DISCOVER FUTURE

VERBUND INTERIM REPORT QUARTER 1/2007

WE ARE STILL GROWING

GROUP RESULT IMPROVED BY 36 %

VERBUND ENTERS THE MARKET IN TURKEY

OUTLOOK 2007: INCREASE IN RESULTS AND DIVIDENDS EXPECTED

Verbund

CONTENTS

DEAR SHAREHOLDER,

After the notable successes achieved in fiscal 2006, we can now again present good results and developments for quarter 1/2007. The results were once again substantially improved in a difficult market environment. In addition, we managed to further expand our international business activities and pushed ahead with power plant and line construction projects in Austria.

HEDGING STRATEGY SECURES POSITIVE EARNINGS TREND

The European wholesale prices for electricity rose steadily in the last years on account of the high prices for primary energy sources and CO_2 emission rights. This upward trend was, however, interrupted at the end of last year leading to a significant reduction in spot market prices. The situation did not improve in quarter 1/2007. This development is mainly attributable to the decline in the price for CO_2 emission rights and the exceptionally warm winter. Thanks to its consequent hedging strategy – approx. 60 % of the electricity that is generated was already sold in 2006 on a year-ahead basis for 2007 – Verbund was able to raise its average sales prices in spite of the wholesale price correction.

The Verbund result in quarter1/2007 was therefore positive: sales revenue increased by 3.7 % to € 812.2 million, the operating result rose by 12.1 % to € 239.7 million and the group result was up 36.1 % at € 188.2 million.

EXCLUSIVE JOINT VENTURE IN TURKEY

In quarter 1/2007, we further expanded our international business activities and entered into an exclusive joint venture with Sabanci, Turkey's leading financial and industrial holding. The jointly-owned generation company »EnerjiSA«, in which Verbund will be holding a share of almost 50 %, aims to have an installed output of 5,000 MW by 2015. The company also intends to purchase electricity distribution grids within the course of the privatization process. In addition, the company will also get involved in the end customer segment so as to cover the entire value chain. Together, the partners aim to achieve a share of at least 10 % in the Turkish electricity market.

POSITIVE DECISION FOR 380 KV STYRIA LINE

In quarter 1/2007, the independent environmental tribunal gave the go-ahead for the construction of the 380 kV Styria line. Hence, the legal basis for the construction of the Styria line has now been established. The construction decision and the commencement of construction are planned for September 2007. If the implementation of the project commences without delay and the construction work is completed according to schedule, the line should be commissioned in the first half of 2009 from which time it will make an essential contribution to security of supply in Austria. Progress has also been made in the Salzburg line: The first phase of construction has been approved at the first level of jurisdiction.

FURTHER EXPANSION OF HYDROPOWER GENERATION IN AUSTRIA

In addition to the major hydropower projects Limberg II, Gerlos II and Werfen/Pfarrwerfen which are already under construction, Verbund plans to build a 350 MW pumped-storage power plant in the Möll Valley in Upper Carinthia with an investment volume of approx. € 215 million. The Environmental Impact Declaration should be submitted by mid-2008. The power plant will bring about a sustainable improvement in the power supply in Austria at peak consumption times from 2014 onwards.

POSITIVE OUTLOOK FOR 2007

In spite of the difficult market environment, the outlook for the full year 2007 remains positive. It is our goal to increase the operating result by 10 % compared with 2006. We expect that the operating result will lie at least 10 % over the value reported in the previous year. In addition, we intend to further increase the dividend for fiscal 2007.

Dipl.-Ing. Hans Haider General Director	Dr. Michael Pistauer Deputy General Director
Dr. Johann Sereinig Managing Director	Dr. Ulrike Baumgartner-Gabitzer Managing Director

MANAGEMENT REPORT

ACCOUNTING POLICIES

This interim report was drawn up in compliance with the International Financial Reporting Standards (IFRS).

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. For this reason, eco-electricity sales and purchases have not been included in the group results anymore from this date onwards. The values reported in the income statement in the previous year were adjusted, and the eco-electricity revenue segment was presented as a discontinued operation in accordance with IFRS 5.

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

EARNINGS POSITION

The earnings position of the group was once again significantly improved in quarter 1/2007. The operating result improved, above all due to the strong 12.1 % increase in contributions from the electricity business to € 239.7 million. The group result was also increased by 36.1 % to € 188.2 million. This was mainly attributable to the improvement in the operating result and the result from interests accounted for using the equity method.

CONSOLIDATED INCOME STATEMENT (SHORT VERSION) — **Million €**

	Q1/2005	Q1/2006	Q1/2007
Sales revenue	504.7	783.5	812.2
Operating result	134.0	213.9	239.7
Group result	96.7	138.2	188.2
EBIT margin (%)	26.6	27.3	29.5

SALES REVENUE IMPROVED

Group revenue rose by 3.7 % to € 812.2 million in quarter 1/2007. Revenue from electricity business improved in spite of the strong decline in the spot market prices due to increased sales volumes and higher contracted forward prices. Despite the tariff reduction since 01 January 2007, grid revenue remained stable at the level recorded the previous year. Other sales revenue dropped significantly on account of the lower contribution from emission rights trading.

Specifically, electricity revenue rose by 8.6 % to € 728.8 million. Growth was recorded in sales to traders (+€ 3.8 million) and resellers (+€ 60.2 million). The foreign market share accounted for 63.7 % of the electricity revenue (previous year: 67.6 %). Germany, France and Italy were the most important foreign markets from a sales perspective. The increase in quantities sold, compared to the corresponding period the previous year, came to 472 GWh or 3.5 %.

Grid revenue increased slightly by 1.5 % to € 69.9 million. The tariff reductions were compensated by the increase in transport volumes and the higher revenue from the auctioning off of grid capacities.

SALES REVENUES			Million €
	Q1/2005	Q1/2006	Q1/2007
Electricity revenue	429.7	671.4	728.8
Grid revenue	62.7	68.8	69.9
Revenue from emission certificates	–	29.4	0.3
Other revenue	12.3	13.9	13.2
Sales revenues	**504.7**	**783.5**	**812.2**

Revenue from trading in emission rights in the amount of € 0.3 million (previous year: € 29.4 million) was recognized under other sales revenue. This sales revenue was offset by the purchase of emission rights in the amount of € 0.3 million (previous year: € 28.6 million). The clear decline in the prices for emission rights resulted in significantly lower trading volumes.

RISE IN EXPENSES FOR ELECTRICITY, GRID AND EMISSION RIGHTS PURCHASES

The 4.6 % increase in electricity purchases to € 392.2 million was mainly the result of the price development described under sales revenue in connection with the higher volume of electricity purchases (+1.8 %). The good water supply (hydro coefficient: 1.01, previous year 0.83) paved the way for an increase in own generation in the period under review (+6.7 % or 420 GWh) in spite of the drop in thermal generation. Grid revenue rose by 89.4 % to € 14.2 million on account of the successes achieved by the Verbund Group, particularly in Austrian end-customer business.

FUEL EXPENSES UP SLIGHTLY

Fuel expenses rose by 12.5 % to € 31.7 million. This increase was due to the rise in hard coal and heating oil prices as well as valuation effects. The drop in thermal generation and the lower gas price level did, however, have a positive effect.

SLIGHT INCREASE IN PAYROLL EXPENSES

In quarter 1/2007, payroll expenses displayed a slight increase of 3.5 % to € 71.9 million. The rise in expenditure for wages, salaries and related expenses due to the collective wage increase of 2.55 % was partly compensated by the reduction in the number of employees (22 to 2,407).

A provision in the amount of € 9.4 million was set up for benefit-oriented company pensions to cater for the adjustment of the pensions as from 2009 to the development of the Consumer Price Index.

OTHER OPERATING EXPENSES AT PREVIOUS YEAR'S LEVEL

Other operating expenses remained more or less unchanged compared to the previous year at € 30.4 million. The higher costs for planning and projecting were offset by the positive effects of a provision for contractually regulated leaseback obligations relating to office buildings that was set up in the previous period.

CONTINUED DEBT-CLEARING PROGRAM IMPROVED FINANCING RESULT

The financing result was boosted, above all by the bond repayments carried out in the previous year and the resulting drop in interest expenses and money management costs. Lower exchange gains from foreign currencies in the amount of € 0.2 million (previous year: € 1.6 million) did, however, have a burdening effect.

RESULT FROM INTERESTS MEASURED AT EQUITY IMPROVED

The result from interests accounted for using the equity method rose by € 27.4 million to € 48.8 million. This was attributable to the substantial increase in the results recorded by STEWEAG-STEG GmbH and the Sorgenia SpA Group.

INCOME TAX EXPENSES

The effective tax rate of 18.9 % (as compared to a corporate tax rate of 25 %) was largely due to the non-tax-effective investment income from the interests accounted for using the equity method.

NET WORTH

NON-CURRENT AND CURRENT ASSETS

The decline in plant, property and equipment resulted, above all, from scheduled depreciation in the amount of € 44.5 million which exceeded additions in the amount of € 23.0 million. The positive earnings situation of the interests accounted for using the equity method increased their interest value by € 34.8 million. The decline in long-term investments (including those in connection with cross border leasing) was mainly due to the reclassification to current assets in the amount of € 35,0 million and a drop in the market value of financial assets in connection with cross border leasing. New investments in financial assets, on the other hand, amounted to € 21.6 million.

The increase in current receivables and other assets was due, above all, to the valuation-related increase in the market value of energy derivatives and the reclassification of the long-term assets in the amount of € 35.0 million. This was offset by a € 29.3 million drop in trade receivables and a reduction in securities in connection with electricity trading.

CLEAR REDUCTION IN LONG- AND SHORT-TERM FINANCIAL OBLIGATIONS

These were lowered by € 74.0 million to € 1,813.7 million. The significant reduction resulted from the repayment of bonds and loans (€ 100.4 million) as well as from the repayment of financial obligations from cross border leasing transactions (€ 20.1 million). The drop in long- and short-term financial obligations was partly compensated by the increase in short-term borrowings (€ 42.1 million).

OTHER LONG- AND SHORT-TERM LIABILITIES WITHOUT FINANCIAL OBLIGATIONS

The substantial increase in other long- and short-term liabilities in the amount of € 185.5 million was mainly due to the dividend liability (€ 202.8 million). The increase in other long- and short-term liabilities without financial obligations was offset by the decrease in the liabilities to ECRA (Emission Certificate Registry Austria GmbH).

FINANCIAL POSITION

OPERATING CASH FLOW

The operating cash flow amounted to € 197.8 million and was therefore lower than the value reported in the previous year. This decline – in spite of the improved result from energy business – was essentially attributable to the aperiodic payments in connection with the energy derivatives used.

CASH FLOW FROM INVESTING ACTIVITIES

The cash outflow in the investment area was mainly due to the purchase of securities and investments in financial assets in the amount of € 50.1 million as well as to investments in property, plant and equipment in the amount of € 42.5 million. These were offset by inflows from long-term investments in the amount of € 20.8 million.

CASH FLOW FROM FINANCING ACTIVITIES

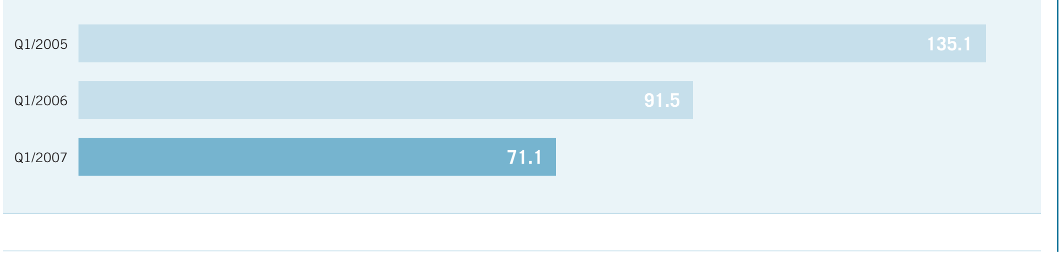
New loans and long-term credits in the amount of € 219.0 million were offset by the repayment of short-term borrowings on the money market and the redemption of bonds, loans and credits in the amount of € 100.4 million. Dividends in the amount of € 54.2 million were distributed.

RATIOS

NET GEARING SHOWS FURTHER IMPROVEMENT

Net gearing dropped from 91.5 % as on 31 March 2006 to 71.1 % as on 31 March 2007 due to the further reduction in the interest-bearing net debt.

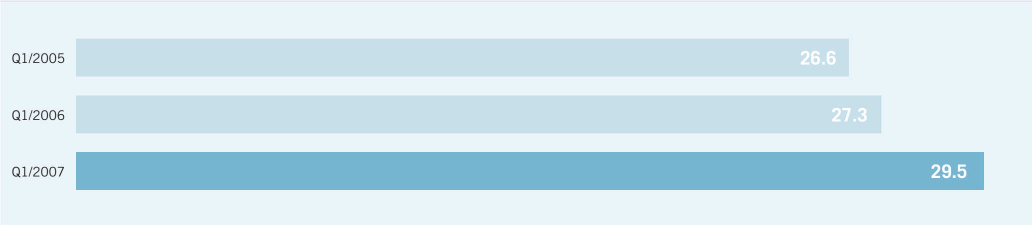
NET GEARING %



EBIT MARGIN AT THE VANGUARD OF EUROPEAN SUPPLIERS

The significantly higher contracted forward market prices parallel to stable generation costs and increased own generation allowed the EBIT margin to improve from 27.3 % (quarter 1/2006) to 29.5 %.

EBIT MARGIN %



RISK SITUATION

When conducting our business activities, we are exposed to a series of risks which are inextricably linked to our corporate actions.

All risks are monitored on an ongoing basis and countered through the early introduction of targeted control measures and instruments.

REGULATORY RISKS

The European Commission urgently requires that the transmission grids be completely unbundled from the energy generation companies, not just in terms of corporate law but also with regard to ownership rights (ownership unbundling). Alternatively, Independent System Operators (ISO) should be introduced. With regard to ownership unbundling, it should be noted that Verbund unbundled its business divisions in a comprehensive and consequent manner as early as 1999. Resistance to ownership unbundling is apparent, above all in France and Germany – the European Union has yet to make a decision in this matter and the possible effects on Verbund remain to be seen.

In addition, further regulatory measures, which the EU believes will eliminate market distortion, are currently being discussed at a European level. In this context, we refer in particular to the Water Framework Directive and the proposed introduction of water dues or a water tax.

PRICE RISK

The Verbund result is significantly threatened by a possible deterioration in the factors that have the greatest influence on the development of the electricity wholesale prices. A sustained reduction in the price of crude oil and natural gas would have a negative effect on the result of the Verbund Group. A lowering of the average wholesale price level by ±1 % would, from an isolated view, affect the operating result 2007 in the amount of approx. € 2.7 million.

Based on the current situation, the decline in the price for CO_2 emission rights for the first trading period is not expected to have a significant effect on the group result for 2007 through expensive purchases. No final decisions have yet been made for the second allocation period from 2008–2012 with regard to the allocation of rights and the procedures for new plants. A significant reduction in the number of $C0_2$ emission rights would have a negative impact on the group result and put a question mark on the planned power plant projects.

CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

CONSOLIDATED INCOME STATEMENT		Million €
	Q1/2007	Q1/2006[1]
Sales revenue	**812.2**	**783.5**
Electricity sales	728.8	671.4
Grid sales	69.9	68.8
Other	13.4	43.3
Other operating income	12.7	12.7
Expenses for electricity, grid and emission right purchases (trade)	-406.7	-411.3
Use of fuels and expenses for other purchased services	-31.7	-28.1
Payroll expenses	-71.9	-69.4
Depreciation and amortization	-44.5	-42.9
Other operating expenses	-30.4	-30.5
Operating result	**239.7**	**213.8**
Financing result	-14.2	-17.2
Result from interests accounted for using the equity method	48.8	21.4
Result from participating interests – Other	3.5	5.0
Result from long-term investments	1.2	0.4
Financial result	**39.3**	**9.6**
Profit before tax	**279.0**	**223.5**
Taxes on income	-52.7	-41.3
Profit after tax	**226.3**	**182.2**
Profit from discontinued operations (eco-electricity)	–	0
Total profit (incl. portion attributable to capital shares repayable on demand)	226.3	182.2
Profit attributable to capital shares repayable on demand	17.7	34.0
Total profit (excl. portion attributable to capital shares repayable on demand)	208.6	148.1
attributable to minority interests	20.4	9.9
attributable to the shareholders of the parent (group result)	**188.2**	**138.2**
Earnings per share [2,3]	**0.61**	**0.45**

[1] Values for the previous year were adjusted

[2] Diluted = non-diluted

[3] The stock split of 23 May 2006 in the ratio of 1:10 is considered

CONSOLIDATED BALANCE SHEET

Million €

	31.03.2007	31.12.2006
Non-current assets	**5,854.3**	**5,874.4**
Intangible assets	7.6	8.0
Property, plant and equipment	4,047.4	4,068.9
Interests accounted for using the equity method	820.0	785.2
Other participating interests	36.7	36.7
Long-term investments – cross border leasing	569.4	580.3
Other long-term investments and other receivables	373.2	395.3
Current assets	**654.6**	**565.8**
Inventories	48.0	52.2
Receivables and other assets	501.9	425.6
Cash and cash items	104.7	88.0
Total assets	**6,508.8**	**6,440.2**

	31.03.2007	31.12.2006
Equity attributable to shareholders of the parent	**2,028.5**	**2,071.1**
Minority interests	**202.2**	**221.6**
Capital shares repayable on demand	**101.2**	**107.6**
Long-term liabilities	**3,133.1**	**2,931.5**
Financial obligations	1,015.0	801.0
Financial obligations – cross border leasing	629.4	647.9
Provisions	631.2	624.8
Provision for deferred taxes	149.0	147.4
Contributions to building costs	423.0	426.4
Deferred income – cross border leasing	255.2	256.7
Other liabilities	30.3	27.3
Short-term liabilities	**1,043.9**	**1,108.4**
Financial obligations	169.3	438.8
Provisions	216.1	235.6
Provision for current taxes	153.0	114.6
Other liabilities	505.4	319.4
Total liabilities	**6,508.8**	**6,440.2**

CONSOLIDATED CASH FLOW STATEMENT — Million €

	Q1/2007	Q1/2006
Cash flow from operating activities	197.8	241.9
Cash flow from investment activities	-71.3	-135.8
Cash flow from financing activities	-109.8	-50.5
Changes in cash and cash equivalents	**16.7**	**55.6**
Cash and cash equivalents as of 01.01.	88.0	29.7
Cash and cash equivalents as of 31.03.	**104.7**	**85.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND IN CAPITAL SHARES REPAYABLE ON DEMAND — Million €

	Equity attributable to shareholders of the parent							
	Share capital	Capital reserves	Retained earnings	Other reserves	Total	Minority interests	Capital shares repayable on demand	Overall total
As of 01.01.2006	**224.0**	**10.9**	**1,485.5**	**2.8**	**1,723.2**	**181.7**	**60.6**	**1,965.5**
Profits from								
available-for-sale financial instruments				0.1	0.1			0.1
interests accounted for using the equity method				3.2	3.2			3.2
Profits and losses not recognized in the income statement	**0.0**	**0.0**	**0.0**	**3.3**	**3.3**	**0.0**	**0.0**	**3.3**
Profit for the period			138.2		138.2	9.9	34.0	182.1
Total of recognized profits and losses	**0.0**	**0.0**	**138.2**	**3.3**	**141.5**	**9.9**	**34.0**	**185.4**
Dividends			-154.1		-154.1	-20.1		-174.2
As of 31.03.2006	**224.0**	**10.9**	**1,469.6**	**6.1**	**1,710.6**	**171.5**	**94.6**	**1,976.7**
As of 01.01.2007	**308.2**	**10.9**	**1,748.2**	**3.7**	**2,071.1**	**221.6**	**107.6**	**2,400.3**
Profits / losses from								
available-for-sale financial instruments				-0.2	-0.2			-0.2
interests accounted for using the equity method				0.5	0.5			0.5
Profits and losses not recognized in the income statement	**0.0**	**0.0**	**0.0**	**0.3**	**0.3**	**0.0**	**0.0**	**0.3**
Profit for the period			188.1		188.1	20.5	17.7	226.3
Total of recognized profits and losses	**0.0**	**0.0**	**188.1**	**0.3**	**188.4**	**20.5**	**17.7**	**226.6**
Dividends			-231.0		-231.0	-39.8	-24.2	-295.0
As of 31.03.2007	**308.2**	**10.9**	**1,705.3**	**4.0**	**2,028.5**	**202.3**	**101.1**	**2,331.9**

RATIOS

	Unit	Q1/2007	Q1/2006[4]
Result per share[1, 3]	€	0.61	0.45
Average number of shares in circulation[1, 3]		308,200,000	308,200,000
Net gearing[3]	%	71.1	91.5
Net interest-bearing debt[5]	€ million	1,586.3	1,807.9
Investment in plant, property and equipment	€ million	23.0	15.8
EBITDA margin	%	35.0	32.8
EBIT margin	%	29.5	27.3
Average no. of employees		2,407	2,429
Electricity sales	GWh	13,811	13,339
Hydro coefficient		1.01	0.83

[1] Diluted = non-diluted

[2] Based on net interest-bearing debt

[3] The stock split of 23 May 2006 in the ratio of 1:10 is considered

[4] Ex eco-electricity segment

[5] After reclassification of capital shares repayable on demand from equity

SEGMENTAL REPORTING (BUSINESS SEGMENTS) Million €

	Electricity	Grid	Others/ holding	Elimi- nation	Total group
External sales	737.5	72.7	2.0	0.0	812.2
Internal sales	34.8	10.3	14.8	-59.9	0.0
Total sales	**772.3**	**83.0**	**16.8**	**-59.9**	**812.2**
Depreciation and amortization	-30.2	-13.1	-1.8	0.6	-44.5
Expenses/income (excl. depreciation and amortization)	-517.3	-50.1	-19.9	59.4	-527.9
Operating result (EBIT)	**224.8**	**19.8**	**-4.9**	**0.0**	**239.7**
Result from interests accounted for using the equity method			48.8		48.8
Carrying amount of interests accounted for using the equity method			820.0		820.0
Non-interest bearing segment assets	3,673.7	818.5	307.3	-9.3	4,790.2
Non-interest bearing segment liabilities	-1,617.9	-193.3	-238.5	9.3	-2,040.4
Operating cash flow	143.7	46.0	439.0	-430.9	197.8
Investment in intangible assets and plant, property and equipment	16.7	4.5	2.0	0.0	23.2

BUSINESS SEGMENTS

ELECTRICITY

In quarter 1/2007, the group's electricity sales totaled € 728.8 million and therefore lay 8.6 % above the previous year's value (€ 671.4 million, excluding revenue from eco-electricity).

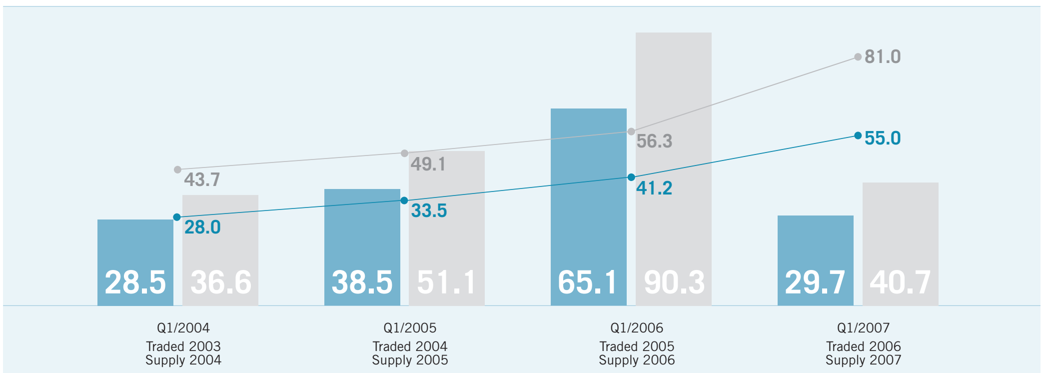
This increase is attributable to the further increase in sales volumes and above all, to the consequent marketing policy under which 60 % of the electricity that is generated is sold one year in advance. Thanks to this strategy, positive earnings effects can be secured in spite of the volatile development of the market prices.

HIGHER ELECTRICITY REVENUE IN SPITE OF LOWER MARKET PRICES

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 in quarter 1/2007 did, however, drop by 50 %. The price decline on the spot market is essentially attributable to the massive drop in the prices for CO_2 emission rights for the first trading period (2005–2007). The recently published emission figures indicate a significant over-allocation of free emission rights. The prices, which peaked at € 30/t in April 2006, have currently fallen to below € 1/t. In quarter 1/2007, the prices for natural gas displayed a decline of up to 66 % on those recorded in the corresponding period the previous year. Moreover, the weather-related drop in demand greatly relieved the situation on the spot market.

In spite of this, the electricity wholesale prices for 2008 are still at a high level as the prices for CO_2 emission rights for the second trading period (2008–2012) remain stable at over € 17/MWh.

DEVELOPMENT SPOT MARKET PRICES €/MWh



Source: Forward (Platts German Market Assessments); Spot (European Energy Exchange) — Front Year Base — Spot Base — Front Year Peak — Spot Peak

SIGNIFICANT INCREASE IN HYDROPOWER GENERATION

Compared to quarter 1/2006, energy generation from hydropower was increased significantly by 23.8 % to 5,561 GWh due to the improved water supply at the run-of-river plants and the greater utilization of the annual storage power plants. Generation from thermal power plants, on the other hand, declined by 36.5 % on account of the low spot market prices. The total generation of the group was

6.7 % up on the value recorded the previous year at 6,690 GWh. Hydropower generation accounted for a share of 83 %.

Following the restructuring of the eco-electricity market, eco-electricity volumes are no longer processed and administered by VERBUND-Austrian Power Grid AG (APG) as of quarter 4/2006. Electricity purchases rose by 0.4 % compared to quarter 1/2006.

Taking account of the eco-electricity volumes that were not traded since October of the previous year, electricity sales once again increased in quarter 1/2007.

Trading business with standardized forward contracts, on the other hand, was significantly down on the previous year.

The positive sales development is also greatly attributable to the intensification of foreign business. The quantities sold on foreign markets, excluding own consumption, amounted to a total of 58 %.

In the electricity generation area, the construction work on the Werfen/Pfarrwerfen and Limberg II power plants is progressing swiftly. The development work for the Limberg II power plant has almost been completed. The excavation of the caverns commenced one month ahead of schedule.

SUBSTANTIAL INCREASE IN SALES TO END CUSTOMERS IN AUSTRIA

The end customer business in Austria improved by 11 %. Taking the original plan as a basis, customer acquisition has currently almost doubled to nearly 7000 new customers per month. At the end of quarter 1/2007, 76,000 Austrian customers had signed supply agreements with Verbund. The drop in the number of foreign end customers resulted from the restructuring of the portfolio on the French market.

Earnings from business with resellers in Austria is still burdened by the stagnating business activities with Austrian provincial companies. The 4 % decline in sales to these companies is attributable to higher supplies from power plant holdings on account of the water supply situation.

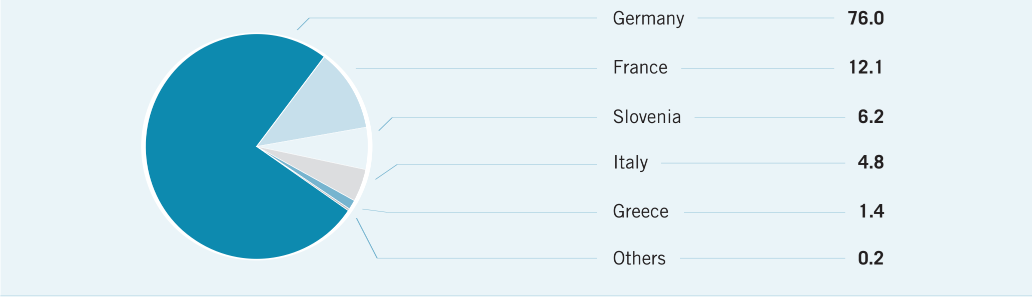
FOREIGN BUSINESS INTENSIFIED

Business with foreign resellers did, however, display a massive increase. The expansion of business on the German market and the closer cooperation with the joint venture partner Poweo in France paved the way for an increase of 42 %.

Sales to Austrian and foreign trading companies also improved slightly parallel to a significant reduction in trading business with derivative forward contracts.

At present, the central focus is on strengthening the trading position in the South East European markets. These activities are being pushed ahead intensively through the founding of companies in Croatia and Romania so as to meet the requirements for the acquisition of a trading license. Plans are already in place to established further companies in Serbia and Macedonia. In Bulgaria, it was possible to acquire a license without setting up a subsidiary. Hence, all the necessary steps for continuous trade between Austria and Greece are being taken.

SALES PER COUNTRY %



GENERATION GWh

	Q1/2006	Q1/2007	Change
Hydropower	4,492	5,561	23.8 %
Thermal power	1,778	1,130	-36.5 %
Own generation	**6,270**	**6,690**	**6.7 %**
Eco-electricity	850		-100.0 %
External procurement	7,091	7,120	0.4 %
Group generation	**14,211**	**13,811**	**-2.8 %**
Forward contracts	12,008	9,823	-18.2 %

SALES GWh

	Q1/2006	Q1/2007	Change
Traders	6,237	6,255	0.3 %
Resellers	5,567	6,313	13.4 %
End customers	1,065	743	-30.2 %
Eco-electricity	872		-100.0 %
Own consumption	470	500	6.3 %
Group consumption	**14,211**	**13,811**	**-2.8 %**
Forward contracts	12,008	9,823	-18.2 %

GRID

RATIOS GRID

	Unit	Q1/2006	Q1/2007
Amount of energy relevant to clearing	GWh	4,622	5,186
Grid revenue	€ million	68.8	69.9

In quarter 1/2007, the amount of energy transmitted over Verbund's 220/380 kV and relevant to clearing rose by 12.2 % to 5,186 GWh. This is attributable to the significant drop in thermal generation in the underlying grids. The slight growth in grid revenue resulted from an increase in volume sales as well as improved auction results.

380 KV STYRIA LINE

The positive appeal decision of the environmental tribunal relating to the construction of the Styria line was issued on 8 March 2007. Hence, an ordinary legal remedy can no longer be resorted to. On the basis of this second-instance decision, Verbund and the project partners are allowed to commence with the construction of the 380 kV line with an investment volume of € 167 million. The construction decision and the commencement of construction is planned for September 2007. If everything runs according to schedule, the line could be commissioned in the first half of 2009.

380 KV SALZBURG LINE

Based on the current stage of the approval process, the construction of the line section Salzach neu – St. Peter, which has an investment volume of € 102.9 million, should commence in 2008. The Line Coordination Agreement with Salzburg AG relating to the section Tauern – Salzach neu, which has an investment volume of € 332.8 million, is ready for signature. The joint submission of the Environmental Impact Concept (§ 4 EIA Law 2000) to the provincial government of Salzburg is planned for April 2007. The Environmental Impact Analysis (EIA Law 2000) should be submitted in the first half of 2008. Based on the present situation, approval in the first instance should be issued by the end if 2009. This would pave the way for commissioning in 2012.

TARIFF REGULATION

In quarter 1/2007, Energie Control GmbH (ECG) introduced a tariff audit process with the aim of determining new tariffs with effect from 1 January 2008. The regulator is currently examining the possibility of discontinuing the full annual audits in favor of longer tariff periods. An annual assessment would then only apply for specific items. Verbund's tariff strategy aims to generate an appropriate return on the capital employed and secure a sound financial basis for line construction.

ALLOCATION OF CROSS BORDER CAPACITIES (AUCTIONS)

In accordance with the EU Directive 1228/2003, the congested borders to the control areas in Slovenia, the Czech Republic, Hungary, Italy and Switzerland are controlled by way of explicit auctions. Here, the capacities of the cross border lines of the market participants are allocated through year, month and day auctions in accordance with market criteria.

ITC (INTER-TSO COMPENSATION)

The European Transmission System Operators (ETSO) decided to implement a new ITC compensation mechanism with effect from 2007 (»IMICA«). Due to the central location of the Verbund high-voltage grid and hence, the high utilization of the grid, Verbund will continue to benefit following the introduction of the new mechanism.

PARTICIPATING INTERESTS

SORGENIA CONTINUES SUCCESSFUL BUSINESS TREND

Sorgenia S.p.A., which is held by Verbund Italia S.p.A. and Energia Holding S.p.A., is the controlling company of Verbund and the Italian CIR Group which focuses on electricity and gas business in Italy. The Sorgenia Group now has numerous subsidiaries that operate in the areas of electricity generation, plant operation, electricity trading, energy conservation and engineering. Verbund currently holds a share of 38.3 %.

The Sorgenia Group has managed to continue its positive business trend. Sales increased by € 691 million to € 1,916 million in 2006, the annual surplus almost doubled at € 56.3 million (after minorities) as compared to the previous year (€ 29.1 million). Sorgenia already supplies 200,000 customers.

A 770 MW gas-steam generating power plant was commissioned in Termoli in 2006. The construction work for a further power plant in Modugno near Bari has already commenced.

In March 2007, Sorgenia entered into an agreement with IRIDE under which both parties will equally participate in a project to develop an LNG terminal in Gioia Tauro, Calabria. The parties will hold a combined share of 51 % in the terminal which will have a total annual output of 12 billion m^3.

FIRST GAS POWER PLANT IN FRANCE UNDER CONSTRUCTION

POWEO SA, the leading independent electricity and gas distribution company in France, is listed on the Alternext stock market in Paris. The company supplies industrial customers, small and medium-sized enterprises as well as grid operators and also engages in external electricity trade.

The joint venture Poweo Production SAS, of which Verbund is a founding partner, was established to construct and operate power plants. The first power plant, the 412 MW gas-steam generating power plant Pont sur Sambre, is already under construction and should be completed by the end of 2008. Verbund currently holds a 21.3 % share in Poweo S.A. and a 40 % stake in Poweo Production SAS.

Together with Compagnie Industrielle Maritime (C.I.M.), the state operator of the oil infrastructure at Le Havre port, and other partners, Poweo is currently planning to build an LNG terminal in Antifer near Le Havre. The terminal, which has an investment volume of € 500 million, will have a total output of approx. 9 billion m^3.

Due to the extraordinary trading result, the group finished 2006 with an annual surplus of € 7.8 million (after minorities).

ACQUISITION OF INTEREST IN TURKEY

Verbund is entering into a joint venture with the Turkish financial and industrial holding Sabanci. In a first step, Verbund and Sabanci have each acquired a 49.99 interest in the Turkish generation company EnerjiSA. The investment volume for Verbund is approx. € 250 million. The signing took place on 27 March 2007. EnerjiSA operates four gas power plants with a total output of 370 MW and covers 2 % of the demand for electricity in Turkey. This share should increase to 10 % by 2015. To achieve this, the company plans to construct hydropower, gas, coal-fired and wind power plants with an installed output of approx. 5,000 MW.

In addition to electricity generation, the joint venture will also focus on electricity distribution. Plans are already in place to purchase and operate two to three distribution grids within the course of the privatization process which is expected to commence in 2009.

As of 2004, Sabanci has also been involved in electricity wholesaling through the EnerjiSA Electricity Wholesale Company and engages in natural gas wholesaling through the EnerjiSA Natural Gas Wholesale Company.

THE VERBUND SHARE

STOCK MARKET SITUATION

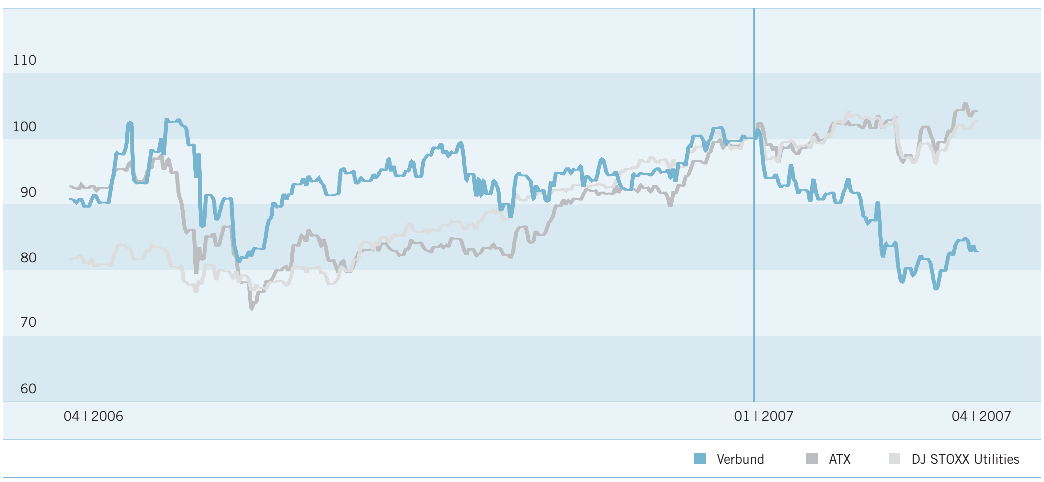
The international stock markets generally got of to a promising start in the new market year. The upward trend was interrupted at the end of February 2007 by a strong drop in the share prices. This negative price development was triggered by price corrections on the stock market in Shanghai resulting from fears that the Chinese government would introduce measures to dampen the economy. Added to this was the growing concern relating to the economic trend in the USA and the increase in the delinquency rate for mortgage loans. In the presence of a relatively volatile price trend, most of the stock markets did, however manage to at least partially recover from the setback in March. This recovery is attributable to the positive M&A environment, good corporate news and the promising economic data from Europe and Japan.

At the end of quarter 1/2007, the Japanese Nikkei 225 Index was 0.4 % up on the year-end value for fiscal 2006, the Euro Stoxx 50 Index improved by 1.5 % and the CECE Index, which is calculated in Euro and reflects the performance of the Central and East European stock markets, gained 2.4 %. The US Dow Jones Industrial Index closed the quarter 0.8 % down on the value recorded at the end of 2006.

The Vienna Stock Exchange outperformed both the Euro Stoxx 50 and the CECE Index and the ATX, the key index of the Vienna Stock Exchange, recorded an increase of 4.1 % to 4,645.50 points in quarter 1/2007. This is quite an achievement considering that the year-end value of the ATX for fiscal 2006 was an all-time-high. The Vienna Stock Exchange was also adversely affected by the strong price decline at the end of February but did manage to record and maintain a new index high of 4,701.02 in the last trading days of the quarter on account of the favorable economic and company data and the positive merger plans.

PRICE DEVELOPMENT OF THE VERBUND SHARE

RELATIVE SHARE PRICE DEVELOPMENT (1 YEAR, 01.01.2007 = 100 %)



The Verbund share closed fiscal 2006 at € 40.42. The share came under pressure at the beginning of the new trading year due to profit-taking and dropped to € 37.55 within a few days. The significant reduction in the wholesale prices for electricity also had a negative impact on the share price. On the day prior to the publication of the annual results the share price was boosted by hopes that the results would exceed expectations by 3.10 %. Following the publication of the best results in the company's history the price of the Verbund share declined by 6.05 %. The annual result lay below the expectations of the analysts primarily due to the fact that the poor water supply and the drop in electricity prices in quarter 4/2006 had not been considered to an appropriate extent. Burdened by negative comments from the analysts and the weak spot market prices, the Verbund share dropped by a further 3.32 % on the day after the publication date. The roadshows which took place following the publication of the annual results did, however, lead to a stabilization of the share price. The dramatic price decline on the Shanghai Stock Market also lead to a 6 % drop in the Verbund share price. The lowest price for quarter 1/2007 was recorded on 14 March 2007 when the Verbund share was quoted at € 31.21. The share did, however, manage to recover by the end of the quarter and closed at € 33.56. This corresponds to a performance of -16.97 % in quarter 1/2007.

SALES AND MARKET CAPITALIZATION

Stock exchange turnover in Verbund shares reached € 2,016.6 million. On average, 910,470.5 shares were traded every day. The total value of the company derived from its market capitalization amounted to € 10,343.2 million as of March 31 2007; its weighting at the ATX was 3.7 %.

STOCK RATIOS*

Ratio	Unit	Q1/2007	Q1/2006
Peak price	€	40.9	39.0
Lowest price	€	31.2	30.1
Closing price	€	33.6	36.7
Performance	%	-17.0	21.8
Market capitalization	€ million	10,343.2	11,310.9
Weighting ATX	%	3.7	4.6
Stock exchange turnover	€ million	2,016.6	1,027.6
Stock exchange turnover/day	Units	910,470.5	455,467.0

* Stock split on 23 May 2006 in ratio 1:10; figures for previous year were adjusted

CAPITAL MARKET CALENDAR 2007

Event	Location	Date
Interim Report Quarter 1/2007		24.04.2007
Road show	Paris, Madrid	25.–26.04.2007
Interim Report Quarters 1–2/2007		23.07.2007
Road show	London, Edinburgh, Stockholm	24.–26.07.2007
Investor’s conference Erste Bank	Stegersbach	04.10.2007
Interim Report Quarters 1–3/2007		23.10.2007
EEI – Financial Conference	USA	04.–07.11.2007
Investor’s conference Wiener Börse and Erste Bank	New York	26.11.2007

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

Interim Report at the end of each quarter	○ print version	○ per e-mail*
Annual Report	○ print version	○ per e-mail*
Sustainability Report	○ print version	○ per e-mail*

○ I would like to become a member of the Verbund Shareholders' Club.

Name: ____________________

Company: ____________________

Address: ____________________

____

E-mail: ____________________

* Reports can be read online or downloaded via link on Verbund homepage.

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