12	11,015	7,993
PROPERTY, PLANT AND EQUIPMENT	13	4,131,969	4,068,911
INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	15	1,156,275	785,175
OTHER PARTICIPATING INTERESTS	15	39,690	36,654
LONG-TERM INVESTMENTS – CROSS BORDER LEASING	16	537,817	580,342
OTHER LONG-TERM INVESTMENTS AND OTHER LONG-TERM RECEIVABLES	17	446,522	395,349
CURRENT ASSETS		**1,016,490**	**565,768**
INVENTORIES	18	48,814	52,207
TRADE RECEIVABLES AND OTHER RECEIVABLES	19	637,556	425,592
CASH AND CASH ITEMS	20	330,120	87,969
TOTAL ASSETS		**7,339,778**	**6,440,192**

	NOTES	31.12.2007	31.12.2006
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	**21–24,26**	**2,407,456**	**2,071,083**
MINORITY INTERESTS	**25**	**267,169**	**221,610**
LONG-TERM LIABILITIES		**3,679,988**	**3,039,099**
FINANCIAL OBLIGATIONS[1]	27	1,605,163	908,639
FINANCIAL OBLIGATIONS – CROSS BORDER LEASING	27	604,562	647,928
PROVISIONS	28	619,978	624,751
PROVISION FOR DEFERRED TAXES	10	148,554	147,364
CONTRIBUTIONS TO BUILDING COSTS	30	419,398	426,449
DEFERRED INCOME – CROSS BORDER LEASING	31	250,759	256,702
TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES	32	31,574	27,266
SHORT-TERM LIABILITIES		**985,165**	**1,108,400**
FINANCIAL OBLIGATIONS	27	376,767	438,846
PROVISIONS	28	225,372	235,611
PROVISION FOR CURRENT TAXES	29	47,440	114,564
TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES	33	335,586	319,379
TOTAL EQUITY AND LIABILITIES		**7,339,778**	**6,440,192**

[1] THE CAPITAL SHARES ATTRIBUTABLE TO LIMITED PARTNERS WERE RECOGNIZED UNDER LONG-TERM FINANCIAL OBLIGATIONS. THE VALUES FOR THE PREVIOUS YEAR WERE ADJUSTED.

CASH FLOW STATEMENT OF THE VERBUND GROUP

CASH FLOW STATEMENT OF THE VERBUND GROUP

THOUSAND €

	NOTES	2007	2006
TOTAL PROFIT		665.145	561.464
PROFIT SHARES ATTRIBUTABLE TO LIMITED PARTNERS		41.277	47.283
AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT (LESS REVERSAL OF BUILDING-COST CONTRIBUTIONS)		166.697	158.509
WRITE-UPS/DOWNS ON LONG-TERM INVESTMENTS AS WELL AS AT EQUITY CHANGES		–21.267	–6.783
RESULT FROM THE DISPOSAL OF ASSETS		1.310	–11.452
CHANGES IN INVENTORIES		2.525	–25.356
CHANGES IN SHORT-TERM TRADE RECEIVABLES AND OTHER RECEIVABLES		26.706	46.213
CHANGES IN VALUATION-RELATED FOREIGN CURRENCY FLUCTUATIONS, INTEREST ACCRUALS AND DISCOUNTS		13.720	–6.092
CHANGES IN PROVISIONS AND DEFERRED TAXES		–88.211	149.400
CHANGES IN SHORT-TERM LIABILITIES EXCLUDING FINANCIAL OBLIGATIONS AND CHANGES IN THE ACCRUAL IN CONNECTION WITH CROSS BORDER LEASING		–276	–158.789
RESULT FROM THE MERGER OF NON-CONSOLIDATED SUBSIDIARIES AND CHANGES IN COMPANIES CONSOLIDATED		0	–541
OPERATING CASH FLOW		**807.626**	**753.856**
INVESTMENTS IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT		–243.115	–194.921
DISPOSALS OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT		4.690	8.672
LONG-TERM INVESTMENTS		–454.714	–348.146
DISPOSALS OF LONG-TERM INVESTMENTS		49.935	47.886
ADDITION/DISPOSAL OF CONSOLIDATED SUBSIDIARIES, BUSINESS DIVISIONS – CHANGES IN COMPANIES CONSOLIDATED		–4.998	–33.213
CHANGES IN LONG-TERM RECEIVABLES		1.637	5.682
CASH FLOW FROM INVESTING ACTIVITIES		**–646.564**	**–514.040**
CHANGES IN SHORT-TERM BORROWINGS		–291.057	306.474
NEW BONDS, LOANS AND LONG-TERM CREDIT		783.395	52.889
INVESTMENTS IN CONNECTION WITH CROSS BORDER LEASING		0	–36.433
REDEMPTION OF BONDS, LOANS AND LONG-TERM CREDIT		–125.066	–340.495
REPAYMENT AND DISPOSALS OF LONG-TERM INVESTMENTS IN CONNECTION WITH CROSS BORDER LEASING		–656	–1.511
BUILDING-COST CONTRIBUTIONS RECEIVED		9.193	11.821
CHANGES IN TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES		446	–138
DISTRIBUTION OF DIVIDENDS AND WITHDRAWALS		–295.166	–174.152
CASH FLOW FROM FINANCING ACTIVITIES		**81.089**	**–181.545**
CHANGES TO CASH AND CASH ITEMS		**242.150**	**58.271**
CASH AND CASH ITEMS AT THE BEGINNING OF THE FISCAL YEAR		**87.969**	**29.698**
CASH AND CASH ITEMS AT THE END OF THE FISCAL YEAR	**20**	**330.120**	**87.969**

SEE NOTES UNDER POINT VII . OTHER DISCLOSURES

STATEMENT OF CHANGES IN EQUITY OF THE VERBUND GROUP

STATEMENT OF CHANGES IN EQUITY OF THE VERBUND GROUP[1]

THOUSAND €

	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
	SHARE CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	OTHER RESERVES	TOTAL	MINORITY INTERESTS	TOTAL SHARE-HOLDERS' EQUITY
NOTES	21	22	23	24		25	
AS OF 01. 01. 2006	**223.978**	**10.936**	**1.485.488**	**2.837**	**1.723.239**	**181.688**	**1.904.927**
PROFITS/LOSSES RECOGNIZED DIRECTLY IN EQUITY FROM							
AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS				–4.276	–4.276	–531	–4.807
INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD				4.106	4.106		4.106
CASH FLOW HEDGING				–23	–23		–23
TOTAL PROFITS/LOSSES RECOGNIZED IN EQUITY BEFORE TAXES	**0**	**0**	**0**	**–193**	**–193**	**–531**	**–724**
– TAXES THEREON				1.077	1.077	132	1.209
TOTAL PROFITS/LOSSES RECOGNIZED IN EQUITY AFTER TAXES	**0**	**0**	**0**	**884**	**884**	**–399**	**485**
PROFIT FOR THE PERIOD			501.060		501.060	60.404	561.464
TOTAL OF RECOGNIZED PROFITS AND LOSSES	**0**	**0**	**501.060**	**884**	**501.944**	**60.005**	**561.949**
DIVIDENDS			–154.100		–154.100	–20.083	–174.183
CAPITAL INCREASE FROM COMPANY FUNDS	84.222		–84.222		0		0
AS OF 31. 12. 2006	**308.200**	**10.936**	**1.748.226**	**3.721**	**2.071.083**	**221.610**	**2.292.693**
AS OF 01. 01. 2007	**308.200**	**10.936**	**1.748.226**	**3.721**	**2.071.083**	**221.610**	**2.292.693**
PROFITS/LOSSES RECOGNIZED DIRECTLY IN EQUITY FROM							
AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS				–14.076	–14.076	–780	–14.856
INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD				–2.752	–2.752		–2.752
CASH FLOW HEDGING				1.653	1.653		1.653
TOTAL PROFITS/LOSSES RECOGNIZED IN EQUITY BEFORE TAXES	**0**	**0**	**0**	**–15.175**	**–15.175**	**–780**	**–15.955**
– TAXES THEREON				3.520	3.519	194	3.713
TOTAL PROFITS/LOSSES RECOGNIZED IN EQUITY AFTER TAXES	**0**	**0**	**0**	**–11.655**	**–11.656**	**–586**	**–12.242**
PROFIT FOR THE PERIOD			579.178		579.178	85.966	665.144
TOTAL OF RECOGNIZED PROFITS AND LOSSES	**0**	**0**	**579.178**	**–11.655**	**567.523**	**85.380**	**652.903**
DIVIDENDS			–231.150		–231.150	–39.821	–270.971
AS OF 31. 12. 2007	**308.200**	**10.936**	**2.096.254**	**–7.934**	**2.407.456**	**267.169**	**2.674.625**

[1] THE CAPITAL SHARES ATTRIBUTABLE TO LIMITED PARTNERS WERE RECOGNIZED UNDER LONG-TERM FINANCIAL OBLIGATIONS. THE VALUES OF THE PREVIOUS YEAR WERE ADJUSTED.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 2007

I. FINANCIAL REPORTING PRINCIPLES

Together with its subsidiaries, Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft), with its headquarters at Am Hof 6a, 1010 Vienna, registered at Vienna Commercial Court (FN 76023z), forms Verbund, for which the following financial statements were compiled for 2007 according to IFRS.

Verbund sells electrical energy to power exchange users, traders, provincial energy companies, industrial enterprises as well as households and commercial customers and operates the Austrian extra-high voltage grid. Electricity trade, which is being intensified on an ongoing basis, plays a critical role in the marketing of Verbund's own generation. Verbund contributes about 45 % to the generation of electrical energy in Austria and approx. 86 % of Verbund's generation comes from hydropower.

GENERAL BASIS

The consolidated financial statements of Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft) were compiled in compliance with the International Financial Reporting Standards (IFRS), as applicable in the European Union and required by the IASB.

The annual financial statements of the fully consolidated companies included in the consolidated statements are based on uniform accounting policies. The balance sheet date for all companies is 31 December 2007. VERBUND Italia S.p.A. was included on the basis of an interim financial report dated 31 October 2007.

The consolidated financial statements have been prepared in € thousand (Income Statement of the Verbund Group, Balance Sheet of the Verbund Group, Cash Flow Statement of the Verbund Group and Statement of Changes in Equity of the Verbund Group) and in € million (amounts shown in the notes). Due to the utilization of EDP devices, differences can arise in the addition of rounded totals and percentages.

CONSOLIDATED COMPANIES AND CONSOLIDATION METHODS

Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft) is the parent company. All companies that are controlled by the parent company (»subsidiaries«) are included, through full consolidation, in the consolidated financial statements. A controlling influence exists when the parent company is in the position to influence, either directly or indirectly, the financial and business policies of the company. The inclusion of a subsidiary commences at the time at which the controlling influence is acquired and concludes when this is forfeited.

Companies that are controlled jointly with another company (»joint ventures«) and companies over which the parent company, either directly or indirectly, has significant influence (»associated companies«) are accounted for using the equity method.

The first-time inclusion of a subsidiary is carried out using the purchase method by allocating the acquisition costs to the identifiable assets and liabilities of the acquiree (including contingent liabilities). Any excess of the cost of acquisition over the amount so allocated, i.e. the fair value of the net assets, represents goodwill.

Intragroup transactions, accounts receivable and payable and material intragroup profits are eliminated.

In fiscal 2007, Austrian Power Vertriebs GmbH, VERBUND-Austrian Renewable Power GmbH and »Suengu« Beteiligungsverwaltung GmbH (in future: VERBUND-Beteiligungsholding GmbH) were fully consolidated for the first time.

VERBUND-Austrian Renewable Power GmbH was founded in September 2007 and »Suengu« Beteiligungsverwaltung GmbH was purchased in December 2007 at a price of € 23 thousand. The equity of this company practically corresponds with the purchase price and there were no significant assets or liabilities.

In fiscal 2007, the Verbund Group acquired a 100 % share in the electricity wholesale company Austrian Power Vertriebs GmbH. The acquisition took place on 16 August 2007.

The assets and liabilities of Austrian Power Vertriebs GmbH at the time of acquisition were as follows:

ASSETS AND LIABILITIES OF AUSTRIAN POWER VERTRIEBS GMBH	MILLION €
ASSETS	
NON-CURRENT ASSETS	4.1
CURRENT ASSETS	27.1
TOTAL ASSETS	**31.2**
EQUITY AND LIABILITIES	
SHAREHOLDERS' EQUITY	4.7
LONG-TERM LIABILITIES	0.9
SHORT-TERM LIABILITIES	25.6
TOTAL EQUITY AND LIABILITIES	**31.2**
SALES REVENUE IN THE YEAR UNDER REVIEW	250.9
NET LOSS IN THE YEAR UNDER REVIEW	–0.1
NET LOSS SINCE THE DATE OF ACQUISITION	–0.9

When determining the purchase price, hidden reserves in the form of a customer base amounting to € 3.5 million were identified. The customer base was capitalized under consideration of tax effects. The resulting goodwill was recognized immediately in profit or loss for reasons of immateriality.

Furthermore, the Verbund Group acquired a 49.99 % share in the Turkish electricity producer EnerjiSA Enerji Üretim A.S. The business activities of EnerjiSA Enerji Üretim A.S. essentially focus on the generation and distribution of electricity from thermal and hydropower plants. The acquired company constitutes a joint venture in accordance with IAS 31 »Interests in Joint Ventures« and is included in the financial statements of the Verbund Group using the equity method. The partner company, apart from Verbundgesellschaft, is the Turkish Sabanci-Holding A.S. The acquisition took place on 31 May 2007. The purchase price for the shares, including related costs, was € 245.3 million.

The consolidated financial statements include the parent company Verbundgesellschaft, 15 (previous year: 12) subsidiaries and 13 (previous year: 12) companies that were accounted for using the equity method.

Affiliated companies not included in the consolidated statements through full consolidation (see table »Group companies«) do not, as a whole, have any material influence on the consolidated financial statements. The same also applies for the effects of the associated companies not accounted for using the equity method.

A list of the consolidated companies can be found in the table »Group companies« at the end of the Notes section.

ACCOUNTING POLICIES

NEW ACCOUNTING POLICIES APPLIED

All amendments to existing IAS, to new IFRS as well as to IFRIC and SIC interpretations, as effective on 31 December 2007 and as adopted by the European Union (EU) and required by the IASB, were applied when compiling the consolidated financial statements.

In consideration of the prevailing opinion on the accounting for puttable financial instruments in accordance with IAS 32, the presentation of the capital and profit/loss shares attributable to the limited partners of VERBUND-Austrian Thermal Power GmbH & Co KG (ATP GmbH & Co KG) (44.3 %) was adjusted. In the balance sheet, these shares were presented as liabilities towards the limited partners under »Long-term financial obligations«. In the income statement, the shares in profit attributable to limited partners were presented in the financing result. The previous year's figures were adjusted.

In fiscal 2007, the following standards/interpretations were utilized for the first time:

NEW IFRSs/IFRICs

	APPLICABLE AS OF
IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES	01. 01. 2007
IFRIC 10 INTERIM FINANCIAL REPORTING AND IMPAIRMENT	01. 11. 2006

AMENDED IFRSs/IFRICs

	APPLICABLE AS OF
IAS 1 PRESENTATION OF FINANCIAL STATEMENTS	01. 01. 2007
IAS 32 FINANCIAL INSTRUMENTS: DISCLOSURE AND PRESENTATION	01. 01. 2007

The International Accounting Standards Board adopted IFRS 7 »Financial Instruments: Disclosures« in August 2005. This standard includes new requirements relating to information on the significance of financial assets and liabilities for the financial situation and the results of the company. Moreover, IFRS 7 requires additional disclosures relating to reporting on risks that are associated with financial assets and liabilities.

IFRIC 10 »Interim Financial Reporting and Impairment« was issued in July 2006. It states that impairment losses relating to goodwill and relating to certain financial assets, which were recognized in the interim report and where the reversal of impairment losses is not permitted under IAS 36 and IAS 39, cannot be reversed in future interim reports or consolidated financial statements.

The supplement to IAS 1 »Presentation of Financial Statements« introduces additional disclosures relating to capital, e.g. relating to the capital structure as well as the determination and control of the capital structure by the management.

With the amendment in August 2005, the disclosure requirements in IAS 32 were superceded by IFRS 7 »Financial Instruments: Disclosures«. In the process, the title of IAS 32 was changed to »Financial Instruments: Presentation«.

The amendments to IAS 1 and the new IFRS 7 resulted in significantly extended disclosure requirements in the Notes of the Verbund Group.

The amendments to existing or new standards and interpretations already adopted for application in the EU, which were issued, but not yet effective, by 31 December 2007, were not voluntarily applied ahead of the effective date.

IFRSs/IFRICs NOT YET APPLIED

	PLANNED APPLICATION DATE
IFRS 8 OPERATING SEGMENTS	01. 01. 2009
IFRIC 11 IFRS 2 GROUP AND TREASURY SHARE TRANSACTIONS	01. 03. 2007

IFRS 8 regulates disclosures relating to the company's business segments, products and services, regions and customer relationships. It requires that segmental reporting be prepared on the same basis that is used for internal control where reports are submitted to the company's decision makers – as a basis for decisions relating to performance measurement and resource allocation (Management Approach). In contrast, IAS 14 states that segmental reporting should be structured in line with the origin and type of the risks and rewards of the company (Risks and Rewards Approach). IFRS 8 will be adopted on 1 January 2009 and will completely replace IAS 14. The adoption of IFRS 8 will not have any significant effects for the Verbund Group.

IFRIC 11 »IFRS 2 Group and Treasury Share Transactions«, which was published in November 2006, focuses on how IFRS 2 should be applied in the case of share-based compensation agreements where rights to equity instruments of the company or equity instruments of another company within the group are granted. As IFRS 2 is not applicable at Verbundgesellschaft at this time, IFRIC 11 will not be applied either.

All other accounting policies were applied in the same manner as in the previous year.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Intangible assets acquired against payment are, according to IAS 16, recognized in the balance sheet at cost less scheduled straight-line amortization and unscheduled amortization for impairment losses, which are recognized under depreciation and amortization.

Development costs were recognized as an expense in the period in which they accrued due to the fact that the disclosure requirements under IAS 38 were not met or as a consequence of the amounts not being material.

Property, plant and equipment used over a period longer than one year is recognized at acquisition and production cost less scheduled straight-line depreciation and unscheduled impairment losses.

In addition to direct costs, appropriate overhead expenses for material and labor have also been included under the production cost of self-constructed plant and equipment. Interest on borrowings is not capitalized.

Scheduled amortization and depreciation of intangible assets with finite useful lives and of depreciable property, plant and equipment is based on the expected useful lives of the assets in the group. Within the group, the following useful lives are applied:

USEFUL LIVES	YEARS
INTANGIBLE ASSETS WITH FINITE USEFUL LIVES	10–30
BUILDINGS	
RESIDENTIAL, OFFICE, PLANT AND OTHER PLANT FACILITIES	20–50
HYDROPLANT BUILDINGS	75
TECHNICAL PLANT AND MACHINERY	10–50
OFFICE AND PLANT EQUIPMENT	4–10

Intangible assets with indefinite useful lives (see Impairment of assets) do not have any material influence in the Verbund Group. As of 31 December 2007, there was no goodwill from fully consolidated subsidiaries.

LEASED AND LEASED OUT ASSETS

If, in the case of leased out assets, all essential risks and rewards with respect to such assets are passed on to the lessee (financial leasing), the lessor will, according to IAS 17, not recognize the leased out asset, but rather the present value of any future leasing installments yet to be received after they have been set off against any prepayments already received. The difference between the present value of the future leasing installments and the sum of the non-discounted leasing installments constitutes deferred income from interest and will be realized over the term of the agreements proportionate to the outstanding amount receivable. Similarly, in the case of leased property, plant and equipment, where Verbund holds all essential risks and rewards, the asset is capitalized under non-current assets and the present value of the obligation is carried as a liability.

IMPAIRMENT OF NON-FINANCIAL ASSETS

All assets that fall within the scope of IAS 36 are assessed for indications of impairment at each balance sheet date (impairment test). In the case of goodwill and intangible assets with indefinite useful lives, an impairment test is carried out each year even if there are no indications of impairment. The impairment test starts with the determination of the recoverable amount. This corresponds to the higher of the value in use and the fair value less costs to sell for the asset. In each case, the value in use is determined on the basis of forecasts (medium-term planning, business plans) and future cash flows that are derived therefrom. Growth factors and pre-tax discount rates that are adjusted in line with the industry and the corporate risk are applied. Specific risks are considered in the recoverable amounts. Should this value lie below the carrying amount for this asset, it must be reduced to the recoverable amount and impairment losses (unscheduled depreciation) must be recognized. If, in later periods, the reasons for the impairment no longer apply, impairment losses are reversed. This does not apply for goodwill.

PARTICIPATING INTERESTS

Shares in non-consolidated affiliated companies and other participating interests that must not be accounted for using the equity method are classified as available-for-sale financial assets according to IAS 39 and are in principle measured at their fair value. If the fair value cannot be determined reliably, they are measured at cost less impairment losses.

The values of the interests accounted for using the equity method are, according to IAS 28, increased or decreased each year by the share in the result of the associated company that is due to the Verbund Group, depending on the capital share held by Verbund. Any goodwill included in the interests is, according to IFRS 3, not subject to scheduled amortization.

At each balance sheet date, the participating interests are assessed to see if these are any indicators of impairment. If so, an impairment test under IAS 36 is carried out. If interests held in associated companies or joint ventures that are accounted for using the equity method include goodwill or other intangible assets with indefinite useful lives, an impairment test is carried out each year even if there are no indicators of impairment. The value is measured on the basis of the recoverable amount. No impairment losses had to be recognized for fiscal 2007 following the periodic impairment tests which were carried out on the basis of current assumptions.

SECURITIES AND LOANS

Securities are classified as available-for-sale. The value in the balance sheet is the fair value, determined on the basis of the share prices. In accordance with IAS 39, changes in value are recognized directly in equity until disposal. Impairment losses are recognized in profit or loss. All buys and sells are recognized using trade date accounting.

Interest-bearing loans are allocated to the category loans and receivables and are recognized at amortized costs less impairment losses. In the case of impairment losses, measurement is based on the present value of the expected repayments. Interest income is recognized in profit or loss in accordance with the effective interest rate method.

Notes to the accounting for securities and loans acquired in connection with cross border leasing transactions can be found below.

TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables, receivables from non-consolidated affiliated companies and receivables from companies in which participating interests are held are allocated to the category loans and receivables and are recognized, in accordance with IAS 39, at cost less value adjustments for expected uncollectible amounts.

Other non-current and current receivables and assets include receivables from financial leasing (see »Leased out and leased assets«) and derivative financial instruments from the financial and electricity areas (see »Derivative financial instruments«). Notes to the accounting for emission rights included under other current receivables and assets can be found below.

Notes to the accounting policies for loans can be found under »Securities and loans«.

Other assets are recognized at cost less value adjustments.

EMISSION RIGHTS

Emission rights that are held for consumption to the extent of CO_2 emissions at thermal power plants are accounted for on the basis of the provisions of IAS 38, IAS 20 and IAS 37. The rights are recognized as assets at their fair value or at cost on the day of allocation or acquisition. If the rights are freely allocated, deferred income is set up for the grant in the amount of the right's fair value, which is reversed as the rights are consumed, amortized or sold. Those rights that are held for trading purposes are measured, according to IAS 2, at their net realizable value, with the measurement effects being recognized in the income statement.

INVENTORIES

Primary energy sources, raw materials and supplies are recognized at cost or the lower net realizable value on the balance sheet date. In the case of marketable inventories, this amount is based on the current market price while planned income less future production costs is used as a basis for other inventories. Inventory risks resulting from the storage period and reduced usability are accounted for in this amount by means of value discounts based on empirical data. The use of primary energy inventories and raw materials and supplies is determined using the moving-average-price method.

Work in progress is recognized at production cost. Production costs comprise direct material and labor costs as well as material and labor overheads that can be allocated systematically.

FINANCIAL LIABILITIES

Liabilities are recognized upon inflow and measured at the amount of the actual inflow less transaction costs. Premiums, discounts or other differences between the amount received and the repayment amount are shown, in accordance with the effective interest rate method, in the financing result, distributed across the financing term.

The capital shares attributable to the limited partners of VERBUND-Austrian Thermal Power GmbH & Co KG (44.3 %) were recognized in borrowed capital under long-term financial obligations.

PENSIONS, SIMILAR OBLIGATIONS AND STATUTORY SEVERANCE PAYMENTS

Due to plant agreements and contracts, employees must receive pension payments upon taking retirement and upon meeting certain conditions. These defined-benefit pension commitments are partially offset by the pension-fund assets of BAV Pensionskassen AG earmarked for this purpose. To the extent that these defined-benefit obligations must be met by BAV Pensionskassen AG (pension fund), the employer is obliged to make contributions in case there are insufficient pension fund assets.

Provisions for current pension payments, vested rights to future pension payments and similar obligations were calculated according to IAS 19 using the projected unit credit method and actuarial gains and losses were recognized in accordance with the corridor method. Actuarial gains or losses, i.e. differences between projected pension expenses and those actually calculated at the end of the period under review, are therefore only recognized (distributed over future periods) in profit of loss when the accumulated, non-recognized profit or loss exceeds 10 % of the present value of the obligation or the higher fair value of the fund assets. To the extent, however, the accumulated, non-recognized gains or losses exceed 20 % of the forecast recognized provision, they are recognized immediately in profit or loss. All costs (and income) in connection with these obligations are recognized under payroll expenses.

The pension obligations are determined on the basis of actuarial opinions for 01 January and 31 December 2007. The calculations are based on »AVÖ 1999-P – Actuarial Assumptions for Pension Insurance – Pagler & Pagler«.

The pension-fund assets are invested primarily, by the pension fund, in different investment funds in compliance with the provisions of the Pension Fund Act.

Similar obligations comprise the employer´s contribution for the premiums that need to be paid for the supplementary health insurance following retirement. The provisions are calculated in the same manner as the pension provisions.

Due to the reorganization of the supplementary health insurance system in the previous year, all new contracts are now concluded with deductibles. Holders of old contracts with no deductibles can move over to the new system at any time.

Employees with employment contracts commencing before 31 December 2002 receive, on the basis of statutory commitments, a one-off severance payment in the event employment is terminated by the employer or at the time of retirement. The amount of such payment depends on the number of years of employment and the salary drawn at the time of termination or retirement. This obligation is calculated according to IAS 19 using the projected unit credit method, applying an accumulation period of 25 years. Actuarial gains or losses are recognized in profit or loss immediately. Assumptions for the calculation that differ from those applied to the pension provision are listed separately in the table below.

Employees with employment contracts commencing after 31 December 2002 are not entitled to make a direct claim for a statutory severance payment against their employer. Instead, the employer pays, each month, 1.53 % of the remuneration into a corporate employee-benefits fund, where all those contributions are deposited into an account of the employee. With this model for severance payment the employer is only responsible for making regular contributions and it is therefore accounted for as a defined-contribution plan in accordance with IAS 19.

The calculations as of 31 December 2007 and of 31 December 2006 are based on the assumptions contained in the table below:

ACTUARIAL ASSUMPTIONS

	2007	2006
PENSION		
DISCOUNT RATE	MARGIN 4.75–5.00 %	MARGIN 4.25–4.50 %
PENSION INCREASES	2.25 %	1.75 %
SALARY INCREASES	3.00 %	2.75 %
FLUCTUATIONS	NONE	NONE
RETIREMENT AGE – WOMEN	56.5–65	56.5–65
RETIREMENT AGE – MEN	61.5–65	61.5–65
EXPECTED LONG-TERM RETURN ON FUND ASSET (CALCULATED ON BASIS OF SECONDARY MARKET YIELD OF FIXED-INTEREST AUSTRIAN FEDERAL SECURITIES)	4.0 %	4.0 %
SIMILAR OBLIGATIONS		
DISCOUNT RATE	MARGIN 4.75–5.00 %	MARGIN 4.25–4.50 %
FLUCTUATIONS (DEPENDING ON LENGTH OF SERVICE)	0.0–4.0 %	0.0–4.0 %
TREND OF CONTRIBUTIONS ON BASIS OF HOSPITAL COST INDICES:		
NEW CONTRACTS (WITH DEDUCTIBLE)	4.5 %	4.5 %
OLD CONTRACTS (WITHOUT DEDUCTIBLE)	7.5 %	7.5 %
STATUTORY SEVERANCE PAYMENTS		
DISCOUNT RATE	4.75 %	4.25 %
FLUCTUATIONS (DEPENDING ON LENGTH OF SERVICE)	0.0–4.0 %	0.0–4.0 %

PROVISIONS

Provisions are set up if the company has a legal or constructive obligation to a third party due to a past event and if it is likely that such obligation will result in an outflow of funds. Such provisions are recognized at such value as can be determined at the time the annual financial statements are compiled, on the basis of the best estimate. If such amount cannot be reasonably estimated, no provision will be created. If the present value of the provision, determined on the basis of a customary discount rate, differs greatly from the nominal value, the provision will be recognized at the present value of the obligation. Expenses in connection with interest accrued for long-term provisions are recognized in the financing result.

Within the framework of semi-retirement models, employees are offered the possibility of leaving the company prior to the pension entitlement date under the General Social Security Act (ASVG) with continued payment up to the statutory retirement age. This obligation is calculated according to IAS 19 using the projected unit credit method and actuarial gains or losses are immediately recognized in profit or loss. The measurement parameters essentially correspond to those for similar obligations. The resulting recognizable expenses are recorded under pension expenses.

TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES

Trade accounts payable and other liabilities are measured at amortized cost.

CONTRIBUTIONS TO BUILDING COSTS AND GOVERNMENT GRANTS

Contributions to building costs and government grants received are recognized as deferred income under liabilities and are reversed over the useful lives of the assets. Notes to the recognition of grants in connection with emission rights can be found under »Emission rights«.

SECURITIES, LOANS AND FINANCIAL LIABILITIES FROM CROSS BORDER LEASING

VERBUND-Austrian Hydro Power AG concluded several cross border leasing transactions during the fiscal years 1999 to 2001. In the process, power plants were leased to US investors and, at the same time, leased back on the basis of a financial-leasing agreement. As a result, VERBUND-Austrian Hydro Power AG remains the beneficial owner under civil law. The terms of these agreements range from 48 to 56 years.

The funds received from the lease were, except for the net present value remaining with VERBUND-Austrian Hydro Power AG, invested either in high-grade securities (medium-term notes) or in financial institutions exclusively of a high-grade credit rating (A rating from Moody´s and Standard & Poor´s) in the form of loans to cover future leasing installments. The net present value will be released to other operating income over the terms of the agreements.

For the cross border leasing transactions concluded by the end of the year 2000, both the equity portion and the loan portion were fully covered by the acquisition of securities or loans to financial institutions. These loans are collateral promise agreements with financial institutions of a high-grade credit rating. With respect to the portion of leasing liabilities not yet repaid, AHP or Verbundgesellschaft has a subsidiary liability. Apart from the rights of recourse vis-à-vis the main debtors, there are also counterguarantees of financial institutions, provincial companies and regional authorities (Gewährträgerhaftung). In compliance with the transitional provisions of IAS 39 (revised 2000), these amounts are not recognized in the balance sheet. The maturities and nominal amounts of the investments and loans were reconciled in accordance with the conditions of each obligation. The valuation of foreign currency balances (exclusively USD) is carried out at the USD market price on the reporting date. Valuation expenses and valuation income are fully equal in terms of value and value dates.

A transaction concluded in 2001 did not result, at first, in the acquisition of securities or payments to credit institutions. The inflow was used in full as finance capital. In order to avoid foreign-exchange risk arising from this transaction, appropriate hedging transactions were carried out. The restructuring of this transaction was commenced in the year under review. This restructuring aims at the conclusion of an Equity Payment Undertaking Agreement so as to achieve a structure which is in line with the other transactions.

INCOME TAX

Income tax expenses recognized for the fiscal year comprise the income tax calculated for the individual companies based on their taxable income and the tax rate to be applied as well as changes to deferred tax assets and liabilities.

Verbundgesellschaft is the group parent under § 9 para. 8 KStG 1988 (Corporation Tax Act). The group parent debits or (in the case of a loss) credits the group members with the corporate tax amounts caused by them by means of tax apportionment. The offsetting of the apportioned taxes leads to a lowering of the tax amount recognized in the income statement of the group parent. In the case of subsequent deviations, the tax settlements vis-à-vis the group members will only be adjusted if these amounts are material.

Deferred tax assets and liabilities are determined using the balance sheet liability method under IAS 12 for all temporary differences between the accounting and tax bases of assets and liabilities as recognized in the IFRS consolidated financial statements and in the individual company's tax balance sheet. In addition, the tax advantage from existing losses carried forward that is likely to be realized is also included in the calculation. Exceptions to this rule are differences from goodwill that is not tax-deductible and temporary differences in connection with participating interests.

FINANCING RESULT

The financing result comprises interest accrued and similar expenses for financial liabilities. In addition, foreign exchange gains and losses in connection with financing, interest accrued for long-term provisions (except for personnel provisions) as well as interest income and expenses resulting from short-term interim investments or borrowings are included here.

The profit/loss shares attributable to the limited partners of VERBUND-Austrian Thermal Power GmbH & Co KG (44.3 %) were recognized in the financing result.

Changes from the measurement of financial obligations for the pre-financing of the building-cost contributions of the Republic of Austria as well as the corresponding interest paid and received are not recognized in profit or loss because this item is economically closed.

RESULT FROM PARTICIPATING INTERESTS

In addition to the result from associated companies that are accounted for using the equity method, the result from participating interests includes impairment losses, reversals of impairment losses, disposal losses/gains and dividends. The dividends are recognized as an inflow at the time of the distribution decision.

RESULT FROM LONG-TERM INVESTMENTS

The result from long-term investments contains, essentially, distribution income from investment funds and income from security investments. The investment fund investments were originally carried out to cover the provisions for pensions. In addition, this item includes income from loans.

EXCHANGE RATE CONVERSIONS

Receivables and payables denominated in foreign currencies including deposits at financial institutions are measured at the foreign exchange benchmark rate of the European Central Bank on the balance sheet date. The exchange rates of the main currencies requiring conversion have developed as follows:

EXCHANGE RATES

COUNTRY	CURRENCY	ECB FOREIGN EXCHANGE BENCHMARK RATE	
		31. 12. 2007	31. 12. 2006
JAPAN	1 € = JPY	164.9300	156.9300
SWITZERLAND	1 € = CHF	1.6547	1.6069
USA	1 € = USD	1.4721	1.3170
CZECH REPUBLIC	1 € = CZK	26.6280	27.4850
POLAND	1 € = PLN	3.5935	3.8310
HUNGARY	1 € = HUF	253.7300	251.7700
TURKEY	1 € = TRY	1.7170	1.8640

DERIVATIVE FINANCIAL INSTRUMENTS

In order to limit and control existing foreign currency and interest rate risk, certain derivative financial instruments are used, in particular currency forwards and interest rate swaps. These, in part, fulfilled the requirements for hedge accounting. Derivative financial instruments are recognized at fair value upon conclusion of the contract (normally corresponds to the cost price) and in the following periods. Unrealized measurement gains or losses are in principle recognized in profit or loss, except when the requirements for hedge accounting are fulfilled.

In the case of fair value hedges, the derivative hedging instrument and the underlying transaction are measured through profit or loss at fair value with regard to the hedged risk.

In the case of cash flow hedges, the changes in the fair value of the derivative hedging instrument are recognized under other reserves until the underlying transaction is realized. At the time the underlying transaction is realized, the profit contribution of the hedging instrument is removed from other reserves and becomes part of the acquisition costs at the time the asset is recognized.

Prerequisites for the application of hedge accounting include the regular documentation of the hedging relationship and the measurement of the hedge efficiency. The hedge efficiency must lie between 80 % and 125 %.

The fair value of currency forwards is determined by the forward rates prevailing on the balance sheet date. In the case of transactions not traded through the stock exchange (OTC), the prices for similar transactions as well as unwind offers of the respective business partners are used.

The fair value of interest-rate swaps is equivalent to the value that Verbund would receive or pay upon the unwinding of the transaction on the balance sheet date. Current market trends, especially current interest-rate levels and yield curves, are taken into consideration.

Positive fair values are recognized under trade receivables and other receivables and negative fair values under trade accounts payable and other liabilities.

HEDGING TRANSACTIONS IN THE FINANCIAL AREA

At Verbund, derivative financial instruments to hedge against fair value losses affecting its recognized assets or liabilities are used in the financial area. For this purpose, the following groups are differentiated:

In the case of certain cross border leasing transactions, investments result in variable return, which is offset by fixed obligations. To avoid risk, derivative transactions were concluded (interest-rate swaps) for the corresponding financial obligations, which were qualified as fair value hedges. Since the items that are allocated to the swaps have an exactly contrasting risk profile, the carrying amount of the financial obligations are adjusted in line with the hedged risk in compensation for the fair value measurement of the derivative transactions.

In contrast to the transactions mentioned before, the assets and liabilities regarding the cross border leasing transaction concluded in 2001 do not match. To avoid the resulting foreign-exchange risk, appropriate currency forwards were concluded. These, too, are stated as fair-value hedges.

HEDGING TRANSACTIONS IN THE ENERGY AREA

At Verbund, derivative financial instruments are used in the energy area as hedging instruments against undesired price developments in electricity business and to hedge against risks from future procurement transactions. The effective hedging transactions are always regarded as closed items with the corresponding underlying transaction. The hedging transactions in electricity business at Verbundgesellschaft are, provided they meet the hedge accounting requirements, accounted for using fair value hedge accounting. The hedging transactions to hedge against price risks from future procurement transactions are, provided they meet the hedge accounting requirements, accounted for using fair value hedge accounting.

ENERGY TRADING CONTRACTS IN ELECTRICITY TRADE

A presence in the trading markets is essential in order to optimize own generation in the best possible manner. In addition to value creation-oriented own electricity trade, third-party transactions are carried out under observance of strict risk management rules. The energy trading contracts in the third-party trading area (electricity futures, electricity forwards) are measured at fair value through profit or loss. Earnings from derivative energy trading contracts are recognized net.

Notes to the recognition of revenue and expenses from the realization and measurement of contracts can be found below under »Realization of sales revenue«.

REALIZATION OF SALES REVENUE

Revenue from electricity sales to large customers is realized at the time of performance, as is revenue from electricity trading and grid services. Revenue in the small-customer segment, which is settled annually and subsequently, was recorded on the basis of account invoices. Revenue from personnel secondments and consulting/planning services is recorded on the basis of the actual number of hours worked.

Revenue and expenses from the realization and measurement of energy trading contracts (electricity futures, electricity forwards) are recognized net under revenue from electricity sales. Accordingly, purchases of derivative trading contracts are netted out against sales in the trading area.

JUDGMENTS AND KEY ASSUMPTIONS CONCERNING THE FUTURE

When compiling the annual financial statements pursuant to IFRS, management is required to make judgments in the process of applying the accounting policies and must also determine key assumptions concerning future developments that may significantly influence the recognition and measurement of the assets and liabilities, the disclosure requirements for other obligations on the balance sheet date and the presentation of income and expense during the period under review.

Particularly, in the case of the following assumptions and estimates, there is a sizeable risk that a significant adjustment of assets and liabilities may have to be carried out in the future years:

- In 1998 and 1999, impairment losses in the amounts of € 732.3 million and € 145.4 million resulting from the deregulation of the electricity market were recognized and provisions for impending losses from pending transactions were created in the amount of € 321.1 million. The assessment of the value of the hydraulic and thermal power plants (carrying amount less contribution to construction costs: € 1,066 million (previous year: € 1,090 million) is based on forecasts for future cash flows as well as on a discount rate that is adjusted in line with the industry and the corporate risk. The pretax rate is 9.0 %. To date, none of the impairment losses recognized have had to be reversed following the periodic impairment tests, which are carried out on the basis of current assumptions, due to the lingering uncertainty relating to the future development of the electricity prices. Important influencing factors in the hydraulic area include underproduction and increased investment in environmental protection equipment in connection with the implementation of the Water Framework Directive, operational restrictions (flood restrictions) from the implementation of the Water Framework Directive for storage power plants and the restrictions imposed by the water authorities relating to operating permits as well as, in the thermal area, the implementation of emission right trading and the development of generation capacities in Europe.

- The assessment of the value of interests (including goodwill) in associated companies accounted for using the equity method (carrying amount: € 1,156.3 million; previous year: € 785.2 million) is based on forecasts for future cash flows as well as on a discount rate that is adjusted in line with the industry and the corporate risk. In the case of the impairment tests carried out in fiscal 2007 for participating interests, that include goodwill, a discount rate (WACC before taxes) of 8.5 % (previous year: 11.2 %) was used as a basis for the calculations for the Sorgenia S.p.A. Group. The same rate was applied for STEWEAG-STEG GmbH and Energie Klagenfurt GmbH (previous year: 9.3 %). The assessment of the value of the interest in Poweo S.A. was based on the stock exchange price which lay at € 35.70 on 31 December 2007 (29 December 2006: € 36.95). The market capitalization on a pro rata basis came to approx. € 121 million (previous year: approx. € 45 million).

- The measurement of the existing provisions for pensions and similar obligations, severance obligations as well as semi-retirement programs (carrying amount € 532.3 million, previous year: € 554.5 million) is based on assumptions relating to the discount rate, the age of retirement, life expectancy and future salary and pension increases.

- The assessment of decommissioning costs (carrying amount € 13.7 million, previous year: € 13.9 million) was based on assumptions and estimates on the balance sheet date.

- Estimates are regularly made as to whether or not the contingent liabilities in the amount of € 21.2 million (previous year: € 19.3 million) must be recognized in the consolidated financial statements.

- The cross border leasing transactions were categorized as financial lease and financial lease back transactions. Notes to the transactions can be found under »Accounting policies«.

- Due to the restructuring of the ITC settlement model in fiscal 2007, the grid transport services rendered up to 31 December 2007 could not be fully settled by the settlement agency (RWE/SWISS-GRID). These services will therefore be recognized in the consolidated financial statements on the basis of the existing computation model and recalculation differences may occur in the following periods.

II. DISCONTINUED OPERATIONS 2006

Due to new legal requirements, the processing and administration of the subsidies for eco-electricity, which had no effect on the group's profit, has no longer been carried out by VERBUND-Austrian Power Grid AG as from 1 October 2006, but by the specially founded company OeMAG Abwicklungsstelle für Ökostrom AG (OeMAG). The former eco-electricity segment is therefore presented in these annual financial statements as discontinued operations in accordance with IFRS 5. Profit after taxes and the net cash flows of the discontinued operations are as follows:

PROFIT FROM DISCONTINUED OPERATIONS (AFTER TAX) — MILLION €

	2006
SALES REVENUE	340.2
EXPENSES / INCOME	340.2
PROFIT BEFORE TAXES = AFTER TAXES	**0.0**
PROFIT FROM THE DISPOSAL	0.0
PROFIT FROM DISCONTINUED OPERATIONS (ECO-ELECTRICITY)	**0.0**
EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS	**0.0**

CASH FLOWS FROM DISCONTINUED OPERATIONS — MILLION €

	2006
OPERATING CASH FLOW	7.6
CASH FLOW FROM INVESTING ACTIVITIES	–33.2
CASH FLOW FROM FINANCING ACTIVITIES	25.6
CHANGES TO CASH ITEMS FROM DISCONTINUED OPERATIONS	**0.0**

III. SEGMENTAL REPORTING

SEGMENTAL REPORTING ACCORDING TO BUSINESS SEGMENTS

Under § 8 (3) ElWOG (Electricity Industry and Organization Act), electricity companies must prepare, and publish in the notes, separate balance sheets and income statements for each of these areas: generation, transmission and distribution – if they operate in at least two of these areas. Verbund's segmentation is based on the provisions of ElWOG. Since generation derives its sales predominantly from business with other segments, it is considered an internal segment and, under IAS 14.35, does not constitute a reportable segment. Generation, therefore, is stated together with electricity trade and distribution under the segment »Electricity«, this being the business segment that is exposed to unrestrained competition. Intra-segment settlement takes place on an arms-length basis.

Notes to the discontinued eco-electricity segment can be found above under Point II.

The segment »Participating Interests & Services« comprises, in accordance with IAS 14.20, the management and control functions of Verbundgesellschaft, the financing function of VERBUND-Finanzierungsservice GmbH and VERBUND-International Finance B.V., the services of the Shared Services Center of VERBUND Management Service GmbH, the telecom activities of VERBUND-Telekom Service GmbH, the activities of the participating company VERBUND-BeteiligungsgmbH and, since 2007, VERBUND Austrian Renewable Power GmbH, which was founded for the renewable energy area, as well as »Suengu« Beteiligungsverwaltungs GmbH which was purchased to optimize the management of the participating interests.

The segment result is defined as the »operating result«. Consequently, only non-interest-bearing segment assets and non-interest-bearing segment liabilities are allocated to the segments:

SEGMENTAL REPORTING ACCORDING TO BUSINESS SEGMENTS

MILLION €

	CONTINUED OPERATIONS					DISCONTINUED OPERATIONS
	ELECTRICITY	GRID	PARTICIPATING INTERESTS & SERVICES	ELIMINATION	TOTAL GROUP	ECO-ELECTRICITY
2007						
EXTERNAL SALES	2,743.1	285.4	9.8	0.0	3,038.3	0.0
INTERNAL SALES	129.2	40.9	63.6	–233.7	0.0	0.0
TOTAL SALES	**2,872.3**	**326.3**	**73.4**	**–233.7**	**3,038.3**	**0.0**
DEPRECIATION AND AMORTIZATION	–123.7	–53.6	–5.6	0.0	–182.9	0.0
OPERATING EXPENSES/INCOME (EXCL. DEPRECIATION AND AMORTIZATION)	–1,864.0	–210.5	–98.5	233.7	–1,939.3	0.0
OPERATING RESULT (EBIT)	**884.6**	**62.2**	**–30.7**	**0.0**	**916.1**	**0.0**
RESULTS OF COMPANIES MEASURED AT EQUITY	0.0	0.0	51.8	0.0	51.8	0.0
CARRYING AMOUNT OF ASSOCIATES MEASURED AT EQUITY	0.0	0.0	1,156.3	0.0	1,156.3	0.0
NON-INTEREST BEARING SEGMENT ASSETS	3,648.6	850.6	154.3	–6.8	4,646.6	0.0
NON-INTEREST BEARING SEGMENT LIABILITIES	–1,056.0	–142.0	–53.7	6.8	–1,244.9	0.0
OPERATING CASH FLOW	685.5	81.7	245.6	–205.2	807.6	0.0
INVESTMENT IN NON-CURRENT INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	169.1	76.0	11.1	0.0	256.1	0.0
2006						
EXTERNAL SALES	2,595.4	274.7	8.1	0.0	2,878.2	340.2
INTERNAL SALES	110.8	33.2	48.6	–192.7	0.0	0.0
TOTAL SALES	**2,706.2**	**308.0**	**56.7**	**–192.7**	**2,878.2**	**340.2**
DEPRECIATION AND AMORTIZATION	–122.6	–49.6	–7.7	2.4	–177.4	0.0
OPERATING EXPENSES/INCOME (EXCL. DEPRECIATION AND AMORTIZATION)	–1,820.7	–190.1	–73.9	190.4	–1,894.3	–340.1
OPERATING RESULT (EBIT)	**762.9**	**68.3**	**–24.9**	**0.0**	**806.5**	**0.1**
UNSCHEDULED DEPRECIATION AND AMORTIZATION	–0.4	0.0	0.0	0.0	–0.4	0.0
RESULTS OF COMPANIES MEASURED AT EQUITY	0.0	0.0	23.2	0.0	23.2	0.0
CARRYING AMOUNT OF ASSOCIATES MEASURED AT EQUITY	0.0	0.0	785.2	0.0	785.2	0.0
NON-INTEREST BEARING SEGMENT ASSETS	3,735.9	831.4	200.2	–8.2	4,759.3	0.0
NON-INTEREST BEARING SEGMENT LIABILITIES	–1,449.4	–190.0	–238.9	8.2	–1,870.1	0.0
OPERATING CASH FLOW	602.7	95.2	290.7	–242.3	746.3	7.6
INVESTMENT IN NON-CURRENT INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	120.4	73.7	9.3	0.0	203.4	0.0

SEGMENTAL REPORTING ACCORDING TO REGIONS

The segmentation according to regions comprises the breakdown of sales revenue according to domestic, the member states of the European Union and other countries:

SEGMENTAL REPORTING ACCORDING TO REGIONS

MILLION €

	2007	2006
ELECTRICITY SALES – DOMESTIC	**1,005.6**	**852.9**
THEREOF TO RESELLERS	644.3	658.4
THEREOF TO END CUSTOMERS[1]	245.0	113.7
THEREOF TO TRADERS	116.3	80.8
ELECTRICITY SALES – ABROAD	**1,712.4**	**1,682.8**
THEREOF TO EU MEMBER STATES	1,710.6	1,682.8
THEREOF TO OTHER COUNTRIES	1.8	0.0
SUBTOTAL ELECTRICITY SALES	**2,718.0**	**2,535.7**
REVENUE FROM GRID SALES (DOMESTIC)	274.5	268.2
SUBTOTAL ELECTRICITY AND GRID SALES	**2,992.5**	**2,803.9**
OTHER SALES REVENUES – TRADING IN EMISSION RIGHTS (THEREOF € 0.6 ABROAD, PREVIOUS YEAR: € 27.9 MILLION)	0.9	31.4
OTHER SALES REVENUE – OTHER (DOMESTIC)	44.9	42.8
TOTAL SALES REVENUE	**3,038.3**	**2,878.1**
THEREOF DOMESTIC SALES REVENUE	**1,325.3**	**1,167.4**
THEREOF SALES REVENUE ABROAD	**1,713.0**	**1,710.7**

[1] THEREOF € 60.6 MILLION (PREVIOUS YEAR: € 20.3 MILLION) FROM GRID FEES FOR FURTHER ACCOUNT

Assets that can be allocated to foreign business include, essentially, the interests accounted for using the equity method in the Sorgenia S.p.A. Group (EU) in the amount of € 223.0 million (previous year: € 209.4 million), Poweo S.A. (EU) in the amount of € 88.0 million (previous year: € 30.3 million), Poweo Production S.A.S in the amount of € 50.6 million (previous year: € 13.3 million) as well as the interest in EnerjiSA Enerji Üretim A.S in the amount of € 245.3 million which was acquired in 2007. Investments allocated to foreign business in fiscal 2007 amounted to € 350.6 million (previous year: € 44.0 million) and refer, essentially, to the acquisition mentioned above and the topping-up of the interest in Poweo S.A. and Poweo Production S.A.S.

IV. NOTES TO THE INCOME STATEMENT

(1) SALES REVENUE

For changes to sales revenues see »Segmental reporting according to regions«.

OTHER SALES REVENUE — MILLION €

	2007	2006
SALES REVENUE FROM CONSULTING/PLANNING SERVICES AND FOR OTHER SERVICES	17.6	10.5
REVENUE FROM DISTRICT-HEATING SALES	11.2	15.1
STAFF SECONDMENTS	9.2	10.1
USER AND MANAGEMENT FEES	4.8	4.8
REVENUE FROM SALES OF WASTE PRODUCTS/COAL/FUEL/OIL	1.1	1.6
REVENUE FROM EMISSION RIGHTS	0.9	31.4
OTHER	1.0	0.7
OTHER SALES REVENUE	**45.8**	**74.2**

(2) OTHER OPERATING INCOME

OTHER OPERATING INCOME — MILLION €

	2007	2006
PRO-RATA TEMPORIS REVERSAL OF BUILDING-COST CONTRIBUTIONS	16.2	16.6
CHANGES IN INVENTORY AND OWN WORK CAPITALIZED	13.6	13.0
INCOME FROM VARIOUS GOODS AND SERVICES	8.4	8.3
INCOME FROM VALUE ADJUSTMENTS OF RECEIVABLES	2.5	2.3
TENANCY AND LEASING INCOME	1.1	1.2
INCOME FROM THE DISPOSAL AND WRITE-UP OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	1.0	11.7
INCOME FROM THE REVERSAL OF PROVISIONS	0.8	3.0
INCOME FROM SOCIAL AMENITIES	0.6	0.7
REVENUE FROM INSURANCE INDEMNITIES	0.6	0.6
INCOME FROM MATERIAL SALES	0.6	0.6
INCOME FROM PLANT ALLOWANCES UNDER ELWOG	0.0	1.8
OTHER	7.2	6.3
OTHER OPERATING INCOME	**52.6**	**66.1**

(3) EXPENSES FOR ELECTRICITY, GRID AND EMISSION RIGHTS PURCHASES (TRADE)

EXPENSES FOR ELECTRICITY, GRID AND EMISSION RIGHTS PURCHASES — MILLION €

	2007	2006
EXPENSES FOR ELECTRICITY PURCHASES	1,378.2	1,333.3
EXPENSES FOR SYSTEM USE	78.6	38.5
EMISSION RIGHTS PURCHASES	1.2	30.8
EXPENSES FOR ELECTRICITY, GRID AND EMISSION RIGHTS PURCHASES	**1,458.0**	**1,402.6**

The generation-related use of emission rights is shown under »Use of fuels« (see »New accounting policies applied«).

(4) USE OF FUELS AND OTHER UTILIZATION-DEPENDENT EXPENSES

USE OF FUELS AND OTHER UTILIZATION-DEPENDENT EXPENSES — MILLION €

	2007	2006
FUEL EXPENSES	91.6	91.8
OTHER UTILIZATION-DEPENDENT EXPENSES	7.0	7.0
USE OF FUELS AND OTHER UTILIZATION-DEPENDENT EXPENSES	**98.6**	**98.8**

(5) PAYROLL EXPENSES

PAYROLL EXPENSES — MILLION €

	2007	2006
WAGES AND SALARIES	176.0	168.6
EXPENSES FOR SOCIAL SECURITY CONTRIBUTIONS AS REQUIRED BY LAW AS WELL AS CHARGES AND COMPULSORY CONTRIBUTIONS BASED ON BENEFITS	40.7	36.0
OTHER SOCIAL EXPENSES	3.1	3.3
SUBTOTAL	219.8	207.9
EXPENSES FOR PENSIONS AND SIMILAR OBLIGATIONS	34.3	52.3
EXPENSES FOR SEVERANCE PAYMENTS	7.9	16.2
PAYROLL EXPENSES	**262.0**	**276.4**

The decline in »Expenses for severance payments« and »Expenses for pensions and similar obligations« is due to the increase in the discount rate as well as the omission of the increase in the premiums for supplementary health insurance recognized in the previous year.

»Expenses for severance payments« include € 0.2 million (previous year: € 0.1 million) for contributions to a corporate employee-benefits fund.

Income from pension fund assets lowered pension expenses in the amount of € 1.2 million (previous year: € 8.0 million). The pension-fund contributions to the defined-contribution Investment and Risk Community amounted to € 6.4 million (previous year: € 6.0 million).

(6) OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES — MILLION €

	2007	2006
EXTERNAL SERVICES RECEIVED	63.1	73.6
ADVERTISING EXPENSES	14.3	12.0
LEGAL, CONSULTING AND AUDITING FEES	13.3	16.6
COSTS FOR ALLOCATED STAFF, TEMPORARY STAFF	11.6	10.3
TRAVEL EXPENSES, STAFF TRAINING	11.0	10.3
MATERIAL COSTS FOR MOTOR-VEHICLE OPERATION AND MAINTENANCE	10.9	14.2
PROVISION FOR CONTROVERSIAL GRID EQUALIZATION CLAIMS	6.5	0.0
EDP EXPENSES	6.3	5.3
EXPENSES FOR E-CONTROL[1]	6.1	5.6
FEES	3.7	3.2
COMMUNICATION	3.2	3.0
EXPENSES ARISING FROM VALUE ADJUSTMENTS FOR RECEIVABLES	3.0	0.9
INSURANCE	3.0	3.0
MEMBERSHIP FEES	2.4	2.4
OPERATING COSTS	2.3	2.5
LOSSES FROM THE DISPOSAL OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	2.3	0.7
RENT, LEASING	1.8	2.5
COMPENSATION PAYMENTS	1.5	3.1
OTHER OPERATING TAXES	1.1	2.5
OTHER	5.8	10.9
OTHER OPERATING EXPENSES	**173.2**	**182.6**

[1] ENERGIE-CONTROL ÖSTERREICHISCHE GESELLSCHAFT FÜR DIE REGULIERUNG IN DER ELEKTRIZITÄTS- UND ERDGASWIRTSCHAFT MIT BESCHRÄNKTER HAFTUNG (E-CONTROL)

The item »External services received« contains expenses for the regular overhaul and maintenance of energy-generation and transmission facilities.

(7) FINANCING RESULT

FINANCING RESULT — MILLION €

	2007	2006
INTEREST AND SIMILAR INCOME	72.8	73.3
EXCHANGE GAINS	4.0	15.2
INTEREST AND SIMILAR EXPENSES	–140.0	–143.9
EXCHANGE LOSSES	–0.2	–0.3
MEASUREMENT RESULT FROM DERIVATIVE FINANCIAL INSTRUMENTS/FINANCIAL AREA	0.0	–5.2
PROFIT/LOSS SHARES ATTRIBUTABLE TO LIMITED PARTNERS	–41.3	–47.3
FINANCING RESULT	**–104.7**	**–108.2**

(8) RESULT FROM PARTICIPATING INTERESTS

RESULT FROM PARTICIPATING INTERESTS — MILLION €

	2007	2006
INCOME FROM ASSOCIATES MEASURED AT EQUITY	51.8	23.2
INVESTMENT INCOME FROM AFFILIATED NON-CONSOLIDATED COMPANIES	4.6	4.7
INCOME FROM DISPOSAL OF LONG-TERM INVESTMENTS/PARTICIPATING INTERESTS	0.2	2.1
INCOME FROM PARTICIPATING INTERESTS IN OTHER COMPANIES	1.6	1.2
EXPENSES FROM AFFILIATED NON-CONSOLIDATED COMPANIES	–3.3	–0.2
RESULT FROM PARTICIPATING INTERESTS	**54.9**	**31.0**

(9) RESULT FROM LONG-TERM INVESTMENTS

The result from long-term investments contains, essentially, distribution income from investment funds and income from security investments. The investment fund investments were originally carried out essentially to cover the provisions for pension obligations. In addition, this item includes income from loans.

(10) NET GAINS/LOSSES IN ACCORDANCE WITH MEASUREMENT CATEGORY IAS 39

NET GAINS/LOSSES IN ACCORDANCE WITH MEASUREMENT CATEGORY — MILLION €

	2007		2006	
	NET GAINS/ LOSSES	IMPAIR- MENT	NET GAINS/ LOSSES	IMPAIR- MENT
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	–2.9	0.0	2.3	–0.2
AVAILABLE FOR SALE FINANCIAL ASSETS (AFS)	0.0	0.0	–0.1	0.0
LOANS AND RECEIVABLES	2.5	–6.1	2.9	–1.1
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	4.0	0.0	9.9	0.0
FINANCIAL ASSETS/LIABILITIES HELD FOR TRADING	2.6	0.0	–0.9	0.0
TOTAL INTEREST EXPENSES	–136.0		–126.0	
TOTAL INTEREST INCOME	88.7		82.5	
ALLOCATED TO AFS RESERVE AND RECOGNIZED DIRECTLY IN EQUITY	–15.3		–5.2	
WITHDRAWN FROM AFS RESERVE AND RECOGNIZED IN PROFIT OR LOSS	–0.1		–0.1	

The net gains/losses of the category Financial assets measured at amortized cost are presented in the result from participating interests. Dividend income was not included.

The net gains/losses of the category Loans and receivables are included in the operating result and refer, essentially, to income from value adjustments of receivables. The impairment losses in this category result from value adjustments and the write-down of trade receivables as well as receivables from companies in which participating interests are held.

The net gains/losses from the Financial liabilities measured at amortized cost include exchange gains in connection with financial obligations and are presented in the financing result.

The net gains/losses from the Financial assets/liabilities held for trading refer to the earnings/losses from the trading area of the electricity business and are therefore included in the operating result (electricity revenue).

Total interest expenses and income are presented in the financing result.

(11) INCOME TAX

INCOME TAX

MILLION €	2007	2006
CURRENT TAX EXPENSES (THEREOF TAX EXPENSES FROM PRIOR PERIODS € 10.6 MILLION; PREVIOUS YEAR: EXPENSES € 1.5 MILLION)	217.0	166.2
CHANGES IN DEFERRED INCOME TAXES	0.3	11.4
INCOME TAX	**217.3**	**177.6**

Tax expenses for 2007 of € 217.3 million undershot the calculated tax expenses of € 220.6 million by € 3.3 million; such calculated tax expenses would result from the application of a tax rate of 25 % to the pre-tax profit (€ 882.4 million). The causes of this difference between the calculated and the recognized tax expense within the group can be shown as follows:

TAX RECONCILIATION

MILLION €	2007	2006
CALCULATED TAX EXPENSES	220.6	184.8
DIFFERENT FOREIGN TAX RATES	0.2	0.0
TAX RELIEF DUE TO		
TAX-EXEMPT INVESTMENT INCOME	–14.6	–7.3
AMORTIZATION OF GOODWILL IN ACCORDANCE WITH § 9 PARA. 7 KSTG (CORPORATION TAX ACT)	–1.1	0.0
TAX-EXEMPT PREMIUMS	–0.7	–0.7
OTHER ITEMS	–0.1	0.0
INCREASES IN TAX EXPENSES DUE TO		
OTHER ITEMS	1.1	0.1
INCOME TAX EXPENSE FOR THE PERIOD	**205.4**	**176.9**
TAX INCOME/EXPENSES FOR PRIOR PERIODS (CURRENT AND DEFERRED)	11.9	0.7
INCOME TAX EXPENSE RECOGNIZED	**217.3**	**177.6**
EFFECTIVE TAX RATE	**24.6 %**	**22.6 %**

Current tax expenses in the amount of € 3.7 million were recognized directly in equity. The deferred taxes offset directly in equity amount to € 0.2 million.

The differences between the values used in the tax balance sheet and the IFRS balance sheet result in the following deferred taxes:

DEFERRED TAXES

MILLION €	2007	2006
PROVISIONS FOR PENSIONS AND SEVERANCE PAYMENTS	61.3	66.0
DERIVATIVE FINANCIAL INSTRUMENTS	0.2	0.4
DEFERRED TAX ASSETS	**61.5**	**66.4**
PROPERTY, PLANT AND EQUIPMENT (DIFFERENT USEFUL LIVES)	–117.0	–118.3
SPECIAL TAX DEPRECIATION	–83.5	–85.3
OTHER	–9.6	–10.2
DEFERRED TAX LIABILITIES	**–210.1**	**–213.8**
RECOGNITION OF DEFERRED TAXES (NETTED; + ASSETS/– LIABILITIES)	**–148.6**	**–147.4**

In fiscal 2007, the deferred tax provision changed as follows:

DEFERRED TAX PROVISION	MILLION €
OPENING BALANCE 01. 01. 2007	**–147.4**
CHANGES RECOGNIZED DIRECTLY IN EQUITY	–0.9
CHANGES RECOGNIZED IN PROFIT OR LOSS	–0.3
CLOSING BALANCE 31. 12. 2007	**–148.6**

The changes recognized directly in equity refer, essentially, to the impairment of intangible assets recognized in profit or loss as well as profits and losses from available-for-sale financial instruments and cash flow hedges.

Given the current tax regulations, it may be assumed that the differences – resulting, essentially, from retained earnings and uncovered losses – between the tax value of the interest and the proportional share of shareholders´ equity of the subsidiaries included in the consolidated financial statements will largely remain tax-exempt. Thus no tax accrual and deferral items were posted for this.

V. NOTES TO THE BALANCE SHEET

NON-CURRENT ASSETS

(12) INTANGIBLE ASSETS

Intangible assets are licenses, industrial property rights, electricity-purchase rights, water rights, software, user rights for plants owned by third parties and licenses derived therefrom.

INTANGIBLE ASSETS 2007	MILLION €
ACQUISITION COSTS AS OF 01. 01. 2007	44.1
CHANGES IN COMPANIES CONSOLIDATED	0.2
ADDITIONS	6.7
DISPOSALS	–0.6
ACQUISITION COSTS AS OF 31. 12. 2007	**50.4**
ACCUMULATED AMORTIZATION AS OF 01. 01. 2007	36.1
CHANGES IN COMPANIES CONSOLIDATED	0.2
AMORTIZATION 2007	3.6
THEREOF UNSCHEDULED	0.0
DISPOSALS	–0.5
ACCUMULATED AMORTIZATION AS OF 31. 12. 2007	**39.4**
NET CARRYING AMOUNT AS OF 31. 12. 2007	11.0
NET CARRYING AMOUNT AS OF 31. 12. 2006	8.0

INTANGIBLE ASSETS 2006	MILLION €
ACQUISITION COSTS AS OF 01. 01. 2006	43.0
ADDITIONS	2.2
DISPOSALS	–1.2
REPOSTINGS	0.1
ACQUISITION COSTS AS OF 31. 12. 2006	**44.1**
ACCUMULATED AMORTIZATION AS OF 01. 01. 2006	34.4
AMORTIZATION 2006	2.8
THEREOF UNSCHEDULED	0.0
DISPOSALS	–1.1
ACCUMULATED AMORTIZATION AS OF 31. 12. 2006	**36.1**
NET CARRYING AMOUNT AS OF 31. 12. 2006	8.0
NET CARRYING AMOUNT AS OF 31. 12. 2005	8.6

(13) PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT MILLION €

	REAL PROPERTY AND BUILDINGS	MACHINERY	ELECTRICAL INSTALLATIONS	POWER LINES	OFFICE AND PLANT EQUIPMENT	PAYMENTS MADE, ASSETS UNDER CONSTRUCTION AND PROJECTS	TOTAL
2007							
ACQUISITION/ PRODUCTION COSTS AS OF 01. 01. 2007	5,274.9	1,932.4	2,020.9	920.8	111.4	257.1	10,517.4
CHANGES IN COMPANIES CONSOLIDATED	0.0	0.0	0.0	0.0	0.2	0.0	0.2
ADDITIONS	15.9	15.9	37.5	9.4	9.9	160.9	249.4
DISPOSALS	–1.0	–4.0	–74.0	0.0	–7.0	–52.5	–138.5
REPOSTINGS	24.8	16.1	31.9	1.6	0.2	–74.8	–0.3
ACQUISITION/ PRODUCTION COSTS AS OF 31. 12. 2007	**5,314.6**	**1,960.4**	**2,016.3**	**931.7**	**114.6**	**290.6**	**10,628.2**
ACCUMULATED DEPRECIATION AS OF 01. 01. 2007	2,557.4	1,681.3	1,622.2	434.9	88.1	64.6	6,448.5
CHANGES IN COMPANIES CONSOLIDATED	0.0	0.0	0.0	0.0	0.1	0.0	0.1
DEPRECIATION 2007	66.9	28.4	58.1	19.6	6.3	0.0	179.3
DISPOSALS	–0.3	–3.8	–68.6	0.0	–6.5	–52.5	–131.7
REPOSTINGS	2.5	0.0	0.0	0.0	0.0	–2.5	0.0
ACCUMULATED DEPRECIATION AS OF 31. 12. 2007	**2,626.4**	**1,705.9**	**1,611.8**	**454.5**	**88.1**	**9.6**	**6,496.2**
NET CARRYING AMOUNT AS OF 31. 12. 2007	2,688.2	254.5	404.5	477.2	26.5	281.0	4,132.0
NET CARRYING AMOUNT AS OF 31. 12. 2006	2,717.5	251.1	398.7	485.9	23.3	192.5	4,068.9
2006							
ACQUISITION/ PRODUCTION COSTS AS OF 01. 01. 2006	5,273.8	1,924.6	1,976.8	904.3	109.3	173.5	10,362.3
ADDITIONS	11.6	6.8	36.2	16.4	9.6	120.6	201.2
DISPOSALS	–11.9	–0.1	–15.6	0.0	–7.8	–10.5	–45.9
REPOSTINGS	1.4	1.1	23.6	0.1	0.4	–26.6	–0.1
ACQUISITION/ PRODUCTION COSTS AS OF 31. 12. 2006	**5,274.9**	**1,932.4**	**2,020.9**	**920.8**	**111.4**	**257.1**	**10,517.4**
ACCUMULATED DEPRECIATION AS OF 01. 01. 2006	2,499.2	1,652.6	1,583.2	416.1	89.6	77.0	6,317.8
DEPRECIATION 2006	66.4	28.8	54.6	18.8	6.1	0.0	174.6
THEREOF UNSCHEDULED	0.0	0.2	0.3	0.0	0.0	0.0	0.4
DISPOSALS	–8.2	–0.1	–15.5	0.0	–7.6	–10.1	–41.6
WRITE-UPS	0.0	0.0	0.0	0.0	0.0	–2.3	–2.3
ACCUMULATED DEPRECIATION AS OF 31.12.2006	**2,557.4**	**1,681.3**	**1,622.2**	**434.9**	**88.1**	**64.6**	**6,448.5**
NET CARRYING AMOUNT AS OF 31. 12. 2006	2,717.5	251.1	398.7	485.9	23.3	192.5	4,068.9
NET CARRYING AMOUNT AS OF 31. 12. 2005	2,774.6	272.0	393.6	488.2	19.7	96.5	4,044.5

The additions for fiscal 2007 are listed in the following:

ADDITIONS — MILLION €

	2007	2006
KAPRUN LIMBERG II POWER PLANT	62.8	41.4
380 KV LINE KAINACHTAL – SOUTHERN BURGENLAND	20.4	2.2
GERLOS II POWER PLANT	12.6	22.3
AUTOMATION OF HYDROPOWER PLANTS OF VERBUND-AUSTRIAN HYDRO POWER AG	11.3	10.4
WERFEN/PFARRWERFEN POWER PLANT	10.3	2.6
RENOVATION OF MASTER MACHINES AT ASCHACH POWER PLANT	8.6	4.3
HIEFLAU POWER PLANT – EXPANSION	8.5	0.0
CONSTRUCTION OF SUBSTATION SARASDORF	7.3	2.3
WALLSEE POWER PLANT – LOCK SYSTEMS	7.0	2.2
220 KV LINE ERNSTHOFEN-BISAMBERG (RENOVATION)	6.1	5.7
SALZA POWER PLANT – DAM REPLACEMENT	4.3	1.6
380/110 KV RESERVE TRANSFORMER	3.6	0.6
SUBSTATION VIENNA-SOUTHEAST – CONSTRUCTION OF NEW MAIN CONTROL CENTER	3.5	0.6
380 KV LINE TAUERN-PONGAU-SALZACH-ST.PETER	3.2	4.0
SUBSTATION VIENNA-SOUTHEAST – CONVERSION OF 380/220 KV FACILITY TO REMOTE CONTROL	3.0	2.5
INSTALLATION OF SWITCHING UNITS IN LINZ GRID AREA	2.0	12.3
PHASE-SHIFTING TRANSFORMERS	0.6	22.1
GERLOS POWER PLANT– BOTTOM OUTLET FOR GMÜND DAM	0.3	3.1
LEOBEN POWER PLANT	0.2	3.3
FLEET OF DREDGERS FOR POWER PLANTS ON THE DRAU	0.0	3.3
OTHERS WITH INDIVIDUAL AMOUNTS UNDER € 3 MILLION	73.8	54.4
TOTAL	**249.4**	**201.2**

In fiscal 2002, Triebenbach power plant was taken over on the basis of a financial-leasing arrangement. This was included, as of 31 December 2007, under »Property, plant and equipment« with a residual carrying amount of € 18.8 million (previous year: € 19.8 million).

The corresponding liability will be repaid, within a year, to the amount of € 0.9 million, in the following four years to the amount of € 3.9 million and subsequently to the amount of € 15.7 million. The total of non-discounted leasing installments amounted to € 24.7 million (previous year: € 25.5 million), including the payment of the residual value. The leasing arrangement will end on 30 April 2015.

There is no investment property in accordance with IAS 40.

(14) AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT — MILLION €

	2007	2006
SCHEDULED DEPRECIATION AND AMORTIZATION	182.9	177.0
UNSCHEDULED DEPRECIATION AND AMORTIZATION	0.0	0.4
AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	**182.9**	**177.4**

The unscheduled depreciation essentially refers to the costs for power plant projects.

(15) INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD AND OTHER PARTICIPATING INTERESTS (INCLUDING INTERESTS IN AFFILIATED COMPANIES)

INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD AND OTHER PARTICIPATING INTERESTS MILLION €

	INTERESTS MEASURED AT EQUITY	INTERESTS IN NON-CONSOLI-DATED AFFILIATED COMPANIES	OTHER PARTICIPATING INTERESTS	TOTAL
2007				
(AMORTIZED) ACQUISITION COSTS AS OF 01. 01. 2007	785.2	5.6	42.3	833.1
ADDITIONS – INTERESTS ACQUIRED	351.1	3.1	0.7	354.9
ADDITIONS – PROFITS/LOSSES	61.8	0.0	0.0	61.8
DISPOSALS – PROFITS/LOSSES	–11.8	0.0	0.0	–11.8
DISPOSALS	–1.6	–0.2	–0.7	–2.5
DIVIDEND DISTRIBUTION	–28.5	0.0	0.0	–28.5
(AMORTIZED) ACQUISITION COSTS AS OF 31. 12. 2007	**1,156.3**	**8.5**	**42.3**	**1,207.0**
ACCUMULATED VALUE ADJUSTMENTS AS OF 01. 01. 2007	0.0	0.2	11.0	11.2
VALUE LOSSES	0.0	0.0	0.0	0.0
DISPOSALS	0.0	–0.2	0.0	–0.2
ACCUMULATED VALUE ADJUSTMENTS AS OF 31. 12. 2007	**0.0**	**0.0**	**11.0**	**11.0**
NET CARRYING AMOUNT AS OF 31. 12. 2007	1,156.3	8.5	31.3	1,196.0
NET CARRYING AMOUNT AS OF 31. 12. 2006	785.2	5.3	31.3	821.8
2006				
(AMORTIZED) ACQUISITION COSTS AS OF 01. 01. 2006	599.9	18.1	34.4	652.4
CHANGES IN COMPANIES CONSOLIDATED	0.0	–12.8	8.3	–4.5
ADDITIONS – INTERESTS ACQUIRED	173.9	0.3	1.7	175.9
ADDITIONS – PROFITS/LOSSES	43.6	0.0	0.0	43.6
DISPOSALS – PROFITS/LOSSES	–13.6	0.0	0.0	–13.6
DISPOSALS	–2.7	0.0	–2.1	–4.9
DIVIDEND DISTRIBUTION	–15.9	0.0	0.0	–15.9
(AMORTIZED) ACQUISITION COSTS AS OF 31. 12. 2006	**785.2**	**5.6**	**42.3**	**833.0**
ACCUMULATED VALUE ADJUSTMENTS AS OF 01. 01. 2006	0.0	5.6	11.6	17.1
CHANGES IN COMPANIES CONSOLIDATED	0.0	–5.6	1.5	–4.1
VALUE LOSSES	0.0	0.2	0.0	0.2
DISPOSALS	0.0	0.0	–2.1	–2.1
ACCUMULATED VALUE ADJUSTMENTS AS OF 31. 12. 2006	**0.0**	**0.2**	**11.0**	**11.2**
NET CARRYING AMOUNT AS OF 31. 12. 2006	785.2	5.3	31.3	821.8
NET CARRYING AMOUNT AS OF 31. 12. 2005	599.9	12.5	22.8	635.3

The additions from interests acquired in terms of the interests accounted for using the equity method refer, essentially, to EnerjiSA Enerji Üretim A.S., Poweo S.A. as well as Poweo Production S.A.S.

Changes in the value of interests accounted for using the equity method are presented under additions/disposals.

The net carrying amount of the interests accounted for using the equity method includes the following goodwill and intangible assets with indefinite useful lives:

GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES — MILLION €

	31. 12. 2007	31. 12. 2006
NET CARRYING AMOUNT	1,156.3	785.2
THEREOF GOODWILL	237.9	212.3
THEREOF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES	15.3	19.2

The goodwill and intangible assets with indefinite useful lives are not subject to scheduled amortization but rather to an annual impairment test (see »Accounting policies« (participating interests)).

The additions to interests in non-consolidated affiliated companies refer, essentially, to VERBUND-Gasbeteiligungsgmbh (€ 1.8 million), APT Power Trading SL, trgovanje z elektricno energijo d.o.o. (€ 0.9 million) and VERBUND-Austrian Power Trading ENERGA Hellas Electricity Supply and Trade S.A. (€ 0.3 million). The additions to other participating interests refer, essentially, to Kärntner Restmüllverwertungs GmbH (€ 0.7 million).

The disposals of interests in non-consolidated affiliated companies refer to Szélerömü Park Kisfalud Korlátolt Felelösségü Társaság (acquisition cost: € 0.2 million/accumulated value adjustments: € 0.22 million). The disposals of other participating interests refer to an adjustment of the interest in Kärntner Restmüllverwertungs GmbH (acquisition cost: € 0.7 million/accumulated value adjustments: € 0.02 million) following the repayment of non-appropriated capital reserves.

(16) LONG-TERM INVESTMENTS – CROSS BORDER LEASING

LONG-TERM INVESTMENTS – CROSS BORDER LEASING — MILLION €

	SECURITIES (LOAN STOCK RIGHTS) CROSS BORDER LEASING	OTHER LOANS CROSS BORDER LEASING	TOTAL
(AMORTIZED) ACQUISITION COSTS AS OF 31. 12. 2006	48.0	532.3	580.3
FOREIGN-CURRENCY MEASUREMENT	–5.4	–67.0	–72.4
ADDITIONS	1.1	3.0	4.1
CAPITALIZED INTEREST	0.1	42.4	42.5
DISPOSALS	0.0	–16.7	–16.7
(AMORTIZED) ACQUISITION COSTS AS OF 31. 12. 2007	**43.8**	**494.0**	**537.8**

Notes to cross border leasing transactions can be found under »Accounting policies«.

The securities consist of medium-term notes with a nominal value of USD 62.1 million (previous year: USD 61.0 million).

None of the securities are pledged and of loans, an amount of € 346.6 million (previous year: € 371.7 million) is pledged. Of this amount, € 253.5 million is pledged to US investors and € 93.1 million is pledged as security for bank guarantees.

(17) OTHER LONG-TERM INVESTMENTS AND OTHER LONG-TERM RECEIVABLES

OTHER LONG-TERM INVESTMENTS AND OTHER LONG-TERM RECEIVABLES

MILLION €

	LOANS TO COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	SECURITIES (LOAN STOCK RIGHTS) EXCL. CROSS BORDER LEASING	OTHER LOANS EXCL. CROSS BORDER LEASING	TOTAL
2007				
ACQUISITION COSTS AS OF 01. 01. 2007[1]	42.9	278.0	6.7	327.5
ADDITIONS	0.7	36.7	71.0	108.5
DISPOSALS	–1.1	–25.3	0.0	–26.4
REPOSTINGS	–1.1	0.0	–3.7	–4.8
ACQUISITION COSTS AS OF 31. 12. 2007	**41.3**	**289.4**	**74.0**	**404.7**
ACCUMULATED VALUE ADJUSTMENTS AS OF 01. 01. 2007	0.0	23.3	0.0	23.3
VALUE LOSSES	0.0	15.6	0.0	15.6
VALUE INCREASES	0.0	–0.3	0.0	–0.3
DISPOSALS	0.0	–0.1	0.0	–0.1
REPOSTINGS	0.0	0.0	0.0	0.0
ACCUMULATED VALUE ADJUSTMENTS AS OF 31. 12. 2007	**0.0**	**38.6**	**0.0**	**38.6**
NET CARRYING AMOUNT AS OF 31. 12. 2007	41.3	250.8	74.0	366.1
NET CARRYING AMOUNT AS OF 31. 12. 2006	42.9	254.6	6.7	304.1
OTHER LONG-TERM RECEIVABLES				
NET CARRYING AMOUNT AS OF 31. 12. 2007				80.4
NET CARRYING AMOUNT AS OF 31. 12. 2006[1]				91.2
TOTAL				
NET CARRYING AMOUNT AS OF 31. 12. 2007				446.5
NET CARRYING AMOUNT AS OF 31. 12. 2006				395.3
2006				
ACQUISITION COSTS AS OF 01. 01. 2006	43.6	123.3	25.4	192.4
ADDITIONS	1.7	161.6	0.0	163.4
DISPOSALS	0.0	–7.0	0.0	–7.0
REPOSTINGS	–2.5	0.0	–18.8	–21.3
ACQUISITION COSTS AS OF 31. 12. 2006	**42.9**	**278.0**	**6.7**	**327.5**
ACCUMULATED VALUE ADJUSTMENTS AS OF 01. 01. 2006	0.0	18.2	0.0	18.2
VALUE LOSSES	0.0	6.1	0.0	6.1
VALUE INCREASES	0.0	–0.9	0.0	–0.9
DISPOSALS	0.0	–0.1	0.0	–0.1
REPOSTINGS	0.0	0.0	0.0	0.0
ACCUMULATED VALUE ADJUSTMENTS AS OF 31. 12. 2006	**0.0**	**23.3**	**0.0**	**23.3**
NET CARRYING AMOUNT AS OF 31. 12. 2006	42.9	254.6	6.7	304.1
NET CARRYING AMOUNT AS OF 31. 12. 2005	43.6	105.1	25.4	174.2
OTHER LONG-TERM RECEIVABLES				
NET CARRYING AMOUNT AS OF 31. 12. 2006				91.2
NET CARRYING AMOUNT AS OF 31. 12. 2005				108.0
TOTAL				
NET CARRYING AMOUNT AS OF 31. 12. 2006				395.3
NET CARRYING AMOUNT AS OF 31. 12. 2005				282.2

[1] THE PREVIOUS YEAR'S FIGURES WERE ADJUSTED

The repostings of acquisition costs refer to the reclassification to current assets.

The additions to loans to companies in which participating interests are held (€ 0.7 million) refer to a loan to CEMP d.o.o. (€ 0.4 million) and a loan to Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH & Co KG (€ 0.3 million).

The securities (€ 250.8 million, previous year: € 254.6 million) primarily comprise shares in investment funds and bonds and are classified as available-for-sale.

Of the securities, € 65.9 million (previous year: € 36.0 million) was pledged as security, above all in connection with trading at power exchanges and the management of balancing energy.

Other loans in the amount of € 74.0 million (previous year: € 6.7 million) consist, essentially, of a loan to Poweo Pont sur Sambre (€ 71.0 million) as well as long-term receivables vis-à-vis the Republic of Austria from the pre-financing of building cost contributions on account of the Republic of Austria (€ 2.9 million). The building-cost contributions were used to finance facilities of the Danube power plants used by the shipping industry.

The electricity prepayment to Österreichisch-Bayerische Kraftwerke Aktiengesellschaft (€ 28.9 million, previous year € 30.2 million) recognized in loans to companies in which participating interests are held was reclassified to other long-term receivables. In fiscal 2007, these were reduced by € 1.3 million. The value of the previous year was adjusted.

Other long-term receivables include, after set-off against prepayments received, € 3.2 million (previous year: € 4.8 million) as the present value of future leasing installments for plants leased out by Verbund to a large customer (financial leasing under IAS 17). The lease agreements will terminate on 31 September 2010. The total of non-discounted leasing installments amounts to € 3.3 million (previous year: € 5.1 million). Redemptions due within a year amount to € 1.6 million and redemptions due between 2009 and 2010 to € 1.6 million.

Other long term receivables are receivables from the fair value of the derivative financial instruments of the financial area in connection with cross border leasing in the amount of € 47.9 million (previous year: € 47.0 million).

CURRENT ASSETS

Current assets include all assets that are expected to be realized (used) within a period of 12 months or over the normal course of the business cycle .

(18) INVENTORIES

INVENTORIES — MILLION €

	2007	2006	CHANGE
PRIMARY ENERGY SOURCES	46.5	49.6	–3.1
LESS VALUE ADJUSTMENTS	–0.5	–0.5	0.0
SUBTOTAL	46.0	49.1	–3.1
MATERIALS AND SUPPLIES	2.8	2.6	0.2
WORK IN PROGRESS	0.0	0.5	0.5
INVENTORIES	**48.8**	**52.2**	**–2.4**

The primary energy sources refer, essentially, to coal and oil inventories.

(19) TRADE RECEIVABLES AND OTHER RECEIVABLES

TRADE RECEIVABLES AND OTHER RECEIVABLES — MILLION €

	SHORT-TERM		LONG-TERM	
	2007	2006	2007	2006
TRADE RECEIVABLES	248.1	211.1	0.0	0.0
RECEIVABLES FROM COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	32.5	37.3	0.0	0.0
OTHER LOANS	2.2	18.8	0.0	0.0
LOANS TO COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	0.7	4.2	0.0	0.0
RECEIVABLES FROM NON-CONSOLIDATED AFFILIATED COMPANIES	9.7	4.0	0.0	0.0
OTHER RECEIVABLES AND ASSETS	344.4	150.2	80.4	91.2
TRADE RECEIVABLES AND OTHER RECEIVABLES	**637.6**	**425.6**	**80.4**	**91.2**

Other receivables with a maturity of more than one year are recognized in the balance sheet under »Other long-term receivables« (see (17)). The figures for the previous year were adjusted for the reclassification of an electricity prepayment from loans to companies in which participating interests are held to other receivables.

OTHER RECEIVABLES AND ASSETS — MILLION €

	SHORT-TERM		LONG-TERM	
	2007	2006	2007	2006
DEPOSITS AT BANKS > 3 MONTHS < 1 YEAR	245.8	0.0	0.0	0.0
ELECTRICITY PREPAYMENT ÖBK	0.0	0.0	28.9	30.2
FAIR VALUE OF THE DERIVATIVE FINANCIAL INSTRUMENTS				
FINANCIAL AREA	0.0	0.0	47.9	47.0
TRADING – ENERGY AREA	31.3	49.1	0.0	0.0
HEDGE – ENERGY AREA	2.9	8.8	0.0	0.0
SECURITIES IN EEX / ELECTRICITY TRADE	22.6	32.6	0.0	0.0
PREPAYMENTS MADE FROM AUCTIONS	10.9	0.4	0.0	0.0
RECEIVABLES FROM LOCK OPERATIONS AND MAINTENANCE	4.7	2.1	0.0	0.0
RECEIVABLES FROM INTEREST ACCRUALS	2.6	1.6	0.0	0.0
RECEIVABLES – ELWOG	1.8	1.8	0.0	0.0
RECEIVABLES – REPUBLIC OF AUSTRIA	1.6	0.7	0.0	0.0
RECEIVABLES FROM TAX CLEARING	0.9	0.6	0.0	0.0
SECURITIES IN CONNECTION WITH ELECTRICITY TRANSPORTS	0.5	5.6	0.0	0.0
OTHER RECEIVABLES FROM PAYROLL	0.3	0.5	0.0	0.0
CONTRIBUTIONS TO FINANCING	0.2	2.7	0.0	0.0
PREPAYMENTS MADE FOR EXPENSES THAT WILL BE RECOGNIZED IN FOLLOWING PERIODS – ELECTRICITY BUSINESS	0.2	3.6	0.0	0.0
EMISSION RIGHTS	0.1	24.4	0.0	0.0
PREPAYMENTS FOR FINANCIAL INSTRUMENTS	0.0	0.0	0.0	8.6
RECEIVABLE FROM FINANCIAL LEASING	0.0	0.0	3.2	4.8
OTHER	18.0	15.7	0.4	0.6
OTHER RECEIVABLES AND ASSETS	**344.4**	**150.2**	**80.4**	**91.2**

The total amount of € 23.1 million (previous year: € 32.8 million) recognized as securities was pledged, above all in connection with the management of balancing energy and trading at power exchanges.

Significant value adjustments and payment interruptions (arrears) existed as of 31 December for the following receivables:

VALUE ADJUSTMENTS

MILLION €

	CARRYING AMOUNT 2007	VALUE ADJUSTMENT 2007	GROSS 2007	CARRYING AMOUNT 2006	VALUE ADJUSTMENT 2006	GROSS 2006
TRADE ACCOUNTS RECEIVABLE	248.1	6.7	254.8	211.1	3.2	214.3
RECEIVABLES FROM COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	32.5	3.7	36.2	37.3	5.1	42.4
RECEIVABES FROM AFFILIATED COMPANIES	9.7	0.0	9.7	4.0	0.0	4.0
TOTAL	**290.3**	**10.4**	**300.7**	**252.4**	**8.3**	**260.7**

OVERDUE ACCOUNTS

MILLION €

	GROSS 2007	OVERDUE 1–30 DAYS	OVERDUE 31–120 DAYS	OVERDUE 121–360 DAYS	OVERDUE > 361 DAYS
TRADE ACCOUNTS RECEIVABLE	254.8	9.8	6.0	6.0	2.6
RECEIVABLES FROM COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	36.2	0.0	0.1	0.0	3.7
RECEIVABES FROM AFFILIATED COMPANIES	9.7	0.5	0.0	0.0	0.0
TOTAL	**300.7**	**10.3**	**6.1**	**6.1**	**6.3**

The value adjustments for receivables from companies in which participating interests are held refer in the amount of € 2.3 million (previous year: € 3.7 million) to related parties in accordance with IAS 24 (associated companies accounted for using the equity method).

Other receivables include a significant value adjustment in the amount of € 2.2 million.

(20) CASH AND CASH ITEMS

CASH AND CASH ITEMS

MILLION €

	2007	2006
SHORT-TERM DEPOSITS	116.1	80.6
CASH IN BANKS	213.9	7.2
CASH BALANCE	0.1	0.2
CASH AND CASH ITEMS	**330.1**	**88.0**

The lock-in period of all short-term financial investments was less than three months at the time of the investment.

EQUITY

Composition and changes are presented in the »Statement of Changes in Equity of the Verbund Group«.

(21) SHARE CAPITAL

The share capital comprises:
151,018,000 individual share certificates (bearer shares category A), equivalent to 49 % of the share capital; 157,182,000 individual share certificates (registered shares category B), equivalent to 51 % of the share capital, authenticated by an interim certificate deposited with the Federal Ministry of Finance and made out in the name of the Republic of Austria. The share capital was paid in full.

On the balance sheet date, there were 308,200,000 shares (previous year: 308,200,000) in circulation.

Earnings per share are calculated by dividing the profit for the period (excluding minority interests) by the weighted average number of shares in circulation in 2007 (308,200,000, previous year: 308,200,000). There were no rights issues or other matters that could have had a diluting effect.

(22) CAPITAL RESERVES

Capital reserves amount to € 10.9 million (previous year: € 10.9 million). This represents the portion of the reserves that was not created from the profits in previous years.

(23) RETAINED EARNINGS

The retained earnings comprise the profits and losses accumulated within the group. Of the retained earnings, the amount that can be distributed to the shareholders of the parent company is the item shown as »net profit for the year« in the individual accounts of the parent company as of 31 December 2007, which are prepared in accordance with Austrian Accounting Standards (see (26) for details relating to proposed dividend)).

(24) OTHER RESERVES

OTHER RESERVES — MILLION €

	PROFITS AND LOSSES FROM			TOTAL
	AVAILABLE-FOR-SALE ASSETS	INTERESTS MEASURED AT EQUITY	CASH FLOW HEDGING	
AS OF 01. 01. 2007	–1.0	4.8	0.0	3.8
CHANGE	–10.5	–2.7	1.7	–11.6
RECYCLING (SALE)	–0.1	0.0	0.0	0.0
AS OF 31. 12. 2007	**–11.6**	**2.1**	**1.7**	**–7.8**

The amounts recognized are net amounts less income taxes. The income taxes on profits or losses recognized directly in equity in fiscal 2007 come to € 3.5 million (previous year: € 1.1 million).

Details relating to the profits and losses from available-for-sale financial instruments can be found under »Accounting policies« (securities and loans). The profits and losses from interests accounted for using the equity method reflect the following changes in the investee's equity that have not been recognized in the investee's profit or loss: exchange rate translation differences, revaluation of property, plant and equipment, measurement of available-for-sale financial instruments and cash flow hedges.

(25) MINORITY INTERESTS

Minority interests comprise the third-party shares in the shareholders´ equity of the consolidated subsidiaries. Minority interests are held in VERBUND-Austrian Hydro Power AG (19.7 %) and VERBUND-Austrian Thermal Power GmbH (40.5 %).

Details relating to the development of minority interests are presented under »Statement of Changes in Equity of the Verbund Group«.

The capital shares attributable to the limited partners of ATP GmbH & Co KG were recognized under long-term financial obligations for the first time in accordance with IAS 32. The previous year's figures were adjusted.

(26) DIVIDENDS

The dividend is determined on the basis of the net profit for the year shown in the individual accounts of the parent company which are compiled in accordance with commercial law. In fiscal 2007, this amount comes to € 277.4 million (previous year: € 231.2 million). A distribution of the full amount will be proposed to the General Meeting. This would correspond to a distribution of € 0.90 per share (previous year: € 0.75).

LONG-TERM AND SHORT-TERM LIABILITIES

(27) LONG AND SHORT-TERM FINANCIAL OBLIGATIONS

LONG AND SHORT-TERM FINANCIAL OBLIGATIONS — MILLION €

	LONG-TERM		SHORT-TERM	
	2007	2006	2007	2006
BONDS	646.9	484.5	344.0	76.7
LIABILITIES TO BANKS	783.5	264.9	18.0	176.8
FINANCIAL OBLIGATIONS TO OTHERS	49.1	51.6	14.8	185.3
CAPITAL SHARES REPAYABLE ON DEMAND	125.7	107.6	0.0	0.0
TOTAL FINANCIAL OBLIGATIONS EXCL. CROSS BORDER LEASING	**1,605.2**	**908.6**	**376.8**	**438.8**
FINANCIAL OBLIGATIONS – CROSS BORDER LEASING	604.6	647.9	0.0	0.0
LONG AND SHORT-TERM FINANCIAL OBLIGATIONS	**2,209.8**	**1,556.5**	**376.8**	**438.8**

The financial obligations (excluding financial obligations from cross border leasing) changed as follows:

FINANCIAL OBLIGATIONS (EXCLUDING FINANCIAL OBLIGATIONS FROM CROSS BORDER LEASING) — MILLION €

AS OF 01. 01. 2007 (LONG-TERM AND SHORT-TERM)	1,347.4
NEW GROUP COMPANIES	0.3
NET CHANGE IN MONEY MARKET TRANSACTIONS	–292.1
CHANGE IN INTEREST ACCRUALS	14.3
SCHEDULED REPAYMENTS	–125.0
BORROWINGS (AFTER DEDUCTION OF COSTS)	1,025.9
EXCHANGE GAINS	–7.0
CHANGES TO CAPITAL SHARES ATTRIBUTABLE TO LIMITED PARTNERS	18.1
OTHER CHANGES	0.1
AS OF 31. 12. 2007 (LONG-TERM AND SHORT-TERM)	**1,982.0**

The capital and profit/loss shares attributable to the limited partners of ATP GmbH & Co KG were recognized under long-term financial obligations (see »Financing result«/«Accounting policies«). The changes were as follows:

SHARES ATTRIBUTABLE TO LIMITED PARTNERS — MILLION €

	2007	2006
SHARES ATTRIBUTABLE TO LIMITED PARTNERS AS OF 01. 01.	107.6	60.6
CHANGE FROM CASH FLOW HEDGE NOT RECOGNIZED IN PROFIT OR LOSS	0.9	–0.3
PROFIT/LOSS SHARES ATTRIBUTABLE TO LIMITED PARTNERS (FINANCING RESULT)	41.4	47.3
DISTRIBUTION	–24.2	0.0
SHARES ATTRIBUTABLE TO LIMITED PARTNERS AS OF 31. 12.	**125.7**	**107.6**

The financial obligations from cross border leasing changed as follows:

FINANCIAL OBLIGATIONS FROM CROSS BORDER LEASING — MILLION €

AS OF 01. 01. 2007	647.9
EXCHANGE GAINS FROM MEASUREMENT IN ACCORDANCE WITH IAS 39	–72.3
CAPITALIZATION – CROSS BORDER LEASING	61.4
REPAYMENTS/DISPOSALS FROM CROSS BORDER LEASING	–30.9
MARKET CHANGES – CROSS BORDER LEASING	–1.5
AS OF 31. 12. 2007	**604.6**

In fiscal 2007, new long-term financial obligations were incurred in the total amount of € 1,030.5 million. Of this amount € 330.5 million referred to loans taken out directly by Verbundgesellschaft within the framework of the refinancing process of Österreichische Kontrollbank AG for the acquisition of foreign interests. The other borrowings in the amount of € 700 million were taken out by the fully consolidated subsidiary VERBUND-International Finance BV in the Netherlands where the borrowing activities of the group are to be concentrated as a result of the »structural subordination« brought up by the rating agencies. These borrowings took the form of a € 500 million bond and a loan in the amount of € 200 million from the European Investment Bank. Of the new loans, € 281.5 million is subject to a variable interest rate and € 749.0 million to a fixed interest rate.

Long-term financial obligations, excluding cross border leasing transactions, were reduced in the total amount of € 125.0 million through scheduled repayments. There were no unscheduled repayments. As for short-term financial obligations (cash advances), an amount of € 305.8 million was repaid and another € 13.7 million was raised on the money market.

There were no changes to the underlying conditions, e.g. the interest rates and maturities, of the existing financial obligations.

As for financial obligations from cross border leasing transactions, capitalizations in the amount of € 61.4 million (previous year: € 65.9 million) were carried out. Repayments/disposals were carried out in the amount of € 30.9 million (previous year: € 521.4 million).

There are no mortgage-backed obligations.

Further details relating to the financial obligations are provided in the following table:

LONG-TERM AND SHORT-TERM FINANCIAL OBLIGATIONS 2007

MILLION €

	MATURITY TO	ISSUE VOLUME	LIABILITY 31. 12. 2007	REMAIN. MATURITY <= 1 YEAR	REMAIN. MATURITY > 1 TO 2 YEARS	REMAIN. MATURITY > 2 TO 3 YEARS	REMAIN. MATURITY > 3 TO 4 YEARS	REMAIN. MATURITY > 4 TO 5 YEARS	REMAIN. MATURITY > 5 YEARS	WEIGHTED NOMINAL INTEREST RATE	WEIGHTED EFFECTIVE I NTEREST RATE	FAIR VALUE 31. 12. 2007
1. BONDS												
EURO CURRENCIES	2017	885.0	880.5	311.5	0.8	0.0	0.0	0.0	567.9	4.18%	5.00%	888.4
FOREIGN CURRENCIES (JPY)	2015	168.1	110.5	32.4	0.0	0.0	0.0	0.0	78.2	3.52%	2.22%	123.2
TOTAL BONDS		**1,053.2**	**990.9**	**344.0**	**0.8**	**0.0**	**0.0**	**0.0**	**646.1**	**4.11%**	**4.06%**	**1,011.6**
THEREOF AT A FIXED INTEREST RATE	2017	1,053.2	990.9	344.0	0.8	0.0	0.0	0.0	646.1	4.11%	4.06%	1,011.6
2. PAYABLS TO CREDIT INSTITUTIONS												
EURO CURRENCIES	2021	852.8	801.5	18.0	214.7	17.2	19.3	189.0	343.3	4.32%	4.41%	782.3
TOTAL PAYABLES TO CREDIT INSTITUTIONS		**852.8**	**801.5**	**18.0**	**214.7**	**17.2**	**19.3**	**189.0**	**343.3**	**4.32%**	**4.41%**	**782.3**
THEREOF AT A FIXED INTEREST RATE	2021	410.3	387.4	2.1	129.3	7.4	9.1	169.8	69.7	3.52%	3.94%	372.6
THEREOF AT A VARIABLE INTEREST RATE	2020	442.4	414.0	15.9	85.4	9.8	10.2	19.2	273.6	5.07%	4.77%	409.7
3. FINANCIAL OBLIGATIONS TO OTHERS												
EURO CURRENCIES	2021	37.7	33.3	14.7	1.0	1.0	1.0	1.1	14.5	3.77%	3.51%	33.3
FOREIGN CURRENCIES (JPY)	2009	34.8	30.6	0.0	30.6	0.0	0.0	0.0	0.0	1.90%	3.72%	30.9
3A. TOTAL FINANCIAL OBLIGATIONS TO OTHERS EXCLUDING CROSS BORDER LEASING		**72.5**	**63.9**	**14.8**	**31.6**	**1.0**	**1.0**	**1.1**	**14.5**	**2.87%**	**3.69%**	**64.3**
THEREOF AT A FIXED INTEREST RATE	2021	34.9	30.6	0.0	30.6	0.0	0.0	0.0	0.0	1.90%	3.72%	31.0
THEREOF AT A VARIABLE INTEREST RATE	2015	37.6	33.3	14.8	1.0	1.0	1.0	1.1	14.5	3.77%	3.65%	33.3
3B. CAPITAL SHARES REPAYABLE ON DEMAND			**125.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**125.7**			
3C. CROSS BORDER LEASING[1]			**604.6**	**0.0**	**0.0**	**3.4**	**0.0**	**3.8**	**597.4**			**634.1**
TOTAL FINANCIAL OBLIGATIONS TO OTHERS			**794.2**	**14.8**	**31.6**	**4.4**	**1.0**	**4.9**	**737.6**			
TOTAL FINANCIAL OBLIGATIONS EXCL. CROSS BORDER LEASING		**1,978.5**	**1,982.0**	**376.8**	**247.1**	**18.2**	**20.3**	**190.1**	**1,129.6**	**4.16%**	**4.21%**	
TOTAL FINANCIAL OBLIGATIONS INCL. CROSS BORDER LEASING			**2,586.6**	**376.8**	**247.1**	**21.6**	**20.3**	**193.9**	**1,727.0**			

[1] THESE FIGURES CORRESPOND TO ASSET ITEMS IN THE SAME AMOUNT, INFORMATION THEREFORE PARTLY IRRELEVANT.

LONG-TERM AND SHORT-TERM FINANCIAL OBLIGATIONS 2006

MILLION €

	MATURITY TO	ISSUE VOLUME	LIABILITY 31. 12. 2006	REMAIN. MATURITY <= 1 YEAR	REMAIN. MATURITY > 1 TO 2 YEARS	REMAIN. MATURITY > 2 TO 3 YEARS	REMAIN. MATURITY > 3 TO 4 YEARS	REMAIN. MATURITY > 4 TO 5 YEARS	REMAIN. MATURITY > 5 YEARS	WEIGHTED NOMINAL INTEREST RATE	WEIGHTED EFFECTIVE I NTEREST RATE	FAIR VALUE 31. 12. 2006
1. BONDS												
EURO CURRENCIES	2017	455.0	445.1	74.5	297.1	0.8	0.0	0.0	72.7	4.47%	5.23%	452.2
FOREIGN CURRENCIES (JPY)	2015	168.1	116.1	2.2	31.8	0.0	0.0	0.0	82.1	3.52%	2.28%	129.5
TOTAL BONDS		**623.2**	**561.2**	**76.7**	**329.0**	**0.8**	**0.0**	**0.0**	**154.8**	**4.27%**	**4.12%**	**581.7**
THEREOF AT A FIXED INTEREST RATE	2017	623.2	561.2	76.7	329.0	0.8	0.0	0.0	154.8	4.27%	4.12%	581.7
2. PAYABLS TO CREDIT INSTITUTIONS												
EURO CURRENCIES	2020	447.1	441.8	176.9	11.9	134.8	11.9	11.9	94.3	3.40%	3.70%	436.3
TOTAL PAYABLES TO CREDIT INSTITUTIONS		**447.1**	**441.8**	**176.9**	**11.9**	**134.8**	**11.9**	**11.9**	**94.3**	**3.40%**	**3.70%**	**436.3**
THEREOF AT A FIXED INTEREST RATE	2016	141.6	140.2	2.0	1.7	124.6	1.7	1.7	8.5	2.72%	3.06%	135.4
THEREOF AT A VARIABLE INTEREST RATE	2020	305.5	301.6	174.9	10.2	10.2	10.2	10.2	85.7	3.71%	4.11%	300.9
3. FINANCIAL OBLIGATIONS TO OTHERS												
EURO CURRENCIES	2021	208.1	204.7	185.0	0.9	1.0	1.0	1.0	15.8	3.69%	3.74%	204.7
FOREIGN CURRENCIES (JPY)	2009	34.8	32.1	0.3	0.0	31.9	0.0	0.0	0.0	1.90%	3.91%	32.6
3A. TOTAL FINANCIAL OBLI-GATIONS TO OTHERS EXCLUDING CROSS BORDER LEASING		**242.9**	**236.9**	**185.3**	**0.9**	**32.8**	**1.0**	**1.0**	**15.8**	**3.45%**	**3.88%**	**237.4**
THEREOF AT A FIXED INTEREST RATE	2021	34.9	32.2	0.3	0.0	31.9	0.0	0.0	0.0	1.90%	3.90%	32.7
THEREOF AT A VARIABLE INTEREST RATE	2015	208.0	204.7	185.0	0.9	1.0	1.0	1.0	15.7	3.69%	3.75%	204.7
3B. CAPITAL SHARES REPAYABLE ON DEMAND			**107.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**107.6**			
3C. CROSS BORDER LEASING[1]			**647.9**	**0.0**	**0.0**	**0.0**	**3.8**	**0.4**	**643.7**			[2]
TOTAL FINANCIAL OBLIGATIONS TO OTHERS			**992.4**	**185.3**	**0.9**	**32.8**	**4.8**	**1.5**	**767.1**			
TOTAL FINANCIAL OBLIGATIONS EXCLUDING CROSS BORDER LEASING		**1,313.1**	**1,347.5**	**438.8**	**341.9**	**168.4**	**12.9**	**13.0**	**372.4**	**3.81%**	**4.02%**	
TOTAL FINANCIAL OBLIGATIONS INCLUDING CROSS BORDER LEASING			**1,995.4**	**438.8**	**341.9**	**168.4**	**16.7**	**13.4**	**1,016.1**			

[1] THESE FIGURES CORRESPOND TO ASSET ITEMS IN THE SAME AMOUNT, INFORMATION THEREFORE PARTLY IRRELEVANT.

[2] NO FIGURE SHOWN IN PREVIOUS YEAR. SUBSEQUENT DETERMINATION OF FAIR VALUE NOT REASONABLY POSSIBLE FOR TECHNICAL REASONS.

MEASUREMENT CATEGORIES, CARRYING AMOUNTS AND FAIR VALUES

MILLION €

BALANCE SHEET ITEM		MEASUREMENT CATEGORY[1]	CARRYING AMOUNT AS OF 31. 12. 2007			FAIR VALUE AS OF 31. 12. 2007
ASSETS 2007						
	INTERESTS IN NON-CONSOLIDATED AFFILIATED COMPANIES	AFS/FAAC		8.4		–
OTHER PARTICIPATING INTERESTS[2]	OTHER PARTICIPATING INTERESTS	AFS/FAAC		31.3	39.7	–
	SECURITIES CBL (MEDIUM TERM NOTES)	LAR		43.8		42.4
LONG-TERM INVESTMENTS – CBL	OTHER LOANS CBL	LAR		494.0	537.8	576.9
	LOANS OF ASSOCIATED COMPANIES	LAR		41.3		42.6
	SECURITIES EXCL. CBL	AFS		250.8		250.8
	OTHER LOANS EXCL. CBL	LAR		74.0		78.6
	DERIVATIVES FINANCIAL AREA (CBL) (HEDGE ACCOUNTING)	IAS 39	47.9			47.9
	CASH VALUE LEASING INSTALLMENTS (FINANCIAL LEASING)	IAS 17	3.2			–
	OTHER	–	29.3			–
OTHER LONG-TERM INVESTMENTS AND OTHER LONG-TERM RECEIVABLES	OTHER LONG-TERM RECEIVABLES			80.4	446.5	
	TRADE RECEIVABLES	LAR		248.1		248.1
	RECEIVABLES FROM COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	LAR		32.5		32.5
	RECEIVABLES FROM NON-CONSOLIDATED AFFILIATED COMPANIES	LAR		9.7		9.7
	LOANS	LAR		2.9		2.9
	DEPOSITS AT BANKS (> 3 MONTHS, < 1 YEAR)	LAR		245.8		245.8
	DERIVATIVES ENERGY AREA (NO HEDGE ACCOUNTING)	FAHFT		31.3		31.3
	DERIVATIVES ENERGY AREA (HEDGE ACCOUNTING)	IAS 39		2.9		2.9
	SECURITIES PUT FORWARD	LAR		23.1		23.1
	OTHER	LAR		19.2		19.2
	EMISSION RIGHTS	IAS 38, IAS 2		0.1		–
TRADE RECEIVABLES AND OTHER RECEIVABLES (SHORT-TERM)	OTHER	–		21.1	637.6	–
CASH AND CASH ITEMS		LAR		330.1	330.1	330.1
THEREOF AGGREGATED IN ACC. WITH MEASUREMENT CATEGORY	FINANCIAL ASSETS MEASURED AT AMORTIZED COST	FAAC		39.7		
	AVAILABLE-FOR-SALE FINANCIAL ASSETS (AFS)	AFS		250.8		
	LOANS AND RECEIVABLES	LAR		1,564.5		
	FINANCIAL ASSETS HELD FOR TRADING	FAHFT		31.3		

MEASUREMENT CATEGORIES, CARRYING AMOUNTS AND FAIR VALUES (CONTINUED)

MILLION €

BALANCE SHEET ITEM		MEASUREMENT CATEGORY[1]	CARRYING AMOUNT AS OF 31.12.2007		FAIR VALUE AS OF 31.12.2007
LIABILITIES 2007					
FINANCIAL OBLIGATIONS (LONG AND SHORT-TERM)		FLAC		1,856.2	1,858.1
FINANCIAL OBLIGATIONS CBL (LONG-TERM)		FLAC		604.6	634.1
FINANCIAL OBLIGATIONS TO LIMITED PARTNERS (LONG-TERM)		IAS 32		125.7	–
	DERIVATIVES FINANCIAL AREA (CBL) (HEDGE ACCOUNTING)	IAS 39	11.6		11.6
	TRADE ACCOUNTS PAYABLE	FLAC	1.0		1.0
	OTHER	FLAC	18.9		18.9
TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES (LONG-TERM)	OTHER	–	0.1	31.6	–
	TRADE ACCOUNTS PAYABLE	FLAC	60.2		60.2
	DERIVATIVES ENERGY AREA (NO HEDGE ACCOUNTING)	FLHFT	35.7		35.7
	PAYABLES TO COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	FLAC	43.0		43.0
	PAYABLES TO NON-CONSOLIDATED AFFILIATED COMPANIES	FLAC	8.2		8.2
	OTHER	FLAC	13.6		13.6
TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES (SHORT-TERM)	OTHER	–	174.9	335.6	–
THEREOF AGGREGATED IN ACC. WITH MEASUREMENT CATEGORY	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	FLAC	2,605.7		
	FINANCIAL LIABILITIES HELD FOR TRADING	FLHFT	35.7		

[1] MEASUREMENT CATEGORY IN ACCORDANCE WITH IAS 39/MEASUREMENT IN ACCORDANCE WITH OTHER IAS/IFRS

[2] IN PRINCIPLE: AFS; AS FAIR VALUE CANNOT BE RELIABLY DETERMINED, MEASURED AT COST (LESS IMPAIRMENT LOSSES, IF ANY)

MEASUREMENT CATEGORIES, CARRYING AMOUNTS AND FAIR VALUES (CONTINUED)

MILLION €

BALANCE SHEET ITEM		MEASUREMENT CATEGORY[1]	CARRYING AMOUNT AS OF 31.12.2006			FAIR VALUE AS OF 31.12.2006
ASSETS 2006						
	INTERESTS IN NON-CONSOLIDATED AFFILIATED COMPANIES	AFS/FAAC		5.3		–
OTHER PARTICIPATING INTERESTS[2]	OTHER PARTICIPATING INTERESTS	AFS/FAAC		31.3	36.6	–
	SECURITIES CBL (MEDIUM TERM NOTES)	LAR		48.0		[3]
LONG-TERM INVESTMENTS – CBL	OTHER LOANS CBL	LAR		532.3	580.3	[3]
	LOANS OF ASSOCIATED COMPANIES	LAR		42.9		43.5
	SECURITIES EXCL. CBL	AFS		254.6		254.6
	OTHER LOANS EXCL. CBL	LAR		6.7		6.7
	DERIVATIVES FINANCIAL AREA (CBL) (HEDGE ACCOUNTING)	IAS 39	47.0			47.9
	CASH VALUE LEASING INSTALLMENTS (FINANCIAL LEASING)	IAS 17	4.8			–
	OTHER	–	39.4			–
OTHER LONG-TERM INVESTMENTS AND OTHER LONG-TERM RECEIVABLES	OTHER LONG-TERM RECEIVABLES			91.2	395.4	
	TRADE RECEIVABLES	LAR		211.1		211.1
	RECEIVABLES FROM COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	LAR		37.3		37.3
	RECEIVABLES FROM NON-CONSOLIDATED AFFILIATED COMPANIES	LAR		4.0		4.0
	LOANS	LAR		23.0		23.0
	DERIVATIVES ENERGY AREA (NO HEDGE ACCOUNTING)	FAHFT		49.1		49.1
	DERIVATES ENERGY AREA (HEDGE ACCOUNTING)	IAS 39		8.8		8.8
	SECURITIES PUT FORWARD	LAR		38.2		38.2
	OTHER	LAR		7.7		7.7
	EMISSION RIGHTS	IAS 38, IAS 2		24.4		–
TRADE RECEIVABLES AND OTHER RECEIVABLES (SHORT-TERM)	OTHER	–		22.0	425.6	–
CASH AND CASH ITEMS		LAR		88.0	88.0	88.0
THEREOF AGGREGATED IN ACC. WITH MEASUREMENT CATEGORY	FINANCIAL ASSETS MEASURED AT AMORTIZED COST	FAAC		36.6		
	AVAILABLE-FOR-SALE FINANCIAL ASSETS (AFS)	AFS		254.6		
	LOANS AND RECEIVABLES	LAR		1,039.2		
	FINANCIAL ASSETS HELD FOR TRADING	FAHFT		49.1		

MEASUREMENT CATEGORIES, CARRYING AMOUNTS AND FAIR VALUES (CONTINUED) MILLION €

BALANCE SHEET ITEM		MEASUREMENT CATEGORY[1]	CARRYING AMOUNT AS OF 31.12.2006		FAIR VALUE AS OF 31.12.2006
LIABILITIES 2006					
FINANCIAL OBLIGATIONS (LONG AND SHORT-TERM)		FLAC		1,239.9	1,255.4
FINANCIAL OBLIGATIONS CBL (LONG-TERM)		FLAC		647.9	[3]
FINANCIAL OBLIGATIONS TO LIMITED PARTNERS (LONG-TERM)		IAS 32		107.6	–
	DERIVATIVE FINANCIAL AREA (CBL) WITH HEDGE RELATIONSHIP	IAS 39	9.2		9.2
	TRADE ACCOUNTS PAYABLE	FLAC	0.7		0.7
	OTHER	FLAC	15.8		15.8
OTHER OBLIGATIONS (LONG-TERM)	OTHER	–	1.6	27.3	–
	TRADE ACCOUNTS PAYABLE	FLAC	82.6		82.6
	DERIVATIVES ENERGY AREA (NO HEDGE ACCOUNTING)	FLHFT	35.3		35.3
	DERIVATES ENERGY AREA (HEDGE ACCOUNTING)	IAS 39	8.8		8.8
	PAYABLES TO COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	FLAC	40.0		40.0
	PAYABLES TO NON-CONSOLI-DATED AFFILIATED COMPANIES	FLAC	6.1		6.1
	OTHER	FLAC	36.5		36.5
TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES (SHORT-TERM)	OTHER		110.1	319.4	
THEREOF AGGREGATED IN ACC. WITH MEASUREMENT CATEGORY	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	FLAC	2,069.5		
	FINANCIAL LIABILITIES HELD FOR TRADING	FLHFT	35.3		

[1] MEASUREMENT CATEGORY IN ACCORDANCE WITH IAS 39/MEASUREMENT IN ACCORDANCE WITH OTHER IAS/IFRS

[2] IN PRINCIPLE: AFS; AS FAIR VALUE CANNOT BE RELIABLY DETERMINED, MEASURED AT COST (LESS IMPAIRMENT LOSSES, IF ANY)

[3] NO FIGURE SHOWN IN PREVIOUS YEAR. SUBSEQUENT DETERMINATION OF FAIR VALUE IS NOT REASONABLY POSSIBLE FOR TECHNICAL REASONS

(28) LONG-TERM AND SHORT-TERM PROVISIONS

LONG-TERM AND SHORT-TERM PROVISIONS

MILLION €

	2007	2006
PROVISIONS FOR PENSIONS	224.3	226.3
PROVISIONS FOR OTHER POST-EMPLOYMENT BENEFITS	116.0	109.5
PROVISIONS FOR SEVERANCE PAYMENTS	141.5	146.5
PROVISIONS FOR SEMI-RETIREMENT	50.5	72.2
OTHER PROVISIONS	313.1	305.9
LONG-TERM AND SHORT-TERM PROVISIONS	**845.4**	**860.4**

The provisions for pensions, other post employment benefits (premiums for supplementary health insurance) and severance payments are all considered long-term. For maturities of other provisions, please see below.

CHANGES TO PROVISIONS FOR PENSIONS AND OTHER POST EMPLOYMENT BENEFITS

MILLION €

	PENSION OBLIGATIONS		OTHER POST EMPLOYMENT BENEFITS	
	2007	2006	2007	2006
DERIVATION OF PROVISION RECORDED IN THE BALANCE SHEET				
PRESENT VALUE (DBO) OF OBLIGATIONS COVERED BY FUND ASSETS	167.4	168.8	–	–
MARKET VALUE OF PLAN ASSETS	–151.2	–157.6	–	–
NET VALUE OF OBLIGATIONS COVERED BY FUND ASSETS	16.2	11.2	–	–
PRESENT VALUE (DBO) OF OBLIGATIONS NOT COVERED BY FUND ASSETS	250.9	258.7	116.3	128.3
ACCUMULATED ACTUARIAL GAIN (+)/LOSS (–)	–42.8	–43.6	–0.3	–18.8
RECORDED PROVISION 31.12.	224.3	226.3	116.0	109.5
PAYROLL EXPENSES INCLUDE				
SERVICE COST (ACQUIRED CLAIMS)	0.5	0.6	2.1	2.2
INTEREST EXPENSES	18.2	16.5	5.7	4.3
EXPECTED INVESTMENT GAIN (–)/LOSS (+)	–6.2	–6.1	–	–
AMORTIZED CORRIDOR GAIN (–)/LOSS (+)	9.9	5.4	0.7	15.7
PENSION EXPENSES RECORDED UNDER PAYROLL EXPENSES	22.4	16.4	8.5	22.2
ACTUAL INVESTMENT GAIN (–)/LOSS (+)	–1.2	–8.0	–	–
CHANGES TO PRESENT VALUE OF OBLIGATIONS (DBO)				
PRESENT VALUE (DBO) 01.01.	427.5	426.5	128.3	103.1
SERVICE COST (ACQUIRED CLAIMS)	0.5	0.6	2.1	2.2
INTEREST EXPENSES	18.2	16.5	5.7	4.3
PENSION PAYMENTS/CONTRIBUTIONS TO SUPPLEMENTARY HEALTH INSURANCE	–31.9	–31.1	–2.0	–1.8
ACTUARIAL GAIN (–)/LOSS (+)	4.1	15.0	–17.9	20.5
ACTUAL DBO 31.12.	418.3	427.5	116.3	128.3
CHANGES TO FUND ASSETS				
PLAN ASSETS AT MARKET VALUE 01.01.	157.6	156.5	–	–
FUNDS – CONTRIBUTIONS	0.6	0.3	–	–
FUNDS – PAYOUTS	–8.1	–7.2	–	–
EXPECTED GAIN FROM PLAN ASSETS	6.2	6.1	–	–
ACTUARIAL GAIN (–)/LOSS (+)	–5.0	1.9	–	–
PLAN ASSETS AT MARKET VALUE 31.12.	151.2	157.6	–	–

CHANGES TO PROVISIONS FOR PENSIONS AND OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

MILLION €

	PENSION OBLIGATIONS		OTHER POST EMPLOYMENT BENEFITS	
	2007	2006	2007	2006
CHANGES TO NON-REALIZED ACTUARIAL GAIN/LOSS				
ACCUMULATED ACTUARIAL GAIN (+)/LOSS (–) 01.01.	–43.6	–36.0	–18.8	–14.1
ACTUARIAL GAIN (+)/LOSS (–) OF THE YEAR	–4.1	–14.9	17.9	–20.4
INVESTMENT GAINS (+)/ LOSSES (–) OF THE YEAR	–5.0	1.9	–	–
AMORTIZATION OF THE YEAR	9.9	5.4	0.7	15.7
ACCUMULATED ACTUARIAL GAIN (+)/LOSS (–) 31.12.	–42.8	–43.6	–0.3	–18.8

The estimated cost increase for medical care had a significant influence on the premium expenses for supplementary health insurance in payroll expenses. On the basis of the present value of the obligation (DBO) in the amount of € 116.3 million, a one-percentage-point change in the cost increase has the following effects:

EFFECT OF COST INCREASE FOR MEDICAL CARE

MILLION €

	1%-POINT INCREASE	1%-POINT REDUCTION
EFFECT ON SERVICE AND INTEREST COSTS	+1.7	–1.4
EFFECT ON DBO	+22.8	–19.2

HISTORIC INFORMATION POST EMPLOYMENT BENEFITS

	2003	2004	2005	2006	2007
OTHER POST EMPLOYMENT BENEFITS (DBO) TO 31.12. IN MILLION €	55.6	75.8	103.1	128.3	116.3
EXPERIENCE ADJUSTMENTS (+) GAIN/(–) LOSS					
IN % OF THE PRESENT VALUE OF THE OBLIGATION (DBO) AT THE END OF THE PERIOD	–3.84 %	3.85 %	1.03 %	–3.67 %	5.26 %

Experience adjustments are actuarial gains and losses that result from deviations in individual person-related parameter assumptions as opposed to deviations in the parameters that are used for the total workforce. This refers, among other things, to salary developments, the number of deaths, early retirement and resignations.

HISTORIC INFORMATION PENSION OBLIGATIONS

MILLION €

	2003	2004	2005	2006	2007
PENSION OBLIGATIONS (DBO) AS OF 31.12.	403.2	378.2	426.5	427.5	418.3
PLAN ASSETS AT MARKET VALUE	–154.6	–145.0	–156.5	–157.6	–151.2
DEFICIT (+)/SURPLUS (–)	248.6	233.2	270.0	269.9	267.1
EXPERIENCE ADJUSTMENTS (+) GAIN/(–) LOSS					
IN % OF THE PRESENT VALUE OF THE OBLIGATION (DBO) AT THE END OF THE PERIOD	0.42 %	0.44 %	0.40 %	–3.56 %	–1.16 %
IN % OF THE PLAN ASSETS AT THE END OF THE PERIOD	5.79 %	0.92 %	7.28 %	1.21 %	–3.28 %

The deficit represents the share of the pension commitments that are not covered by plan assets. This primarily refers to direct commitments to persons drawing a pension.

In fiscal 2008, current contributions to the defined-contribution pension fund are expected in the amount of € 6.0 million.

The fund assets comprise:

FUND ASSETS

SHARE IN %

	2007	2006
BONDS – EURO	40.89	50.88
BONDS – EURO HIGH YIELD	–	4.00
BONDS – EURO CORPORATES	4.04	7.09
BONDS – NON-EURO	11.73	–
STOCKS – EURO	8.96	10.29
STOCKS – NON-EURO	18.60	17.66
STOCKS – EMERGING MARKETS	5.61	3.14
ALTERNATIVE INVESTMENTS	5.87	6.74
PROPERTY FUND SHARES	1.00	–
CASH	3.30	0.20
TOTAL	**100.00**	**100.00**

PROVISIONS FOR SEVERANCE PAYMENTS

MILLION €

	2007	2006
PROVISION FOR STATUTORY SEVERANCE PAYMENTS	135.3	140.7
PROVISION FOR SEVERANCE PAYMENTS FROM SPECIAL AGREEMENTS IN ACCORDANCE WITH SOCIAL PLAN	6.2	5.8
PROVISIONS FOR SEVERANCE PAYMENTS	**141.5**	**146.5**

PROVISIONS FOR STATUTORY SEVERANCE PAYMENTS

MILLION €

	SEVERANCE OBLIGATIONS	
	2007	2006
DERIVATION OF PROVISION RECORDED IN THE BALANCE SHEET		
PRESENT VALUE (DBO) OF OBLIGATIONS	135.3	140.7
RECORDED PROVISION 31.12.	135.3	140.7
PAYROLL EXPENSES INCLUDE		
SERVICE COST	2.6	3.3
INTEREST EXPENSES	5.8	5.4
REALIZED ACTUARIAL GAIN (–)/LOSS (+)	–2.7	4.9
SEVERANCE PAYMENT COSTS RECORDED UNDER PAYROLL EXPENSES	5.7	13.6
CHANGES TO PROVISION		
RECORDED PROVISION 01. 01.	140.7	135.5
NET EXPENDITURE RECORDED IN THE INCOME STATEMENT	5.7	13.6
SEVERANCE PAYMENTS	–11.1	–8.4
RECORDED PROVISION 31.12.	135.3	140.7

CHANGES TO PROVISIONS FOR SEMI-RETIREMENT

MILLION €

	SEMI-RETIREMENT	
	2007	2006
DERIVATION OF PROVISION RECORDED IN THE BALANCE SHEET		
PRESENT VALUE (DBO) OF OBLIGATIONS	50.5	72.2
RECORDED PROVISION 31.12.	50.5	72.2
PAYROLL EXPENSES INCLUDE		
INTEREST EXPENSES	2.3	2.3
REDUCTION FROM PROVISION FOR IMPENDING LOSSES	–1.2	–2.2
RECORDED ACTUARIAL GAIN (+)/LOSS (–)	–4.1	6.1
EXPENSES RECORDED UNDER PAYROLL EXPENSES	–3.1	6.2
CHANGES TO PROVISION		
RECORDED PROVISION 01.01.	72.2	88.4
RECLASSIFICATION FROM PROVISION FOR IMPENDING LOSSES	1.2	2.3
NET EXPENDITURE RECORDED IN THE INCOME STATEMENT	–3.1	6.2
PAYMENTS FOR SEMI-RETIREMENT	–19.8	–24.7
RECORDED PROVISION 31.12.	50.5	72.2

The provisions for semi-retirement models provide for bridging payments within the framework of semi-retirement in the amount of € 50.5 million (previous year: € 72.2 million). These models allow the company to reduce employee numbers in a socially-compatible manner.

OTHER PROVISIONS

MILLION €

	PROVISIONS FOR IMPENDING LOSSES	OTHER PERSONNEL-RELATED PROVISIONS	OTHER	TOTAL
CARRYING AMOUNT 01. 01. 2007				
THEREOF > 1 YEAR	74.5	3.5	15.0	93.0
THEREOF < 1 YEAR	38.4	49.7	124.8	212.9
TOTAL 01. 01. 2007	**112.9**	**53.2**	**139.8**	**305.9**
CHANGES IN COMPANIES CONSOLIDATED	0.0	0.4	0.1	0.5
NEW PROVISIONS	14.0	41.1	111.0	166.1
INTEREST ACCRUED	3.1	0.7	0.5	4.2
APPROPRIATION	–27.7	–39.9	–66.6	–134.2
REVERSAL	–0.4	–0.6	–27.2	–28.2
RECLASSIFICATION	0.0	–1.2	0.0	–1.2
CARRYING AMOUNT 31. 12. 2007	**101.9**	**53.7**	**157.3**	**313.1**
THEREOF > 1 YEAR	86.9	50.3	14.7	151.9
THEREOF < 1 YEAR	15.0	3.4	142.6	161.0

The provisions for impending losses were formed in 1998 as a result of the expected impact of deregulation on the electricity market and are formed on an ongoing basis for onerous contracts. The estimated value for the provision was calculated using the discounted cash flow method. Future inflows and outflows were discounted at a rate of 5.0 % (previous year 4.5 %). The provisions for impending losses were reduced by approx. € 1.8. million as on 31 December 2007 due to the adjustment of the discount rate.

Other personnel-related provisions contain accruals for vacation entitlements, flextime balances and overtime as well as provisions for personnel reorganization, additional vacation pay, incentive pay and anniversary bonuses.

OTHER LONG-TERM AND SHORT-TERM PROVISIONS MILLION €

	COMPENSATION PAYMENTS	DECOMMISSIO-NING COSTS	OUTSTANDING RECEIPTS FOR INVESTMENTS	MAINTENANCE EXPENSES	LEGAL, AUDITING AND CONSULTING EXPENSES	ELECTRICITY/ GRID SUPPLIES	OTHER	TOTAL
CARRYING AMOUNT 01.01.2007								
THEREOF > 1 YEAR	0.6	13.9	0.0	0.5	0.0	0.0	0.0	15.0
THEREOF < 1 YEAR	4.6	0.0	33.0	32.8	1.5	36.3	16.6	124.8
TOTAL 01.01.2007	**5.2**	**13.9**	**33.0**	**33.3**	**1.5**	**36.3**	**16.6**	**139.8**
CHANGES IN COMPANIES CONSOLIDATED	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
NEW PROVISIONS	1.1	0.0	42.2	29.5	2.2	24.6	11.4	111.0
INTEREST ACCRUED	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.5
APPROPRIATION	–0.2	–0.1	–32.8	–28.2	–1.0	–2.3	–2.1	–66.7
REVERSAL	–3.4	0.0	0.0	–0.6	–0.4	–17.6	–5.3	–27.3
RECLASSIFICATION	0.0	0.0	0.0	–1.5	0.0	1.5	0.0	0.0
CARRYING AMOUNT 31.12.2007	**2.7**	**13.7**	**42.4**	**32.6**	**2.3**	**43.0**	**20.6**	**157.3**
THEREOF > 1 YEAR	0.6	13.7	0.0	0.4	0.0	0.0	0.0	14.7
THEREOF < 1 YEAR	2.1	0.0	42.4	32.2	2.3	43.0	20.6	142.6

(29) PROVISIONS FOR CURRENT TAXES

PROVISIONS FOR TAXES (CURRENT TAXES) MILLION €

	2007	2006
CORPORATE TAX	47.4	114.6
PROVISIONS FOR TAXES (CURRENT TAXES)	**47.4**	**114.6**

The provisions for taxes are all considered short-term.

(30) CONTRIBUTIONS TO BUILDING COSTS

Under this item, building-cost contributions made especially by provincial companies to Verbund, which are non-repayable, are carried as liabilities in the amount of € 419.4 million (previous year: € 426.4 million). These allow for electricity-purchase rights and user rights with respect to power plants and other facilities of Verbund for the duration of their useful lives. The building-cost contributions are reversed parallel to the depreciation of the facilities concerned.

(31) DEFERRED INCOME – CROSS BORDER LEASING

Deferred income includes cash inflows from cross border leasing transactions in the total amount of € 250.8 million (previous year: € 256.7 million). The portion that was reversed in the fiscal year as other operating income amounted to € 5.9 million.

(32) TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES (LONG-TERM)

TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES (LONG-TERM) — MILLION €

	2007	2006
LIABILITIES – REPUBLIC OF AUSTRIA	16.3	13.2
FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS/FINANCIAL AREA	11.6	9.2
LIABILITIES FROM WATER RIGHTS	2.6	2.6
PREPAYMENTS RECEIVED FROM SALE OF INTERESTS	0.0	1.6
TRADE ACCOUNTS PAYABLE	1.0	0.7
OTHER	0.1	0.0
TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES (LONG-TERM)	**31.6**	**27.3**

(33) TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES (SHORT-TERM)

TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES (SHORT-TERM) — MILLION €

	2007	2006
TRADE ACCOUNTS PAYABLE	60.2	82.6
PREPAYMENTS RECEIVED FOR INCOME THAT WILL BE RECOGNIZED IN FOLLOWING PERIODS	125.9	52.7
FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS		
TRADING – ENERGY AREA	35.7	35.3
HEDGE – ENERGY AREA	0.0	8.8
PAYABLES TO COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	43.0	40.0
LIABILITIES TO REVENUE AUTHORITIES	24.0	23.9
PREPAYMENTS RECEIVED FROM AUCTIONS	11.7	6.4
LIABILITIES TO PENSION FUND	10.5	20.6
PAYABLES TO NON-CONSOLIDATED AFFILIATED COMPANIES	8.2	6.1
SOCIAL SECURITY (E.G. LIABILITIES TO SOCIAL-INSURANCE INSTITUTIONS)	4.2	4.3
RENT/LEASE PREPAYMENTS RECEIVED	2.4	2.5
LIABILITIES FROM WATER RIGHTS	1.9	0.0
PREPAYMENTS RECEIVED	0.9	0.7
LIABILITIES TO OEMAG	0.0	5.7
LIABILITIES TO ECRA	0.0	24.4
OTHER	7.0	5.4
TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES (SHORT-TERM)	**335.6**	**319.4**

In fiscal 2006, the first two extra contributions were paid into the pension fund from the allocation to the pension fund which had been approved and provided for in 2005 in order to prevent future law suits. Extra contributions in the amount of € 10.5 million, which will be paid in January 2008, are recognized under other liabilities as of 31 December 2007.

VI. RISK / RISK MANAGEMENT

FINANCIAL INSTRUMENTS

The existing group's primary financial instruments primarily consist of long-term investments such as securities, loans and participating interests, trade receivables, cash in banks, public and non-public financial liabilities and trade payables.

FINANCIAL AREA

The derivative financial instruments regarding financial activities can be broken down as follows and are recorded in the following balance-sheet items:

DERIVATIVE FINANCIAL INSTRUMENTS €

	NOTIONAL AMOUNT FOREIGN CURRENCY	POSITIVE FAIR VALUE 31. 12. 2007	NEGATIVE FAIR VALUE 31. 12. 2007	POSITIVE FAIR VALUE 31. 12. 2006	NEGATIVE FAIR VALUE 31. 12. 2006
OTHER RECEIVABLES					
INTEREST-RATE SWAP CROSS BORDER LEASING (FIXED-RATE RECEIVER)*	USD 231.7	47.9		47.0	
OTHER LIABILITIES					
CURRENCY FORWARD TRANSACTION CROSS BORDER LEASING*	USD 27.8 (PY: USD 27.2)		11.6		9.2

* HEDGE ACCOUNTING IN ACCORDANCE WITH IAS 39

All of the derivative transactions listed are used exclusively for hedging against existing foreign-currency and interest-rate risks. Hedge accounting in accordance with IAS 39 was used for all of the listed transactions.

The value fluctuations of these hedging transactions are offset by the value fluctuations of hedged transactions. The value adjustments of the transactions for which hedge accounting was not carried out are recognized in profit or loss. There were no such adjustments in the financial area in fiscal 2007.

The notional amount comprises the reference basis of those derivative instruments that are open at the balance sheet date. The actual cash flows are merely a fraction of these values.

LIQUIDITY RISK

In the period under review, Verbund met all of its payment obligations (interest and prepayments) arising from loan obligations in a punctual and correct manner. This also applies for all other liabilities in so far as there were no legal or content-related objections.

For fee and cost reasons, no contracted credit lines exist with domestic financial institutions as on 31 December 2007. To guarantee adequate liquidity reserves, a five-year syndicated loan facility in the amount of € 750 million with a two-time renewal option was secured at the beginning of 2005. The loan was taken out within the framework of a European bank syndicate via the financing company in the Netherlands. The renewal options were used, the loan facility which exists until the beginning of 2012 was not used. Moreover, there are additional liquidity reserves in the securities and investment funds.

CREDIT RISK

The amounts recognized on the asset side also represent the maximum credit risk and risk of default. As part of the group-wide risk management system, the counterparty credit risk in electricity and grid business as well as in the financial area is assessed and monitored in a uniform manner across the group. Transactions, apart from minor amounts, are only entered into with customers with a sufficient credit rating either on the basis of an external investment grade rating of an international rating agency (Moody´s, Standard & Poor´s) or following an internal credit check which determines a rating equivalent. For this purpose, each counterparty is assigned an individual limit which will be monitored across the group. Money market investments are also only concluded with financial partners that have an appropriate credit rating. All counterparty risks and the customer structure portfolio are monitored on the basis of default likelihoods which are calculated by international rating agencies. If the credit assessment or rating does not meet the requirements, i.e. an investment grade rating is not reached, transactions will be entered into only on the precondition of sufficient security (e.g., prepayments, bank guarantees, letters of comfort). These counterparty requirements serve to reduce default risks. Netting agreements are concluded to further minimize the risk level. As a rule, counterparty risks are not insured.

The most important credit risk items and the allocated credit rating groups are shown in the following table.

CREDIT RISK ITEMS

MILLION €

CREDIT RATING GROUP	EQUIVALENT TO MOODY'S RATING	SECURITIES AND LOANS IN CROSS BORDER LEASING TRANSACTIONS	OTHER SECURITIES/ INVESTMENT FUNDS	OTHER LONG-TERM RECEIVABLES AND LOANS	FINANCIAL DERIVATIVES	TRADE RECEIVABLES	MONEY MARKET TRANSACTIONS
A	UP TO Aa3	537.8	28.7	6.0	47.9	54.5	366.2
B	UP TO A3		18.6	99.9		123.9	205.2
C	UP TO Baa3					19.0	
D	BELOW Baa3					2.6	
NOT RATED			203.5	41.9		48.1	
TOTAL		**537.8**	**250.8**	**147.8**	**47.9**	**248.1**	**571.4**

With regard to the securities and loans in connection with the cross border leasing transactions, Verbund has not identified any exchange rate or currency risks. These transactions were either carried out with matching currencies and maturities or were adjusted in line with the maturities, interest rates and currencies of the corresponding financial obligations through appropriate derivative transactions. The remaining risk is purely a credit quality or default risk of the counterparty to the transactions. This risk is further minimized as transactions are only carried out with partners who have a first class credit rating.

The non-classified other securities refer, essentially, to domestic investment funds (major investment funds) which were acquired, firstly, to cover the provision for social capital and secondly, as liquidity reserves.

The amounts shown as not rated under »Other long-term receivables and loans« refer, essentially, to loans to associated companies (Ennskraft).

With regard to trade receivables, the non-rated values result, above all, from the expansion of the end customer business which led to a large number of receivables the individual values of which lie below the minimum limit (€ 0.1 million).

INTEREST RATE RISK

Verbund considers fluctuations in interest rates a substantial cash flow risk. Under the rules of risk management, only a maximum of 40 % of the financial obligations (incl. money market transactions) may be subject to a floating rate. As of 31 December 2007, the share of financial obligations where Verbund has a corresponding interest-rate risk after netting out money market transactions was approx. 20 % (previous year: 39 %).

An increase in the interest rate by 1 % would entail a reduction of the result by € 4.3 million p.a. (previous year: € 2.0 million p.a.), based on the existing credit portfolio without money-market borrowings that existed on the balance sheet date. The utilization of hedging instruments serves to reduce the effects short-term fluctuations in the market price have on earnings. Sustained negative changes in the market price, however, may have a negative effect on earnings.

As of 31 December 2007, interest-rate swaps only exist in connection with cross border leasing transactions. These interest-rate swaps are classified as fair value hedges. The fair value of these derivative transactions forms, together with related securities, loans and receivables, a micro-valuation unit in each case, which corresponds exactly to the recorded fair value of the financial obligation.

For a detailed description of the financial obligations including fair values, please refer to the table under (27). The average remaining maturity of the overall portfolio excluding money-market items amounts to 5.2 years (previous year: 2.4 years).

EXCHANGE RISK

There is no significant exchange risk on the asset side, because supplies are almost exclusively invoiced in Euro. The same is essentially true of the other primary financial instruments.

Since the assets (long-term investments, loans) and liabilities in connection with cross border leasing transactions are exclusively quoted in USD and since corresponding hedging transactions have been concluded, there is no exchange risk.

Under the rules of risk management within Verbund, the foreign-currency share of financial obligations, excl. cross border leasing transactions, must not exceed the maximum values defined for each foreign-currency portion (max. 8.5 % JPY) . These values were not exceeded.

As of 31. 12. 2007, the exchange risk related to all financial obligations, excluding the financial obligations regarding the Republic of Austria in connection with the pre-financing of building cost contributions and excluding interest accruals, can be represented as follows:

LIABILITY — MILLION

	31.12.2007		31.12.2006	
	FOREIGN CURRENCY	€	FOREIGN CURRENCY	€
JAPANESE YEN	JPY 12,900.0	78.2	JPY 12,900.0	82.2

A foreign currency exchange rate risk now only exists for the financial obligation in the amount of JPY 12.9 billion. If JPY was to change by 1 % vis-à-vis €, the result would decrease by approx. € 0.8 million (previous year: € 0.8 million).

FAIR VALUES

The fair values of financial obligations can be seen in the table under (27). The fair value of derivative financial instruments/financial area can be seen in the table under »Financial Instruments/Financial Area« The fair value of other primary financial instruments is, given the daily or short-term maturities, essentially equivalent to the carrying amount.

ENERGY AREA

The derivative financial instruments (electricity futures, electricity forwards and swaps) used in the energy area can be broken down as follows:

DERIVATIVE FINANCIAL INSTRUMENTS USED IN THE ENERGY AREA MILLION €

	FAIR VALUES			NOTIONAL VALUES	
	POSITIVE	NEGATIVE	NET	PURCHASES	SALES
2007 TRADING					
FUTURES	2.6	2.1	0.5	63.6	0.0
FORWARDS	125.9	130.8	–4.9	1,212.1	1,272.8
TOTAL BEFORE NETTING	128.5	132.9	–4.4	1,275.7	1,272.8
INCLUDING THE NETTING AGREEMENTS	97.2	97.2	0.0	977.6	977.6
TOTAL AFTER NETTING	31.3	35.7	–4.4	298.1	295.2
2007 HEDGE					
FUTURES	76.6	18.7	57.9	995.7	0.2
FORWARDS	18.7	76.6	–57.9	0.2	995.7
SWAPS	3.7	0.8	2.9	10.5	13.4
TOTAL BEFORE NETTING	99.0	96.1	2.9	1,006.4	1,009.3
INCLUDING THE NETTING AGREEMENTS	96.1	96.1	0.0	9.4	9.4
TOTAL AFTER NETTING	2.9	0.0	2.9	997.0	999.9
2006 TRADING					
FUTURES	1.2	3.4	–2.2	65.3	0.4
FORWARDS	223.2	207.2	16.0	2,167.4	2,243.9
TOTAL BEFORE NETTING	224.4	210.6	13.8	2,232.7	2,244.3
INCLUDING THE NETTING AGREEMENTS	175.3	175.3	0.0	1,791.5	1,791.5
TOTAL AFTER NETTING	49.1	35.3	13.8	441.3	452.8
2006 HEDGE					
FUTURES	27.9	19.1	8.8	982.4	0.0
FORWARDS	19.1	27.9	–8.8	0.0	982.4
SWAPS	0.1	–0.1	0.0	6.0	6.0
TOTAL BEFORE NETTING	47.1	47.1	0.0	988.4	988.4
INCLUDING THE NETTING AGREEMENTS	38.3	38.3	0.0	6.0	6.0
TOTAL AFTER NETTING	8.8	8.8	0.0	982.4	982.4

Positive fair values are recognized under »Receivables and other assets« and negative fair values under »Other liabilities«. If a framework contract with a netting clause has been concluded for a counterparty, the positive and negative fair values of the transaction are netted for this counterparty for reporting purposes.

In trading, the effects of potential market price fluctuations (–10 % to +10 %) on the entire portfolio or separately for forwards and futures are measured on the basis of a sensitivity analysis. Currently, an increase in the market price of 10 % would lead to a deterioration in the overall portfolio in the amount of minus € 0.6 million (forwards: –€ 6.0 million, futures: +€ 5.4 million).

GOALS OF EQUITY MANAGEMENT

Equity management at Verbund aims to secure the future of the company, an adequate return on equity and a continuous dividend policy with a pay-out ratio of 40–50 % of the group result. The capital is assessed in relation to the risks and is controlled on the basis of the ratio between the interest-bearing net debts and net gearing. The interest-bearing net debts are the interest-bearing debts netted against interest-bearing assets. Net gearing comprises the values for equity and minority interests shown on the balance sheet. In fiscal 2007, net gearing fell from 73.7 % to 65.9 %. The target of keeping net gearing below 100 % parallel to an increase in ROE was achieved in 2007.

RISK MANAGEMENT

Within the framework of corporate risk management, Verbund focuses, above all, on the following aspects: electricity business, financial area, informatics and grid operations.

A risk management committee has been set up for each of these areas and a report is drawn up for the Managing Board on a quarterly basis.

This committee is responsible for the overall coordination of all risk-relevant issues in the individual segments. Central duties include, above all, checking that the risk portfolio is always up-to-date, the evaluation and pursuit of control measures and the promotion of risk awareness among the respective employee.

ELECTRICITY BUSINESS

Through its core operating activities in the international electricity markets, Verbund is exposed to risks associated with its electricity business (above all, market risks, counterparty risks and operational risks). To deal with these risks, Verbund has created strict risk guidelines. The business policies relating to market risks are implemented through the creation and continuous updating of a rule book which defines various limits. The policies relating to counterparty risks are realized through the drawing up of a group guideline for counterparties and the procedures for dealing with operational risks are detailed in a process manual.

The current status with regard to the utilization of the various limits in market risks (VaR, stress test, stop loss- and position limits) is reported and monitored on a daily basis in an automated process.

The operational risks in electricity business are controlled through the implementation of documented organizational and operational structures and the creation of emergency procedures for system failures. These documents are also reviewed on an annual basis.

FINANCIAL AREA

In its operating and financing activities, Verbund is exposed to considerable financial risks. These financial risks essentially comprise liquidity risks, counterparty risks, price risks from securities as well as risks resulting from changes in currencies, interest rates and the credit ratings of Verbundgesellschaft.

A separate Risk Management Committee was set up to monitor the operative implementation of the cross border leasing transactions concluded by VERBUND-Austrian Hydro Power AG (see »Accounting policies«).

In keeping with the concept of Verbund´s risk management system, which is, of course, applied throughout the entire group, risks are identified, analyzed and evaluated and limits are defined through the utilization of hedging measures.

Group guidelines have also been set out for the financial area to ensure that financial risks can also be controlled in a corresponding manner. In addition, position limits regarding the locking in of the interest rate, the spreading of foreign currencies and the maturities of financial obligations are also monitored. Liquidity planning, which not only embraces the current year but also the following fiscal year, guarantees an adequate cash flow at all times.

INFORMATION SECURITY

Irrespective of the area in which it is employed – be this in the area of informatics, process control, telecommunications or in other specialist areas – information technology (IT) is a crucial production and success factor within Verbund.

To sensitize the employees in the use of these technologies, numerous information events and seminars were held in 2007 and modern media were employed to enhance IT security awareness within the group.

GRID OPERATIONS

The highly sensitive grid area is characterized by extensive measures to maintain security of supply in Austria, the planned expansion of the 380 kV grid in Styria and Salzburg, the intensive activities of the regulator in this area and the increasing internationalization of business. For this reason, the risk management activities and the related grid measures are pursued every three months by a separate risk management committee.

Further information on risk management can be found in the management report.

VII. OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The indirect method was used for the cash flow statement. The composition of the liquid funds is explained under (20) in the notes.

Dividend inflows and interest inflows/outflows are classified as operating activities. Of these, € 23.9 million (previous year: € 15.2 million) relate to interest inflows, € 53.6 million (previous year: € 62.7 million) to interest outflows. The dividend inflows came to € 34.5 million (previous year: € 21.7 million).

Dividend distribution is presented under financing activities.

Income tax payments amount to € 280.6 million (previous year: € 49.8 million) and refer, essentially, to the cash flows of operating activities.

OTHER OBLIGATIONS AND RISKS

CONTINGENT LIABILITIES

As of 31. 12. 2007, contingent liabilities from other liabilities amounted to € 21.2 million (previous year: € 19.3 million). These refer to guarantees provided by VERBUND-Austrian Hydro Power AG for Verbundplan Birecik Baraji Isletme Ltd.Sti., in which AHP holds an interest of 70 %. The guarantees refer to liabilities of the Verbundplan Birecik Baraji Isletme Ltd.Sti. resulting from its operating activities at Birecik Baraj ve Hidroelektrik Santrali Tesis ve Islemte Anonim Sikreti in Turkey.

AGREEMENTS AND PURCHASE COMMITMENTS 31.12.2007 — MILLION €

	TOTAL OBLIGATION	WITHIN ONE YEAR	WITHIN FIVE YEARS
RENT, LEASE AND INSURANCE AGREEMENTS	[1]	8.1	29.0
PURCHASE COMMITMENT FOR PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND OTHER SERVICES	432.9	233.0	432.8

[1] THE TOTAL AMOUNT OF OBLIGATIONS IS SUBJECT TO INDEFINITE CONTRACTUAL PERIODS; THEREFORE, AN EXACT AMOUNT CANNOT BE CALCULATED.

PLANT ALLOWANCES

In 2001, the European Commission handed down a positive finding for the power plant Voitsberg III with respect to a plant allowance to cover stranded costs. Accordingly, allowances were received from E-Control GmbH in the years 2001 to 2006. As of 31 December 2006, an allowance in the amount of € 1.8 million was retained by E-Control GmbH pending clarification of third-party restitutory claims and was therefore still outstanding.

In the amended version of § 69 para. 6 ElWOG the legislator stipulates that in the event of allowances that have already been granted having to be paid back, the Republic of Austria or E-Control GmbH is entitled to claim these back from VERBUND-Austrian Thermal Power GmbH & Co KG (the beneficiary) with interest. Due to the number of legal proceedings that are ongoing at this time, a provision has been created for this risk.

PURCHASE AGREEMENTS

An electricity-supply agreement has been concluded with Ennskraftwerke Aktiengesellschaft under which the energy that is generated in its power plants less the electricity procurement rights of other participating partners will be supplied to Verbundgesellschaft against reimbursement of the expenses recognized plus an appropriate return on equity.

Electricity-supply agreements have been drawn up with Österreichisch-Bayerische Kraftwerke Aktiengesellschaft and Donaukraftwerk Jochenstein Aktiengesellschaft under which 50 % of the energy that is generated in their power plants must be supplied to Verbundgesellschaft against reimbursement of the recognized plus an appropriate return on equity.

An electricity-supply agreement has been concluded with E.ON Wasserkraft GmbH under which E.ON Wasserkraft GmbH is obliged to supply half of the energy that is generated at the power plants Ering and Obernberg to Verbundgesellschaft at cost price plus an agreed profit mark-up.

Another agreement, which was concluded for an unlimited period with Weglokoks S.A., Katowice and is subject to 12 months notice, provides for the annual purchase of up to 300,000 tons of hard coal per year. The supplies are made on customary terms and conditions and there is no purchase commitment. In addition, there are other purchase agreements customary for usual business activities, which comprise, in particular, supplies of primary energy sources and electricity.

OTHER OBLIGATIONS

In the investment area, and particularly in the case of Poweo and EnerjiSA, there are open payment obligations in the amount of € 259.8 million (previous year: € 46.2 million).

With respect to the construction of power plants and lines – typical of the energy sector – continuous compensation payments are made to property owners for any economic disadvantages. The present value of these commitments, however, is, on the whole, not material to Verbund.

Due to the development of the financial markets, the BAV Pensionskassen AG reported an obligation to make additional contributions in the amount of € 2 million to cover defined benefit pension commitments. As the meeting of this commitment in accordance with IFRS only represents an exchange of assets for the credit of the plan assets, this is not recognized in profit or loss and will not be recognized prior to the final provisions.

NUMBER OF EMPLOYEES (AVERAGE)

NUMBER OF EMPLOYEES (AVERAGE)

	2007	2006	CHANGE
SALARIED EMPLOYEES	2,313	2,303	10
WAGED WORKERS	31	37	–6
APPRENTICES	97	98	–1
NUMBER OF EMPLOYEES (AVERAGE)	**2,441**	**2,438**	**3**

Part-time workers have been considered on a prorated basis in terms of working hours.

At the balance-sheet date, 612 employees (previous year: 693) were given a »letter of loyalty«, which grants them a higher degree of dismissal protection. To qualify, an employee must have worked for Verbund for twenty years and must be at least 45 years old.

RELATED PARTY DISCLOSURES

Related parties of Verbund include all affiliated and associated companies. The members of the Managing Board and the members of the Supervisory Board of Verbundgesellschaft are also related parties, as is the Republic of Austria as the majority shareholder.

A list of the group companies can be seen in the appendix of tables.

RELATED PARTY TRANSACTIONS WITH ASSOCIATED AND NON-CONSOLIDATED AFFILIATED COMPANIES

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

BUSINESS TRANSACTIONS WITH ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD MILLION €

	2007	2006
SALES REVENUE	593.2	421.0
OTHER INCOME	4.1	4.3
ELECTRICITY AND GRID PURCHASES	165.4	81.5
OTHER EXPENSES	7.0	6.7
RECEIVABLES	32.3	44.3
LIABILITIES	42.5	36.5
LOANS	42.0	74.7

The figures presented above also include the business transactions conduced since 2006 between the Verbund Group and the hived off grid companies of KELAG (Kärntner Elektrizitäts-Aktiengesellschaft) and STEWEAG-STEG GmbH (KELAG Netz GmbH and Stromnetz Steiermark GmbH). The value the receivables of the previous year was adjusted.

Details relating to value adjustments for receivables from companies accounted for using the equity method see (19) Trade receivables and other receivables.

The business transactions with non-consolidated affiliated and associated companies are not material and are therefore not listed.

PROVISION OF PERSONNEL

On average, 78 employees (previous year: 83) were allocated to PÖYRY Energy GmbH (formerly Verbundplan GmbH), in which Verbund holds a share of 25.1 %, for the purposes of different engineering and consulting tasks. These temporary transfers are made at standardized rates, depending on the qualifications of the employees and on market-conforming hourly rates.

In addition, an average total of 21 (previous year: 26) transfers were made to other Verbund companies in 2007.

DISCLOSURES ON BOARD MEMBERS

Details on the Board Members of the Verbund Group (Managing Board and Supervisory Board) can be found in the notes.

REMUNERATION OF THE MANAGING BOARD – SHORT-TERM BENEFITS €

	FIXED EMOLUMENTS	VARIABLE EMOLUMENTS
DIPL.-ING. HANS HAIDER (UP TO 10. 05. 2007)	261,765	369,360
DR. MICHAEL PISTAUER	563,416	345,654
DR. JOHANN SEREINIG	518,084	287,579
DR. ULRIKE BAUMGARTNER-GABITZER (FROM 01. 01. 2007)	365,688	–
MAG. CHRISTIAN KERN (FROM 11. 05. 2007)	241,672	–

The remuneration of the five members of the Managing Board totaled € 2,953,218 (previous year three Managing Board members: € 1,993,322 million). Mag. Christian Kern was paid a variable emolument share in the amount of € 46,417 in fiscal 2007. This resulted from his previous position as a Member of the Managing Board of VERBUND-Austrian Power Trading AG. The Board Members did not receive any loans or advances.

The variable emoluments of the Members of the Managing Board are profit-oriented and are limited to a fixed percentage of the respective fixed emoluments. In fiscal 2007, this percentage was fixed at 90 % for the Chairman of the Managing Board, 80 % for the Deputy Chairman of the Managing Board and 50 % for the other Members of the Managing Board. The amount of the profit-oriented emolument share is based on the degree to which the goals that were defined for the fiscal year were achieved. The goals agreement is based to 70 % on the improvement of the EBIT and Economic Added Value (EVA) and to 30 % on individual goals. Apart from the percentage for profit-oriented benefits, the profit-sharing principles that apply for the members of the Managing Board are unchanged from the previous year.

The expenses for severance payments and pensions and other post-employment benefits amounted to € 1,129,577 (previous year: € 1,720.216) for the Managing Board as well as for former members of the Managing Board and their surviving dependants.

A company pension plan exists for members of the Managing Board by way of a defined-contribution pension fund regulation. The statutory regulations apply, essentially, with regard to claims of members of the Managing Board on completion of their term in office.

Former members of the Managing Board or their surviving dependants received severance and pension payments in the amount of € 1,751,769 (previous year: € 923,924).

The remunerations for the members of the Supervisory Board amounted to € 199,503 (previous year: € 215,914).

BENEFIT PLAN FOR MEMBERS OF THE SUPERVISORY BOARD* €

	2007	2006
ANNUAL EMOLUMENT FOR MEMBERS ELECTED BY THE GENERAL MEETING		
CHAIRMAN	15,000	15,000
DEPUTY CHAIRMAN (TWO)	11,250	11,250
MEMBERS	7,500	7,500
MEETING ALLOWANCE	400	400

* IN ACCORDANCE WITH RULE 51 OF THE AUSTRIAN CORPORATE GOVERNANCE CODE

This rule shall also apply for the Working Committee of the Supervisory Board.

Contracts with members of the Supervisory Board or with companies to which individual members of the Supervisory board are affiliated (in accordance with Rule 49 of the Austrian Corporate Governance Code) that require approval:

In fiscal 2007, the following contracts were concluded with members of the Supervisory Board or companies to which individual members of the Supervisory Board are affiliated. The services were rendered for various companies in the Verbund Group. The contracts were approved by the Supervisory Board:

CONTRACTS WITH MEMBERS OF THE SUPERVISORY BOARD OR WITH COMPANIES TO WHICH INDIVIDUAL MEMBERS OF THE SUPERVISORY BOARD ARE AFFILIATED

CONTRACTING PARTY	SERVICE PROVIDED	T€
DIPL.-ING. DR. GÜNTHER BRAUNER	TECHNICAL AUDIT OF THE GRID FOR ATP KG	12.0
TECHNICAL UNIVERSITY OF VIENNA, INSTITUTE FOR POWER SYSTEMS AND ENERGY ECONOMICS[1]	STUDY ON SALZBURG LINE FOR APG	35.0
»SMART TECHNOLOGIES« MANAGEMENT BERATUNGS- UND BETEILIGUNGS-GESELLSCHAFT M.B.H.[2]	SUPPLY AND MAINTENANCE OF SOFTWARE FOR APG AND VMSG	144.2[3]

[1] THE SUPERVISORY BOARD MEMBER DIPL.-ING DR. GÜNTHER BRAUNER IS THE CHAIRMAN OF INSTITUTE FOR POWER SYSTEMS AND ENERGY ECONOMICS.

[2] THE SUPERVISORY BOARD MEMBER DIPL.-ING. HANSJÖRG TENGG IS A MANAGING PARTNER OF »SMART TECHNOLOGIES« MANAGEMENT BERATUNGS- UND BETEILIGUNGSGESELLSCHAFT M.B.H.

[3] THE TOTAL ORDER VALUE IN FISCAL 2007 IS SHOWN (INCLUDING 2008), OF THIS AMOUNT SERVICES IN THE TOTAL AMOUNT OF € 76,600 WERE RENDERED AND SERVICES IN THE TOTAL AMOUNT OF € 89,200 WERE SETTLED.

RELATED PARTY TRANSACTIONS WITH THE REPUBLIC OF AUSTRIA

These disclosures refer exclusively to transactions that were conducted directly with the Republic of Austria. Transactions with companies that are controlled by the Republic of Austria are not detailed here.

The most significant transactions with the Republic of Austria include the pre-financing of building cost contributions (see (16) in the notes). Direct electricity supplies to the Republic of Austria in fiscal 2007 were still immaterial and totaled € 3.5 million.

Vienna, 28 January 2008

The Managing Board

General Director Dr. Michael Pistauer (Chairman)	Deputy General Director Dr. Johann Sereinig (Deputy Chairman)
Managing Director Dr. Ulrike Baumgartner-Gabitzer (Member)	Managing Director Mag. Christian Kern (Member)

DECLARATION OF THE MANAGING BOARD IN ACCORDANCE WITH § 82 (4) STOCK EXCHANGE ACT

The Managing Board declares that the annual financial statements of the Verbund Group, which were drawn up in compliance with the International Financial Reporting Standards (IFRS), faithfully reflect the income and financial situation of all consolidated companies.

The management report also faithfully reflects the income and financial situation of the Verbund Group and provides information on the business development and the effect of existing and future risks on the business activities of the Verbund Group.

Vienna, 28 January 2008

The Managing Board

General Director
Dr. Michael Pistauer
(Chairman)

Deputy General Director
Dr. Johann Sereinig
(Deputy Chairman)

Managing Director
Dr. Ulrike Baumgartner-Gabitzer
(Member)

Managing Director
Mag. Christian Kern
(Member)

GROUP COMPANIES

GROUP COMPANIES

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COMPANY	DOMICILE	TYPE OF CONSOLIDATION	INTEREST BY MULTIPLICA-TION	BALANCE SHEET DATE	SHAREHOLDERS' EQUITY	NET PROFIT/LOSS	NOTE
COMPANIES CONSOLIDATED							
Österreichische Elektrizitäts-wirtschafts-Aktiengesellschaft	VIENNA	FC		31.12.2007	1,282,618	318,800	1
VERBUND-Austrian Power Grid AG	VIENNA	FC	100.00 %	31.12.2007	290,895	40,518	1
VERBUND Italia S.p.A.	MILAN	FC	100.00 %	31.12.2006	229,213	2,342	
VERBUND-Telekom Service GmbH	VIENNA	FC	100.00 %	31.12.2007	2,704	4,950	1
VERBUND-International Finance B.V.	AMSTERDAM	FC	100.00 %	31.12.2007	2,270	270	1
VERBUND-Austrian Power Trading AG	VIENNA	FC	100.00 %	31.12.2007	1,512	167	1
VERBUND-Finanzierungsservice GmbH	VIENNA	FC	100.00 %	31.12.2007	218	1,052	1
VERBUND Management Service GmbH	VIENNA	FC	100.00 %	31.12.2007	725	2,129	1
VERBUND-Austrian Power Sales GmbH	VIENNA	FC	100.00 %	31.12.2007	252	209	1
VERBUND-BeteiligungsgmbH	VIENNA	FC	100.00 %	31.12.2007	3,893	1,291	1
Austrian Power Vertriebs Gmbh	VIENNA	FC	100.00 %	31.12.2007	2,517	1,011	1
VERBUND-Austrian Renewable Power GmbH	VIENNA	FC	100.00 %	31.12.2007	6,255	10	1
Suengu Beteiligungsverwaltung GmbH (in future: VERBUND-Beteiligungsholding GmbH)	VIENNA	FC	100.00 %	31.12.2007	6,254	2	1
VERBUND-Austrian Hydro Power AG	VIENNA	FC	80.33 %	31.12.2007	1,433,121	434,720	1
VERBUND-Austrian Thermal Power GmbH	GRAZ	FC	59.49 %	31.12.2007	1,555	1,154	1
VERBUND-Austrian Thermal Power GmbH & Co KG	GRAZ	FC	55.65 %	31.12.2007	283,408	93,080	1
Österreichisch-Bayerische Kraftwerke Aktiengesellschaft	SIMBACH	EQ	50.00 %	31.12.2006	51,361	3,272	5
Ennskraftwerke Aktiengesellschaft	STEYR	EQ	50.00 %	31.12.2006	42,586	695	1,5
Donaukraftwerk Jochenstein Aktiengesellschaft	PASSAU	EQ	50.00 %	31.12.2006	12,361	818	5
Enerjisa Enerji Üretim A.S.	ISTANBUL	EQ	49.99 %	31.05.2007	469,955		2,5,7
Energie Klagenfurt GmbH	KLAGENFURT	EQ	49.00 %	31.12.2006	143,808	-1,869	1,5,6
Grenzkraftwerke Gesellschaft mit beschränkter Haftung	SIMBACH	EQ	40.17 %	31.12.2006	127	77	5
Sorgenia S.p.A. (Group)	MILAN	EQ	38.26 %	31.12.2006	517,103	69,217	3
KELAG-Kärntner Elektrizitäts-Aktiengesellschaft	KLAGENFURT	EQ	35.12 %	31.12.2006	340,463	38,487	2
STEWEAG-STEG GmbH	GRAZ	EQ	34.57 %	31.12.2006	483,223	84,100	3
Poweo S.A. (Group) thereof Poweo Production S.A.S	PARIS	EQ	30.23 % 40.00 %	30.09.2007	218,839	-25,886	1
Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH	VIENNA	EQ	26.77 %	31.12.2006	45	4	
Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH & Co KG	VIENNA	EQ	26.77 %	31.12.2006	36	95	

1 IFRS FIGURES
2 GROUP FINANCIAL STATEMENTS ACCORDING TO IFRS
3 SUBGROUP FINANCIAL STATEMENTS ACCORDING TO IFRS
4 ESTABLISHED 2007
5 JOINT VENTURE
6 ABRIDGED FISCAL YEAR FROM 01.10.-31.12.2006
7 INTERIM BALANCE SHEET ON DATE OF ACQUISITION
8 FOUNDED IN 2006, NO MATERIAL BUSINESS ACTIVITIES IN 2006

FC = FULL CONSOLIDATION
EQ = EQUITY-METHOD
NC = NON-CONSOLIDATED

GROUP COMPANIES (CONTINUED)

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COMPANY	DOMICILE	TYPE OF CONSOLIDATION	INTEREST BY MULTIPLICA-TION	BALANCE SHEET DATE	SHAREHOLDERS' EQUITY	NET PROFIT/LOSS	NOTE
ELECTRICITY							
VERBUND ROMANIA S.R.L.	BUCAREST	NC	100.00 %	31.12.2006	5		8
VERBUND-Austrian Power Trading Czech Republic s.r.o.	PRAGUE	NC	100.00 %	31.12.2006	216	-9	
VERBUND-Austrian Power Trading Slovakia, s.r.o.	BRATISLAVA	NC	100.00 %	31.12.2006	265	35	
VERBUND-Austrian Power Trading Deutschland GmbH	MUNICH	NC	100.00 %	31.12.2006	187	79	
VERBUND-Austrian Power Trading Hungária Energia-kereskedelmi Korlátolt Felelösségü Társaság	BUDAPEST	NC	100.00 %	31.12.2006	710	400	
APT Power Trading SL, trgovanje z elektri_no energijo d.o.o.	LAIBACH	NC	100.00 %	31.12.2006	631	78	
APT Austrian Power Trading Polska Sp.z o.o.	WARSAW	NC	100.00 %	31.12.2006	100	-34	
VERBUND-Austrian Power Trading d.o.o.	ZAGREB	NC	100.00 %	31.12.2007	10		4
VERBUND-Austrian Power Trading Sr d.o.o.	BELGRAD	NC	100.00 %	31.12.2007	10		4
VERBUND-Power Trading Macedonia DOOEL	SKOPJE	NC	100.00 %	31.12.2007	10		4
VERBUND-GasbeteiligungsgmbH	VIENNA	NC	100.00 %	31.12.2007	1,772	-19	
RIECADO Regional Energy Capacity Auction Data Operator GmbH	VIENNA	NC	74.80 %	31.12.2006	28	-22	
VERBUND-Austrian Power Trading ENERGA Hellas Electricity Supply and Trade S.A.	ATHENS	NC	55.00 %	31.12.2006	440	-60	
Energie Austria GmbH	VIENNA	NC	52.80 %	31.12.2006	57	-1	
Gemeinschaftskraftwerk Inn GmbH	LANDECK	NC	50.00 %	31.12.2006	203	3	5
CEMP d.o.o.	ZAGREB	NC	50.00 %	31.12.2006	185	-26	5
PLINSKO PARNA ELEKTRARNA, d.o.o.	KIDRICEVO	NC	40.00 %	31.12.2006	1,208	0	
SAVA Izrabljanje naravnega vira d.o.o.	MEDVODE	NC	35.00 %	31.12.2006	24	0	
GAZ DE NORMANDIE S.A.S.	PARIS	NC	24.50 %	31.12.2007	7,150		4
OeMAG Abwicklungsstelle für Ökostrom AG	VIENNA	NC	24.40 %	31.12.2006	5,089	89	
ENVIRONMENT							
VERBUND-Umwelttechnik GmbH	KLAGENFURT	NC	100.00 %	31.12.2006	1,139	534	
Kärntner Restmüllverwertungs GmbH	ARNOLDSTEIN	NC	42.87 %	31.12.2006	20,617	1,686	
ENGINEERING							
Verbundplan Birecik Baraji Isletme Ltd.Sti.	BIRECIK	NC	56.23 %	31. 12. 2006	5,712	5,316	
PÖYRY Energy GmbH	WIEN	NC	25.10 %	31. 12. 2006	10,047	1,426	
TOURISM							
Tauern Touristik GmbH	KAPRUN	NC	83.90 %	31.12.2006	3,705	44	
Gletscherbahnen Kaprun Aktiengesellschaft	KAPRUN	NC	45.00 %	30.09.2006	35,569	-721	
OTHERS							
Lestin & Co. Tauch-, Bergungs- und Sprengunternehmen Gesellschaft m.b.H.	VIENNA	NC	82.35 %	31.12.2006	475	-120	
Lestin & Co. Tauch- und Bergungsunter-nehmen Gesellschaft m.b.H.	PASSAU	NC	82.35 %	31.12.2006	79	3	

ALL VALUES, OTHER THAN IFRS DATA, ARE INDICATED PURSUANT TO NATIONAL COMMERCIAL LAW.

FINANCIAL INFORMATION ON ASSOCIATED COMPANIES AND

FINANCIAL INFORMATION ON ASSOCIATED COMPANIES AND JOINT-VENTURES

COMPANY	DOMICILE	TYPE OF CONSOLIDATION	INTERESTS BY MULTIPLICATION	BALANCE SHEET DATE
Grenzkraftwerke Gesellschaft mit beschränkter Haftung	SIMBACH	EQ	40.17 %	31. 12. 2006
Sorgenia S.p.A. (Group)	MILAN	EQ	38.26 %	31. 12. 2006
KELAG-Kärntner Elektrizitäts-Aktiengesellschaft	KLAGENFURT	EQ	35.12 %	31. 12. 2006
STEWEAG-STEG GmbH	GRAZ	EQ	34.57 %	31. 12. 2006
Poweo S.A. (Group)	PARIS	EQ	30.23 %	30. 09. 2007
thereof Poweo Production S.A.S			40.00 %	
Kraftwerk Nussdorf Errichtungs- und Betriebs GmbH & Co KG	VIENNA	EQ	26.77 %	31. 12. 2006
Kraftwerk Nussdorf Errichtungs- und Betriebs GmbH	VIENNA	EQ	26.77 %	31. 12. 2006
Cemp d.o.o.	ZAGREB	NC	50.00 %	31. 12. 2006
Gemeinschaftskraftwerk Inn GmbH	LANDECK	NC	50.00 %	31. 12. 2006
Gletscherbahnen Kaprun Aktiengesellschaft	KAPRUN	NC	45.00 %	30. 09. 2006
Kärntner Restmüllverwertungs GmbH	ARNOLDSTEIN	NC	42.87 %	31. 12. 2006
PLINSKO PARNA ELEKTRARNA, d.o.o.	KIDRICEVO	NC	40.00 %	31. 12. 2006
SAVA Izrabljanje naravnega vira d.o.o.	MEDVODE	NC	35.00 %	31. 12. 2006
PÖYRY Energy GmbH	VIENNA	NC	25.10 %	31. 12. 2006
GAZ DE NORMANDIE S.A.S.	PARIS	NC	24.50 %	31. 12. 2007
OeMAG Abwicklungsstelle für Ökostrom AG	VIENNA	NC	24.40 %	31. 12. 2006
MATERIAL JOINT VENTURES				
Österreichisch-Bayerische Kraftwerke Aktiengesellschaft	SIMBACH	EQ	50.00 %	31. 12. 2006
LONG-TERM ASSETS/LIABILITIES				
SHORT-TERM ASSETS/LIABILITIES				
INCOME				
Ennskraftwerke Aktiengesellschaft	STEYR	EQ	50.00 %	31. 12. 2006
LONG-TERM ASSETS/LIABILITIES				
SHORT-TERM ASSETS/LIABILITIES				
INCOME				
Donaukraftwerk Jochenstein Aktiengesellschaft	PASSAU	EQ	50.00 %	31. 12. 2006
LONG-TERM ASSETS/LIABILITIES				
SHORT-TERM ASSETS/LIABILITIES				
INCOME				
Enerjisa Enerji Üretim A.S.	ISTANBUL	EQ	49.99 %	31. 05. 2007
LONG-TERM ASSETS/LIABILITIES				
SHORT-TERM ASSETS/LIABILITIES				
INCOME				
Energie Klagenfurt GmbH	KLAGENFURT	EQ	49.00%	31. 12. 2006
LONG-TERM ASSETS/LIABILITIES				
SHORT-TERM ASSETS/LIABILITIES				
INCOME				

JOINT-VENTURES

T€

TOTAL					PRORATED				
ASSETS	LIABILITIES	SALES REVENUE	EXPENSES	NET PROFIT/LOSS	ASSETS	LIABILITIES	SALES REVENUE	EXPENSES	NET PROFIT/LOSS
42,500	42,373	16,226		77	17,071	17,020	6,517		31
1,629,295	1,112,192	1,916,085		69,217	623,368	425,525	733,094		26,482
1,035,816	695,353	745,517		38,487	363,768	244,201	261,818		13,516
1,067,386	584,164	603,158		84,100	368,995	201,945	208,512		29,073
454,279	203,304	233,242		-25,886	137,329	61,459	70,509		-7,825
14,604	7,925	1,089		95	3,910	2,122	292		25
45	0	4		4	12	0	1		1
548	364	0		-26	274	182	0		-13
4,309	4,106	0		3	2,155	2,053	0		2
59,441	22,218	17,773		-721	26,748	9,998	7,998		-324
77,671	56,648	12,948		1,686	33,298	24,285	5,551		723
1,233	25	0		0	493	10	0		0
25	0	0		0	9	0	0		0
34,642	24,594	36,421		1,426	8,695	6,173	9,142		358
0	0	0		0	0	0	0		0
172,919	167,830	130,970		89	42,192	40,951	31,957		22
147,418	96,057	30,569	28,632	3,272	73,709	48,029	14,329	14,269	1,636
137,634	84,200				68,817	42,100			
9,784	11,857				4,892	5,929			
		31,904					15,905		
132,027	89,441	31,613	32,051	695	66,014	44,721	15,807	16,026	348
131,472	76,065				65,736	38,033			
555	13,376				278	6,688			
		32,746					16,373		
27,285	14,924	9,620	9,189	818	13,643	7,462	5,372	5,179	409
22,650	13,517				11,325	6,759			
4,635	1,407				2,318	704			
		10,007					5,588		
792,766	322,811	0	0	0	396,324	161,381	0	0	0
665,061	178,793				332,481	89,383			
127,705	144,018				63,843	71,998			
		0					0		
231,881	88,073	27,445	31,742	-1,869	113,622	43,156	13,448	15,554	-916
166,289	69,027				81,482	33,823			
65,592	19,046				32,140	9,333			
		29,873					14,638		

To the Members of the Managing Board and Supervisory Board of
Österreichische Elektrizitätswirtschafts-Aktiengesellschaft
Vienna, Austria

AUDITOR´S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of **Österreichische Elektrizitätswirtschafts-Aktiengesellschaft, Vienna**, for the **financial year from 01 January to 31 December 2007**. These consolidated financial statements comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2007, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT´S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor´s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity´s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity´s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

Our audit did not give rise to any objections. Based on the results of our audit, the consolidated financial statements, do, in our opinion, present fairly, in all material respects, the financial position of the group as of 31 December 2007, and the financial performance and the cash flows for the financial year from 1 January 2007 to 31 December 2007 in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the group.

In our opinion, the consolidated management report for the group is consistent with the consolidated financial statements.

Vienna, 28 January 2008

Deloitte Wirtschaftsprüfungs GmbH

Mag. Gerhard Marterbauer Wirtschaftsprüfer (Certified Public Accountant)	MMag. Dr. Klaus-Bernhard Gröhs Wirtschaftsprüfer (Certified Public Accountant)

CORPORATE GOVERNANCE

COMMITMENT TO CORPORATE GOVERNANCE CODE

Verbund is unreservedly committed to the Austrian Corporate Governance Code. By actively implementing the code, Verbund aims to ensure that the group is managed and controlled in a responsible manner that facilitates sustainable and long-term value creation and that a high level of transparency is created for all stakeholders.

Verbund was one of the first companies in Austria to undertake a commitment to comply with the code. In fiscal 2007, the observance, to the greatest extent possible, of all rules set down in the code and the continuous optimization of the high internal standards were once again precedent tasks for the Managing Board and the Supervisory Board.

IMPORTANT EVENTS IN 2007

The important events in the area of corporate governance in fiscal 2007 included the changes in the Managing Board and the corresponding redistribution of responsibilities as well as the appointment of a new auditor.

With effect from 11 May 2007, Dr. Michael Pistauer was appointed Chairman of the Managing Board and General Director in the place of Dipl.-Ing. Hans Haider. Parallel to this, Dr. Johann Sereinig was appointed Deputy Chairman of the Managing Board and Deputy General Director. Dr. Ulrike Baumgartner-Gabitzer joined the Managing Board on 1 January 2007. Her appointment was followed by that of Mag. Christian Kern on 11 May 2007.

Deloitte Wirtschaftsprüfungs GmbH was appointed as auditor for the Verbundgesellschaft and the Verbund Group.

DETAILS RELATING TO DEPARTURES

In June 2007, a number of rules in the Austrian Corporate Governance Code were adjusted in accordance with the new statutory regulations. The changes referred, in particular, to financial reporting and external communication. The implementation of the latest version of the code is also strongly advocated by Verbund. Only a small number of the 80 C-Rules in the code is, in part, handled differently. Details relating to the departure from these rules are provided below (in keeping with the »comply or explain« principle):

C-Rule No. 2: Verbund largely adheres to the principle of »one share – one vote«. The only exception here results from a voting restriction in the currently applicable constitutional law, which regulates the ownership structure of the companies in the Austrian electricity industry and also forms a basis for the company's articles of incorporation. This states: »With the exception of regional authorities and companies in which the regional authorities hold an interest of at least 51 %, the voting right in the General Meeting is restricted to 5 % of the share capital.«

C-Rule No. 34: The cooperation between the Managing Board and the Supervisory Board is defined in detail in the rules of procedure of the Supervisory Board and the Managing Board. A comprehensive reporting system, which embraces all group companies in accordance with a uniform standard, has been installed to enhance the flow of information and reports from the Managing Board to the Supervisory Board. This reporting system was further improved in fiscal 2007 and designed in a more efficient and transparent manner. In addition, a detailed report on all shareholdings is submitted on an annual basis.

An appropriate adoption in the rules of procedure and the inclusion of all existing committees of the Supervisory Board is currently being aimed at.[1]

C-Rule No. 38: In its 329th meeting on 13 September 2006, the Supervisory Board decided that a nomination to the Managing Board must be made prior to the nominee´s 66th birthday. This age limit shall be anchored in the rules of procedure at the next planned amendment.[1]

C-Rule No. 45: The rule stating that Members of the Supervisory Board may not assume any functions on the boards of other enterprises which are competitors of the company is, with one exception, being complied with by all members of the Supervisory Board.

C-Rule No. 57: The articles of incorporation at this point and time do not provide for an age limit for being voted onto the Supervisory Board. The definition of a corresponding age limit in the rules of procedure for the Supervisory Board would appear to be problematic as the members of the Supervisory Board are selected exclusively by the shareholders (i.e. the General Meeting).

[1] A CORRESPONDING DRAFT AMENDMENT OF THE RULES OF PROCEDURE FOR THE SUPERVISORY BOARD AND THE MANAGING BOARD IS NOW AVAILABLE. THE SUPERVISORY BOARD IS EXPECTED TO MAKE A DECISION ON THESE AMENDMENTS IN FEBRUARY 2008.

EXTERNAL AUDIT – EVALUATION

As in the previous years, an external auditor was voluntarily commissioned in fiscal 2007 to independently monitor adherence to the rules of the code. The findings of the external evaluation and information relating to the implementation of the code are provided on the Verbund website (www.verbund.at).

DECLARATION OF CONFORMITY

Regarding the external evaluation, which has now been carried out for the fifth time, the Managing Board declares:

»The Austrian Corporate Governance Code was applied and adhered to at Österreichische Elektrizitätswirtschafts-Aktiengesellschaft in fiscal 2007 in accordance with the explanations also provided on the Verbund website (www.verbund.at). In a very small number of cases, there is a slight departure from individual rules. These departures essentially result from legal provisions and will be clarified and explained in a corresponding manner. Verbund will continue to comply with the code in fiscal 2008 and all rules will, to the greatest extent possible, be implemented in full. For Verbund, the application of the Austrian Corporate Governance Code has always been of immense importance and it can be seen as a critical building block that serves to enhance the confidence shareholders, business partners, employees and the public have in our company.«

FURTHER DETAILS AND PUBLICATIONS IN ACCORDANCE WITH THE AUSTRIAN CORPORATE GOVERNANCE CODE ARE PROVIDED IN THE NOTES, IN THE MANAGEMENT REPORTS AS WELL AS IN THE CHAPTERS »SHARE« AND »BOARD MEMBERS«.

SUMMARY OF THE FINDINGS OF THE REPORT ON THE EVALUATION OF ADHERENCE TO THE AUSTRIAN CORPORATE GOVERNANCE CODE IN FISCAL 2007

We have monitored the extent to which Österreichische Elektrizitätswirtschafts-AG adhered to the recommendations of the Austrian Corporate Governance Code as set down in the version June 2007 (ÖCGK – issued by the Austrian Working Group for Corporate Governance) in fiscal 2007. The responsibility for reporting on the implementation of and adherence to the principles set down in the Austrian Corporate Governance Code (»Declaration of Conformity«) lies with the Managing Board. It is our task to assess whether or not, on the basis of our evaluation, the statements in the Declaration of Conformity are accurate.

We have performed our evaluation on the basis of a questionnaire drafted by the Austrian Working Group for Corporate Governance for the voluntary external monitoring of compliance to ÖCGK with due diligence. The evaluation is based on interviews held with the board members and company employees named by the board members as well as on an examination of the documents made available to us by the company. Our evaluation is also based on a randomized examination of the evidence and details provided. We are convinced that our auditing procedures form an adequately sound basis for the evaluation and assessment of the appropriateness of the Declaration of Conformity.

In our assessment, the Declaration of Conformity issued by the Managing Board shows that the recommendations of ÖCGK were implemented at Österreichische Elektrizitätswirtschafts-AG in an appropriate manner in fiscal 2007.

Vienna, January 31, 2008

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Helmut Maukner
(Certified Public Accountant)

Mag. Elfriede Baumann
(Certified Public Accountant)

Further details and publications in accordance with the Austrian Corporate Governance Code are provided in the Notes, in the Management Report as well as in the Chapters »Share« and »Board Members«.

BOARD MEMBERS

MANAGING BOARD

General Director Chairman of the Managing Board	Dr. Michael Pistauer (as of 11 May 2007) Dipl.-Ing. Hans Haider (up to 10 May 2007)
Deputy General Director Deputy Chairman of the Managing Board	Dr. Johann Sereinig (as of 11 May 2007) Dr. Michael Pistauer (up to 10 May 2007)
Members of the Managing Board	Dr. Johann Sereinig (up to 10 May 2007) Dr. Ulrike Baumgartner-Gabitzer (as of 1 January 2007) Mag. Christian Kern (as of 11 May 2007)

SUPERVISORY BOARD

Dr. Gilbert Frizberg	Chairman (as of 14 March 2007) 1st Deputy Chairman (up to 14 March 2007) (on Supervisory Board since 16 March 2000, appointed up to ordinary General Meeting 2010) Managing Partner in Hereschwerke Holding GmbH, Member of the Managing Board of FI Beteiligungs- u. Finanzierungs AG, Vice-President of Styrian Chamber of Commerce
Gewerke DDr. Erhard Schaschl	1st Deputy Chairman (as of 14 March 2007) Chairman (up to 14 March 2007) (on Supervisory Board since 16 March 2000, appointed up to ordinary General Meeting 2010) Chairman of the Managing Board of ETN Vermögensverwaltung AG, Chairman of the Supervisory Board of Treibacher Industrie AG and FRAPAG Industrieholding AG, Member of the Supervisory Board of Generali Vienna Holding AG, Austrian Airlines AG and Wienerberger Ziegelindustrie GmbH
Dr. Maximilian Eiselsberg	2nd Deputy Chairman (on Supervisory Board since 23 February 1993, appointed up to ordinary General Meeting 2010) Attorney-at-law, Chairman of the Supervisory Board of VIVAG Vorsorge Immobilienveranlagungs AG. Member of the Supervisory Board of Kurier Beteiligungs-Aktiengesellschaft

o. Univ.-Prof. Dipl.-Ing. Dr. Günther Brauner	(on Supervisory Board since 16 March 2000, appointed up to ordinary General Meeting 2010) University Professor, Head of the Institute for Power Systems and Energy Economics (Vienna University of Technology)
Dipl.-Betriebswirt Alfred H. Heinzel	(on Supervisory Board since 16 March 2000, appointed up to ordinary General Meeting 2010) Managing Partner in Heinzel Holding GmbH, Member of the Supervisory Board of MIBA AG, Allianz Elementar Versicherungs AG, Zellstoff Pöls AG, Wilfried Heinzel AG, Biocel Paskov AG, Czech Republic and Estonian Cell AS, Kunda, Estonia
Dr. Burkhard Hofer	(on Supervisory Board since 27 May 1999, appointed up to ordinary General Meeting 2010) Spokesperson of the Managing Board of EVN AG, Member of the Supervisory Board of BEWAG Burgenländische Elektrizitätswirtschafts AG, BEGAS Burgenländische Gaswirtschafts AG, Burgenland Hoding AG, RAG-Beteiligungs AG and HYPO Investmentbank AG
Dr. Michael Losch	(on Supervisory Board since 10 March 2005, appointed up to ordinary General Meeting 2010) Head of Department at the Federal Ministry for Economy and Labor, Center 1 – Economic Policy, Innovation and Technology
General Director (ret.) Dkfm. Peter Püspök	(on Supervisory Board since 16 March 2000, appointed up to ordinary General Meeting 2010)
Dipl.-Ing. Hansjörg Tengg	(on Supervisory Board from 15 November 1983 to 20 May 1986 and since 10 March 2005, appointed up to ordinary General Meeting 2010) Managing Director of smart technologies GmbH, Chairman of the Supervisory Board of EXAA AG, Saubermacher Dienstleistungs AG and Konsum Österreich reg. Gen., Deputy Chairman of the Supervisory Board of APCS AG, AGCS AG and Euro Bio Fuels AG
Ing. Siegfried Wolf	(on Supervisory Board since 16 March 2000, appointed up to ordinary General Meeting 2010) Chairman of the Managing Board of Magna International Europe AG, Co-CEO Magna International Inc., Member of the Supervisory Board of ÖIAG, Siemens AG Austria, Strabag SE as well as HGI Beteiligungs AG
Anton Aichinger	Chairman of the Works Council
Kurt Christof	Chairman of Central Works Council

Harald Novak	Chairman of Central Works Council
Dipl.-Ing. Ingeborg Oberreiner	Chairman of Works Council
Ing. Joachim Salamon	Central Works Council

COMMITTEES OF THE SUPERVISORY BOARD

Working Committee, also Auditing Committee	Dr. Gilbert Frizberg, Chairman DDr. Erhard Schaschl Dr. Maximilian Eiselsberg Dr. Michael Losch Dkfm. Peter Püspök Ing. Siegfried Wolf Anton Aichinger Harald Novak Dipl.-Ing. Ingeborg Oberreiner
Nominating Committee	Dr. Gilbert Frizberg, Chairman DDr. Erhard Schaschl Dr. Maximilian Eiselsberg Anton Aichinger Dipl.-Ing. Ingeborg Oberreiner
Presidential Committee, Compensation Committee	Dr. Gilbert Frizberg, Chairman DDr. Erhard Schaschl Dr. Maximilian Eiselsberg

The term of office of all of the ten Supervisory Board members elected by the General Meeting will end at the closing of the Ordinary General Meeting in 2010.

INDEPENDENCE

In accordance with Rule 53 of the Corporate Governance Code, the Supervisory Board defined the code guidelines that are shown in the Notes as criteria for the independence of the elected Supervisory Board members.

All elected member of the Supervisory Board have declared their independence in accordance with Rule 53 of the Corporate Governance Code. Supervisory Board member Hofer declared that he does not meet the requirements under Point 2 of the independence guidelines (business relationship to company).

The following shareholders on the Supervisory Board also meet the independence criteria defined in Rule 54 of the Corporate Governance Code (no shareholding in excess of 10 %): Frizberg, Schaschl, Eiselsberg, Brauner, Heinzel, Püspök, Tengg and Wolf.

DR. MICHAEL PISTAUER
CHAIRMAN OF THE MANAGING BOARD

Born in 1943 in Salzburg, married.

1968	Graduated from University Assistant in the Faculty of Legal and Political Science at the University of Innsbruck
1970	Großglockner-Hochalpenstraßen AG (GROHAG); later Sole Director and General Director
1990	Member of the Managing Board of Tauernkraftwerke AG
1994	Member of the Managing Board (CFO) of Verbund (Österreichische Elektrizitätswirtschafts-AG)
2002–2005	President of the Austrian Association of Electricity Utilities (VEÖ), currently Vice President
2003	Deputy Chairman of the Managing Board of Verbund
2007	Chairman of the Managing Board of Verbund

DR. JOHANN SEREINIG
DEPUTY CHAIRMAN OF THE MANAGING BOARD

Born in 1952 in Villach

1976	Graduation (Dr. phil.)
1977	Österreichische Länderbank AG
1984	Advisor of the Federal Ministry of Finance
1986	Advisor to the Federal Chancellor
1988	Head of Cabinet of the Federal Chancellor
1994	Member of the Managing Board of Verbund
1994–2001	Federal Load Dispatcher
1995–1997	Chairman of the Comité Restreint of the UCTE
2007	Deputy Chairman of the Managing Board of Verbund

DR. ULRIKE BAUMGARTNER-GABITZER
MEMBER OF THE MANAGING BOARD

Born in 1957 in Vienna, married.

1983	Graduated as Dr. iur.
1984	Federal Ministry for Trade, Commerce and Industry (Legal Department)
1987	Advisor of the Minister for Economics
1988	Head of Cabinet of the Minister for Economics
1992	Managing Director of the Austrian Association of Electricity Utilities (VEÖ)
1995	Head of Cabinet of the Vice Chancellor
1997–2006	General Secretary of the VEÖ
1999–2006	Delegate of the National Council
2007	Member of the Managing Board of Verbund

MAG. CHRISTIAN KERN
MEMBER OF THE MANAGING BOARD

Born in 1966 in Vienna

1989	Economic Journalist
1991	Assistant to the State Secretary for Public Service
1994	Office Manager and Press Spokesperson of the leader of the Social Democratic Party
1997	Assistant of the Managing Board of Verbund (Österreichische Elektrizitätswirtschafts-AG)
1999	Division Manager »Strategic Marketing and Sales Control« at Verbund
2000	Chairman of the Managing Board of VERBUND-Austrian Power Vertriebs GmbH
2002	Member of the Managing Board of VERBUND-Austrian Power Trading AG
2007	Member of the Managing Board of Verbund

REPORT OF THE SUPERVISORY BOARD

Fiscal 2007 was once again an extraordinarily successful year for Verbund, Austria's leading electricity company. The electricity supplier, which has now become a group of European dimensions, recorded a further improvement in the result and proved in a very impressive manner that its growth is profitable and sustainable.

The Supervisory Board actively accompanied and supported this pleasing development. In the year under review, the Supervisory Board performed its duties and exercised its powers under the law and the articles of incorporation in five plenary sessions. The attendance rate of all members of the Supervisory Board came to 92 %. Moreover, the Chairman of the Supervisory Board maintained contact with the members of the Supervisory Board in important matters and, in the event of their being absent, obtained their opinion thus ensuring that all members of the Supervisory Board were involved in all of the major issues.

The Supervisory Board was informed regularly, in a timely fashion and comprehensively, both in writing and verbally, on relevant issues of business development as well as on the state and strategy of the company and the important group companies, including risk conditions and risk management.

Following the departure of General Director Dipl.-Ing. Hans Haider as of 11 May 2007, Dr. Michael Pistauer was appointed Chairman of the Managing Board and General Director and Dr. Johann Sereinig was appointed Deputy Chairman and Deputy General Director. With the arrival of Dr. Ulrike Baumgartner-Gabitzer on 1 January 2007 and Mag. Christian Kern on 11 May 2007 and the departure of General Director Dipl.-Ing. Hans Haider, the responsibilities of the members of the Managing Board were redistributed. The Supervisory Board expressed its gratitude to General Director Dipl-Ing. Hans Haider for his successful work and unyielding commitment.

Special reference should be made here not only to the increased investment activities in Austria and the founding of the joint venture EnerjiSA in cooperation with the Turkish partner Sabanci but also to the Supervisory Board's unanimous approval in November 2007 of the Managing Board's corporate strategy.

The corporate strategy aims to achieve value-generating growth in Austria and abroad. Verbund's financing share in the planned investments comes to € 6.7 billion. Of this amount, approx 40 % will be invested in Austria and 60 % abroad. Other goals include the further expansion of market leadership in Austria, the value-oriented development of the existing shareholdings in Italy, France and Turkey, the utilization of the growth opportunities in Central and South East Europe and the strengthening of the renewable energies area with a focus on alternative energies such as wind power up to 2015.

On the basis of these reports, the Supervisory Board continuously monitored the management activities of the Managing Board. These examinations, conducted in an open debate between the Managing Board and the Supervisory Board, provided no cause for complaint.

CORPORATE GOVERNANCE, COMMITTEES OF THE SUPERVISORY BOARD

The Working Committee of the Supervisory Board, which, in particular, was responsible for the preparation of the sessions, convened at five meetings in the year under review and the Audit Committee (prepares the decision relating to the annual financial statements and consults with the auditor) at two meetings. In addition, the Presidential Committee convened at four meetings.

As one of the leading listed companies in its sector, Verbund was one of the first companies to commit itself to compliance with the Austrian Corporate Governance Code. The Supervisory Board is also committed to compliance with the code and makes a consistent effort to adhere to those rules of the code that affect the Supervisory Board. In this regard, all rules that relate to the Supervisory Board and the cooperation between the Supervisory Board and the Managing Board, are, with very minor departures, being fully observed.

In accordance with the Corporate Governance Code, a Nomination Committee and a Compensation Committee of the Supervisory Board were set up in fiscal 2007. The Nomination Committee convened at one meeting to discuss the appointment of the supervisory board members and the Compensation Committee also convened at one meeting to discuss the remuneration of the Managing Board.

There was one change in the presidency of the Supervisory Board. Dr. Gilbert Frizberg was appointed Chairman of the Supervisory Board in March 2007 and, parallel to this, DDr. Erhard Schaschl took over the position of 1st Deputy Chairman.

ANNUAL FINANCIAL STATEMENTS AND AUDIT COMMITTEE

The annual financial statements with the Management Report as well as the consolidated financial statements, which were drawn up in accordance with the International Financial Reporting Standards, and the Group Management Report for fiscal 2007 were audited by the newly appointed auditor Deloitte Wirtschaftsprüfungs GmbH and affixed with an unqualified audit certificate.

The auditor prepared a written report on the results and found that the Managing Board has supplied all such information and documentary evidence as had been required. The accounts, annual financial statements and consolidated financial statements comply with the statutory provisions and, in accordance with the principles of proper accounting, faithfully reflect the income and financial situation of the company and the group. The Management Report and the Group Management Report are consistent with the annual financial statements and the consolidated financial statements.

Following a comprehensive examination and in-depth discussion in the Audit Committee and in the Supervisory Board, the Supervisory Board approved the annual financial statements submitted by the Managing Board for fiscal 2007 and these are therefore deemed adopted under § 125 (2) Aktiengesetz (Stock Corporation Law). The Management Report of the Managing Board and the proposal for profit distribution were approved. The consolidated financial statements and the Group Management Report were acknowledged in agreement by the Supervisory Board.

Finally, the Supervisory Board thanked the Managing Board and all employees for the successful work in fiscal 2007.

Vienna, February 2008

On behalf of the Supervisory Board

Dr. Gilbert Frizberg
Chairman

GLOSSARY

Ad-hoc news	Company news which must be spread as quickly as possible across all information channels that are important for the stock market. This is specified in a set of »Insider Rules«: each market participant must be equally informed. Shares may not be purchased or sold on the basis of information which is not (yet) generally available.
Asset Allocation	The willful and meaningful distribution of assets across different investment vehicles.
Base load[1]	Constant electrical output over all hours of one day.
Bear market	Negative price development on the stock exchange over a longer period of time.
Benchmark	Term used to describe a reference value to which a fund or portfolio is compared for orientation purposes.
Bottleneck Capacity (BC)	The maximum long-term output of a power plant under normal conditions.
Capital-to-assets ratio (adjusted)	Shareholders´ equity in relation to total capital adjusted for closed items on the assets and liabilities side (e.g. in the case of cross border leasing transactions).
Cash flow	Balance of cash inflows and outflows; usually broken down into cash flows from operating activities, investing activities and financing activities.
Corporate Governance Code	Code for corporations which sets down standards of good corporate management. The provisions do not take the form of a statute law. The code contains a set of rules to which companies may commit themselves at their own discretion.
Cross border leasing	Lessor and lessee are based in different countries.
EBIT	Earnings Before Interest and Taxes = operating result.
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization (operating result before interest, taxes, depreciation of property, plant and equipment and amortization of intangible assets).
Discounted Cash Flow Method	Determination of goodwill through capitalization of cash flows which can be defined differently depending on the accounting method used. At Verbund, the gross accounting method is used (entity approach).
Economic Value Added after minorities (EVA®)	Difference between the return generated by the company on the entire net interest-bearing capital and the total capital costs; EVA® = Invested Capital after minorities x (ROIC after minorities – WACC).
E-Control (Energie-Control GmbH)	Set up by the legislator on the basis of the Energy Liberalization Act. The main task involves monitoring and, if necessary, regulating the deregulation of the Austrian electricity and gas market.
ElWOG	Electricity Industry and Organisation Act.
Equity method	Method applied to consolidate associated companies that are not included in the group financial statements as fully consolidated companies with all assets and liabilities. Here, the carrying amount is adjusted on the basis of the changes in the pro-rated shareholders´ equity of the interest. This change is recognized in the income statement or directly in the equity of the parent company.
EV	Enterprise Value is the market capitalization plus interest-bearing net debt. Reflects the overall corporate value at market prices.
Free cash flow	Operating cash flow plus cash flow from investing activities; the free cash flow is available for payments relating to financing activities (e.g. dividend distribution and loan repayments).
Funds from Operations (FFO)	Operating result adjusted for depreciation and amortization, interest income and current taxes.
Gross debt coverage	The ratio of funds from operations (FFO) to interest-bearing gross debt.
Gross interest cover	The ratio of funds from operations (FFO) to interest expenses.
Hydro coefficient	The hydro coefficient is the ratio between the actual volume of electricity generated in one (or a series of) hydropower plant(s) within a defined period and the average (calculated on the basis of historical water supply volumes) generation capacity of this/these hydropower plant(s) over the same period. This long-term average comes to 1. Consequently, 1.1 represents a 10 % increase in production.
IAS/IFRS	International Accounting Standard/International Financial Reporting Standard; the designation IAS was changed to IFRS in 2001. Standards published up to that date are still referred to as IAS.

[1] CITED ACCORDING TO EEX GLOSSARY.

Invested capital	Employed interest-burdened capital adjusted for closed items on the assets and liabilities side (e.g. in the case of cross border leasing transactions).
Invested capital after minorities	Employed interest-burdened capital after minorities adjusted for closed items on the assets and liabilities side (e.g. in the case of cross border leasing transactions).
Kyoto protocol	International climate protection agreement of the UN organization UNFCCC. Defines goals for reducing greenhouse gas emissions and thus the risk of global warming. Signed in 1997, the Kyoto protocol came into force on 16 February 2005.
M&A	Abbreviation for Mergers & Acquisitions; describes all mergers through acquisitions, divestments and fusions, etc.
Monte Carlo Simulation	Suitable for displaying a large number of realized risks within a model with a freely selectable number of simulations. This produces a distribution trend.
(n-1) criterion	Rule which states that the safety of grid operation cannot be endangered by a single event, e.g. the failure of a line.
Net gearing	Net interest-bearing debt in relation to shareholders´ equity. Measure of company´s indebtedness.
Over the Counter (OTC)	Trading outside of the stock exchanges.
Pay-out ratio	Proposed dividend per share in relation to earnings per share.
Peak load[1]	Refers to the load type for electricity supply or electricity purchases of constant output over a period of 12 hours from 08:00 to 20:00 on each weekday (Monday to Friday) of a supply period.
Performance	Describes the value development of a security or portfolio over a given period, e.g. 12 months, on the basis of a defined risk level.
Phase-shifting transformers	Controllable transformers via which the load flow can be influenced or controlled. The load between parallel lines can be distributed and the existing line capacity can be utilized in a more optimal manner.
Portfolio	Entirety of the investment in securities held by a customer or investment fund; primarily used for the distribution of risk.
Risk management	Systematic approach for identifying and assessing potential risks as well as for selecting and implementing appropriate measures to manage such risks.
ROE	Return on Equity; profit after income taxes in relation to average shareholders´ equity.
ROIC	Return on Invested Capital; profits after taxes increased by tax-adjusted interest expenses (including interests in the personnel area) in relation to the average invested capital.
ROIC after minorities	Return on Invested Capital after minorities; group result increased by the tax adjusted interest expenses (including interests in the personnel area) in relation to the average invested capital after minorities.
Scoring procedure	Procedure employed to evaluate and compare various alternatives on the basis of computed utility values.
Standard capacity (SC)	The volume of electricity that can be supplied by a power plant in a specific period (usually a year).
Value at Risk (VaR)	Procedure for calculating the loss potential resulting from price changes in the trading position. The loss potential is calculated on the basis of market-oriented price changes and is quoted subject to the specific level of probability (e.g. 98 %).
Volatility	Range of fluctuation of share or foreign currency prices or the price changes of bulk commodities compared to the market development.
Weighted Average Cost of Capital (WACC)	Weighted average capital cost that the company has to pay for its borrowings and shareholders´ equity on the capital market.

[1] CITED ACCORDING TO EEX GLOSSARY.

GROUP STRUCTURE

VERBUND Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft)

GENERATION	VERBUND- Austrian Hydro Power AG **AHP** VERBUND- Austrian Thermal Power GmbH & Co KG **ATP**	Environmentally friendly and cost-effective generation form the basis for the success of Verbund all over Europe. Approx. 90 % of the electricity produced by Verbund is generated from hydropower. The thermal subsidiaries supply important complementary energy.
TRADING SALES	VERBUND- Austrian Power Trading AG **APT** VERBUND- Austrian Power Sales GmbH **APS**	Verbund is one of the most expansive and most successful electricity traders in Europe and operates in most of the EU member states. Since June 2005, Verbund has also been very actively involved in direct distribution to end customers in Austria.
TRANSMISSION	VERBUND- Austrian Power Grid AG **APG**	Verbund operates the supra-regional high-voltage grid which transports approx. 50 % of the total volume of electricity consumed in Austria. Moreover, with its connections to the international grid, Verbund is an important switching location within the framework of European electricity transmission.
PARTICIPATING INTERESTS	VERBUND- BeteiligungsgmbH **VBG**	Verbund holds numerous shareholdings in Austria and abroad. Energy is a core business area for most of the companies in the Verbund portfolio. These successful companies make growing contributions to earnings within the group.
RENEWABLE ENERGY	VERBUND- Austrian Renewable Power GmbH **ARP**	In the future, Verbund will further enhance its focus on the utilization of renewable energy sources in its electricity generation activities. In addition to hydropower production, the generation portfolio will also include wind power, biomass, photovoltaics, geothermy, etc.

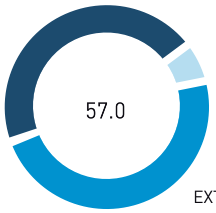
FACTS/FIGURES

GENERATION

GROUP GENERATION

TWh

+2.8%



RATIOS – POWER PLANTS

		BC*	SC**
	NUMBER	GW	TWh
HYDROPOWER PLANTS	87	5.9	21.7
THERMAL POWER PLANTS	9	1.9	-
PROCUREMENT RIGHTS FROM RUN-OF-RIVER PLANTS	20	0.6	3.0
TOTAL	**116**	**8.4**	**24.7**

* BOTTLENECK CAPACITY

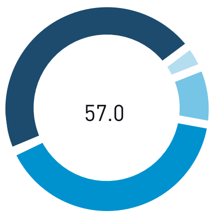
** STANDARD CAPACITY

TRADING/SALES

GROUP SALES

TWh

+2.8%



DISTRIBUTION ACCORDING TO COUNTRIES

	TWh	SHARE
AUSTRIA	23.5	41 %
GERMANY	23.7	42 %
FRANCE	8.4	14 %
SLOVENIA	0.5	1 %
ITALY	0.4	1 %
OTHERS	0.5	1 %
TOTAL	**57.0**	**100 %**

TRANSPORT

ELECTRICITY TRANSPORT IN 220-/380-kV-GRID

TWh

GRID

km

VOLTAGE LEVEL	ROUTE LENGTH	SYSTEM LENGTH
380 kV	1,002.0	1,973.4
220 kV	1,658.6	3,309.1
110 kV	715.7	1,238.0
TOTAL	**3,376.3**	**6,520.5**

FIVE-YEAR COMPARISON [1]

VERBUND GROUP FISCAL 2007, IFRS, FIVE-YEAR COMPARISON[1]

	UNIT	2007	2006	2005	2004	2003
SALES REVENUES	MILLION €	3,038.3	2,878.2	2,134.4	1,712.0	1,439.3
OPERATING RESULT (EBIT)	MILLION €	916.1	806.5	527.0	386.0	321.2
GROUP RESULT (EXCLUDING MINORITY INTERESTS)	MILLION €	579.2	501.1	349.3	235.4	200.1
BALANCE SHEET TOTAL	MILLION €	7,339.8	6,440.2	6,596.7	6,237.3	6,208.3
SHAREHOLDERS' EQUITY[2]	MILLION €	2,674.6	2,292.7	1,904.9	1,599.2	1,393.7
INTEREST-BEARING NET DEBT[2, 4]	MILLION €	1,763.4	1,689.0	1,817.4	2,215.4	2,329.6
INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT	MILLION €	249.4	201.2	117.7	77.9	74.6
OPERATING CASH FLOW	MILLION €	807.6	753.9	680.5	438.5	410.1
FREE CASH FLOW	MILLION €	161.1	239.8	597.3	269.0	481.9
EBITDA MARGIN	%	36.2	34.2	33.1	33.2	35.2
EBIT MARGIN	%	30.2	28.0	24.7	22.5	22.3
NET OPERATING MARGIN[2]	%	21.2	19.5	18.3	15.4	14.8
ROIC[2, 4]	%	15.2	14.7	11.2	8.1	7.1
ROE[2]	%	26.8	26.7	22.3	17.3	16.2
CAPITAL-TO-ASSETS RATIO (ADJUSTED)[2]	%	39.3	39.2	34.6	30.3	26.8
NET GEARING[2, 4]	%	65.9	73.7	95.4	138.5	167.1
GROSS DEBT COVERAGE (FFO)[2, 4]	%	35.7	43.7	35.9	21.9	18.6
GROSS INTEREST COVERAGE (FFO)[5]	X	11.4	10.6	8.9	5.9	4.4
PEAK PRICE	€	49.95	41.58	30.13	16.56	9.26
LOWEST PRICE	€	31.21	30.05	16.39	9.29	7.75
CLOSING PRICE	€	47.88	40.42	30.13	16.39	9.26
MARKET CAPITALIZATION	MILLION €	14,756.62	12,457.44	9,286.07	5,051.40	2,853.93
EARNINGS PER SHARE	€	1.88	1.63	1.13	0.76	0.65
CASH FLOW PER SHARE	€	2.62	2.45	2.21	1.42	1.33
BOOK VALUE/SHARE[2]	€	8.68	7.44	6.18	5.19	4.52
P/E (ULTIMO)	X	25.48	24.86	26.59	21.45	14.22
PRICE/CASH FLOW	X	18.27	16.52	13.65	11.51	6.94
PRICE/BOOK VALUE[2]	X	5.52	5.43	4.87	3.16	2.05
(PROPOSED) DIVIDEND/SHARE	€	0.90	0.75	0.50	0.30	0.20
DIVIDEND YIELD	%	1.88	1.86	1.66	1.83	2.16
PAY-OUT-RATIO	%	47.89	46.13	44.12	39.26	30.72
EV/EBITDA	X	15.28	14.39	15.70	12.80	10.24
NO. OF EMPLOYEES (ANNUAL AVERAGE)		2,441	2,438	2,436	2,500	2,680
ELECTRICITY SALES[3]	GWh	102,191	102,898	95,407	81,911	73,412
HYDRO COEFFICIENT		0.97	0.96	0.98	0.99	0.87

1 DEFINITIONS OF RATIOS AND THEIR CALCULATION ARE PROVIDED IN THE GLOSSARY.

2 THE CAPITAL AND PROFIT/LOSS SHARES ATTRIBUTABLE TO LIMITED PARTNERS ARE RECOGNIZED UNDER LONG-TERM FINANCIAL OBLIGATIONS AND UNDER THE FINANCING RESULT RESPECTIVELY. THE VALUES OF THE PREVIOUS YEAR WERE ADJUSTED.

3 ELECTRICITY SALES AFTER NETTING FOR EXTERNAL-ELECTRICITY TRADE (AFTER DISPOSAL OF ECO-ELECTRICITY SEGMENT): 2007: 57,038 GWh, 2006: 55,472 GWh

4 THE INTEREST-BEARING BORROWED CAPITAL WAS ADJUSTED FOR INTEREST RATE SWAPS AND CURRENCY FORWARDS IN CONNECTION WITH CROSS BORDER LEASING.

5 INTEREST EXPENSES EXCLUDING PROFIT/LOSS SHARES ATTRIBUTABLE TO LIMITED PARTNERS.