FLOW

VERBUND ANNUAL REPORT 2008

Verbund

VERBUND GROUP FISCAL 2008, IFRSs, FIVE-YEAR COMPARISON [1]

	UNIT	2008[1]	2007	2006	2005	2004
REVENUES	MILLION €	3,744.7	3,038.3	2,878.2	2.134,4	1.712,0
OPERATING RESULT (EBIT)	MILLION €	1,138.6	916.1	806.5	526.5	385.5
GROUP RESULT (EXCLUDING MINORITY INTERESTS)	MILLION €	686.6	579.2	501.1	349.3	235.4
BALANCE SHEET TOTAL	MILLION €	8,293.8	7,339.8	6,440.2	6,596.7	6,237.3
SHAREHOLDERS' EQUITY	MILLION €	3,128.1	2,674.6	2,292.7	1,904.9	1,599.2
NET DEBT[2]	MILLION €	2,508.0	1,872.2	1,729.4	1,891.1	2,255.1
INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT	MILLION €	440.3	249.4	201.2	117.7	77.9
OPERATING CASH FLOW	MILLION €	934.2	807.6	753.9	680.5	438.5
FREE CASH FLOW	MILLION €	-187.5	161.1	239.8	597.3	269.0
EBITDA MARGIN	%	35.3	36.2	34.2	33.1	33.1
EBIT MARGIN (ROS)	%	30.4	30.2	28.0	24.7	22.5
RETURN ON CAPITAL EMPLOYED (ROCE)[2]	%	16.3	16.1	15.9	11.3	8.4
RETURN ON EQUITY (ROE)	%	27.3	26.8	26.8	22.3	17.6
EQUITY-TO-ASSETS RATIO (ADJUSTED)[2]	%	41.3	39.6	39.6	35.0	30.6
GEARING[2]	%	80.2	70.0	75.4	99.3	141.0
GROSS DEBT COVERAGE (FFO)[2]	%	39.4	33.1	39.6	32.8	21.4
GROSS INTEREST COVERAGE (FFO)[2, 4]	X	9.6	8.1	7.7	6.2	4.2
PEAK PRICE[5]	€	59.30	49.95	41.58	30.13	16.56
LOWEST PRICE[5]	€	29.74	31.21	30.05	16.39	9.29
CLOSING PRICE[5]	€	32,56	47.88	40.42	30.13	16.39
MARKET CAPITALIZATION	MILLION €	10,035.0	14,756.6	12,457.4	9,286.1	5,051.4
EARNINGS PER SHARE[5]	€	2.23	1.88	1.63	1.13	0.76
CASH FLOW PER SHARE[5]	€	3.03	2.62	2.45	2.21	1.42
CARRYING AMOUNT PER SHARE[5]	€	10.15	8.68	7.44	6.18	5.19
P/E (ULTIMO)	X	14.61	25.48	24.86	26.59	21.45
PRICE/CASH FLOW	X	10.74	18.27	16.52	13.65	11.52
PRICE/CARRYING AMOUNT	X	3.21	5.52	5.43	4.87	3.16
(PROPOSED) DIVIDEND/SHARE	€	1.05	0.90	0.75	0.50	0.30
DIVIDEND YIELD	%	3.22	1.88	1.86	1.66	1.83
PAY-OUT RATIO	%	47.13	47.89	46.13	44.12	39.26
EV/EBITDA[2]	X	9.49	15.13	14.42	15.82	12.88
NO. OF EMPLOYEES		2,541	2,441	2.438	2,436	2,500
ELECTRICITY SALES[3]	GWh	92,525	102,191	102,898	95,407	81,911
HYDRO COEFFICIENT		1.01	0.97	0.96	0.98	0.99

[1] DUE TO THE MODIFIED PRESENTATION RELATING TO THE MEASUREMENT OF THE HEDGING INSTRUMENTS IN ACCORDANCE WITH IAS 39 IN THE ELECTRICITY BUSINESS, THE RATIOS FOR 2008 CAN ONLY BE COMPARED WITH THOSE OF THE PREVIOUS YEARS TO A LIMITED EXTENT.

[2] THE RATIOS WERE REVISED. THE VALUES OF THE PREVIOUS YEARS WERE ADJUSTED.

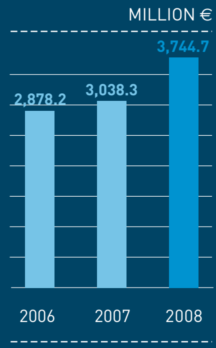
[3] ELECTRICITY SALES AFTER NETTING FOR EXTERNAL-ELECTRICITY TRADE (AFTER DISPOSAL OF ECO-ELECTRICITY SEGMENT) 2008: 56,057 GWH; 2007: 57,038 GWH

[4] INTEREST EXPENSES EXCLUDING PROFIT/LOSS SHARES ATTRIBUTABLE TO LIMITED PARTNERS

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

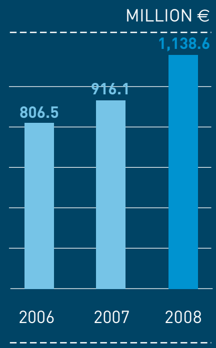
SALES REVENUES

+23.2%



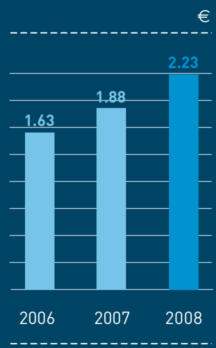
OPERATING RESULT

+24.3%



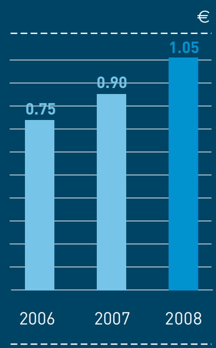
EARNINGS PER SHARE

+18.6%



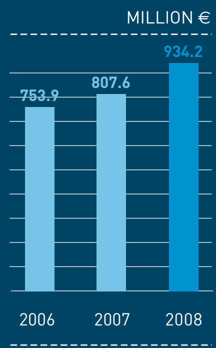
DIVIDEND PER SHARE

+16.7%



OPERATING CASH FLOW

+15.7%



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Flow. The leitmotif behind this Annual Report is derived from the ancient Greek saying Panta rhei (everything flows). According to the flow theory, being is not static, but a dynamic process of constant change. This has always been – and is today more than ever – true for the Verbund Group, the basis and success of which is formed by Austrian hydropower. Verbund generates most of its electricity from rivers. Similar to the origin of its business success, the group itself is in a constant state of flux and is actively involved in shaping this change and its environment both in a narrower and broader sense.

The entire world is changing rapidly – from an economic, ecological and social perspective. Individuals and companies must therefore be flexible. But the activities of Verbund extend well beyond the harmonization of water flow and cash flow. The company has already been committed to the principle of sustainability for many years and is keen to create sustainable and lasting values for future generations

MAG. CHRISTIAN KERN
MEMBER OF THE MANAGING BOARD

DR. ULRIKE BAUMGARTNER-GABITZER
MEMBER OF THE MANAGING BOARD

DR. MICHAEL PISTAUER
CHAIRMAN OF THE BOARD

DR. JOHANN SEREINIG
DEPUTY CHAIRMAN OF THE BOARD

REPORT OF THE MANAGING BOARD

Due to its strong orientation towards generating energy from sustainable hydropower, Verbund once again achieved a very positive result in the year under review: In spite of the unfavorable conditions, we increased sales by 23.2 % to € 3,744.7 million, improved the operating result by 24.3 % to € 1,138.6 million and raised the group result by 18.6 % to € 686.6 million.

This is attributable to a number of factors: On the one hand, Verbund has established an excellent strategic position, the foundation of which was laid over the last few years. On the other hand, the group also benefited from its hedging strategy under which a large share of Verbund's own generation is already sold a year in advance.

Two major issues dominated public discussion in 2008: In the first half of the year, discussion focused on the oil prices which rose to unpredictable heights, not least due to the large demand in China and India. The prices began to fall in summer and the crisis on the financial market dominated the headlines from autumn onwards. This resulted in a noticeable economic slowdown in the last few months.

In these turbulent times, which, above all, were very noticeable on the world's stock markets, the price of the Verbund share also declined. It closed fiscal 2008 with a negative performance of 32.0 %, but still developed well ahead of the ATX, the key index of the Vienna Stock Exchange (–61.2 %).

Based on its market capitalization, the Verbund Group had the highest valuation on the Vienna Stock Exchange over the full year 2008. With effect from 22 December 2008, the Verbund share was included in the »ATX five«. This is a capitalization-weighted price index that comprises the five shares with the highest weighting in the ATX.

Verbund was not untouched by the financial market crisis and its adverse economic effects: Even though our group still generates 88 % of its electricity in Austria from hydropower – and to a growing extent from »new« renewable energies such as wind power and photovoltaics – Verbund is not immune to the consequences of the crisis. The good earnings position of the past years and the excellent positioning in the European energy sector have, however, allowed us to push ahead with our expansion strategy.

This is also facilitated by the strong internal financing power and good liquidity situation of Verbund on account of the positive earnings trend, the increased cash flow and the strong rating.

Within the framework of the planned expansion program, we shall be focusing, above all, on the implementation and development of existing projects, i.e. projects that are already in progress or have already been approved by the authorities. The implementation of new projects will greatly depend on their value-creation potential.

Hence, caution must be exercised, and the reason for this caution is relatively easy to explain: The drop in the oil prices has exerted pressure on the wholesale prices for other sources of energy – including the prices for electricity. Furthermore, the financing costs for large projects have increased as a result of the banking crisis. Added to this, there is still a great deal of uncertainty as to how the economic environment will develop in the coming months.

Verbund therefore faces a great challenge for its future growth: Anti-cyclic investment is necessary – in other words, we have to invest now.

Here are some examples of the planned investments in Austria: Important projects in the renewable hydropower area include the further construction of the pumped storage power plant Limberg II with a capacity of 480 megawatts (MW), the continued work on the replacement of the machine units in the Danube power plant Aschach and the construction of the new run-of-river power plant Werfen/Pfarrwerfen. Also worthy of mention are the expansion of Hieflau power plant and the automation of the power plant and weir control on the Danube. The turning of the first sod for the construction of the gas power plant Mellach near Graz (832 MW) has also taken place. Commissioning is planned for 2011.

Great importance is also attached to the expansion of the transmission grids: In Styria, work on the 380 kV extra-high voltage line is progressing swiftly and all five sections should be completed by mid-2009. The construction work for the section »Salzach neu–St. Peter« of the planned 380 kV Salzburg line is scheduled to commence in mid-2009 and commissioning should take place at the end of 2010/beginning of 2011. Verbund also plans to implement the »Tauern-Salzach neu« section of the new 380-kV Salzburg line as an overhead line. The congestion on the lines between Austria and the Czech Republic was eased in the year under review through the commissioning of a second system on the Slavetice-Dürnrohr line.

»WATER IS THE PRINCIPLE OF ALL THINGS; ALL THINGS ORIGINATE FROM WATER, AND RETURN TO WATER.«

Verbund has also made a great deal of progress in the »new« renewable energies area in Austria through the acquisition of three wind farms with a total capacity of 49 MW in the Lower Austrian district Bruck an der Leitha: Further wind power projects are also being planned in Croatia, Romania and Bulgaria.

Verbund's activities also extend to the generation of electricity from solar energy: Since autumn 2008, two power plants in Andalusia, Spain have been generating enough environmentally friendly solar energy to meet the annual consumption requirements of 1,500 households.

In July 2008, Verbund and the Sabanci Group were successful in their bid to purchase the distribution grid company Baskent EDAS in Turkey. The company supplies three million end customers. Experts anticipate that electricity consumption in Turkey will increase fourfold by 2020. Verbund therefore believes that this is the ideal time to invest heavily in this area: Important projects include the gas power plant Bandirma with a capacity of 919 MW. A positive building decision has already been issued for this plant, as is also the case for the hydropower plants Hacininoglu (142 MW), Kavsakbendi (180 MW), Kandil (214 MW), Sarigüzel (103 MW), Menge (85 MW) and Köprü (145 MW).

In Albania, Verbund prevailed against keen international competition to win the tender for the construction of the run-of-river power plant Ashta (48 MW). The power plant will be erected on the Drin, a discharge of Lake Shkoder.

In May 2008, VERBUND-International GmbH (VI) assumed responsibility for the international shareholdings: VI is also responsible for the ongoing commitments of the French Poweo Group, where Verbund is the largest shareholder with a stake of approx. 30 %, and the Italian Sorgenia Group. Here, Verbund carried out a unilateral capital increase in June 2008 and, in so doing, increased its share from 38 to 43 %.

In Austria, we significantly increased electricity supplies to end customers in 2008. The number of customers in the household, commercial and agricultural areas increased from 130,000 to 180,000: Consequently, Verbund is now one of the top 5 energy suppliers in the Austrian market. A noticeable increase was also recorded in the business and industry sector where 212 customers now consume approx. 14 terawatt hours (TWh).

At this point we would like to make a special reference to the competence and commitment of our employees, to whom we now extend a special word of thanks. The number of employees within the group increased by 100 to 2,541 in the year under review. This is attributable, above all, to the timely recruitment of employees to replace those who are entering into retirement and the strong expansion of Verbund far beyond Austria's borders. A further expansion of our international activities is planned for

THALES VON MILETUS (OF 625 – UM 547 B.C.), GREEK PHILOSOPHER

the coming years. The group serves as a model in the Austrian labor market, not least due to the fact that the number of apprenticeships has been increased from 25 to 31: In this way, we aim to compensate at an early stage for the natural attrition of specialist workers.

And last but not least, the outlook for the future: Experts anticipate that there will be a further significant downturn in the economy, at least over the coming months, which could lead to a serious recession in the United States and in Europe. The effects of further uncertainty in this economic environment could also have an adverse impact on Verbund.

Taking account of the very difficult conditions and on the basis of an average water supply, Verbund aims, at the very least, to repeat the results achieved in fiscal 2008. Verbund also intends to adhere to its current dividend policy.

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

REPORT OF THE SUPERVISORY BOARD

In spite of the difficult conditions, fiscal 2008 was once again an extraordinarily successful year for Verbund, Austria's leading electricity company. After the very positive business development over the last years, the group, which is becoming increasingly active at an international level, once again 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 positive 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 six plenary sessions. The attendance rate of all members of the Supervisory Board came to 91 % and no member was unable to attend more than half of the meetings. 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.

In June 2008, the Supervisory Board regulated the succession of General Director Dr. Michael Pistauer, who was due to depart the company at the end of the year, and appointed Dipl.-Ing. Wolfgang Anzengruber as Chairman of the Managing Board and Chief Financial Officer with effect from 1 January 2009. Dr. Johann Sereinig was appointed Deputy Chairman and Deputy General Director. In tandem with this, the redistribution of the responsibilities of the Managing Board came into effect.

The Supervisory Board expressed its gratitude to General Director Dr. Michael Pistauer for his successful work and unyielding commitment.

We would especially like to point out that, in addition to the aforementioned appointment to the Managing Board, important decisions relating to the further enhancement of investment activities in Austria and abroad were made on the basis of the newly formulated corporate strategy with the aim of achieving value-creating growth. In Austria, this refers in particular to a number of large and medium-sized hydropower plant projects as well as to the gas-steam power plant Mellach; abroad, Verbund successfully acquired a hydropower project in Albania and expanded its generation capacities within the framework of the participating interests in Italy, France and Turkey, where a distribution grid operator was also acquired. In addition, several projects in the area of renewable energies (wind farms, photovoltaic plants) were realized in line with the strategic targets.

Furthermore, the Supervisory Board adopted new rules of procedure for the Managing Board and the Supervisory Board in the year under review. The rules of procedure for the Managing Board regulate the composition and working procedures of the Managing Board, the cooperation between the Managing Board and the Supervisory Board, the information and reporting obligations of the Managing Board and the right of the Supervisory Board to reserve consent, which extends to all essential business transactions and the most important subsidiaries. The rules of procedure for the Supervisory Board refer to the composition, working procedures and duties of the Supervisory Board but also regulate all of the committees (Working Committee, Audit Committee, Emergency Committee, Nomination Committee, Presidential Committee and Compensation Committee) and their competencies in a precise manner. These amendments comply more comprehensively with the requirements of the Austrian Corporate Governance Code.

The Supervisory Board continuously monitored the management activities of the Managing Board on the basis of the extensive reports furnished by 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
BOARD COMMITTEES

The Working Committee of the Supervisory Board, which, in particular, is responsible for the preparation of the sessions, convened at six meetings in the year under review and the Audit Committee (which, in particular, prepares the decision relating to the annual financial statements and consults with the auditor) at two 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 and the new rules of procedure, a Nomination Committee and a Compensation Committee of the Supervisory Board were also set up in fiscal 2008. The Nomination Committee convened at three meetings in connection with the appointment to the Managing Board. The Compensation Committee, which also functions as the Presidential Committee, convened at three meetings to discuss the remuneration of the Managing Board.

There was one change in the composition of the Supervisory Board in fiscal 2008. Following the departure of DDr. Erhard Schaschl, Mag. Herbert Kaufmann was appointed to the Supervisory Board with effect from 26 March 2008. Parallel to this, Dr. Maximilian Eiselsberg took over as 1st Deputy Chairman of the Presidential Committee and Dkfm. Peter Püspök was appointed 2nd Deputy Chairman.

Further details relating to the composition, working procedures and remuneration of the Supervisory Board can be found in the Corporate Governance Report.

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 2008 were audited by Deloitte Wirtschaftsprüfungs GmbH who issued an unqualified audit opinion thereon.

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, present a true and fair view the income and financial position 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 2008 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 2008.

On behalf of the Supervisory Board

Dr. Gilbert Frizberg
Chairman
Vienna, February 2009

BOARD MEMBERS 2008 (SHORT VERSION)

MANAGING BOARD

Details on the Managing Board see Page 172

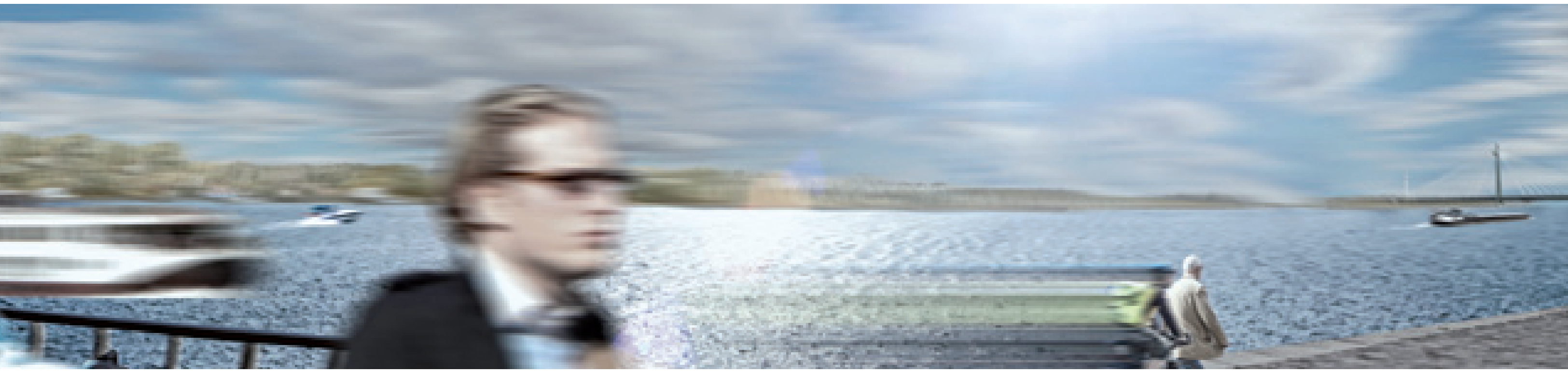
Dr. Michael Pistauer (up to 31. 12. 2008) Dipl.-Ing. Wolfgang Anzengruber (since 01. 01. 2009)	General Director / Chairman of the Board
Dr. Johann Sereinig	Deputy General Director / Deputy Chairman of the Board
Dr. Ulrike Baumgartner-Gabitzer	Member of the Managing Board
Mag. Christian Kern	Member of the Managing Board

SUPERVISORY BOARD

Details on the Supervisory Board and its Committees see Page 173

Dr. Gilbert Frizberg	Chairman
Gewerke DDr. Erhard Schaschl	1st Deputy Chairman (up to 26. 03. 2008)
Dr. Maximilian Eiselsberg	2nd Deputy Chairman (up to 26. 03. 2008) 1st Deputy Chairman (since 26. 03. 2008)
Generaldirektor i.R. Dkfm. Peter Püspök	2nd Deputy Chairman (since 26. 03. 2008)
o. Univ.-Prof. Dipl.-Ing. Dr. Günther Brauner	
Dipl.-Betriebswirt Alfred H. Heinzel	
Generaldirektor Dr. Burkhard Hofer	
Mag. Herbert Kaufmann	(on the Supervisory Board since 26. 03. 2008)
Dr. Michael Losch	
Dipl.-Ing. Hansjörg Tengg	
Ing. Siegfried Wolf	
Anton Aichinger	Chairman of the Group 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

POSITIONING



STRATEGY

Austria's hydropower, which guarantees the long-term, clean, CO_2-free generation of electrical energy from domestic resources, is still the main pillar for Verbund. Verbund is committed to the continuation of its strategic investment program at a national and international level. In Austria, the group aims to strengthen its leading market position by pushing ahead with the expansion of its generation and transmission capacities. Abroad, the focus lies on power plant projects in countries that offer attractive market conditions but also a stable political, legal and economic environment.

»I AM MORE INTERESTED IN THE FUTURE THAN IN THE PAST, BECAUSE I INTEND TO LIVE IN IT.«

Panta rhei – everything flows. This quotation from Greek philosophy was also of great relevance to Verbund in 2008. The sustainable generation of electricity from regenerative hydropower in Austria allowed Verbund to continue its very successful course as an energy utility in the heart of Europe. Against the backdrop of the current debates on sustainability and environmental protection, also in connection with the energy and climate package of the EU, the focus on a stable and CO_2-free method of generating electricity has proven to be a decisive competitive advantage.

VALUES AND GOALS

Sustainable actions and growth. Sustainable actions, customer and competition orientation, a sense of responsibility, high-yielding growth and an international orientation are still the most important values and targets of the Verbund Group. In Austria, domestic hydropower – the most important resource – can be seen as the cornerstone of the group's sustainability approach. This is also reflected in the international activities: Here, Verbund pursues a challenging European growth portfolio that is orientated towards the generation of electricity from renewable energies, namely hydropower, wind power and solar power as well as from the low-CO_2 fossil energy source natural gas.

BUSINESS FRAMEWORK

The deregulation of the energy market in Europe still shapes Verbund's competitive environment. This process – which is driven by various EU initiatives – is not, however, free of contradictions. On the one hand, the EU strives to create competition among »equally positioned« suppliers. On the other, there is a strong desire – also on a global level – for competitive »European energy giants«. The EU Commission's view that the market power of the major European energy suppliers is too concentrated is also a factor as are the continuing efforts of the EU to introduce ownership unbundling (the separation of the transmission grids from the energy generation companies in terms of ownership rights).

Verbund warmly welcomes the European Commission's endeavors to harmonize and improve the deregulated electricity market at a pan-European level. The group also welcomes 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 clearly hindered with regard to sustainable further development and the fusion of the market regions, 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«. Due to the efforts of the countries in the »like minded group«, which include Germany, France and Austria, as well as its larger electricity and gas companies, a third model, namely »Effective and Efficient Unbundling« has now been integrated into the draft of the Internal Electricity Market Directive together with the Ownership Unbundling and Independent System Operator models. Verbund has played a pioneering role in this area by consistently and comprehensively implementing legal unbundling as early as 1999 before it was made compulsory by the EU from 2006 on.

Verbund believes that the market environment will also present special challenges: This refers, for one, to the global crisis on the financial markets and its consequences for the economy, particularly with regard to the financing of new projects and the development of the electricity prices. Here, Verbund can use its strong earning power which is derived, to a large extent, from the utilization of »fuel cost-immune« hydropower. This helps – particularly in difficult economic times – to guarantee sufficient internal financing power for the ambitious expansion projects. The intensive debate on climate change is also of enormous significance for the energy industry. Verbund is very well positioned with its low-CO_2 and therefore forward-looking generation portfolio which serves as a basis for long-term growth in Austria and abroad.

ALBERT EINSTEIN (1879 – 1955), GERMAN PHYSICIST

In 2007, Verbund adopted an ambitious investment program that focuses on reinforcing market leadership in Austrian as well as expansion in Europe.

MARKET LEADERSHIP IN AUSTRIA

In Austria, priority will be given to the expansion of hydropower generation and the high voltage grid. The investments in new generation capacities will focus primarily on hydropower and then natural gas. The expansion of wind power generation represents another focal point. With regard to security of supply in Austria, the completion of the 380 kV ring in Austria represents an important goal.

EXPANSION IN EUROPE

Verbund's strategy is orientated towards achieving profitable growth. This will be realized through the implementation of generation projects, participations and partnerships. To this end, the existing investments in Italy, France and Turkey were bundled under the umbrella of VERBUND-International GmbH (VI) in 2008 and all future expansion projects within the expanded EU will be acquired and developed via VI.

In the coming years, Verbund will focus on the further development of the investments referred to above. In Italy, we will top-up our interest in the Sorgenia Group and in Turkey, we plan to implement an ambitious business plan with our joint venture Enerjisa, where more than € 1 billion will be invested up to 2015. In line with its sustainability policy, Verbund will focus primarily on the renewable energies hydropower, wind power and solar power as well as on the low-CO_2 energy source natural gas.

RENEWABLE ENERGIES

400 MW of electrical energy from new renewable energy sources. The initial goal of generating an additional 400 MW of electrical energy from regenerative energy sources – excluding Austrian hydropower – clearly reflects that the Verbund strategy is geared towards sustainability.

The organizational anchoring of the orientation towards renewable energies as an important pillar of Verbund's activities was secured through the establishment of VERBUND-Austrian Renewable Power GmbH (ARP) in 2007. This subsidiary bundles all of Verbund's national and international activities in the renewable energies area. The first national and international projects were already implemented successfully in fiscal 2008: In addition to the commissioning of two photovoltaic power plants with an overall capacity of 3 MW in Spain, three wind farms with a total capacity of 49 MW were acquired in Austria. Moreover, wind power projects with a capacity of several hundred MW are currently being developed by ARP in South East Europe.

In the coming years, the expansion measures in the renewables area will continue to focus on wind power. Photovoltaic and small-scale hydropower activities will also be a focal point. In the renewable energies area, acquisitions, co-operations and project development will be realized in Austria and the expanded EU.

A RATING

Strong rating guarantees greater flexibility in financing and access to the international financial markets. Verbund is one of the highest rated utilities in Europe. The basis for the implementation of our growth strategy lies in maintaining a stable A rating which will allow us to retain a high level of flexibility in the financing area. This is of enormous significance, particularly under the clearly changed conditions on the financial markets. In the future, expansion projects should continue to be implemented with a balanced relationship between strong internal financing power and economically attractive capital market financing.

PROFITABLE GROWTH

Verbund is committed to achieving value-generating growth through the consequent implementation of its strategy. Sustainable corporate value enhancement takes top priority in all decisions that are

»DARE TO SEE THE THINGS THE WAY THEY ARE.«

made within Verbund. For this reason, Economic Value Added (EVA) is a decisive indicator for all control measures. EVA is used in all corporate divisions of Verbund as a central control criterion. At Verbund, preference is given to the implementation of investment and acquisition projects that display the highest value.

SHARE

Based on its market capitalization, the Verbund Group had the highest valuation on the Vienna Stock Exchange over the full year 2008. But even the Verbund share was not immune to the extremely negative stock market environment triggered by the US mortgage crisis: It closed fiscal 2008 at € 32.6 after a negative performance of 32.0 %. With effect from 22 December 2008, the Verbund share was included in the ATX five. The ATX five is a capitalization-weighted price index that comprises the five shares with the highest weighting in the ATX.

ALBERT SCHWEITZER (1875 – 1965), THEOLOGIAN, MUSICIAN, PHYSICIAN AND PHILOSOPHER

STOCK MARKET YEAR 2008

The stock market year 2008 was marked by the crisis on the financial markets. We already referred to the US subprime crisis in this section of the Annual Report 2007. At that time we could not, however, foresee that this would turn out to be a crisis of historic proportions. At the end of 2007, news of the banks' massive write-off requirements was already being published almost on a daily basis. The high oil prices and the weak dollar also had a negative impact on international stock markets. In spite of this, most of the stock markets managed to report a slightly positive development in fiscal 2007.

In the first half of 2008, the international stock markets were again marked by the large asset write-off requirements of the financial institutions as a result of the US subprime market crisis. Growing concerns about declining growth rates and increasing inflation rates also fostered uncertainty.

Following the strong price drops at the beginning of the year and in the first half of March, the international stock markets experienced a clear recovery between mid-March and mid-May. These price gains were, however, eroded on most of the international stock markets in the last weeks of quarter 2/2008 as further oil price increases had a negative impact on economic development in the industrial countries thus eliminating the scope of the central banks to cut interest rates.

Following a volatile lateral movement of the markets in the months of July and August, massive price losses were recorded in September as a result of the confidence crisis triggered by the US subprime market.

As of this point, the crisis took on dramatic proportions. In the first half of September, US mortgage giants Fannie Mae and Freddie Mac were nationalized.

»Black Monday« took place just a few days later on 15 September 2008. Lehman Brothers had to file for bankruptcy, while Merrill Lynch was bought out by the Bank of America. The US key index Dow Jones recorded the biggest day loss since the terrorist attacks of 11 September 2001. The insurance giant AIG also experienced a scarcity of capital and was rescued by the US Central Bank. The financial market crisis reached the European and Japanese banks in the second half of September. Negative news was coming in from the banking sector on a daily basis. The last remaining US investment banks, Goldman Sachs and Morgan Stanley, relinquished their special status and became standard commercial banks. The world stock markets were in a state of free fall. The US government's announcement of a rescue package for the financial sector triggered the short-term skyrocketing of prices on the stock markets.

From the end of September, governments all over the world provided previously unimaginable sums of money to save the banks. In Great Britain, the government opted to partly nationalize the major banks. Many of the international central banks lowered their base rates in a concerted effort to stem the tide. But the stock markets continued their tailspin.

It soon became very clear that the financial market crisis was also having massive effects on the real economy. The rescue packages for the banks were now followed by the unveiling of economic stimulus packages all over the world. Nevertheless, the crisis continued in other sectors, above all in the automotive industry.

The European Central Bank and other central banks lowered their base rate again at the beginning of November. Parallel to this, the International Monetary Fund also drastically revised its economic forecast as a result of the financial market crisis and predicted that the global economy would enter into recession in 2009. The World Bank forecast that global growth will be as low as 1.0 % on account of the financial market crisis.

»BEING PREPARED IS MUCH; BEING ABLE TO WAIT IS MORE. SEIZING THE RIGHT MOMENT IS EVERYTHING.«

In mid-November, the US automotive groups General Motors, Ford and Chrysler asked for government aid to counter the consequences of the financial market crisis. In addition, companies were announcing job cuts almost on a daily basis.

As a result of this negative news, most of the major share indices fell to new multi-year lows in mid-November. The price collapse on the stock markets was accompanied by clear corrections on the raw materials markets. At the end of November, the price of oil fell below the USD 50 mark for the first time since 2005, after reaching almost USD 150 in the summer months. This was mainly attributable to the drop in demand as a result of the economic slowdown which was triggered by the financial market crisis.

On 4 December 2008, the European Central Bank reacted to the deteriorating economic situation by lowering the base bank rate by 75 basis points to 2.5 %. This was the biggest single reduction in the base rate in the 10-year history of the ECB. In America, the FED lowered the base rate to a corridor of between 0.0 and 0.25 % over the course of the year. Despite all the efforts taken by the governments and central banks to find an answer to the financial market crisis, the international stock markets were unable to recover from the November lows and closed with massive losses over the full year.

The US stock index Dow Jones Industrial (DJI) fell by 33.8 % in 2008, the Euro Stoxx 50 was down 44.3 % and the Japanese stock index Nikkei 225 closed the year with a minus of 42.1 %. The emerging markets developed even worse than the established market places in 2008. This was mainly due to the general risk aversion of the investors. The East European Index CECE – calculated in Euro – declined by 53.5 % in fiscal 2008.

VIENNA STOCK EXCHANGE

Performance ATX –61.2 % The negative conditions experienced worldwide also had an adverse effect on the Vienna Stock Exchange. In addition, the Vienna Stock Exchange was – due to the strong involvement of Austrian companies – negatively impacted by the cautious approach of international investors towards the CEE countries.

The key index of the Vienna Stock Exchange ATX recorded a drop of 12.6 % in the first half of 2008 and therefore clearly outperformed the European benchmark index, Euro Stoxx 50. This performance advantage was, however, eroded in the second half of the year, above all, due to the heavy weighting of the financial stocks which came under pressure worldwide. The ATX closed fiscal 2008 with a negative performance of 61.2 % at 1,750.83 points.

VERBUND SHARE

Annual performance –32,0 % The Verbund share closed fiscal 2007 at € 47.9 after a positive performance of 18.5 %. The share continued its positive development at the beginning of the new trading year and achieved a temporary all-time high of € 51.1 on 8 January 2008. The price of the Verbund share did, however, drop significantly in the days that followed – in step with the trend on the international stock markets. The share fell to € 40.5 but managed to recover very quickly from this all-time low in quarter 1/2008. On 31 March 2008, the Verbund share closed at € 45.1 with a negative performance of 5.8 % in quarter 1/2008.

In quarter 2/2008, the Verbund share increased by a considerable 26.2 %, in what was still a very difficult

ARTHUR SCHNITZLER (1862 – 1931), AUSTRIAN WRITER

market environment. On 23 June 2008, the share reached a new all-time high of € 59.3. This massive increase is essentially attributable to the further rise in the prices for primary energy sources and the

STOCK-SPECIFIC FIGURES

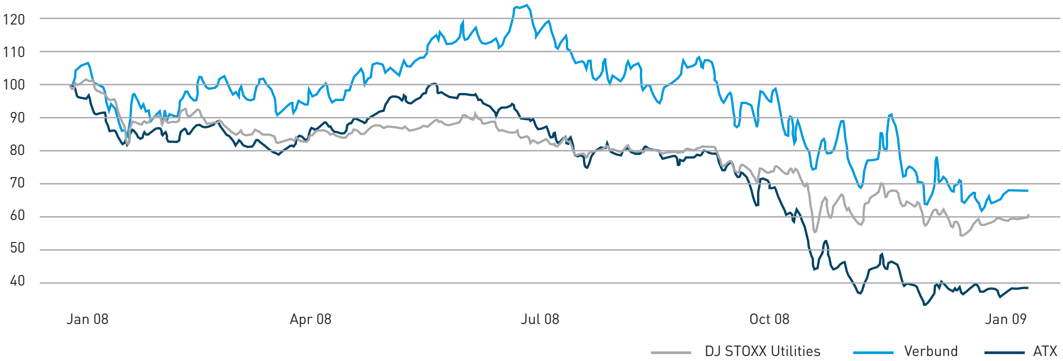
	UNIT	2008	2007	2006	2005
PEAK PRICE*	€	59.30	49.95	41.58	30.13
LOWEST PRICE*	€	29.74	31.21	30.05	16.39
CLOSING PRICE *	€	32.56	47.88	40.42	30.13
PERFORMANCE	%	–32.00	18.46	34.15	83.83
MARKET CAPITALIZATION	MILLION €	10,034.99	14,756.62	12,457.44	9,286.07
WEIGHTING ATX	%	10.14	5.36	4.59	4.57
STOCK EXCHANGE TURNOVER	MILLION €	6,221.13	6,180.40	5,500.65	1,830.90
STOCK EXCHANGE TURNOVER/DAY*	UNITS	546,238	665,119	592,491	318,220
EARNINGS/SHARE*	€	2.23	1.88	1.63	1.13
CASH-FLOW/SHARE*	€	3.03	2.62	2.45	2.21
CARRYING AMOUNT/SHARE*	€	10.15	8.68	7.44	6.18
P/E	X	14.61	25.48	24.86	26.59
PRICE/CASH FLOW	X	10.74	18.27	16.52	13.65
PRICE/CARRYING AMOUNT	X	3.21	5.52	5.43	4.87
PROPOSED DIVIDEND/SHARE*	€	1.05	0.90	0.75	0.50
DIVIDEND YIELD	%	3.22	1.88	1.86	1.66
PAY-OUT RATE	%	47.13	47.89	46.13	44.12
EV/EBITDA**	X	9.49	15.13	14.42	15.82

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

**THE RATIOS HAVE BEEN REVISED. THE VALUES OF THE PREVIOUS YEAR WERE ADJUSTED.

corresponding increase in the wholesale prices for electricity. The positive reports from the investment banks also boosted the share. The analysts increased the price targets for the Verbund share quite considerably, in part due to the changed framework conditions. On 30 June 2008, the Verbund share closed at € 56.9 with a positive performance of 18.9 % in quarters 1–2/2008.

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



»EVERYTHING IS POSSIBLE AT THE STOCK MARKET – EVEN THE OPPOSITE.«

In quarter 3/2008, the value of the Verbund share fell by 24.2 % and it closed at € 43.2 on 30 September 2008. Despite the positive corporate news and the positive environment for generators of hydropower, the Verbund share could not escape the extremely negative stock market environment unscathed.

In quarter 4/2008, the value of the Verbund share fell by a further 24.5 %. This massive decline is essentially attributable to the drop in the prices for primary energy sources and the associated decline in the wholesale prices for electricity. Moreover, due to the extremely negative outlook for the global economy as a result of the financial market crisis, nearly all of the investment banks downgraded their forecasts for the primary energy prices and hence, also the electricity wholesale prices. These lower price expectations led to a lowering of the earnings forecast and therefore also to lower price targets and the downgrading of the Verbund share. At the end of the year, the Verbund share closed at € 32.6 with a negative performance of 32.0 % in fiscal 2008. The Verbund share therefore developed well ahead of the ATX (–61.2 %) and also outperformed the DJ STOXX Utilities index (–38.5 %) in 2008.

SHAREHOLDER STRUCTURE %

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

SHAREHOLDER STRUCTURE

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.

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.

SALES AND MARKET CAPITALIZATION

Stock exchange turnover in Verbund shares reached € 6,221.1 million. On average, 546,238 shares were traded every day. The total value of the company derived from its market capitalization amounted to € 10,035.0 million on 31 December 2008; its weighting at the ATX was 10.1 %. Based on its market capitalization, the Verbund Group had the highest valuation on the Vienna Stock Exchange over the full year 2008. With effect from Monday, 22 December 2008, the Verbund share was included in the ATX five. The ATX five is a capitalization-weighted price index that comprises the five shares with the highest weighting in the ATX.

DIVIDENDS

Dividend increase planned. On 25 March 2009, a dividend increase of 16.7 % from € 0.90/share to € 1.05/share for fiscal 2008 will be proposed to the General Meeting. Hence, Verbund will be increasing the dividend for the eighth time in succession. The pay-out ratio is 47.1 %. Based on the share price

ANDRÉ KOSTOLANY (1906 – 1999), U.S. STOCK MARKET JOURNALIST

on 31 December 2008, the dividend yield comes to 3.2 %.

INVESTOR RELATIONS

Analysts and investors provided with comprehensive and transparent information. Within the framework of extensive road shows in Europe and the USA, management communicated not only the excellent results but also the strategic goals of the company.

RESEARCH

Verbund covered by international investment banks. 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 Morgan Stanley and Nomura in 2008. Research reports on Verbund were regularly published by the following investment banks in 2008:

Capital Bank (Nikolay Koulichev)
Credit Suisse (Christopher Kuplent)
Erste Bank (Christoph Schultes)
Kepler Capital Markets (Ingo Becker)
Natixis Securities (Philippe Ourpatian)
Raiffeisen Centrobank (Teresa Schinwald)
Société Générale (John Honoré)
Morgan Stanley (Tanja Markloff)
Citigroup (Stephen Hunt)
Deutsche Bank (James Brand)
Goldman Sachs (Deborah Wilkens)
Merrill Lynch (Simon Flowers)
Oddo Securities (Stéphane Lacaze)
Sal. Oppenheim (Gregor Kirstein)
UniCredit (Harald Weghofer)
Nomura (John Musk)

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT

MARKET AND INDUSTRY

REPORT ON THE BUSINESS DEVELOPMENT AND ECONOMIC POSITION OF THE GROUP

The effects of the international crisis on the financial markets and their consequences for the global economy have also been felt in Austria. In spite of this, the Austrian economy is - according to a WIFO (Austrian Institute for Economic Research) forecast – likely to have grown by 1.8 % in 2008. Electricity consumption in Austria increased in 2008 as a result of the rise in the production of physical goods and the higher heating energy requirements of households. The deficit in foreign trade with electrical energy was reduced for the second time in succession in 2008. In the first 11 months of the year, it lay at approx. 6 % of consumption. In fiscal 2008, the European energy policy was marked by an intense debate between the European Parliament and the European Council on the core of the internal market package – the stricter unbundling of grid operations and energy production. The EU Commission's energy and climate protection package provides for a reduction in greenhouse gas emissions, fixes the share of renewable energy sources and calls for an increase in energy efficiency.

»A CRISIS CAN BE VERY PRODUCTIVE. YOU JUST HAVE TO REMOVE THE UNPLEASANT TASTE OF DISASTER.«

ECONOMIC FRAMEWORK CONDITIONS

Economy slowed significantly in 2008. In the wake of the economic boom from 2004 to 2007, the crisis on the financial markets in 2008 and the acceleration in raw material prices up to summer 2008 curbed growth in the global economy: In 2008, the GDP is not likely to have grown by more than 3.4 % after an increase of 5.2 % in 2007. The simultaneous economic downturn in the three largest economic regions, the USA, Europe and Japan, also had a negative impact on economic development in the previously very expansive threshold countries in Asia and Latin America. Economic growth in the EU is likely to drop to 1.0 % (2007 : 2.9 %). The effects of the international slowdown are also noticeable in Austria: Exports suffered as a result of the decline in foreign demand. The economic downturn had a negative impact on the investment climate, but with a plus of 1.8 % according to WIFO, economic growth in Austria is likely to have exceeded the EU average.

ECONOMIC ENVIRONMENT IN THE ENERGY SECTOR

Lower temperatures boost demand for heating energy. Over the past years, the total energy consumption in the EU, and also in Austria, displayed continuous growth which was only temporarily interrupted as a result of external developments, e.g. the oil prices, the economic situation or different weather conditions.

Hence, energy consumption in the EU-15 has increased by almost 8 %, and in Austria by as much as 17 %, over the last ten years. Energy consumption in Austria displayed a further increase in 2008: This was primarily due to the cooler weather conditions which lead to an increase in the demand for heating energy in private households.

In 2008, the heating degree totals – the standard measure used by the energy industry for temperature-related energy requirements – were approx. 4 % higher than the annual average in 2007 (higher heating degree totals reflect higher heating energy requirements).

The future development of the energy requirements in the EU as well as in Austria will greatly depend on the speed at which a trend turnaround can be achieved through the implementation of measures in areas that offer the greatest savings potential. Even though the required efficiency enhancements will be achieved through contributions from all areas, transport and space heating will be a central focus of attention.

Further increase in electricity consumption in Austria in 2008. Over the last ten years, electricity consumption in Austria increased by 25 %, and therefore more dynamically than the total energy consumption. A further increase of 2.0 % was recorded in the first 11 months of 2008. This is attributable to the cooler weather conditions in the first half of the year and the rise in the production of physical goods. As a result, the electricity requirements of companies increased.

The total volume of electricity generated increased significantly – by +5.3 % in the first 11 months of 2008 according to the preliminary figures of E-Control – while imports fell by 11.6% and exports by 4.0 %. Generation from hydropower also rose by a significant 6.1 % and thermal generation increased by 3.8 %.

The increase in other generation (+5.8 %) includes the rise in electricity production from renewable energy sources (excluding biomass, which falls under thermal generation) and generation at plants that cannot yet be allocated in the statistics. As a result of this development, the deficit in foreign trade with electrical energy was reduced for the second time in succession in 2008. In the first 11 months of the year, it lay at just under 6 % of consumption. In 2003, this value lay at approx. 9 % of consumption but was reduced to just 4 % in the years 2004 and 2005. In 2006, the foreign trade deficit with electrical

MAX FRISCH (1911 – 1991), SWISS WRITER

energy rose – similar to 2003 – to more that 10 % as a result of the hot summer. This value was lowered to just under 10 % in 2007.

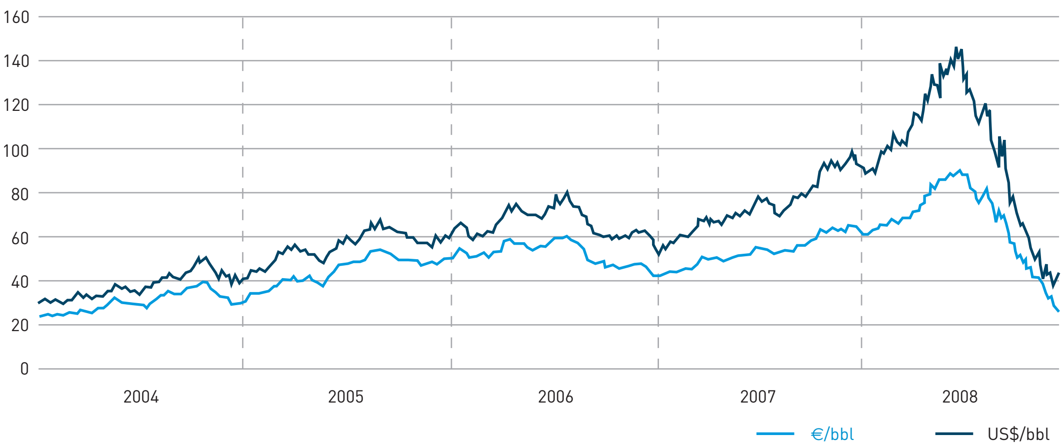
Electricity consumption closely correlates with economic growth. E-Control believes that the positive correlation between economic growth and the demand for electricity will continue to exist in the future. Electricity is an intelligent form of energy: Consumption is, in part, further increased through the implementation of energy efficiency measures (e.g. through the utilization of heating pumps or electric cars). The demographic development (i.e. the growth in the number of single households and higher life expectancy) and the increased utilization of electrical devices also lead to higher electricity consumption. As a result, E-Control anticipates medium-term growth in Austria of +1.8 % per year. In the short-term, however, the economic slowdown in 2009 will have a damping effect on electricity consumption in 2009.

Electricity consumption in the EU also increased in 2008. Countries such as Luxembourg, France and Portugal recorded growth rates of approx. 4 % each in the first ten months of 2008 alone. In the Czech Republic, Ireland and Slovakia, electricity consumption was up by 2 to 2.5 % respectively. Consumption in countries such as Germany, Greece, Belgium, Italy, Hungary and the UK was up by approx. 1 %. No change was recorded in Poland's electricity consumption, and in Denmark, the Netherlands, Spain, Sweden and Finland, a drop in electricity consumption was actually observed of –0.2 % to –2.4 %.

Oil price overstepped the USD 146/bbl mark. The price increases, which could already be observed on the international crude oil markets in 2007, continued in the first half of 2008 and reached an all-time high at the beginning of July at a little over USD 146/bbl (Brent Front Month). Hence, the price of a barrel of North Sea Brent had increased by approx. USD 50 since the beginning of the year.

This price increase is attributable to geopolitical tensions, the terrorist attacks on the oil infrastructure in the important oil-producing country Nigeria and strong economic growth in Asian countries with a large demand for oil. Added to this, investment in exploration and production was at a low level and speculation also pushed up the prices.

PRICE DEVELOPMENT OF BRENT CRUDE



»BEFORE, ONE USED TO LAMENT THE DEBT OF THE WORLD, NOW, ONE GAZES WITH HORROR AT THE DEBTS OF THE WORLD.«

The oil prices came under pressure from July 2008, above all, due to the financial market crisis and the resulting economic downturn. The price of crude oil fell steadily and even dropped to below the USD 40/bbl mark towards the end of the year. Based on the average price for 2008, Brent crude oil cost USD 98/bbl compared to USD 73/bbl in 2007 (+36 %).

In its World Energy Outlook 2008 of November 2008, the International Energy Agency (IEA) estimates that the oil price will rise to USD 100/barrel again by 2015. According to the IEA forecast, the price per barrel will even exceed the USD 200/barrel mark by 2030.

Gas prices also displayed a noticeable upward trend in the first half of 2008, and reached their highest level in summer. After this, the prices declined. Based on the average price for 2008, gas on the EEX futures market (EGT front year) was 41 % more expensive than in the previous year.

The high oil and gas prices in the first half of 2008 also pushed up the coal prices. Based on the average price for 2008, the price of coal on the EEX futures market (ARA front year, Euro basis) was almost 57 % higher than the average value for 2007. The coal prices did, however, drop to below USD 85/t towards the year on account of the global economic downswing.

CO_2 prices sank in the second half of the year. The European Emission Trading System (EU-ETS) was introduced in January 2005, shortly prior to the enactment of the Kyoto Protocol. The EU-ETS is the central element of the European climate policy which focuses on reducing emissions by 8 % compared to 1990 in accordance with the requirements of the Kyoto Protocol (EU-15).

The European reduction target is divided among the member states by way of the EU Burden Sharing Agreement, under which Austria is obliged to reduce emissions by 13 %. In the first emission trading period 2005 to 2007, the number of emission rights allocated exceeded the number required. As a result, the CO_2 price (EU Allowance – EUA) dropped steadily in 2007 until it reached a level of € 0.01/t

CO_2 in December 2007. The price did, however, increase significantly within the course of the restrictive allocation of the certificates for the 2nd trading period 2008 to 2012.

The price for the EUA benchmark contract for December 2008 delivery rose continuously in the first half of 2008 to approx. € 29/t CO_2. The falling oil prices and the financial market crisis also lead to a drop in prices in the CO_2 market. The latest price for EUAs for December 2008 delivery came to approx. € 15/t.

The secondary market for project-related emission rights (Certified Emission Reduction (CER), Emission Reduction Unit (ERU)) essentially followed the trend presaged by the EUA market. The CER contract for December 2008 delivery last traded at approx. € 14/t CO_2. At the end of 2008, the EUA contracts for December 2009 to December 2014 ranged from € 16 to € 21/t CO_2.

REGULATORY FRAMEWORK

EU insists on enhanced unbundling. The deregulation process has resulted in a complete restructuring of the European energy markets: According to the EU Commission however, the internal electricity market has not yet been implemented to a satisfactory extent.

On the basis of its sector inquiries, the EU Commission presented the third legislative package on the internal energy market on 19 September 2007. The core element of the package is the introduction of a stricter unbundling regime for vertically integrated energy groups, namely the ownership unbundling

ARTHUR SCHOPENHAUER (1788 – 1860), GERMAN PHILOSOPHER

of the transmission activities from the generation and supply activities of a vertically integrated electricity company.

In autumn 2008, a political agreement was reached at EU level by the Council of Energy Ministers after intensive negotiations. The 3rd model proposed by the countries in the »like minded group« (which include Austria, Germany and France), i.e. Effective and Efficient Unbundling – EEU model, was fully accepted as a third alternative together with the Ownership Unbundling and Independent System Operator (ISO) models.

To facilitate cross border energy trade, the Commission proposes to establish an Agency for the Co-operation of European Regulators (ACER). This agency will have binding decision-making powers to ensure the proper handling of cross border grid problems.

The Commission also proposes a new European Network for Transmission System Operators (»European Network for TSOs«, ENTSO) with a view to promoting bi- and multilateral cooperation and investment. Within this network, EU grid operators are to cooperate and develop common commercial and technical codes and security standards, as well as plan and coordinate the investments needed at EU level.

The Commission plans to extend the existing transparency requirements so as to guarantee better market access for new and small suppliers and make pricing more transparent. These include supply and demand forecasts as well as new data publication obligations for energy producers and transmission grid operators.

Ambitious targets to achieve climate goals. On 17 December 2008, the EU Parliament adopted the climate and energy package that had been agreed on after intense negotiations between the heads of state and government leaders of the 27 EU countries.

With the 20-20-20 goals, the European Union commits itself to an integrated energy and climate policy:

- 20 % reduction of greenhouse gas emissions by 2020 compared to 1990, whereby the target can be raised to 30 % if other industrial nations, including the USA, agree to comply with binding reduction goals,
- the share of renewable energy sources in total energy consumption should be 20 % by 2020 and
- a 20 % increase in energy efficiency should be achieved by 2020.

The rules for CO_2 trading will change from 2013: Electricity producers will be required to purchase 100 % of their emission rights by auction. Excluded from this are power plants in countries where the gross domestic product per head is less than the half of the EU average. These will be required to purchase at least 30 % of the certificates by auction in 2013, whereby this share will increase to the full value by 2020 at the latest.

The EU goal of achieving a 20 % share of renewable energy sources in total energy consumption will be divided among the member states, whereby the target quotas range from 10 % (Malta) to 49 % (Sweden). Austria is obliged to increase its share of renewable energy sources from the current value of 23 % to 34 % by 2020. The member states have until 30 June 2010 to submit their national action plans to the European Commission, outlining the goals for the individual sectors and the measures that will be implemented to achieve these goals. The three areas affected are electricity production, heat and cold generation and transport.

»MARKETS ARE LIKE PARACHUTES: THEY ONLY WORK WHEN THEY'RE OPEN.«

Furthermore, the EU Commission believes that energy efficiency within the EU will have to be improved by 20 % by 2020 to meet the climate goals.

CONSOLIDATION IN THE EUROPEAN ENVIRONMENT

Market dominated by a small number of groups. The consolidation wave that has been observed since the deregulation of the electricity market continued in 2008, albeit with less intensity. Given that the national competition authorities in most European countries no longer approve mergers and takeovers, the global players are now expanding primarily outside of their respective domestic markets. Today, the European market is dominated by a handful of energy groups. The five largest utilities in the EU-27 now account for approx. two-thirds of electricity sales.

The merger between Gaz de France (GdF) and Suez in July 2008 is a clear reflection of the diversity super utilities will be aiming to achieve in the future. Electricité de France SA (EdF) further consolidated its dominant position in the European electricity market. In September 2008, the French group and the largest British nuclear power plant operator, British Energy Group plc, which accounts for approx. one-sixth of the country's electricity production, agreed on a multi-billion takeover.

The major energy groups have not yet found their final position in the market; growth through acquisitions and mergers is still a focal point. National champions will use the basis they have established to protect themselves from takeovers or to pursue smaller cross border mergers.

The further development in this area will, however, be influenced by the efforts of the EU to intensify competition: With the definition of new unbundling rules, Europe-wide regulation and the stricter application of the competition and antitrust legislation, the EU is keen to prevent the further concentration of market power.

PROSPECTS FOR THE ENERGY MARKET

Energy turning point with renewable energy sources and energy efficiency. Against a background of intense discussions in Europe on issues such as security of supply, climate protection and sustainability, the EU Commission presented the revised version of the EU Energy Strategy on 13 November 2008. The mainstays of the strategy are measures in the energy grid area, the EU action plan to enhance security of supply and promote solidarity as well as proposals for energy saving activities. The revised strategy represents a further contribution to achieving the 20-20-20 climate protection goals.

In the past few years, the Austrian government has implemented several deep-reaching measures with a view to achieving the ambitious energy and climate protection goals. The national climate strategy, the climate and energy fund and the »Hydropower Master Plan«, which was introduced in May 2008, were put forward as answers to the growing challenges.

In Austria, the economically exploitable hydro capability lies at 56,000 GWh. A little over two-thirds of this potential has already been realized. The economically exploitable hydro capability that could, theoretically, still be developed is 18,000 GWh. For ecological reasons, only 13,000 GWh is feasible, of which 7,000 GWh could be developed by 2020. By realizing this 7,000 GWh, Austria would reduce CO_2 emissions by 3.1 million tons.

Sustainable growth within the Verbund Group. Verbund has invested heavily in the expansion of hydropower for many years. In future, Verbund will continue its ambitious growth program at a national and international level. The group will invest in international growth projects within the expanded EU as well as in the expansion of the generation plants and transmission grids in Austria.

HELMUT SCHMIDT (*1918), FORMER GERMAN CHANCELLOR

Great importance is also attached to the observance of ecological principles: CO_2-free or low-CO_2 plants are a key feature of Verbund's expansion strategy both at a national and international level.

Through its investment program, Verbund is making an important contribution to the achievement of the European and Austrian climate protection goals.

BUSINESS DEVELOPMENT

In spite of the difficult market environment, the ratios of the Verbund Group were further improved in fiscal 2008: Sales revenue increased from € 3,038.3 million in 2007 to € 3,744.7 million in 2008 (+ 23.2 %). The operating result rose by 24.3 % from € 916.1 million to € 1,138.6 million. The group result comes to € 686.6 million compared to € 579.2 million in the previous year. This corresponds to a growth rate of 18.6 %. In fiscal 2008, Economic Value Added (EVA), the control-specific ratio for value creation within the Verbund Group, rose by € 1.3 million to € 440.8 million despite the increase in capital costs. The EBIT margin, the ratio of operating result to sales revenues, improved from 30.2 % to 30.4 %. Verbund is therefore one of the top utility stocks in Europe. Gearing rose slightly from 70.0 % to 80.2 % due to the higher increase in interest-bearing net debt parallel to an increase in shareholders' equity.

»WHATEVER YOU HAVE, YOU MUST EITHER USE OR LOSE.«

INFLUENCING FACTORS

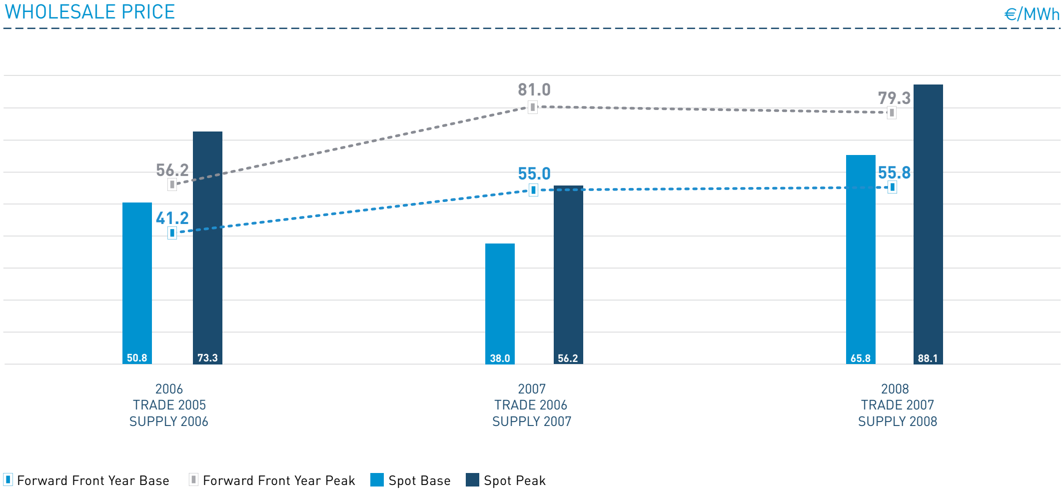
In 2008, the Verbund income statement was influenced, above all, by the following factors:

- Significantly higher spot market prices/stable forward prices
- Water supply slightly above the long-term average
- One-off accounting measures

In 2008, average sales prices increased significantly once again. The significant recovery in the spot market prices had a very positive effect on the earnings position. The developments on the forward market did not have any notable effects on the result as Verbund – in line with its marketing strategy – sells most of its production in advance and the prices for front year essentially displayed a lateral movement in the trading years 2006 and 2007. The average prices for forward contracts year base 2008 traded in 2007 came to € 55.8/MWh and were just +1.5 % higher than the level recorded in the previous year (55.0 €/MWh). The average price for front year peak 2008 came to € 79.3/MWh in the trading year 2007 and was therefore 2.1 % lower than in the previous year (€ 81.0/MWh).

By contrast, the increase on the spot market was quite significant in 2008: This is attributable, above all, to the fact that the CO_2 price for the second trading period of the European Emissions Trading System was higher than the price for the first trading period which was relevant for 2007. The massive increase in the oil, gas and coal prices in the first half of 2008 also exerted additional upward pressure on the spot market prices. Based on the European Energy Exchange (EEX) rates, the average prices for both base and peak in 2008 were massively above the levels recorded the previous year: The price for base-load energy lay at € 65.8/MWh and was therefore 73 % higher than the average value for 2007. The price for peak-load energy came to € 88.1/MWh. This corresponds to an increase of 57 % compared to the average value the previous year.

Water supply slightly above the long-term average. The average water supply from the rivers, which is measured with a hydro coefficient and plays a decisive role in the area of hydropower generation, is another important factor that can influence the result. In 2008, generation at run-of-river and run-of-river pondage power plants was more or less in line with the long-term average: The hydro coefficient

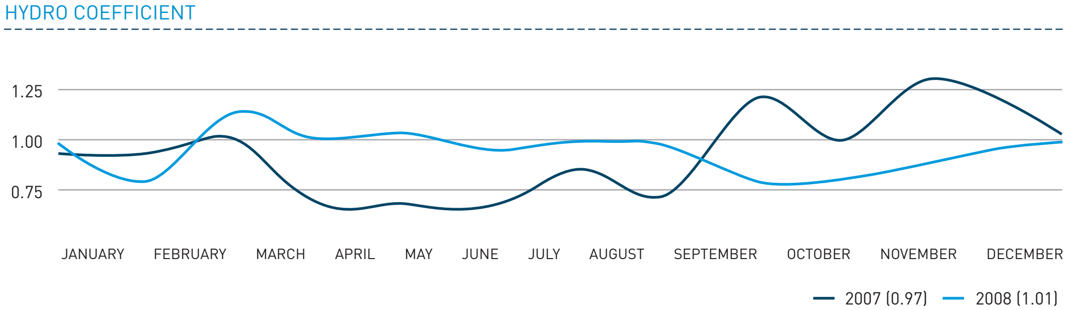


Source: European Energy Exchange

lay at 1.01 and was therefore four percentage points higher than the value recorded in 2007 and five percentage points higher than the corresponding value in 2006.

HENRY FORD (1863 – 1947), U.S. INDUSTRIALIST

In 2008, the water supply developed as follows: Quarter 1/2008 was, like the corresponding period the previous year, marked by above-average temperatures and the hydro coefficient was also above-average at 1.03. Due to the high temperatures and hence, the reduced snow retention, precipitation could, in many cases, be used immediately to generate electricity. The precipitation levels in February 2008 were unusually low. In March 2008, however, the normal precipitation values were often exceeded.



This temperature trend also continued in quarter 2/2008. The temperatures in Austria tended to be higher than the long-term average. The heavy snow falls at the beginning of the second quarter were used to generate electricity during the thawing phase. The hydro coefficient in quarter 2/2008 was above-average at 1.04 and June, in particular, was also characterized by heavy local downpours.

The beginning of the third quarter was also marked by above-average temperatures and high storm activity. Low pressure cells over the Adriatic region led to heavy downpours in August: This caused local flooding in Carinthia and the Danube catchment area and also resulted in generation losses. September 2008, on the other hand, was predominantly characterized by below-average temperatures; the total precipitation levels in the West and South over the entire month were frequently below 75 % of the normal value. The hydro coefficient for September lay significantly below the long-term average at 0.87. The hydro coefficient for the full three months of Q3/2008 came to 0.99.

The meteorological and hydrological conditions in quarter 4/2008 were quite heterogeneous. Above-average precipitation was recorded throughout Austria. Extreme events with heavy downpours and local flooding occurred in areas south of the Alps. The temperatures in Austria were well above the long-term average, particularly in the months of November and December. The water supply from the rivers that are used to produce energy was below-average in quarter 4/2008 with a hydro coefficient of 0.96.

Result burdened by one-off accounting measures. In 2008, the earnings development of the Verbund Group was marked by one-off accounting measures which had a negative impact overall on the operating result in the amount of approx. € 30.0 million and on the financial result in the amount of approx. € 110.0 million. The one-off effects in the operating result referred, predominantly, to unscheduled maintenance. The financial result was adversely affected, above all, by the impairment loss revealed for Energie Klagenfurt GmbH within the framework of the impairment test and a valuation-related devaluation of the investment portfolio as a result of the financial market crisis.

EARNINGS POSITION

Sales revenue up 23.2 %. The sales revenue of the Verbund Group was up 23.2 % at € 3,744.7 million compared to the previous year.

»WATER IS A FRIENDLY ELEMENT TO THE MAN WHO IS FAMILIAR WITH IT AND KNOWS HOW TO HANDLE IT.«

The most important calculation modalities used in the determination of the ratios are explained in the glossary.

CONSOLIDATED INCOME STATEMENT (SHORT VERSION) — MILLION €

	2006	2007	2008	CHANGE
SALES REVENUE	2,878.2	3,038.3	3,744.7	23.2 %
OPERATING RESULT	806.5	916.1	1,138.6	24.3 %
GROUP RESULT	501.1	579.2	686.6	18.6 %
EARNINGS PER SHARE (€)	1.63	1.88	2.23	18.6 %

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

Higher electricity revenue due to increase in spot market prices. The revenue from electricity business increased, above all, due to the significant rise in the spot market prices. Own generation, which was up by 353 GWh or 1.2 % compared to the previous year, also had a positive effect on the electricity revenue. Electricity production from the run-of-river plants rose significantly on account of the more favorable water supply and generation at the storage power plants remained unchanged from the previous year. Generation at thermal power plants, on the other hand, fell primarily due to the one-off renovation work at Dürnrohr power plant which was carried out between April and June. Specifically, electricity revenue increased by 25.1 % from € 2,718.0 million to € 3,400.0 million.

Electricity revenue from end customers (i.e. households, commercial enterprises, agricultural entities, industrial enterprises and their trading companies) increased significantly by € 345.8 million due, primarily, to the reacquisition of Austrian Power Vertriebs GmbH (APC) but also on account of the large number of new customers that were acquired. Sales to resellers increased by € 160.5 million. This improvement is largely attributable to the increase in the sales prices in the European electricity markets. Sales to traders were up € 175.7 million.

The End Customer segment accounted for 18.9 % of the total revenue from electricity, the Resellers

SALES REVENUE 2008 MILLION €

SALES REVENUE

+23.2%

ELECTRICITY SALES	3,400.0
GRID SALES	302.0
OTHER	42.7

segment made a contribution of 37.3 % and the remaining 43.8 % came from the Traders segment. 60.8 % of electricity sales (previous year: 63.0 %) were generated abroad, particularly in Germany and France.

Clear increase in grid sales. Grid sales increased by 10.0 % to € 302.0 million compared to the previous year. In 2008, the amount of energy transmitted over Verbund's 220/380 kV grid and relevant to clearing dropped by 4.6 % to 18,163 GWh (previous year 19,029 GWh). This is attributable, above all, to the increase in hydraulic and thermal generation in the underlying distribution grids in 2008 and the resulting reduction in the volume of electricity transported in the high-voltage grid. In spite of the

JOHANN WOLFGANG VON GOETHE (1749 – 1832), GERMAN POET

lower net volumes, sales increases were achieved as a result of the growth in international revenue from auctions and the increase in the tariffs for work gross and system services.

Slight drop in other sales revenue. Other sales revenue fell by € 3.1 million to € 42.7 million. Other sales revenue includes, among other items, revenue from district-heating sales.

Clear improvement in other operating income. Other operating income rose by 82.9 % to € 96.1 million. This is largely attributable to the proceeds in the amount of € 35.0 million from the sale of Voitsberg power plant to A-TEC Beteiligungs GmbH.

Electricity procurement costs up 24.4 %. Expenses for electricity, grid and emission rights purchases (trade) rose by 24.4 % to € 1,813.9 million. This was mainly due to the significantly higher increase in the spot market prices compared to the previous year. From a volume perspective, electricity purchases dropped by 1,334 GWh or 4.6 % compared to the previous year. Own generation in 2008 increased by 353 GWh or 1.2 % compared to the previous year on account of the improved water supply (hydro coefficient 1.01; previous year 0.97). Grid purchases rose by € 25.8 million to € 104.4 million. This mainly resulted from the clear expansion of the end customer business.

Fuel costs up due to higher purchase costs for primary energy sources. Use of fuels and other utilization-dependent expenses increased by 35.9 % to € 134.0 million. In the thermal power plants, generation was down 634 GWh (–15.9 %) on the value reported in 2007. This resulted, above all, from the one-off renovation work that was carried out in Dürnrohr power plant from April to June 2008. The price increases for primary energy sources and CO_2 certificates up to the middle of the year did, however, lead to a clear increase in fuel expenses.

Expenses for severance payments and pensions push up payroll expenses. Payroll expenses, including severance payments and pension expenses, increased by 16.9 % to € 306.2 million compared to the previous year. Current payroll expenses rose by 8.6 % to € 238.6 million and expenses for severance payments and pensions increased by 60.2 % to € 67.6 million. The adjustment of wages, salaries and related costs in line with the collective wage agreement and the increase in the number of employees (2,541 employees; previous year: 2,441 employees) had a negative effect. The volatility of the capital markets and the resulting losses in pension fund assets as well as the rescheduling of pension valorization from 2009 to 1 November 2008 led to a significant increase in pension expenses. In addition, the introduction of a new measurement basis for the calculation of the provisions for severance payments led to an increase in social capital expenses.

EXPENSES %

ELECTRICITY AND GRID PURCHASES AS WELL AS EMISSION RIGHTS (TRADE)	67.1
USE OF FUELS AND EXPENSES FOR OTHER PURCHASED SERVICES	5
PAYROLL EXPENSES	11.3
AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	6.8
OTHER OPERATING EXPENSES	9.8

»I HAVE REQUESTED TIME AND TIME AGAIN: BETTER FEWER FIGURES, BUT BETTER ONES.«

Operating expenses burdened by one-off effects. Other operating expenses increased by 53.0 % to € 264.9 million compared to the previous year. This is mainly attributable to the higher maintenance expenses resulting, for example, from the renovation of the basin of a daily storage reservoir, the elimination of storm damage in the grid and dredging work. Moreover, an allocation to reserves for Voitsberg power plant and the creation of a provision for the demolition costs associated with the St. Andrä power plant had a negative impact on the result.

DEVELOPMENT OF OPERATING RESULT MILLION €

2006	2007	2008
806.5	916.1	1,138.6

Further significant rise in operating result. On the basis of the influencing factors and developments described above, the operating result increased by 24.3 % from € 916.1 million to € 1,138.6 million.

Financial result down on previous year. The financial result dropped significantly from € –33.7 million to € –113.7 million.

The result from participating interests fell by 22.9 % to € 42.3 million. The income from interests accounted for using the equity method dropped by € 17.7 million to € 34.1 million. The impairment loss revealed for Energie Klagenfurt GmbH within the framework of the impairment test due to the postponement of the power plant project and the drop in earnings in all segments had a clearly negative impact in the amount of € 50.0 million. The significantly improved results from KELAG and the Italian Sorgenia Group did, however, boost the at-equity result. The results from STEWEAG-STEG GmbH and the French company POWEO S.A. dropped slightly. The result from other participating interests increased by € 5.1 million to € 8.2 million, primarily due to first dividend payout on the shares purchased in Energie AG Oberösterreich in 2008.

In 2008, the balance between interest income and interest expenses dropped by a total € 2.7 million to € –111.3 million. As in 2007, the earnings share attributable to the limited partners of VERBUND-Austrian Thermal Power GmbH & Co KG (ATP) (€ 40.9 million; previous year: € 41.3 million) was recorded under interest expenses. This led to a slight improvement in the amount of € 0.4 million. Expenses increased on account of the loans that were taken out from the European Investment Bank (EIB) and Oesterreichische Kontrollbank AG in 2007 and 2008 and the issue of the € 500 million bond in June 2007. Higher earnings from money market transactions due to higher interim investments over the full year did, however, have a clearly positive effect.

The result from other long-term investments fell by € 64.7 million to € –44.7 million. The international financial market crisis and its effects on the investment portfolio of Verbund led to impairments in accordance with IAS 39 and consequently, to value adjustments of securities held to secure electricity trading on the EEX in the amount of € 33.6 million. The valuation-related JPY exchange losses in the amount of € 24.0 million for non-secured, long-term financing in JPY resulting from a JPY exchange rate that was considerably stronger than that of the previous year also had a negative impact. Exchange gains and valuation-related exchange losses from USD currency forward transactions to hedge the acquisition of an interest led to a slightly positive effect overall in the amount of € 2.7 million.

VLADIMIR ILYICH LENIN (1870 – 1924), RUSSIAN – SOVIET POLITICIAN

Effective tax rate came to 22.8 %. The effective tax rate of 22.8 % (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.

Minority interests in profit (without limited partners) increased by € 18.1 million to € 104.1 million due to the jump in earnings at VERBUND-Austrian Hydro Power AG (AHP).

DEVELOPMENT OF GROUP RESULT — MILLION €

2006	2007	2008
501.1	597.2	686.6

Best group result in the company's history +18.6 %. The group result in accordance with International Financial Reporting Standards (IFRS) improved by 18.6 % to € 686.6 million. The earnings per share increased to € 2.23.

NET WORTH

Increase in non-current assets due to higher investments. Non-current assets rose by 15.9 % from € 6,323.3 million as on 31 December 2007 to € 7,326.4 million as on 31 December 2008. Property, plant and equipment as well as intangible assets increased by € 259.6 million to € 4,402.6 million. Investments in the amount of € 445.4 million lay significantly above the value recorded for depreciations. The interests accounted for using the equity method rose by € 375.9 million or 32.5 %. This essentially resulted from the capital increases carried out by Verbund in the foreign joint ventures – the Italian Sorgenia Group in the amount of € 200.0 million, the Turkish Enerjisa Enerji Üretim A.S. in the amount of € 140.1 million and the French POWEO Production S.A.S. in the amount of € 32.8 million – as well as the successive acquisition of shares in the Sorgenia Group in the amount of € 58.2 million.

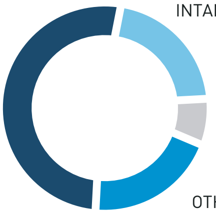
In addition, the annual proceeds from the holdings led to an increase in interests accounted for using the equity method. On the other hand, the impairment loss revealed for Energie Klagenfurt GmbH within the framework of the impairment test in the amount of € 50.0 million had an adverse effect on interests accounted for using the equity method. The € 149.0 million increase in other interests to € 188.7 million as on 30 December 2008 is largely due to the acquisition of a 5 % stake in the provincial supplier Energie AG Oberösterreich. Current assets decreased slightly by 4.8 % to € 967.4 million. Higher trade accounts receivable from electricity trading and other receivables were offset by a decrease in cash and cash items.

CONSOLIDATED BALANCE SHEET (SHORT VERSION) — MILLION €

	2007	SHARE	2008	SHARE
TOTAL ASSETS	7,339.8	100 %	8,293.8	100 %
NON-CURRENT ASSETS	6,323.3	86 %	7,326.4	88 %
CURRENT ASSETS	1,016.5	14 %	967.4	12 %
TOTAL EQUITY AND LIABILITIES	7,339.8	100 %	8,293.8	100 %
SHAREHOLDERS' EQUITY	2,674.6	37 %	3,128.1	38 %
LONG-TERM LIABILITIES	3,680.0	50 %	3,815.7	46 %
SHORT-TERM LIABILITIES	985.2	13 %	1,350.1	16 %

»THE GAIN OF ANOTHER IS ALMOST PERCEIVED AS A PERSONAL LOSS.«

ASSETS 2008



LIABILITIES 2008 %

Shareholders' equity increased essentially due to the retention of earnings. The shareholders' equity increased by € 453.5 million to € 3,128.1 million. The capital-to-assets ratio adjusted for closed items on the assets and liabilities side therefore amounts to 41.3 % after 39.6 % on the balance sheet date the previous year.

Rise in financial obligations. The long and short-term financial obligations increased by € 212.1 million to € 2,194.1 million. Borrowings in the amount of € 402.0 million and repayments in the amount of € 341.0 million were made in 2008. Verbund took out favorable loans from the European Investment Bank (EIB) and Oesterreichische Kontrollbank AG (OeKB) to finance the investment program for power plants and grids in Austria and foreign joint ventures. At the end of fiscal 2008, Verbund also carried out a private placement in the form of a promissory note loan. As in the previous year, the capital and profit/loss shares attributable to the limited partners of VERBUND-Austrian Thermal Power GmbH & Co KG (ATP) in the amount of € 138.7 million (previous year: € 125.7 million) were recognized under long-term financial obligations. Financial obligations – cross border leasing rose by

20.5 % to € 728.6 million, long-and short-term trade accounts payable and other liabilities remained more or less unchanged from the previous year. The long and short-term provisions increased – essentially due to the higher provisions for taxes – by 18.0 % to € 1,229.0 million. In total, the long and short-term financial obligations increased by € 500.6 million to € 5,165.8 million.

INTEREST-BEARING NET DEBT (SHORT VERSION) MILLION €

	2006	2007	2008
SHORT-TERM AND LONG-TERM FINANCIAL OBLIGATIONS	1,239.9	1,856.3	2,055.3
FINANCIAL OBLIGATIONS FROM CROSS BORDER LEASING	647.9	604.6	728.6
CAPITAL SHARES REPAYABLE ON DEMAND	107.6	125.7	138.7
OTHER INTEREST-BEARING DEBT	733.2	702.4	675.2
CLOSED ITEMS	–645.9	-581.5	–706.4
INTEREST-BEARING GROSS DEBT	**2,082.7**	**2,707.4**	**2,891.4**
CASH AND CASH ITEMS	–85.7	–328.9	–106.3
SECURITIES AND LOANS	–259.3	–252.1	–269.1
SHORT-TERM DEPOSITS	0.0	–245.8	0.0
OTHER	–8.4	–8.4	–8.0
INTEREST-BEARING NET DEBT	**1,729.4**	**1,872.2**	**2,508.0**

WILHELM BUSCH (1832 – 1908), GERMAN WRITER AND ARTIST

FINANCIAL POSITION

Rise in net debt. Net debt rose by € 635.8 million to € 2,508.0 million, due primarily to the increase in long and short-term financial obligations and the decrease in financial assets.

Operating cash flow increased. The operating cash flow displayed a year-on-year increase of € 126.5 million to € 934.2 million. This essentially resulted from the positive business development in the electricity business, significantly reduced income tax payments and higher inflows from participating interests. The operating cash flow was, however, adversely affected by higher sales tax payments and the change in aperiodic payments from electricity derivatives which balance out in later periods.

CASH FLOW STATEMENT (SHORT VERSION) MILLION €

	2006	2007	2008
OPERATING CASH FLOW	753.9	807.6	934.2
CASH FLOW FROM INVESTING ACTIVITIES	–514.0	–646.6	–1,121.7
CASH FLOW FROM FINANCING ACTIVITIES	–181.5	81.1	–34.8
CHANGES TO CASH AND CASH ITEMS	58.3	242.2	–222.3
CASH AND CASH ITEMS AS OF 31. 12.	88.0	330.1	107.8

The cash flow from investing activities changed by € –475.1 million to € –1,121.7 million. This resulted, above all, from the clear increase in long-term investments, such as, in particular, the capital increases in the Sorgenia Group and the acquisition of a 5 % stake in Energie AG Oberösterreich. Moreover, investments in property, plant and equipment rose significantly. In fiscal 2008, Verbund invested, particularly, in the expansion of Austrian hydropower (Limberg II), the construction of the 832 MW gas combined cycle power plant Mellach and the expansion of the Austrian high-voltage grid (380 kV Styria line). The cash flow from financing activities changed by € –115.9 million to € –34.8. The decrease in loans, bonds and long-term credit is essentially attributable to the issue, in 2007, of a fixed-interest bond with a nominal value of € 500 million. In addition, bond and loan repayments were increased. Short-term borrowings did, however, increase significantly. Dividend distribution rose by € 115.0 million compared to the previous year.

RATIOS

The ratios underpin the excellent earnings trend and the solid balance sheet structure. In computing ratios, Verbund eliminates the effects from closed items on the assets and liabilities side.

The essential calculation modalities used in the determination of the important ratios are explained in the glossary.

IMPORTANT CONTROL-SPECIFIC RATIOS

	UNIT	2006	2007	2008
EBIT MARGIN	%	28.0	30.2	30.4
GEARING	%	75.4	70.0	80.2
ECONOMIC VALUE ADDED	MILLION €	374.2	439.5	440.8

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 30.2 % to 30.4 %. This improvement resulted largely from the higher contributions from the electricity business. Hence, Verbund is still one of the top utility stocks in Europe.

Gearing still clearly under 150 %. Gearing rose from 70.0 % to 80.2 % in spite of the parallel increase in shareholders' equity. This is attributable to the increase in net debt through the financing of the growth

»MONEY IS THERE TO BE SPENT: FLOWING WATERS REMAIN FRESH.«

program. Net gearing, however, still lies well below the 150 % mark.

STOCK-SPECIFIC FIGURES

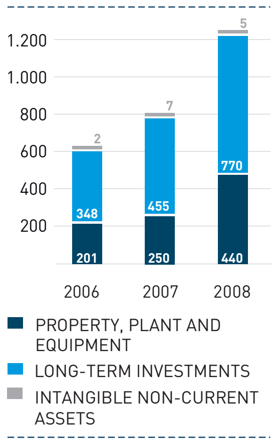
	UNIT	2006	2007	2008
PROPOSED DIVIDEND/SHARE*	€	0.75	0.90	1.05
PAY-OUT RATIO	%	46.13	47.89	47.13
DIVIDEND YIELD	%	1.86	1.88	3.22

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

For further details, see »Value-based management« from page 84

EVA continues upward trend. Despite the clear increase in the WACC from 7.0 % to 8.25 % as a result of the changed conditions on the debt-capital and equity markets, the EVA was improved by € 1.3 million to € 440.8 million and reflects the value increase that was achieved for the stakeholders. This ratio shows the over-performance that is generated after deduction of all cost items, including the risk-adjusted equity and borrowed capital costs.

INVESTMENTS MILLION €



DIVIDEND AND DISTRIBUTION POLICY

Proposed dividend: € 1.05 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 € 621.5 million. After changes to provisions, the net profit for the year comes to € 323.6 million.

A distribution in the amount of € 1.05 per share will therefore be proposed to the General Meeting. This corresponds to an increase of 16.7 % compared to the previous year. In spite of the high investment requirements and the poorer conditions, Verbund plans to adhere to its distribution policy.

INVESTMENTS

INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT	MILLION €
380 KV KAINACHTAL-SOUTH BURGENLAND LINE	90.3
POWER PLANT KAPRUN LIMBERG II	78.3
GAS AND STEAM TURBINE COMBINATION POWER PLANT MELLACH	64.5
POWER PLANT HIEFLAU – EXPANSION	31.5
SOLAR POWER PLANTS MERCADILLO/MACAEL	21.0
SUBSTATION VIENNA-SOUTHEAST	13.8
POWER PLANT WERFEN/PFARRWERFEN	13.0
AUTOMATION OF HYDROPOWER PLANTS	12.5
POWER PLANT ASCHACH – REPLACEMENT OF MASTER MACHINES	9.9
380 KV DÜRNROHR-SLAVETICE LINE – 2ND SYSTEM	7.5
220 KV ERNSTHOFEN-BISAMBERG LINE (RENOVATION)	6.2
OTHERS WITH INDIVIDUAL AMOUNTS UNDER € 3 MILLION €	91.8
TOTAL	**440.3**

FRANÇOISE SAGAN (1935 – 2004), FRENCH WRITER

Clear increase in investments in property, plant and equipment and in long-term investments. The investment volume totaled € 1,215.2 million and was therefore 71.0 % up on the value reported in the previous year. Of this amount, € 445.4 million was invested in property, plant and equipment as well as in intangible assets, while long-term investments accounted for € 769.8 million. The largest investments in property, plant and equipment in 2008 included the expansion of the 380 kV line, the construction of the Limberg II power plant as well as the construction of the new 832 MW gas combined cycle power plant Mellach. The strong increase in long-term investments is attributable, above all, to the capital increases in the foreign joint ventures Sorgenia, Enerjisa and POWEO. Investment activity is also expected to continue at a high level in the coming years.

FINANCIAL STRATEGY AND FINANCING

Due to Verbund's proven, conservative financing strategy, the group was only burdened slightly, despite the turbulent times in fiscal 2008. The most important goals still focus on upholding the Single A rating long term, guaranteeing adequate liquidity reserves and providing need-oriented, centralized group financing for the subsidiaries. The maintenance of extensive financial flexibility and the optimization of the risk structure on the basis of predefined limits are also key elements of the financial strategy. The financial obligations (excluding the shares attributable to limited partners and financial obligations from cross border leasing) increased by € 199.1 million to € 2,055.3 million in 2008. 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.

FINANCIAL STRATEGY

Financial market crisis only had slight effect. Historically, Verbund has always adopted a very conservative financial strategy and, consequently, the group was only burdened to a slight extent in fiscal 2008, even in the turbulent and trying times brought on by the financial market crisis and the resulting real economy crisis. This conservative strategy also allowed the group to strengthen its financial position within the European utility industry.

Today, Verbund is one of the best positioned companies in Europe in terms of its capital structure and financial ratios. This strong position, which manifests itself in the company's good credit rating, will open up opportunities for the group in a difficult market environment.

Verbund's proven financial strategy is essentially founded on five pillars. From a strategic viewpoint, these pillars have remained unchanged for a number of years, but in operational terms, they have been continuously adapted in line with the respective current situation.

These five pillars focus on
1. Securing a strong credit rating: Upholding a strong Single A rating
2. Guaranteeing adequate liquidity reserves
3. Need-oriented, centralized group financing of the subsidiaries
4. Maintaining extensive financial flexibility
5. Optimizing the risk structure on the basis of predefined limits.

Securing a strong credit rating. The financing costs of a company and its access to financing instruments are determined on the basis of the company's 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. Due to the strong differentiation of the risk premiums in accordance with the rating category of the company as a result of the financial market crisis, Verbund now attaches even greater importance to ensuring its high credit rating in the

»IF YOU WOULD KNOW THE VALUE OF MONEY, GO TRY TO BORROW SOME. «

long term. The commitment to achieving a sustainable, stable and robust capital structure, the adherence to the ratios that are relevant for ratings and regular intensive communication and discussion with the rating agencies Standard & Poor's and Moody's on the strategic goals of the group are fundamental requirements to achieve this goal. At present, Verbund has an A/stable outlook rating from Standard & Poor's and an A1/stable outlook rating from Moody's. Hence, Verbund is one of the highest rated companies in the European utilities sector.

Guaranteeing adequate liquidity. Verbund has a high and stable inflow of funds from its day-to-day business activities. This is attributable to the environmentally friendly, cost-effective hydropower plants and also to the strong position that Verbund has established in the European electricity wholesale and distribution sectors. Central elements of the financial strategy include securing the stable inflow of funds, ensuring fast and safe access to liquidity at all times and maintaining adequate liquidity reserves.

Due to its high credit rating, the Verbund Group has uncommitted credit lines with financial institutions in the amount of € 719 million. In addition, Verbund concluded a syndicated loan in January 2005 with a number of international and national banks in the amount of € 750 million. This loan is available up to January 2013. The syndicated loan will provide the group with adequate liquidity reserves and extensive flexibility for future acquisitions. It was not used in fiscal 2008. Moreover, there are additional liquidity reserves in the securities and investment funds. To further increase its flexibility, Verbund plans to establish a European Medium Term Note Program in quarter 1/2009: This is an emissions platform from which capital market transactions can be executed very quickly in line with the actual market situation.

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 transferred to VIF, where economically viable. All medium and long-term financing for the Verbund Group is now 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). VIF and VFG finance the Verbund subsidiaries in a needs-based manner at market-oriented conditions. This ensures that the subsidiaries will generate a corresponding return on the funds provided by the holding.

Maintaining extensive financial flexibility. The maintenance of extensive financial flexibility is an important strategic priority in ensuring that the Verbund Group always has the required level of flexibility to engage in profitable investments and acquisitions. Here, it is essential that a solid capital structure be created and maintained and that the corresponding financial ratios and goals be achieved.

KEY FINANCIAL RATIOS

	UNIT	2006	2007	2008
NET INTEREST EXPENSES *	MILLION €	96.7	140.1	165.0
NET INTEREST INCOME	MILLION €	73.3	72.8	94.6
GROSS INTEREST COVERAGE*	X	7.7	8.1	9.6
GROSS DEBT COVERAGE	%	39.6	33.1	39.4
GEARING	%	75.4	70.0	80.2

* EXCLUDING CAPITAL SHARES REPAYABLE ON DEMAND

BENJAMIN FRANKLIN (1706 – 1790), AMERICAN POLITICIAN

Ratios relevant for ratings at high level Interest expenses increased from € 140.1 million to € 165.0 million. The reasons for this were increased borrowings and a higher interest rate up to mid-2008. The increase in the interest expenses is, however, offset by higher interest income in the amount of € 21.8 million from the additional investment of excess liquidity.

The ratios relevant for ratings were further improved in spite of the higher level of borrowing. Gross interest coverage was increased from 8.1 X to 9.6 X and gross debt coverage, which shows the adjusted operating result in relation to the interest-bearing gross debt, was improved from 33.1 % to 39.4 %.

Net gearing, which shows the interest-bearing net debt in relation to shareholders' equity, rose from 70.0 % to 80.2 % in 2008. Despite the effects of the financial market crisis, Verbund has clearly exceeded its long-term target of remaining under the 150 % mark.

Financing structure better that current market situation As on 31 December 2008, the Verbund Group had long and short-term financial obligations (excluding the shares attributable to limited partners and financial obligations from cross border leasing) in the amount of € 2055.3 million (previous year: € 1,856.3 million). The fair value of the financial obligations comes to € 2,003.2 million and shows that the Verbund Group is financed at a rate that is € 52.1 million more favorable than the current market conditions.

92.4 % of the financial obligations are in Euro and 7.6 % are in Japanese Yen. The average interest rate of the financial obligations is 4.3 %. The interest reaction rate shows that 58.3 % of the financial obligations have a fixed interest rate and 41.7 % are subject to a variable rate. The duration of the financial obligations portfolio is 2.7 years, the average remaining maturity is 4.8 years.

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. The development of the risk structure of the entire financial capital portfolio is monitored in accordance with strict criteria.

In fiscal 2008, the position limits regarding the currency spread of the long and short-term financial obligations portfolio (min. 95 % in EUR and max. 5 % in JPY) were observed without currency effects.

The position limit regarding the interest rate options for the long and short-term financial obligations portfolio (min. 55 % fixed interest rate, max. 45 % variable interest rate) was also observed.

With an actual value of 2.7 years as on 31 December 2008, the limit regarding the minimum duration of 2.2 years has also been observed.

The value-at-risk of the current portfolio (long-term financial instruments, money market transactions, interests in funds) comes to € 43.5 million.

In the case of a shock scenario, an increase in interest expenses in the amount of € 15.6 million p.a. can be expected over a time-horizon of 12 months.

Borrowings to finance the investment program. The financial obligations (excluding the shares attributable to limited partners and financial obligations from cross border leasing) increased by € 199.1 mil-

»IF WE WANT TO ACHIEVE SOMETHING, WE HAVE TO BE WILLING TO TAKE RISKS.«

lion to € 2,055.3 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 2008, VIF took out a 9-year loan with the European Investment Bank (EIB) to finance the storage power plant Limberg II. The loan in the amount of € 40 million has a variable interest rate on the basis of the 6-month Euribor plus a margin of 7.1 basis points.

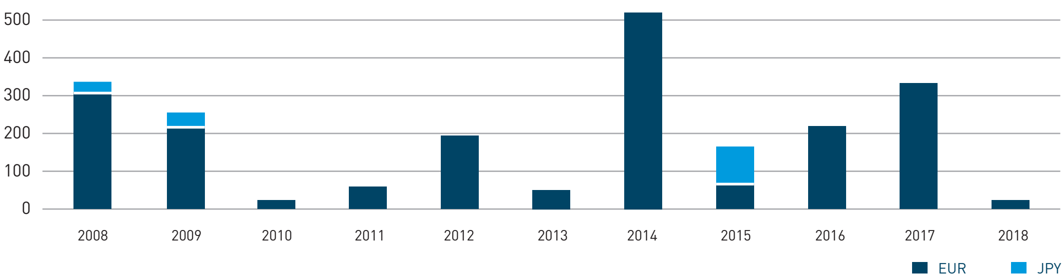
On 25 June 2008, VIF took out an 18-year loan with the European Investment Bank (EIB) to finance the construction of the 380 kV Styria line. The loan in the amount of € 90 million has a variable interest rate on the basis of the 6-month Euribor plus a margin of 9.2 basis points.

On 5 December 2008, Verbundgesellschaft took out an investment financing loan with the Oesterreichische Kontrollbank (OeKB) to refinance the capital increase in the Italian joint venture Sorgenia in the amount of € 200 million. The loan, which has a term of 11 months, has a variable interest rate on the basis of the floating interest rate of OeKB plus a margin of 76 basis points.

Finally, VIF secured a promissory note loan in the amount of € 250 million on 29 December 2008. The promissory note loan has a total of 7 variable and fixed interest tranches. The tranches have terms of 4.5 and 7 years. In the case of the fixed interest tranches, the pricing for the promissory note loan ranges between 170 basis points for the 4.5-year term and 200 basis points for the 7-year term.

REPAYMENTS

MILLION €



ERNST HAPPEL (1925 – 1992), AUSTRIAN SOCCER COACH

EVENTS AFTER THE BALANCE SHEET DATE

WIND FARMS BRUCK/ HOLLERN/PETRONELL

With effect from 1 January 2009, the Bruck/Hollern/Petronell wind farms were acquired to 100 % at a purchase price of € 86.0 million less the liabilities that were assumed up to 31 December 2008. Of this amount, € 36.7 million was paid in fiscal 2008 by way of a prepayment.

PROMISSORY NOTE LOAN

The remaining amount was paid on 7 January 2009 from a private placement (promissory note loan) in the amount of € 200.0 million.

CROSS BORDER LEASING

As a result of the changes in US tax laws, the current financial market crisis and the resulting increase in liquidity requirements, equity investors now display a growing willingness to terminate cross border leasing transactions prematurely.

The cross border leasing transaction Altenwörth (1 and 2), which was carried out in the year 2000, was terminated prematurely on 22 January 2009. In the course of the premature termination of the transaction, the Equity Payment Undertaking Agreement was wound up and the remaining difference to the termination value was paid back to the American investor. In addition, the A-loan and the A Payment Undertaking were terminated while the B-loan and the B Payment Undertaking still exist unchanged as closed balance sheet items to be terminated a later point in time.

»IF YOU DO NOT THINK ABOUT THE FUTURE, YOU CANNOT HAVE ONE.«

OUTLOOK AND GOALS

Fiscal 2008 was the best year in the history of Verbund. In spite of the extremely difficult conditions as a result of the crisis on the financial markets and the negative effects of this crisis on the global economy, Verbund recorded double-digit growth in the operating result and the group result. These adverse conditions will continue to prevail in fiscal 2009. The demand for electricity will stagnate as a result of the crisis in the real economy, while the wholesale prices for electricity have also fallen significantly due to the severe drop in prices for the primary energy sources oil, coal and gas and the decline in the prices for CO_2 certificates. The effects of the financial market crisis also make it more difficult to access favorable capital markets and hence, the realization of the Verbund growth projects will now also prove to be more difficult.

JOHN GALSWORTHY (1867 – 1933), ENGLISH NOVELIST/PLAYWRIGHT

At the same time, we are convinced that the current economic crisis will open up new opportunities for healthy companies like Verbund. Investment projects that were realized by many European suppliers in the past and assets that were acquired in the belief that favorable capital would be available over the long term are no longer profitable and will, in many cases, now be put on the market again. Moreover, companies with a weak capital structure and low credit rating are coming under increased pressure. Verbund takes an optimistic view of the future and is convinced that it will not only strengthen but also expand its good position in the European utility sector.

Demand for electricity in Europe stagnates at a high level. The global economic crisis will also lead to a decline in the demand for electricity. Although the European Commission forecasts that the long-term average growth in electricity consumption in Europe will lie at approx. 1.6 % p.a. (EU-27, up to 2020), it is likely that electricity consumption in 2009 will decline or, at best, stagnate.

All regions, however, will not be affected to the same extent. Whereas the economic performance is likely to decline in the Euro Zone in 2009, an improvement is expected in the East and South East European countries with a direct correlation to the growth in electricity consumption.

Due to the good position it has established in the European wholesale markets and the strong national and international diversification of the marketing channels (approx. 57 % of total electricity sales are generated abroad), the reduction in the demand for electricity in Europe is only expected to have a slightly negative impact on Verbund.

In the event that the European economy recovers in the course of 2009, Verbund expects that the growth in electricity consumption will return to the average, long-term level.

Lower European wholesale price, higher sales price. Following the clear increase in the European wholesale prices for electricity in the past years – primarily on account of the strong rise in the prices for primary energy sources and CO_2 certificates – and the marked decline in reserve capacities in the electricity generation area, there was a significant drop in the wholesale prices in the second half of 2008, above all, due to the economic downswing triggered by the financial market crisis.

Thanks to its successful hedging strategy for the sale of own generation volumes – just under 70 % of the marketable generation volumes was sold on the basis of year-ahead forward prices – the Verbund Group has already secured a strong footing for fiscal 2009. The average sales prices achieved are higher than those recorded in 2008. A pricing-in risk does, however, exist for the remaining 30 % of own generation in that Verbund's average sales prices could be negatively affected if the wholesale prices for electricity remain at the current low level.

When the economy does eventually recover, the growing demand for energy should also lead to a further increase in the prices for primary energy sources. In its World Energy Outlook 2008 of November 2008, the International Energy Agency (IEA) estimates that the price of oil will rise to USD 100/barrel again by 2015. According to the IEA forecast, the price per barrel will even exceed the USD 200/barrel mark by 2030. Increasing primary energy prices and a growth in the demand for electricity should lead to an increase in the wholesale prices for electricity.

Financial market crisis hinders access to capital. The financial market crisis has triggered a serious loss of confidence on the international capital markets. The consequences of the financial market crisis

»TURN YOUR FACE TOWARDS THE SUN AND YOU WILL LEAVE THE SHADOWS BEHIND YOU.«

cannot yet be estimated, but it is already clear that the entire system will undergo a long-term change.

In addition to pushing up financing costs, this crisis has also made it much more difficult to access capital. Banks have become more restrictive about granting loans and investors have become more cautious about providing capital. The rating, and hence the credit-worthiness of companies, which is fundamental in gaining access to capital, represents a central competitive advantage.

The Verbund Group is very well positioned with regard to its capital structure and credit rating and is also one of the highest rated companies within the defensive utilities sector. Thus we are confident that Verbund can achieve its target of implementing the value-generating investment program in spite of the financial market crisis.

Profitable growth through investments and acquisitions in Europe. In fiscal 2007, Verbund approved an ambitious investment program that focuses on expanding generation capacities and electricity grids in Austria and abroad. In Austria, priority will be given to the expansion of hydropower generation and the high voltage grid. Abroad, Verbund will focus on expanding the existing joint ventures in Italy, France and Turkey.

The investment program, which was a focal point in 2008 (approx. € 1 billion has already been invested) is being implemented strictly in accordance with value-creating criteria. Within the Verbund Group, each potential investment or acquisition project is analyzed with regard to its value contribution.

A WACC of 8.25 % 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. Prior to implementation, each investment project is therefore examined with regard to the effects it could have on the rating and is then only realized if favorable financing terms can be secured in the currently difficult capital market environment.

Result for 2009 should, at the very least, remain unchanged. Despite the extremely difficult environment, Verbund achieved the ambitious goals defined for sales, operating result, earnings per share, gearing and economic value added in fiscal 2008.

Taking account of the very unfavorable conditions and on the basis of an average water supply, Verbund aims, at the very least, to repeat the results achieved in fiscal 2008. Verbund also intends to adhere to its current dividend policy.

SAYING FROM AFRICA

BUSINESS DIVISIONS

BUSINESS DIVISIONS

The result in the business segment »Electricity« improved in 2008, in particular, due to the increased wholesale prices in the European market and the improved water supply in Austria. All of the ratios in the »Grid« segment also displayed a clear improvement, above all, as a result of the higher revenue from the auctioning off of transport capacities and the strong increase in investment in the modernization of the high-voltage grid in Austria. The »Participating interests« segment was marked by the largest investments in company history. The first acquisitions, which include a large wind farm in Austria, were made in the new »Renewable energies« area.

»THE WAY I SEE IT, ENERGY IS MAN'S FIRST AND ONLY VIRTUE.«

ELECTRICITY

The result in fiscal 2008 was marked by a clear recovery of the European spot market prices for electricity and the improved water supply from Austrian rivers. External sales in the Electricity segment increased by 24.9 % to € 3,426.4 million. In Austria, sales revenue was improved by 32.5 % and an increase of 20.7 % was achieved abroad. Verbund managed to significantly extend its customer base in the Austrian end customer market. The sales volume in this area rose by approx. 82 %. Verbund will extend its own generation in a sustainable manner through the realization of power plant projects in Austria and abroad.

1999 – 2008

Rise to role of European player. The liberalization of the electricity market, which commenced in February 1999, brought about fundamental changes in the legal and economic framework of the energy industry: As of this time, the European Union obliged its member states to gradually deregulate their respective electricity markets. Since then, far-reaching changes have been made in Austria and the European electricity industry. Further changes will take place in the coming years.

Verbund saw deregulation as an opportunity, analyzed the new framework conditions carefully and adapted its corporate actions to the new challenges in a consistent manner.

Verbund's answer to the liberalization-induced decline in market potential at a national level took the form of an active internationalization and diversification strategy.

To ensure the optimal marketing of own generation, Verbund was one of the first European energy utilities to set up an international trading company. As the liberalization process progressed, Verbund launched an active marketing campaign.

Prior to the deregulation of the electricity market, the company only had 12 customers in Austria.

Today, Verbund is a pan-European player. The company already serves 180,000 customers in Austria alone. Approx. 61 % of the group's sales are generated outside of Austria.

SUSTAINABILITY

Focus on sustainable operations: 88 % of electricity generated from hydropower. Today, Verbund already generates most of its electricity from the renewable energy source hydropower. In 2008, 88 % of group generation came from such plants.

For many years, Verbund has also focused on enhancing the efficiency of its hydropower plants. This ensures that additional valuable environmentally friendly energy can be generated at a large number of power plants.

In all phases of a project – from the planning phase through to the completion of the construction work – Verbund cooperates closely with surveyors, ecological experts, anglers and skilled forestry workers etc. to implement measures that ensure that the respective power plant projects are processed in the most environmentally-compatible manner possible. These measures include the construction of fish ladders, reforestation, renaturalization and waterfront development.

In the thermal generation area, old coal-fired power plants are being replaced with new gas power plants which not only display a much higher level of efficiency but also reduce CO_2 emissions per kWh of electricity generated by a factor of 2.5.

WILHELM VON HUMBOLDT (1767 – 1835), GERMAN PHILOSOPHER AND LINGUIST

In the future, Verbund's actions will continue to be guided by the principle of sustainability. Here, the group takes the experience it has gathered in the past and combines it with a prospective analysis of the future to shape its current approach.

Resource friendly and sustainable generation within Verbund. Verbund generates most of its electricity at 67 run-of-river plants and 21 storage power plants. Added to this are the procurement rights for the hydropower plants of Ennskraftwerke AG, Österreichisch-Bayerische Kraftwerke AG, 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 6,566 MW and a standard capacity (SC) of 24,752 GWh from hydropower generation.

Generation is supplemented with output from three thermal power plants with a bottleneck capacity of 815 MW. Five 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.

Leading position in European electricity trade. Verbund conducts wholesale transactions in Europe by way of trading transactions on electricity exchanges and bilaterally with over 150 partners. The group is represented at the electricity and certificate exchanges in Vienna, Leipzig, Paris, Amsterdam, Rome and Laibach. In addition, Verbund supplies industrial companies and resellers in Europe. Subsidiaries in Germany, Italy, Croatia, Macedonia, Romania, Serbia, Slovenia, Slovakia, Hungary, the Czech Republic and Hungary help to secure Verbund's market position. Verbund has entered into joint ventures in Italy, France, Greece and Turkey. Through its trading activities, it optimizes power plant utilization to ensure that own generation can be marketed in the best possible manner. Verbund has a trading volume of 93 TWh – this is approx. one-third over and above the amount of electricity that is physically consumed in Austria. Hence, Verbund is one of the leading electricity traders in Europe.

In mid-2005, Verbund commenced direct distribution to Austrian end customers: In so doing, the company aims to strengthen its market position in Austria long term and enhance vertical integration. To date, approx. 180,000 customers have been acquired. Today, Verbund is the No. 1 supplier for industrial and commercial customers and is therefore by far the most successful »alternative« supplier in Austria. Convincing arguments for switching to Verbund include the attractive price and the »cleanness« of the electricity that is generated from renewable hydropower.

ECONOMIC DEVELOPMENT

Result at record level. External sales in the Electricity segment, which comprises electricity production, electricity trade and electricity distribution, rose by 24.9 % to € 3,426.4 million. This area generated approx. 92 % of the group's consolidated sales.

The result in 2008 was essentially influenced by a recovery of the spot market prices and an improvement in the water supply.

In 2008, the base spot prices for electricity rose by an average of 73 %. This was due, above all, to the cost increases for CO_2 certificates and primary energy sources.

The developments on the forward market did not have any notable effects on the result. In line with its marketing strategy, Verbund sells most of its production in advance and the front year prices essentially displayed a lateral movement in the trading years 2006 and 2007.

»IF THERE IS SUCH A THING AS FAITH THAT MOVES MOUNTAINS, THAT WOULD BE FAITH IN ONE'S OWN STRENGTH.«

The EBIT rose by 24.0 % to € 1,097.2 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 % of the group EBIT.

Return on capital employed (ROCE), the yield on interest-bearing capital, was increased to 22.1 %. Capital employed rose by 10.9 % to € 3,526.6 million. As a result, profitability within the Electricity segment was improved once again.

RATIOS ELECTRICITY SEGMENT

	UNIT	2006	2007	2008	CHANGE
EXTERNAL SALES	MILLION €	2,595.4	2,743.1	3,426.4	24.9 %
EBITDA	MILLION €	885.5	1,008.3	1,219.7	21.0 %
EBIT	MILLION €	762.9	884.6	1,097.2	24.0 %
CAPITAL EMPLOYED	MILLION €	3,123.6	3,181.1	3,526.6	10.9 %
ROCE	%	18.9	22.0	22.1	0.0 %
INVESTMENTS	MILLION €	120.4	169.1	253.3	49.8 %

For further details see »Expansion of generation«

Expansion of Austrian power plants in full swing. The power plant program adopted by Verbund in the last few years is progressing swiftly. The most important projects in the renewable hydropower area in 2008 included the further construction of the pumped storage power plant Limberg II, the continuation of the master machine replacement measures at the Danube power plant Aschach and the construction of the new run-of-river power plant Werfen/Pfarrwerfen. Also worthy of mention here are the expansion of the Hieflau power plant and the automation and centralized control of the power plant and weir facilities on the Danube. The turning of the first sod for the 832 MW gas power plant Mellach near Graz took place in 2008. Commissioning is planned for 2011.

GENERATION

In 2008, Verbund generated a total of 28,660 GWh. This corresponds to an increase of 353 GWh or 1.2 % compared to the previous year. The non-netted share of external-electricity trade plus other electricity procurement agreements were reduced by 1,334 GWh or 4.6 % to 27,397 GWh. Group generation therefore amounted to 56,057 GWh in 2008 compared to 57,038 GWh the previous year (–981 GWh or –1.7 %).

In the year under review, own generation accounted for 51.1 % of group generation. External procurement accounted for a share of 48.9 %.

Electricity production from the run-of-river plants rose by 5 % compared to the previous year. The hydro coefficient of these power plants came to 1.01 in 2008 and therefore clearly exceeded the value of 0.97 reported in the previous year. Generation at the storage power plants remained unchanged from the previous year.

RATIOS POWER PLANTS

	QUANTITY	BC MW	SC GWh	2005 GWh	2006 GWh	2007 GWh	2008 GWh
HYDROPOWER	88	5,976	21,722	21,816	20,836	21,406	22,221
THERMAL POWER	8	1,520		4,223	4,233	3,986	3,352
PROCUREMENT RIGHTS HYDROPOWER	20	590	3,030	2,972	3,017	2,915	3,087
TOTAL	**116**	**8,086**	**24,752**	**29,011**	**28,086**	**28,307**	**28,660**

MARIE VON EBNER-ESCHENBACH (1830 – 1916), AUSTRIAN WRITER

In the thermal power plants, generation was 15.9 % down on the value reported in 2007. This resulted, above all, from the replacement of the process control technology in Dürnrohr power plant from April to June 2008. In 2008, the reliability of thermal power plant utilization reached a record level of 98.4 %.

PROCUREMENT GWh

	2007	2008	CHANGE
HYDROPOWER	24,321	25,308	+4.1 %
THERMAL POWER	3,986	3,352	–15.9 %
OWN GENERATION	**28,307**	**28,660**	**+1.2 %**
ELECTRICITY PURCHASED FROM THIRD PARTIES	28,731	27,397	–4.6 %
GROUP PROCUREMENT	**57,038**	**56,057**	**–1.7 %**
FORWARD CONTRACTS	45,153	36,468	–19.2 %

SALES

Significant increase in electricity sales to end customers. In 2008, the total sales of the Verbund Group (after netting for external-electricity trade) came to 56,057 GWh. This corresponds to a decline of 1.7 % compared to 2007.

The sales volumes in the end customer business rose by 4,529 GWh or 103.1 % to 8,921 GWh and therefore already accounts for 16 % of total sales (excluding own consumption). This development was driven by the ongoing successes on the Austrian market and internationalization. The result was boosted, above all, by the reacquisition of Austrian Power Vertriebs GmbH (APC) from the Slovenian energy group Istrabenz.

Sales to traders, on the other hand, sank by 5,143 GWh or 19.8 % to 20,816 GWh in 2008. This decline was due to the increase in direct marketing of own generation through wholesale and end customer channels and the focus on marketing high-quality products.

A total of 24,480 GWh of electricity was sold to resellers in the year under review. This corresponds to a drop of 319 GWh or 1.3 % compared to the previous year. The decline is attributable to the reacquisition of APC, the sales volumes of which are now supplied directly to end customers.

SALES ACCORDING TO CUSTOMER SEGMENTS — GWH

	2007	2008	CHANGE
END CUSTOMERS	4,392	8,921	+103.1 %
RESELLERS	24,799	24,480	–1.3 %
TRADERS	25,959	20,816	–19.8 %
OWN CONSUMPTION	1,888	1,840	–2.5 %
GROUP SALES	**57,038**	**56,057**	**–1.7 %**
FORWARD CONTRACTS	45,153	36,468	–19.2 %

Positioning in end customer market significantly improved. Verbund has been supplying electricity to Austrian households and commercial customers since July 2005 and to industrial companies in Austria since the beginning of 2006. Through its participation in the end customer market, Verbund aims to boost competition and supply a part of its own generation directly to end customers. Moreover, the distribution activities should also help to establish a positive public perception of the group as a whole.

»NOW ARE THE GOOD OLD DAYS WHICH YOU WILL BE YEARNING FOR IN TEN YEARS' TIME.«

Verbund played a major role in sensitizing the public to the topic of electricity. Consumers were encouraged to see electricity as a valuable commodity and display a greater willingness to change suppliers. This was achieved with Verbund's strategy of offering simple and transparent electricity products that are uniform throughout Austria. Successful advertising campaigns and occasional direct marketing measures were used to communicate with the public.

The customer base in the Household, Commercial and Agricultural Customer segment increased from 130,000 (end 2007) to 180,000 (end 2008). In this area, Verbund focuses on achieving price leadership. Verbund also managed to strengthen its market position in the larger consumer segments. The customer base was increased to 200 business and industrial customers with a total sales volume of approx. 3.8 TWh in 2008. Verbund is now one of the top 5 end-customer suppliers in the Austrian market.

Through the energy partnership with the natural park region Almenland (Styria), Verbund is strengthening its image as an environmentally friendly company. The twelve municipalities in the region are aiming to secure sustainable energy generation and a favorably-priced energy supply with electricity

SALES ACCORDING TO COUNTRIES — GWh

	2007	2008
AUSTRIA	23,523	25,098
GERMANY	23,689	22,696
FRANCE	8,342	7,255
SLOVENIA	513	383
BULGARIA	424	283
ITALY	436	238
OTHER	111	104
TOTAL	**57,038**	**56,057**

from hydropower. Verbund is positioned as a quality and information leader in the Industrial Customer segment. Austrian Power Vertriebs GmbH (APC), which was repurchased from Istrabenz in August 2007, has now been fully integrated. Thanks to the utilization of synergies, Verbund was able to further strengthen its position in the Austrian electricity market.

With innovative procurement solutions and professional customer advisory services, Verbund profiles itself as a highly competent supplier of electricity to Austrian companies involved in the production of physical goods. The first successful steps in the development of the German industrial customer market were taken in 2008: Approx. 1 TWh of electricity was supplied to industrial customers in Germany in 2008.

Foreign business brings clear plus. The regional sales structure shows that 30,959 GWh of electricity (after netting for external-electricity trade) is sold abroad. This corresponds to 57 % of the total volume of electricity (excluding own consumption) that is marketed by Verbund. Germany and France accounted for the largest sales volumes. Sales to end customers abroad rose significantly (+161 %) due to the clear increase in the volumes purchased by a number of larger customers. There was, however, a decline in sales to foreign traders (–18.1 %) and resellers (–2.2 %).

Electricity sales in Austria increased by 6.7 % to 25,098 GWh in 2008. There was a decline in sales to Austrian traders (–37.1 %) and resellers (–0.8 %). The volume of electrical energy sold to Austrian end

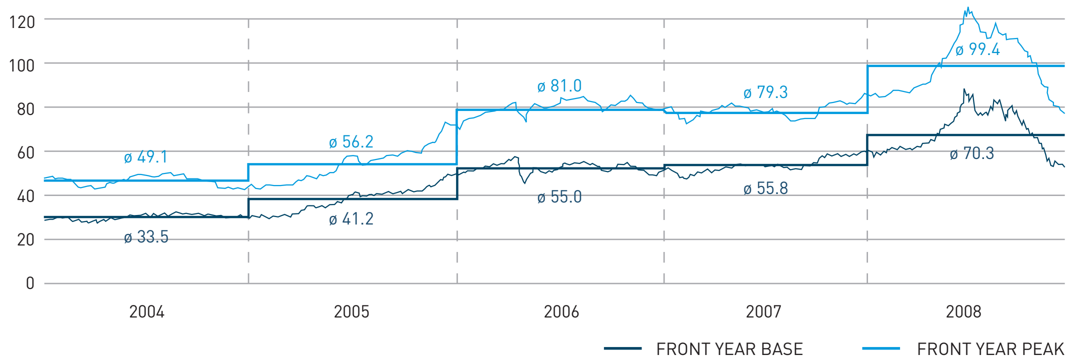
PETER USTINOV (1921 – 2004), ENGLISH WRITER AND ACTOR

customers did, however, increase by 81.7 %. The decline in business with resellers in Austria is attributable – as mentioned above – to the reacquisition of APC, the sales volumes of which are now posted in the end customer segment. Adjusted for this effect, business with Austrian provincial companies was actually expanded. In 2008, supplies to Austrian electricity utilities accounted for 69 % of domestic sales (excluding own consumption).

PRICES

Forward market prices in the first half of 2008 were driven by the sharp rise in the raw material prices. After the lateral movement of the forward market prices in 2006 and 2007, these once again displayed a clear upward trend in the first half of 2008. The average price for Front Year Base in 2008 came to € 70.3/MWh and was therefore 26 % up on the corresponding value in 2007. The average price for Front Year Peak in 2008 was € 99.4/MWh. This represents an improvement of 25 % compared to the corresponding value the previous year.

DEVELOPMENT OF ELECTRICITY PRICES ON FORWARD MARKET €/MWh

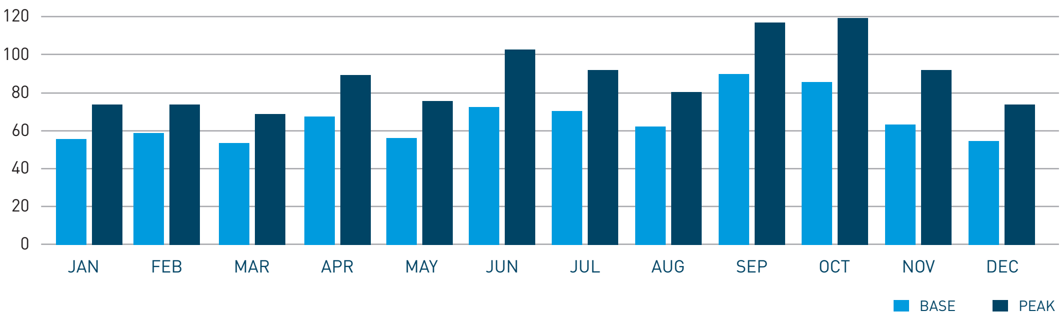


Source: European Energy Exchange

This development resulted from the rise in the raw material prices in the first half of 2008 which had an immediate effect on the electricity forward contracts on the European continent. The financial market crisis did, however, lead to a correction of the electricity forward prices.

Dynamic rise in spot market prices. In 2008, the average prices on the spot market displayed a dynamic

ELECTRICITY PRICES ON THE SPOT MARKET IN 2008 €/MWh



SOURCE: EUROPEAN ENERGY EXCHANGE

»IT'S NOT THE RIVER THAT FLOWS, IT'S THE WATER. IT'S NOT THE YEARS THAT GO, IT'S US.«

increase. This is attributable, above all, to the fact that the CO_2 price for the second trading period of the European Emissions Trading System was many times higher than the price for the first trading period which was relevant for 2007. The massive increase in the oil, gas and coal prices in the first half of 2008 also exerted additional upward pressure on the spot market prices.

Based on the EEX rates, the average prices for base and peak in 2008 were massively below the levels recorded in the previous year: The price for base-load energy lay at € 65.8/MWh and was therefore 73 % higher that the average value for 2007. The price for peak-load energy came to € 88.1/MWh. This corresponds to an increase of 57 % compared to the average value in 2007.

See »Economic development«

Positive effects of price development on recurrent income. Due to the adopted marketing strategy, the clear recovery of the spot market prices and the improved water supply had a positive impact on the earnings position in 2008. The developments on the forward market did not have any notable effects on the result as Verbund – in line with its marketing strategy – sells most of its production in advance and the prices for front year essentially displayed a lateral movement in the trading years 2006 and 2007.

EXPANSION OF GENERATION

Clean growth with renewable hydropower. Details relating to the most important projects in the renewable hydropower area in 2008 are provided in the following:

Due to a shortening of the construction time, the commissioning of the pumped storage power plant Limberg II can, from today's perspective, take place as early as 2011. This 480 MW power plant will increase the capacity of the Kaprun power plant group in the peak electricity sector to 833 MW.

At the Danube power plant Aschach, work on the replacement of the master machines – which commenced in 2006 – continued. The machine units are overhauled on an annual basis in months with low outflows. The work should be completed in 2010. This project will increase the capacity of the Danube power plant by 45 GWh.

The construction work for the new run-of-river power plant Werfen/Pfarrwerfen commenced in 2006 in cooperation with Salzburg AG. The new power plant with a capacity of 16 MW is being erected as the fifth element of the power plant chain along the middle section of the Salzach. From March 2009, the power plant, with a total capacity of 76.5 GWh, will supply 22,000 households with electrical energy.

Work on the expansion of Hieflau power plant, which commenced in 2007, should be more or less completed in autumn 2009. In addition to the construction of a second pressure tunnel, which will run parallel to the existing tunnel, a residual water turbine will also be installed. On completion of the project, the capacity of the location will increase by 108 GWh.

The decision to revitalize Pernegg power plant was taken in autumn 2008. Measures to be completed by 2013 include the replacement of all machine units and the replacement of the upstream channel of the diversion power plant, a landmarked building. Here, special attention will be dedicated to the preservation requirements.

The Environmental Impact Analysis (EIA) for the cross border project »Joint-venture power plant Inn« with a capacity of 88 MW is currently being carried out by the Austrian authorities. The project partners are TIWAG (Tiroler Wasserkraft AG) and Engadiner Kraftwerk AG. In tandem with this, the Swiss authorities are engaged in the preliminary work for the official approval. When the power plant is commissioned, from today's perspective in 2013, it will provide Verbund with a capacity of 208.5 GWh.

HERVÉ BAZIN (1911 – 1996), FRENCH WRITER

This corresponds to approx. half of the total generation of the group.

The environmental tribunal also dismissed all appeals against the positive decision in the first instance for the Gössendorf and Kalsdorf power plants to the south of Graz, which will be erected in cooperation with Energie Steiermark AG/STEWEAG-STEG GmbH (SSG).

The preliminary work for the new power plants is progressing according to schedule: The official approval procedure for the pumped storage project Reißeck II has already been initiated. The official documentation for the pumped storage power plant Limberg III and the run-of-river power plants Stübing, Gratkorn, Murfeld and Hinterberg (partner ESTAG/SSG) has been prepared for submission to the authorities. The also applies for the run-of-river power plant projects Bruck, Gries and Stegenwald (project partner Salzburg AG). The automation projects for the control centers of the Styrian hydropower plants and the power plants on the Danube will bring about major efficiency enhancements. In future, the Styrian power plants will be controlled remotely from the Pernegg location and the power plants on the Danube will be controlled from the central control station in Vienna-Freudenau. The automation projects are being implemented during ongoing operations and should be completed in 2009 and 2010 respectively.

Enhanced generation position on the basis of environmentally friendly natural gas. In 2002, Verbund generated approx. 3,969 GWh of electricity with a bottleneck capacity of 1,900 MW in its thermal power plants. In spite of the fact that unprofitable obsolete plants have been taken off-line or shut down, leaving just three power plants with a bottleneck capacity to 815 MW, generation at the thermal power plants was just a little lower at 3,352 GWh in 2008.

Following the commissioning of the gas and steam turbine combination power plant at Mellach in 2011, the bottleneck capacity of the thermal power plants of ATP will increase to 1,647 MW and a generation capacity of approx. 7,000 GWh can be expected.

Today, Verbund has a modern and efficient competence center for thermal generation. This development has increased the availability of the existing power plants and led to the creation of an ambitious renovation and expansion program. This is also reflected in that fact that the level of productivity per employee in the thermal area has risen from 9.5 GWh in 2002 to the current value of 14.5 GWh.

The decision to construct the gas and steam turbine combination power plant at Mellach-Werndorf was taken in May 2008 and Siemens AG Austria was appointed general contractor. Parallel to this, the agreement pertaining to the expansion of the required gas network capacity and an agreement with EconGas GmbH relating to the supply of natural gas were signed, with the result that the gas supply is now secured for a period of 15 years. The turning of the first sod for the construction of the gas power plant Mellach near Graz (832 MW) took place on 30 October 2008. Commissioning is planned for 2011.

Verbund has commenced with a preliminary project for the power plants Neudorf-Werndorf 1 and 2 and the EIA process for the modernization of the existing power plants is in preparation.

Moreover, investigations into the utilization of power plant locations that are currently off-line have been carried out: An appraisal procedure pertaining to the utilization of the steam-generating power plant St. Andrä, which was taken off-line in 2004, has been initiated.

The process control system at the steam-generating power plant Dürnrohr was replaced and all work was

»YOUR TASK IS NOT TO FORESEE THE FUTURE, BUT TO MAKE IT POSSIBLE.«

completed on schedule. The control technology is now state-of-the-art and operations at the power plant were clearly optimized within just a short period of time. Other infrastructure projects for the Dürnrohr power plant include the approval for landfill 3, the preparation and transport of power plant residues to fill a disused mine and the correct closure of landfill 2.

Voitsberg power plant was sold to A-TEC Beteiligungs GmbH in October 2008.

OUTLOOK

Expansion and reinforcement of strong market position.

- In 2009, Verbund will continue to broaden its generation base through the completion of the run-of-river plant Werfen/Pfarrwerfen, the expansion of Hieflau power plant and the continuation of the master machine replacement measures at the Danube power plant Aschach.
- In addition, Verbund will focus on the marketing of its procurement rights for the Pont- sur-Sambre power plant on the French market.
- Given that Verbund has already sold most of its electricity production for 2009 on the forward market, the result in 2009 will be positively influenced by the forward market prices realized in 2008.
- Verbund became actively involved in gas trading in 2008: The activities in this area will be successively expanded. Gas trading serves as an important instrument for the future hedging of Verbund's primary energy procurement activities.
- The group's distribution and trading subsidiaries will focus on expanding and securing Verbund's market position in Central, East and South East Europe.
- In the domestic market, the group aims to significantly increase electricity supplies to Austrian energy supply companies.
- Further efficiency increases in production and the retention of cost leadership are the long-term instruments that will safeguard Verbund's position as Europe's most profitable energy company.

GRID

The grid subsidiary of Verbund displayed positive economic and project-related development in 2008. In the Grid segment, sales at VERBUND-Austrian Power Grid AG (APG) rose by 7.9 % to € 307.9 million. The construction of the 380 kV Styria line is also proceeding according to schedule: Commissioning is planned for mid-2009. Based on the current situation regarding the appeal proceedings, the construction work for the Salzach neu-St. Peter section of the 380 kV Salzburg line is expected to commence in mid-2009. This section of the line should be completed by the end of 2010/beginning of 2011. Verbund is still convinced that the Tauern-Salzach neu section of the new 380 kV Salzburg line should be implemented as an overhead line.

Trailblazer in legal unbundling. Verbund committed itself to legal unbundling as early as 1999 through the founding of an independent grid subsidiary, today VERBUND-Austrian Power Grid AG (APG): Since then, the company has operated the largest transmission grid in Austria by far. 1999 – 2008

Acting as an independent grid company in accordance with the EU requirements, the Verbund grid subsidiary consequently implements measures that are designed to maintain grid security and further enhance efficiency. Although the regular overloading of the transmission grid can only be prevented – and long-term grid security only ensured – through the urgently required completion of the 380 kV

ANTOINE DE SAINT-EXUPÉRY (1900 – 1944) , FRENCH WRITER

ring, additional measures are already being implemented today to further optimize the efficient utilization of the current grid capacities – to the benefit of the Austrian market participants and grid customers. These include technical measures such as the integration of phase-shifting transformers, the addition of line systems and transformer replacement as well as the implementation of congestion management and loss optimization programs.

Leader in the area of electricity transport. Since 2005, cross border transport capacities have been allocated by way of bilateral auctions. The guidelines, published in 2006, call for a coordinated auction. For this purpose, APG and seven other grid operators founded the »Central Allocation Office« (CAO) in June 2003. Verbund plays a leading role in the further development of cross border electricity transports in the CEE, SEE and CSE regions.

In July 2007, Verbund commenced with the construction of a new electricity grid control center to ensure that it would be in a position to meet the growing grid operation requirements. This Austrian electricity control center should be completed in autumn 2009.

The Verbund Group operates a 3,300-km-long grid (route length) in Austria 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).

This transmission grid forms the backbone of Austria's electricity supply. It ensures that electricity can be transported in a safe, efficient and cost-effective manner in line with the statutory requirements.

In addition, the 380 kV and 220 kV lines are a part of the pan-European grid of the Union for the Coordination of Transmission of Electricity (UCTE) and therefore pave the way for Austria's participation in the European electricity market.

Expansion of 380 kV ring guarantees security of supply in Austria. With a view to enhancing security of supply, the Verbund Group is keen to further develop its transmission grid. Due to the increase in the load flows on the north-south lines, the completion of the 380 kV ring in Austria is vital to ensure grid security. The Styria line, which will be commissioned this year, represents an important step in this direction. The second milestone is the Salzburg line, which will not be completed before 2010 at the earliest.

In the course of the debate on the third energy package of the European Commission, which proposes the introduction of »ownership unbundling« as a means of separating the transmission grid operators from integrated electricity groups, Verbund, the Austrian Federal Government and the other countries and companies in the »like minded group« vehemently called for - and were ultimately successful in achieving – the introduction of a »third alternative«, namely that of an Independent Transmission Operator (ITO). The role of the ITO must correspond with the stricter unbundling regulations under »Effective and Efficient Unbundling«.

SUSTAINABILITY

Integrated management system in all areas. As a company that practices sustainability, the Verbund grid subsidiary is also committed to the active implementation of the Quality, Information Safety, Health and Environmental Management System in all areas. In 2008, the integrated management system was extended to cover the entire grid and all plants as well as the head office.

All three pillars of sustainability – the economic, the environmental and the social – are covered in a comprehensive and balanced manner. Certification in accordance with ISO 9001, ISO 14001, ISO 27001 and OHSAS 18001 ensures that the integrated management system is assessed on an annual basis by external auditors.

»WELL BEGUN IS HALF DONE.«

ECONOMIC DEVELOPMENT

In 2008, sales revenue in the Grid segment rose by 7.9 % to € 307.9 million. This increase is attributable, above all, to the growth in international income from auctions. Sales revenue from the Grid segment accounted for approx. 8.1 % of total sales.

RATIOS GRID SEGMENT

	UNIT	2006	2007	2008	CHANGE
EXTERNAL SALES	MILLION €	274.7	285.4	307.9	+7.9 %
EBITDA	MILLION €	117.9	115.8	141.7	+22.4 %
EBIT	MILLION €	68.2	62.2	88.0	+41.5 %
CAPITAL EMPLOYED	MILLION €	732.2	753.8	672.8	–10.7 %
ROCE	%	5.9	8.1	10.1	+24.7 %
INVESTMENTS	MILLION €	73.7	76.0	159.1	+109.3 %

This was offset by the rise in expenses for electricity purchases and system utilization (secondary control), the increase in payroll expenses as well as additional costs for damages caused by storm Emma from March 2008. The EBIT therefore improved by 41.5 % to € 88.0 million. The Grid segment generated approx. 7.7 % of the group EBIT. The return on capital employed (ROCE) increased to 10.1 % as a result of the improved result and the reduction in capital employed.

SECURITY OF SUPPLY

Extensive congestion management necessary. 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 piece of operating equipment does not lead to the overloading of other equipment, supply interruptions or even a blackout.

In the past years, it was not always possible to meet this criterion. In 2008, the Verbund grid subsidiary once again had to apply to the UCTE for special authorization to exceed the (n-1) safety limit.

Congestion on the weak north-south line connections in Austria once again reached an acute level in quarter 1/2008: In addition to the utilization of phase-shifting transformers, it was necessary to implement further extensive congestion measures. The congestion on the cross border Czech Republic-Austria lines was eliminated on 3 November 2008 through the commissioning of a second system on the Dürnrohr-Slavetice line.

The total amount of energy transported over the 220/380 kV grid (grid level 1) in 2008 came to 35,707.3 GWh. This corresponds to a drop of approx. 3.4 % compared to the previous year and is attributable to the reduction in the international exchange of electricity and lower sales to underlying distribution grids. As a result, grid losses were also lowered by 7.9 %.

In 2008, electricity exchanges with neighboring grid operators fluctuated between a maximum import of 2,800 MW and a maximum export of 2,332 MW.

INVESTMENTS

Investments at record level. Investments in intangible assets and property, plant and equipment came to approx. € 159.1 million in the year under review. This represents a new record, which was achieved, above all, through the construction of the Styria line (€ 90.4 million).

ARISTOTLE (384–322 B.C.), GREEK PHILOSOPHER

Other important expansion investments include the construction of a new electricity grid control center (€ 13.8 million), the addition of a second 380 kV system from Dürnrohr to Slavetice (national border, € 8.3 million) and the connection of Limberg II (€ 4.5 million). Also worthy of mention are the plant investments such as the renovation of the 220 kV Ernsthofen-Bisamberg line (now completed, € 6.2 million), the replacement of the transformer in Hessenberg (€ 4.5 million), the renovation of the 110 kV Ernsthofen-Hessenberg line (€ 2.9 million) and the conversion of the 110 kV facility in Vienna-Southeast (€ 1.7 million).

GRID EXPANSION

Modernization of Austrian high voltage grid still focuses on 380 kV ring. In addition to connecting the densely populated areas and the power plant locations in Austria, this ring will also provide an efficient connection to our European grid partners. This ring will also facilitate the further integration of renewable energies (in particular wind power) and the subsequent transportation of these renewable energies to the consumption centers.

Construction of 380 kV Styria line in full swing. Work is progressing according to schedule. At the end of December 2008, all of the foundation work for the 341 pylons had been completed and approx. 60 % of the pylons had been erected. All the necessary felling activities have now been completed and reforestation measures have already been initiated. The entire project will be carried out under the close supervision of ecology and forestry experts.

The construction work for the East Styria substation and the plant expansion activities at the substations Vienna-Southeast and Southern Burgenland are more or less completed. The total investment volume for the 380 kV Styria line (line, substations and preliminary project) comes to approx. € 181.3 million.

Current status of 380 kV Salzburg line. The constitutional court and the administrative court both decided that all appeals filed against the decision of the environmental tribunal relating to the »380 kV

Salzburg line Salzach neu – St. Peter« would not be granted a suspensive effect due to the compelling public interest in the Salzburg line. Hence, all filed applications for a suspensive effect were dismissed by the supreme courts. If construction work commences in mid-2009 as planned, commissioning could take place at the end of 2010/beginning of 2011.

The construction of the second project of the Salzburg line, namely »Tauern–Salzach neu«, which will close the planned 380 kV high-voltage ring, will have to be postponed due to an amendment to the Provincial Electricity Act (Landeselektrizitätsgesetz) adopted in December 2008. The amendment is questionable both from a procedural perspective as well as under constitutional law and provides for the (partial) laying of underground cable in sensitive areas. As a result, the project may be delayed for a number of years.

OUTLOOK

Further investment in the expansion of the Austrian high and extra-high voltage grid. Fiscal 2009 will be marked, above all, by the completion of the 380 kV Styria line – an important milestone in further enhancing security of supply.

In addition, further investments which focus on the expansion of the Austrian high and extra-high voltage grid are already planned. The total investment volume up to 2016 lies at € 1 billion. The European Network of Transmission System Operators (ENTSO) was founded in December 2008. The Verbund Group will play an active role in this new network.

»I AM PREPARED TO GO ANYWHERE, PROVIDED IT BE FORWARD.«

PARTICIPATING INTERESTS

The most important projects in 2008 included the successful tender for the acquisition of the distribution grid company Baskent EDAS, the tender for the Ashta power plant project in northern Albania and the acquisition of a 5 % interest in Energie AG Oberösterreich. In addition, further steps aimed at furthering Verbund's international growth were taken in the joint venture companies in Italy (Sorgenia Group), France (POWEO Group) and Turkey (Enerjisa Group). As the second-largest shareholder in STEWEAG-STEG GmbH (SSG), KELAG-Kärntner Elektrizitäts-Aktiengesellschaft (KELAG) and Energie Klagenfurt GmbH (EKG), Verbund will participate in the construction of new power plants and the modernization of existing facilities in Styria and Carinthia in the next years.

Restructuring of investment area. VERBUND-BeteiligungsgmbH (VBG) was founded in 1997 for the purpose of bundling the participating interests of Verbundgesellschaft and generation subsidiaries such as Donaukraft or Tauernkraft within the VERBUND Group. VBG was responsible for the management of all participating interests at a national and international level. To promote further international growth, VBG was renamed to create VERBUND-International GmbH (VI) in May 2008. This company controls all of the group's foreign interests. Domestic interests, on the other hand, were allocated to other controlling companies. The participating interests of Verbund that are not fully consolidated are grouped in the Participating Interests segment. Verbund has over 60 participating interests in Austria

1997 – 2008

DAVID LIVINGSTONE (1813 – 1873), BRITISH EXPLORER AND MISSIONARY

and abroad, 16 of which are included at equity. As a result of the strategy approved in November 2007 and the associated investment program, Verbund decided to implement fundamental reorganization measures in the Participating Interests segment.

Largest acquisition in company history. Within the framework of the privatization process in Turkey, Verbund and the Turkish partner Sabanci won the tender for the distribution grid company Baskent EDAS on 1 July 2008. In fiscal 2007, Baskent EDAS supplied approx. three million customers. This corresponds to a share of approx. 9 % in the Turkish end customer market.

Baflkent EDAfi is the largest acquisition in Verbund's history. Verbund and Sabanci each acquired 49 % of the shares. The remaining shares are held by the joint venture Enerjisa. The official approval process was completed in September 2008. The transaction will be closed on 28 January 2009.

In a further bidding process in 2008, Verbund prevailed against keen international competition to win the tender for the Ashta power plant project in northern Albania. Plans are in place to construct and operate a run-of-river power plant with an installed capacity of 48 MW.

The installation of a matrix turbine at the Ashta power plant is a further testament to Verbund's innovative stance on environmentally friendly technologies. In this concept, the small individual propeller turbines and generator units are arranged in the form of a matrix. Consequently, projects – which previously were not profitable using conventional solutions – can now be developed in a cost-effective manner. The commissioning of the power plant in Albania is due to take place in 2012.

Clear framework conditions for new acquisitions. New acquisitions, which are purchased and developed by Verbund, must meet the defined yield requirements and focus on clean generation. Significant market positions must be achieved in the target regions over the long term.

SUSTAINABILITY

Economic sustainability, responsibility and high-yielding growth are still the most important values and targets of the Verbund Group.

Prerequisites for sustainable growth abroad now met. Through the establishment of VI, Verbund has met all of the structural prerequisites for further sustainable growth at an international level. In fiscal 2009, above-average profitability, through investments and acquisitions in Austria and abroad, and a good standing on the capital market will once again be vital components that pave the way for the creation of sustainable industrial value.

When constructing and commissioning its power plants in cooperation with its partners, VI attaches great importance to the utilization of state-of-the-art technologies to ensure that electricity and heat is generated in an efficient and environmentally friendly manner in perfect harmony with the corporate principles of sustainability and responsibility. In Italy, where Verbund and its partner Companie Industriali Riunite S.p.A. (CIR) have set up the fifth-largest energy utility, the share of renewable energies will also be expanded continuously under the banner »L'energia sensibile«. Here, the French wind farm operator Societe Francaise d'Eoliennes (SFE), which was acquired at the end of 2007, will play an instrumental role. Sorgenia and its subsidiaries are also well positioned: Energia Plassier S.r.l. generates hydropower, Soluxia supplies solar power and Energia Minervino S.p.A. provides wind power. Moreover, state-of-the-art thermal power plants are setting new standards.

»IF YOU ARE EXPECTING WINDS OF CHANGE, YOU HAD BETTER NOT HAVE A COLD WHEN THEY ARRIVE.«

In France, POWEO S.A. is actively competing in the end customer market and aims to accelerate its activities in this area through the implementation of its »green« strategy. POWEO already operates wind, hydro and solar power plants with a capacity of 71.5 MW and further renewable energy projects are currently in the planning phase.

Verbund's involvement in the Turkish market is growing at a swift pace. The first phase of the investment program provides for the construction of nine hydropower plants and a gas power plant with a total capacity of approx. 1,900 MW. Enerjisa wants to create new generation capacities totaling 5,000 MW by 2015, whereby hydropower will account for a substantial share. The prospective integrated energy utility will cover the entire value chain and aims to achieve a market share of 10 %.

Having won the tender for the construction and operation of a 48 MW run-of-river power plant (Ashta) in Albania, Verbund now has a further opportunity to reinforce its image as a leading producer of energy from hydropower in South East Europe. On completion of the plant, Verbund will make an important contribution to security of supply in Albania.

RESULT FROM PARTICIPATING INTERESTS

In fiscal 2008, the result from participating interests amounted to € 42.3 million (–23 %). The most significant contributions were accomplished by the Austrian companies STEWEAG-STEG GmbH (€ 24.8 million) and KELAG (€ 37.8 million) and the Italian Sorgenia Group (€ 30.0 million). The decline in the result from participating interests is primarily due to the lowering of the interest value of Energie Klagenfurt GmbH. In view of the growing significance of the result from participating interests, this result will be recognized on a quarterly basis from fiscal 2009. The necessary conditions for the recognition of the current, pro-rata result from participating interests spread over the full year were met in fiscal 2008.

FOREIGN INTERESTS

ENERJISA – Swift planning in Turkey. In May 2007, Verbund entered into a joint venture with the Turkish Sabanci Group. Both partners hold a 50 % 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 capacity 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 capacity of 85 MW. The company holds licenses for nine additional hydropower plants with a combined capacity of 910 MW, a license for a gas power plant with an installed capacity of 919 MW as well as a license for a brown coal-fired power plant with a capacity of 450 MW.

The construction decisions for the gas power plant Bandirma (919 MW) and the hydropower plants Hacininoglu (142 MW) and Kavsakbendi (180 MW) have already been issued so as to facilitate the implementation of Enerjisa's ambitious business plan. A further step towards the realization of the 5,000 MW generation portfolio was taken in mid-July 2008 with the construction decisions for the hydropower plants, Kandil (214 MW), Sarigüzel (103 MW), Menge (85 MW) and Köprü (145 MW).

All power plant projects are progressing swiftly. The majority of the power plants should be connected to the grid between 2010 and 2012. In June 2008, Enerjisa agreed a loan in the amount of € 1 billion with a bank syndicate led by IFC (a member of the Worldbank Group), West LB AG and Akbank T.A.S. These funds will be used to finance the power plant projects.

HELMUT QUALTINGER (1928 – 1986), AUSTRIAN ACTOR AND CABARET ARTIST

In quarters 1–3/2008, Enerjisa sold 2,067 GWh of electricity and approx. 819,000 tons of steam and generated a turnover of € 271.7 million. Profits after tax in quarters 1–3/2008 came to € 4.1 million. (previous year: € –6.9 million)

POWEO – Strong sales gains in France. The listed POWEO Group is the leading independent electricity and gas supply company in France following the former monopolies EdF and GDF SUEZ. Verbund has a shareholding of approx. 30 % in POWEO S.A. and also holds a 40 % interest in POWEO Production S.A.S.

As of 1 July 2007, the date on which the French electricity market was completely deregulated, all household customers in France are free to select an electricity and gas supplier of their choice. At first, only very few customers were willing to change. Liberalization in this segment did, however, gain momentum at the end of 2007 due to an amendment in the legislation which guaranteed that customers who were willing to change would have the right to return to a regulated tariff. In September 2008, POWEO passed the 200,000 customer mark. Thanks to the group-owned direct distribution company Arelys, customer acquisition was increased to up to 1,000 new customers per day in the second half of the year.

In quarters 1–3/2008, POWEO generated sales in the amount of € 367 million. This corresponds to an increase of 57 % compared to the corresponding period the previous year. The company is, however, likely to record a loss for the full year 2008 on account of the competitive pricing policy and the higher acquisition, marketing and project development costs associated with the expansion of the generation portfolio.

The trial operation phase for the gas-steam power point Pont-sur-Sambre, which has a capacity of 412 MW, will commence in France in quarter 1/2009. Full operations will commence in mid-2009. Further thermal power plants are currently in the planning and approval phase.

In the renewable energy area, the installed capacity increased from 17 MW at the end of 2007 to the present value of 71.5 MW. This includes the wind power plants Moulins de Boulay, Luc Fonds de Plaine and Rose de Vents, which were commissioned in 2007, the wind power plants Louville (24 MW), Les Renardières (12 MW) and Is-en-Bassigny (12 MW), which were added in 2008, the hydropower plants Pradeaux (3 MW) and Pradel (2 MW) as well as solar power plants (1.5 MW).

SORGENIA – Massive expansion in Italy. Sorgenia, a joint venture established with the Italian industry holding CIR (Group De Benedetti) in 1999, is now the fifth-largest energy group in Italy. The Sorgenia Group generates electricity and trades in electricity and natural gas. Sorgenia operates power plants and also has an indirect shareholding of 39 % (through the 78 % stake in Energia Italiana) in the generation company Tirreno Power S.p.A., which has an installed capacity of approx. 3,000 MW.

The power plant park was further expanded through a unilateral € 200 million capital increase in Sorgenia Holding S.p.A. by Verbund Italia in June 2008 and a simultaneous capital increase in Sorgenia S.p.A. In addition, Verbund acquired shares from Sorgenia employees within the framework of stock option programs. As a result, Verbund increased its direct and indirect stake in Sorgenia S.p.A. from 37.8 % to 42.7 % this year. A further capital increase by Verbund in the amount of € 150 million has been agreed for 2009. This will increase Verbund's stake to approx. 44 %. Consequently, Verbund can now strengthen its strategic position in the Italian market and participate to a greater extent in the results and value increases within the Sorgenia Group. In quarters 1–3/2008, the electricity revenue of the Sorgenia Group increased by 35 % from € 1,321.5 million to € 1,784.1 million compared to the previous period. The focus on the small-scale consumer segment led to a 10 % increase in total sales to 7.8 TWh.

»WATER IS THE BLOOD OF THE PLANET.«

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

DOMESTIC INTERESTS

STEWEAG-STEG GMBH – Sales gains and new power plants. 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 34.57 % interest in SSG. The remaining 65.43 % is owned by Energie Steiermark AG.

In quarters 1–3/2008, the volume of electricity sold dropped by 28.8 % to 5,793 GWh compared to the previous year. Sales, on the other hand, increased to € 451.37 million (+1.8 %) in the same period. Profits after tax for quarters 1–3/2008 dropped from € 47.2 million in 2007 to € 39.13 million in 2008 (–17.1 %).

SSG and Verbund plan to build two new run-of-river plants in Gössendorf and Kalsdorf. The environmental impact analysis (EIA) for these two power plants to the south of Graz is currently underway. A positive EIA decision in the first instance was issued at the beginning of 2008. A number of appeals were, however, filed against this decision and hence, the construction decision is not expected until 2009. With a total capacity of just over 34 MW, these power plants would generate enough electricity to meet the consumption requirements of 45,000 Styrian households. In addition, SSG and Verbund also plan to erect two new run-of-river plants to the north of Graz in Gratkorn and Stübing. If the EIA is positive, the construction work for the power plant in Gratkorn will commence in 2010 and the power plant in Stübing will follow in 2012. The planned construction period for each of the plants is two and a half years. With a total capacity of 20.9 MW, the new power plants will be able to supply 26,500 Styrian households.

KELAG – Expansion campaign underway. KELAG, the biggest energy utility in Carinthia, operates in the business segments Electricity, Natural Gas and Heat. The electricity and natural gas is distributed via the subsidiary KELAG Netz GmbH. The subsidiary KELAG Wärme GmbH is successful throughout Austria in the Heat segment. Verbund holds 35.12 % of the KELAG shares and is therefore the second-largest shareholder following Kärntner Energieholding Beteiligungs GmbH. As announced in 2007, KELAG has initiated an investment and expansion campaign with the German energy group RWE. The companies intend to invest a total of € 1 billion over the next few years. One key point is the optimization of existing power plants and the construction of new power plants in Carinthia with an estimated investment volume of € 400 to 600 million. A second focus, with an investment volume of approx. € 400 million, lies with KELAG Wärme GmbH in the area of biomass and biogas, particularly in the South European region. KELAG Wärme GmbH was founded on 1 July 2008. The merger between Österreichische Fernwärmegesellschaft m.b.H. and Wärmebetriebe Gesellschaft m.b.H. to form KELAG Wärme GmbH represents an important milestone in the activities of the KELAG Group. KELAG Wärme GmbH operates 77 district heating plants and over 1,000 energy centers. The company has approx. 210 employees and sells approx. 1,496 GWh of heat and 56 GWh of electrical energy per year.

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

LEONARDO DA VINCI (1452 – 1519), ITALIAN RENAISSANCE SCHOLAR

In quarters of 1–3/2008, electricity sales were slightly down on the budgeted amount at 299.2 GWh (–4.3 %). District heating sales rose to 218.6 GWh (+1.4 %). Gas sales increased to 80 GWh (+5.4 %). The total sales of EKG therefore improved to € 76.89 million. Net profit for quarters of 1–3/2008 sank from € 6.45 million the previous year to € 3.57 million (–44.7 %).

In 2008, the stake value of EKG was devaluated by € 50 million due to the delayed construction of the 400 MW gas-steam power plant in Klagenfurt and the declination of earnings in all segments. In addition to the decline in margins as a result of the increase in primary energy costs, the omission of the combined power/heat generation subsidy also had an adverse effect. As a countermeasure, management drew up a restructuring program which is designed to reduce payroll and other expenses in the future.

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

With this project, the public utility and Verbund are realizing a power plant that will secure the long-term supply of electricity and heat to the city of Klagenfurt and the province of Carinthia as a whole. 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 total investment volume for the project, which would provide an electrical capacity of 400 MW and a thermal capacity of 200 MW, lies between € 300–350 million. This would cover approx. 40 % of the electricity that will be consumed in Carinthia in 2015 or the electricity requirements of 240,000 households.

RENEWABLE ENERGIES

In a first step, Verbund aims to generate 400 MW of renewable energy with its wholly-owned subsidiary VERBUND-Austrian Renewable Power GmbH (ARP). Two Verbund-operated photovoltaic plants in Andalusia (Spain) have been feeding clean solar energy into the grid since autumn 2008. The energy produced here is sufficient to meet the annual consumption requirements of approx. 1,500 average households. The signing for three Austrian wind farms with a total capacity of 49 MW took place in November 2008. The acquisition took place with effect from 1 January 2009. Further wind farm projects are in the pipeline for Croatia, Romania and Bulgaria. The energy partnership with 12 Styrian municipalities was further intensified in September 2008 through the founding of Almenland Energie GmbH.

RENEWABLES AND RESEARCH

Hydropower and more. Renewable energy has a long tradition within the Verbund Group. Hydropower has formed the basis for Verbund's environmentally friendly generation mix since the company was founded. In view of the current developments (dwindling resources, increasing oil prices, climate change etc.), Verbund adopted a clean growth strategy in 2007, which focuses to an even greater extent on regenerative energy sources.

The utilization of renewable energies offers great potential for the economy and the environment. For this reason, Verbund aims to extend the share of renewable energies in its portfolio in a sustainable manner. In

»IF YOU WANT TO LIVE, YOU HAVE TO BECOME ACTIVE.«

2007, Verbund founded the wholly-owned subsidiary VERBUND-Austrian Renewable Power GmbH to ensure that it would be in a position to react flexibly to the special requirements of the very dynamic and highly internationally oriented renewables market.

This company groups the competencies of the Verbund Group in the »new« renewable energies segment, e.g. electricity generation using wind power and photovoltaics. Furthermore, ARP is dedicated to sustainability, environmental and climate protection as well as research.

In a first step, the company aims to generate 400 MW of electrical energy by building up new generation capacities: Here, the technological focus will lie on wind power and photovoltaics. Verbund's entry into the international renewables market proved to be successful within a very short period of time. The company aims to become a European player in this market segment.

Verbund supports climate protection. In spring 2008, Verbund entered into an energy partnership with the Styrian region Almenland. The long term aim is to transform these twelve municipalities into an exemplary model region which makes an important contribution to climate protection. This will also support the sustainable and environmentally friendly development of this Styrian region. The cooperation is based on two pillars: Firstly, the region consumes CO_2-neutral Verbund electricity from hydropower and secondly, local small-scale hydropower plants are being constructed, modernized and revitalized. To facilitate the implementation of the second cornerstone, Verbund and the Almenland region founded a joint company in November 2008: Almenland Energie GmbH.

PHOTOVOLTAICS

Two solar power plants acquired in Spain. The adequate availability of a primary energy source is one of the essential prerequisites for the implementation of renewable energy projects. With regard to the generation of electricity from solar energy, Spain offers significant natural advantages as a location. Due to the good insolation values and, hence, the high energy yield, the Spanish sun can be used as a highly efficient primary energy source.

This proved to be a very important factor in Verbund's decision to commence photovoltaic activities in Spain. In 2008, the company acquired two power plants in Andalusia with a total capacity of 3 MW. Since autumn 2008, both plants have been feeding clean solar energy into the grid.

Austrian know-how was integrated into each of the photovoltaic power plants – Mercadillo (in the province of Jaén) and Macael (in the province of Almeria). The modules were mainly produced by KIOTO Clear Energy AG in St. Veit (Carinthia).

The annual production of the two plants, which cover an area equivalent to 22 football pitches, totals approx. 5.2 GWh: The energy produced here is sufficient to meet the annual consumption requirements of approx. 1,500 average households. The power plants make a significant contribution to climate protection in that they prevent approx. 4,000 tons of CO_2 emissions per year. The total investment volume for both projects comes to approx. € 20 million.

The subsidiary VERBUND-Photovoltaics Iberica S.L. handles all of the photovoltaic activities in Spain.

WIND POWER

Involvement in Austria, Romania, Bulgaria and Croatia. In future, Verbund will further enhance its focus on wind power. In autumn 2008, Verbund signed an agreement for the acquisition of three wind farms in Lower Austria. The wind farms, which cover approx. 5 % of the Austrian wind market, are located in the east of the Lower Austrian district Bruck an der Leitha. With an installed capacity of

WILHELM BUSCH (1832 – 1908), GERMAN WRITER AND ARTIST

49 MW and an annual production of approx. 105 GWh, the 25 wind power plants generate enough electricity to meet the consumption requirements of around 29,000 average Austrian households.

Verbund is currently developing a wind farm with a planned capacity of approx. 60 MW in Croatia. This cooperation project is located in Krs Padene, in the Knin-Ervenik region. Further projects with a total capacity of up to 140 MW are currently being planned in Croatia.

Verbund is working on similar projects in Romania and Bulgaria, countries that offer very good wind conditions and great expansion potential for this form of electricity generation. Numerous wind farm projects are in the pipeline here for the coming years.

SUSTAINABILITY

SUSTAINABILITY

Verbund attaches immense importance to the concept of sustainability: It is integrated in all corporate divisions. As of May 2008, VERBUND-Austrian Power Grid AG (APG) – together with all its locations and transmission lines – is certified in accordance with ISO 9001, ISO 14001, ISO 27001, OHSAS 18001 and EMAS. Hence, the planned type scenario for the Verbund plants has been completed. The certifications will now be continued in the administrative buildings. In 2008, a guideline on fair business practices, which focuses, in particular, on corruption and bribery, was drawn up within the Verbund Group. A total of 60 research projects were processed by Verbund in 2008. The research projects have an overall investment volume of € 31.3 million. Of this amount, € 16.1 million is contributed directly by Verbund.

»A JOURNEY OF A THOUSAND MILES BEGINS WITH A SINGLE STEP.«

2002 – 2008

Verbund has attached special importance to the theme of sustainability since 2002. Since then, the awareness of sustainability has been systematically enhanced in all business areas.

Verbund's core business – the environmentally friendly production of electricity, particularly from hydropower – serves as a sound foundation in this respect. It forms the basis and sets the direction for all further corporate actions.

Accordingly, the economic, ecological and social effects of our actions are already considered in the project planning phase. In ideal cases, we create win-win-win situations where the economic success of the company leads to the conservation or even improvement of the environment and also brings about benefits for the employees and/or society as a whole.

The »Management of line corridors« project serves as a good example here: Following a scientific survey and analysis of all of the line corridors in the Verbund extra-high voltage grid, innovative ways in which the routes could be put to better use were devised. This led to the creation of more suitable and diverse biotopes for Austria's wildlife. Moreover, jobs and earning opportunities were created at a regional level. This project also led to a reduction in company expenses for the clearance of the routes.

In 2003, a Sustainability Management System was implemented through the group to facilitate the systematic achievement of such successes. At that time, a decision committee and working committee were set up to identify areas and projects in which the aspect on sustainability should be enhanced. They define goals, draft measures, implement these measures and monitor the achievement of the defined goals.

This process of enhancing awareness and experiencing real success also strengthens the self-image of the company. The revision of the corporate principles in 2006 was one result of the continuous change towards greater responsibility for the environment, employees and society.

The growing awareness, however, also led to greater challenges. For example, Verbund participates in the global campaign against corruption. In 2008, the company documented its position and the corporate practices that have been exercised here over the last decades in a guideline. This provides each employee with specific instructions with regard to the promotion and adoption of fair business practices. The real work on the theme of »anti-corruption« will commence for the employees at the beginning of 2009. Colleagues who are particularly exposed will be familiarized with the new regulations in a series of workshops and will also assist in the creation of a »Question and Answer« catalogue. This catalogue should help the individual employees to deal better with particular situations. The catalogue will also be very useful within the framework of the group's growing international commitment.

Although comprehensive measures are implemented on an ongoing basis to enhance the efficiency of the Verbund production plants – power plants and transmission lines – similar measures had not yet been implemented at such an intensive level in the administrative area. The potential savings in the administrative area seemed to be very low compared to the funds that could be saved through the installation of a new turbine, a new generator or a higher voltage level in the transmission area.

A new project to increase the energy efficiency at Head Office in Vienna has now been initiated to increase awareness of the careful utilization of energy. User motivation will be a focal point during the

LAO-TSE (PRESUMABLY 6TH CENTURY B.C.), CHINESE PHILOSOPHER

implementation of this project in 2009. After all, even the best control technology is only as good as the people who operate it.

The next know-how transfer from the production plants to the head office will be the certification of Group headquarters in accordance with EMAS and ISO 14001. This is planned for 2009. The colleagues who work in certified plants have developed a much greater awareness of environmental protection and resource conservation since the implementation of the Environmental Management System at the Verbund power plants in 1995.

In 2009, Verbund will also focus on enhancing the harmony between career and family for Verbund employees. The existing measures will be analyzed and the present situation will be improved within the framework of a career and family audit.

Participation in CSR events. On 15 May 2008, Verbund participated in the 3rd Austrian CSR Day (CSR = Corporate Social Responsibility). This event, which is organized by respACT (Austrian business council for sustainable development), forms a professional platform for the exchange of experience in sustainability issues. Verbund participated in the panel »Sustainable energy supply – from the role of the EU and the energy supplier to the end customer«. This panel gave Verbund the opportunity to discuss this theme with international experts and representatives of the Austrian CSR community.

Children and young adults learned about electrical energy and Verbund from 21–25 July 2008 at the KinderBusinessWeek in Vienna, an annual event that is organized by the Austrian Chamber of Commerce in cooperation with the Young Entrepreneurs Society. The seven to fourteen-year-olds were shown – using a bicycle ergometer – how much muscle power is required to light a bulb or play a radio. The participants also had an opportunity to have all their questions answered during talks on electricity generation from hydropower and the new renewable energies. The event then got into full swing with the improvisation theater »Energy on the Move«.

ENVIRONMENT

Immense benefits derived from certification. Environmental Management Systems in accordance with EMAS and ISO 14001 form the basis for all of Verbund's environmental activities. In 1995, Verbund commenced with the implementation of an Environmental Management System in at least one of the locations of each plant type – small and large run-of-river power plants, storage and steam-generating power plants as well as substations. This »type scenario« was completed in 2001 and now the certifications will be extended to other plants.

In 1996, the hydropower plants Villach, Kellerberg and Paternion on the Upper Drau and the steam-generating power plants Dürnrohr and Voitsberg were certified to EMAS and ISO 14001. This was followed by the certification of a high-voltage facility (substations Tauern and Zell am Ziller as well as the 69-km long 380 kV line that links the two substations) in accordance with ISO 14001. (EMAS auditing for high-voltage facilities was not possible at that time).

The type scenario was completed with the audit of the storage power plant group Glockner-Kaprun in 2000, the run-of-river power plant Freudenau in 2001 and the subsequent EMAS audit of the high-voltage facility.

In 2002, Austrian Hydro Power AG (AHP) acquired a total of 39 additional locations following the take-over of the former STEWEAG-STEG power plants: All of the power plants had already been certified in accordance with ISO 14001.

»WHAT WE KNOW IS A DROP; WHAT WE DON'T KNOW IS AN OCEAN«

Given that environmental management systems bring a lot of benefits to the locations, Verbund decided to successively expand – beyond the scope originally planned – not only the locations but also the certification systems. As of May 2008, for example, VERBUND-Austrian Power Grid AG (APG) – together with all its locations and transmission lines – is certified in accordance with ISO 9001, ISO 14001, ISO 27001, OHSAS 18001 and EMAS.

RATIOS ENVIRONMENT

	UNIT	2008	2007	2006
GENERATION (NET, EXCL. OWN CONSUMPTION)	GWh	28,660	28,307	28,087
THEREOF HYDROPOWER	GWh	25,308	24,321	23,853
THEREOF THERMAL POWER	GWh	3,352	3,986	4,233
VOLUME OF ELECTRICITY TRANSPORTED IN APG GRID	GWh	35,707	36,977	36,566
GRID LOSSES	GWh	454	493	478
SHARE OF GRID LOSSES IN TOTAL TRANSPORTED VOLUME	%	1.3	1.3	1.3

USE OF FUELS IN THERMAL POWER PLANTS

	UNIT	2008	2007	2006
HARD COAL	t	1,022,090	1,190,889	1,046,222
BROWN COAL	t	0	0	656,545
HEATING OIL (HEAVY)	t	70,029	83,973	98,029
GAS	1.000 m^3	13,532	25,156	21,436
BIOMASS AND SUBSTITUTE FUELS (SEWAGE SLUDGE)	t	21,184	19,186	21,309
THEREOF BIOGENIC SHARE	t	21,184	19,186	21,309
THEREOF FOSSIL SHARE	t	0	0	0

EMISSION PREVENTION THROUGH HYDROPOWER (COMPARISON BASED ON: DÜRNROHR POWER PLANT)

	UNIT	2008	2007	2006
SO_2	t	11,630	11,501	11,309
NO_X	t	12,461	12,323	12,109
DUST	t	554	548	538
CO_2	kt	22,430	22,180	21.795

EMISSION OF AIR POLLUTANTS (THERMAL POWER PLANTS)

	UNIT	2008	2007	2006
CO_2 FOSSIL	kt	2,885	3,407	3,701

The coming decade will bring about fundamental changes in the manner in which energy is generated and utilized in Europe. According to the climate and energy package which was adopted by the EU in December 2007, greenhouse gas emissions must be reduced by 20 % by 2020 compared to 1990. Industry and the energy sector have to achieve a 21 % reduction compared to 2005 and are therefore faced with the task of lowering emissions faster than the other sectors. A reduction of a further 1.7 % is planned for each year after 2020.

The new regulations in the European Emissions Trading System stipulate that all allocations throughout

ISAAC NEWTON (1642 – 1726), ENGLISH PHILOSOPHER AND SCIENTIST

Europe from 2013 onwards must be carried out in a uniform manner according to sectors. Moreover, the electricity industry will no longer receive free certificates. This regulation shall apply for all but a few existing power plants in East European member states, for which a temporary regulation has been put in place. Verbund's strategy is in harmony with the climate policy in Austria and the EU and contributes to the achievement of the goals.

Verbund already produces 88 % of its electricity from hydropower: Verbund is therefore among the European companies with the highest share of electricity from renewable energies.

At Verbund, the specific emissions (t CO_2 per GWh) from total generation lie at 101 t/GWh (2007: 120 t/GWh, 2006: 132 t/GWh). In the EU, similar values are only achieved by companies with a very high share of nuclear energy.

In the thermal production area, Verbund successively decommissioned coal-fired power plants with relatively high specific emission values over the last number of years and shifted production to clean power plants. This resulted in a reduction in specific emissions from 149 t/GWh in 2004 to 101 t/GWh in 2008.

The gas-steam power plants Mellach and Klagenfurt represent new investments which will lead to a further reduction in specific emissions from thermal generation. The continued expansion of generation capacities using water, wind and the sun also forms a part of Verbund's emission reduction strategy.

Verbund's activities extend beyond the confines of its own power plant park. The company also provides fresh impetus: In cooperation with the Lebensministerium, the Association of Municipalities and the »Kronen Zeitung« (a major Austrian newspaper), Verbund organized a national competition to find Austria's »Climate Protection Municipality 2008«. Municipalities throughout Austria were called on to submit projects on awareness enhancement, energy efficiency and renewable energy. Climate protection projects were submitted by more than 80 towns and municipalities: The winners in 2008 were Munderfing, Großschönau and Güssing.

SOCIAL COMMITMENT

Focus on »culture« and »children«. Verbund's responsibility to society is visible, above all, in its commitment to »culture« and »children«.

In 2008, Verbund once again supported the large classical open-air concert of the Vienna Philharmonic Orchestra at Schlosspark Schönbrunn. Verbund entered into a long-term partnership with the Wiener Konzerthaus (Concert Hall Vienna) in September 2008 by becoming the main sponsor of this renowned cultural institution. The »Free Saturday in MAK« initiative was also continued in 2008: As the sponsor of the Museum for Applied Arts in Vienna, Verbund provides visitors with free access to the exhibitions on Saturdays.

In 2008, Verbund also participated in the campaign »A Letter To The Stars«, which provided pupils with an opportunity to deal with the events of the Holocaust at an individual and very personal level within the framework of the project »Denk.Mal«.

Children who visit Schönbrunn Zoo can now enjoy another attraction: The 200 m^2 WaterPowerPlayground, which was co-financed by Verbund and completed in May 2008, teaches children in a playful way about the fascination of water and its significance in the production of energy. The Vienna

»THE EXTENT OF HUMAN LIFE IS BUT A POINT; ITS SUBSTANCE IS IN PERPETUAL FLUX.«

Children's Theatre, which represents a link between the two key areas of »art« and »children«, also received support.

The long-term sponsorship of the SOS Children's Village in Hinterbrühl (since 1957) and the Hans Radl School for physically handicapped children (since 1989) was continued. In winter 2007/2008, Verbund participated in the campaign »A Spark of Heat«, which is organized by Caritas in cooperation with »Kronen Zeitung«. In this campaign, people who cannot afford their heating costs are provided with financial support.

The Austrian Mountain Rescue Service received financial aid to purchase state-of-the art equipment. Joint activities that focus on accident prevention and an information campaign will contribute to the enhancement of safety in the Alpine region.

EMPLOYEES

Detailed information on Verbund's responsibility towards it employees can be found from page 86 onwards.

RESEARCH

From fish to district heating. The safe and reliable provision of electricity using the latest technology is the central theme at Verbund. Since the end of the 1980s, practical and innovative ideas relating to »Generation from hydropower and thermal power« and »Energy transmission« have been supported by an effective research management system. In addition to the projects that are implemented directly within the group, Verbund is also involved in projects that are carried out in cooperation with universities, research institutions and other companies.

The results of the research work are presented in the publication »Research at Verbund«, on the Internet and within the framework of research forums. Two research forums entitled »Efficiency enhancement measures for CO_2 reduction and approval procedures for thermal power plants« and »The forces of nature – the growing challenge for infrastructure due to climate change« took place in 2008.

The most important projects include:

- Research work on the automated operation of the Danube power plants via a central control station, which was carried out in tandem with the replacement of further turbines and generators in the Aschach power plant.
- Detailed scientific analyses on the effectiveness of fish bypass systems on the Danube, Drau and Mur.
- The service life of highly stressed steam pipes, the vibration behavior of induced draft fans and the possibilities of storing district heating at the Verbund thermal power plants.
- Projects on the development of new allocation procedures for grid capacities as well as on smart grids – an innovative approach which aims to optimize supply and demand by using information technology to increase the participation of end customers in the electricity market. Other approaches include the introduction of special disconnection agreements with the grid operators with a view to preventing electricity peaks or the grouping of decentralized electricity producers to form a virtual power plant.
- Research on the influence of economic, legal and ecological conditions on grid operations is currently being conducted at the Research Institute for Regulatory Economics in Vienna, an institute which was founded at the initiative of VERBUND-Austrian Power Grid AG (APG) in 2005.

In 2008, 60 application-oriented research projects were processed, mostly with partners. Of these, 19 were completed. These projects have an overall investment volume – including the share of the

MARCUS AURELIUS (121 – 180 A.D.), ROMAN EMPEROR

partners – of € 31.3 million. € 16.1 million was contributed by Verbund. Of this amount, research at Verbund accounted for € 4.6 million in 2008.

RISK MANAGEMENT

The movement in the wholesale prices for electricity is just one of the factors that have a significant influence on the performance of the Verbund Group. High precipitation levels increase the water supply of the rivers and hence, the amount of electricity that can be generated. Low precipitation levels lead to a reduction in generation. With its international shareholdings in Italy, France and Turkey, Verbund is exposed to new risks but can also benefit from new opportunities. As of 31 December 2008, no risks have been identified for 2009 which, either individually or in connection with other risks, could have a substance-endangering effect.

»LIFE IS NOT STILL LIFE.« OSKAR KOKOSCHKA (1886 – 1980)0, AUSTRIAN ARTIST

2000 – 2008

Risk management supports growth strategy. Verbund has been exposed to international competition since the commencement of deregulation in Austria on 19 February 1999. Corresponding risk management tools had already been developed prior to this and the holding unit, Risk management, was founded in 2000. This unit supports the international growth strategy.

Today, group management has the support of a comprehensive corporate risk management system that has been implemented in all of the subsidiaries. Verbund's knowledge of the potential risks enhances its ability to deal with and accept them. Verbund is also in a position to use opportunities more intensively.

The future challenges in the risk management area relate to the further internationalization of the group's activities and the associated opportunities and risks that arise in all countries in which the group operates.

Risk management also supports Verbund in the achievement of its sustainability goals. The enhanced transparency of the opportunities and risks in all business divisions increases sensitivity to the long-term effects. The specific risks and opportunities and hence, the long-term effects are a central factor in all project decisions.

CORPORATE RISK MANAGEMENT

An essential corporate management tool. Corporate risk management is one of the essential tools of the Managing Board. At Verbund, corporate risk management aims to secure the income and financial situation of the group and identify existing and future success and growth potential.

Corporate risk management is coordinated centrally in the holding. Specially trained employees in the individual group divisions assume responsibility for recording and evaluating risks and opportunities as well as for initiating and documenting appropriate measures. Verbund uses specially designed software to assess the corporate risks and opportunities.

In fiscal 2008, the central focus lay on new project risks as well as on the expansion of activities in the area of new participating interests. Also worthy of mention here are the further development of the crisis management system and the possible threats resulting from the international financial crisis.

At Verbund, risk and opportunity are essentially defined as the possibility of a negative or positive deviation from the corporate goals and ratios.

OPPORTUNITIES AND RISKS IN 2009

The following main risks and opportunities were identified for 2009:

MAIN RISKS FOR 2009

VERBUND (ÖSTERREICHISCHE ELEKTRIZITÄTSWIRTSCHAFTS-AG)			
FOREIGN CURRENCY RISK Results primarily from financing in JPY. Risk minimization through hedging strategies, limits and monitoring.	PRICE RISKS FROM SECURITIES Risk of fluctuation in securities held. Risk minimization through investment strategies, monitoring and quantification.	RATING RISK Risk minimization through orientation towards appropriate capital structure and ongoing communication with rating agencies.	INTEREST RATE RISK Caused by changes in interest rates. Risk hedged through hedging strategies, limits and monitoring.
INFORMATION RISK Risk minimization through modern hardware and software.	PERSONNEL RISK Risks here include changes to the labor laws and absenteeism.	LAWSUIT/LEGAL RISKS These include risks from legal proceedings. Risk minimization through constant monitoring.	
GENERATION	**TRADING/DISTRIBUTION**	**TRANSMISSION**	**PARTICIPATING INTERESTS**
OWN ELECTRICITY 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.	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.	INVESTMENT RISK Resulting from damages to plant and equipment. Risk minimization through optimized maintenance strategy and insurance.	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.
FUEL RISK Risk of loss resulting from changes in fuel prices. Optimization through price forecasts, volume planning and hedging strategies.	PRICE RISK FROM ELECTRICITY PURCHASES Risk of loss 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.	LEGAL ENVIRONMENT Risk of loss resulting from new legislation or legislative amendments. Minimization through monitoring and lobbying.	PROJECT RISK Resulting from changes concerning completion schedule, budgeted costs and intended quality of a project.

The Managing Board is informed with regard to the main risks and the activities of the individual risk management committees on a quarterly basis. It reports to the Supervisory Board on the five most significant risks within the framework of a commercial report. The calculated deviation lies within a maximum range of +16 % (best case scenario) and –22 % (worst case scenario) from the group result before tax for 2009. The worst case figure is based on a 95 % confidence interval, i.e. there is only a 5 % probability of losses greater than –22 %.

For further details relating to the financial instruments and their utilization, the focal points of risk management in the Finance, Commodities, Information Technology and Grid segments and related methods, please refer to the chapter »Opportunities and Risk Management« in the notes.

The risk situation for the Verbund Group did not change significantly in the period under review. As of 31 December 2008, no risks have been identified for fiscal 2009 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.

VOLUME AND PRICE RISK

The volume and price risk in the electricity business has the greatest influence on the group result. A deviation of 1 % either way from the planned generation value for the full year 2009 due to overproduction or underproduction would have an earnings effect of € 12.2 million.

Changes in the wholesale prices also represent significant opportunity/risk potential for Verbund. A 1 % rise/fall would increase/reduce earnings by approx. € 4.3 million.

The obligation to acquire sufficient emission rights and the primary energy sources heating oil, natural gas or hard coal that are needed to operate the power plants also pose important risks. The growing international demand over the long term is likely to lead to another massive increase in prices for these fuels.

INVESTMENT RISKS

New acquisitions create new opportunities and risks. The international growth strategy which foresees further acquisitions, above all, in Italy, Turkey and France, will lead to greater risks but also to greater

»HE WHO SAYS A DOESN'T HAVE TO SAY B. HE CAN ALSO RECOGNIZE THAT A WAS FALSE.«

opportunities. These essentially result from fluctuations in the investment income, changes in the interest value (depending on the currency translation differences) as well as liabilities and guarantees that are assumed.

REGULATORY RISKS

Verbund must comply with numerous legal acts. Due to the fact that Austria is a member of the EU, where competition has always been a central issue, Verbund has to comply with numerous legal acts. The third directive on the deregulation of the European electricity market, which will enter into force in 2009, calls for the separation of supply and generation activities from grid operations (ownership unbundling) so as to promote non-discriminatory investment in infrastructures, fair grid access for newcomers and market transparency. Verbund, who already relocated its transmission grid operator and implemented legal unbundling many years ago, believes – along with other European electricity groups – that these goals could also be achieved through the introduction of an »Independent Transmission Operator« (ITO).

EFFECTS OF THE FINANCIAL MARKET CRISIS

Verbund has established a very solid base. The financial market crisis and its effects on the economy also increase the financial risks within the Verbund Group. Short, medium and long-term financing has become more expensive and more difficult. Verbund is very well positioned in terms of its liquidity and has adequate liquidity reserves as well as a syndicated loan facility and lines of credit which have already been available for a long time.

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

Verbund carried out a number of lease and lease back transactions between 1999 and 2001. These agreements could provide the company with a substantial net gain. As a result of the financial crisis, the ratings of some of the contracting parties have been downgraded. In individual cases, Verbund is obliged to put forward additional collateral resulting in a slight increase in costs. Verbund is currently in the process of winding up a number of cross border leasing transactions.

BERTOLD BRECHT (1898 – 1956), GERMAN WRITER

EMPLOYEES

Employees play a crucial role in guaranteeing the success of the Verbund Group. In the light of a growth strategy, it is very important to select the right employees and to provide the necessary expertise for them. At Verbund, long-term personnel marketing ensures that the increased personnel requirements of the coming years can be covered. The number of apprentices has been increased (dual training course in electrical/mechanical engineering) to compensate for the natural attrition of specialist workers. The training and further education of the employees represents a long-term investment in the future of the group: The main points in 2008 included executive development, the mechatronics courses for the employees at the new »Control Center Danube« and intercultural training.

»EDUCATION IS WHAT'S LEFT OVER WHEN THE LAST DOLLAR IS GONE.«

1998 – 2008

Growth follows restructuring. The number of employees was reduced by 50 % within the framework of the restructuring measures implemented between 1998 and 2006. This process was done in a socially compatible manner and no layoffs for operational reasons were necessary. At the same time, further education courses were provided for the established staff. Since 2007, growth, particularly at an international level, has been a top priority.

The ongoing internationalization and expansion represented a major challenge for Verbund in 2008 as did the structure of the workforce, which is characterized by the high average age of the employees.

PERSONNEL MARKETING

Potential employees addressed directly. The competition for highly qualified employees is getting tougher and the personnel requirements of Verbund are also set to increase in the coming years. It is vital that the right applicants be addressed at the right time and, for this reason, Verbund has adopted a targeted and long-term personnel marketing strategy. To make contact with potential employees as early as possible, Verbund engages in partnerships with Austrian universities that specialize in technology and economics and participates in the most important career fairs. This serves to improve the recognition and attractiveness of Verbund as an employer.

Trainee program continued. In October 2008, a trainee program was initiated to support Verbund's national and international growth strategy. The trainees work in different departments and receive individual development plans comprising the agreed training and further education measures. This paves the way for demand-oriented and sustainable development.

Specialists of the future from internal staff resources. A high number of specialist workers are set to retire in the medium term and, for this reason, Verbund is already looking for junior staff: Up to now, Verbund took on 25 apprentices each year who were subsequently trained to become electrical/mechanical engineers. In 2008, the number of trainees was increased to 31 and this number is set to increase further in the future.

Employees motivated by good working environment. Employee satisfaction is crucial for performance and productivity. In 2008, a survey, which also addressed health aspects, was carried out among the employees. The colleagues painted a positive picture of the working environment and motivation within the Verbund Group. A strong feeling of job security, an appropriate income and a high level of job satisfaction resulted in excellent results in the area of staff loyalty and commitment to the company.

Our health campaign. The health management program »Fit & healthy at Verbund« was initiated in 2008. At the start of the program, all employees had the opportunity to participate in a fitness check.

Intercultural workshops as the focus of Verbund training program. If employees are to perform effectively, it is important not only that they be motivated, but also that they are equipped with the corresponding know-how. For this reason, personnel development is a central topic at Verbund. It is seen as a long-term investment in the company.

Focal points in 2008 included executive development and the mechatronics courses for the employees at Control Center Danube. Safety training represents an important part of the training and development in the operating companies.

Intercultural training, above all, for employees working abroad, was another key area. In 2008, the focus lay on Turkey: Intercultural workshops were held in Vienna and Istanbul.

MARK TWAIN (1835 – 1910), U.S. WRITER

RATIOS

	UNIT	2008	2007	2006
NUMBER OF EMPLOYEES	PERSONS	2,541	2,441	2,303
THEREOF APPRENTICES	PERSONS	98	98	98
NEW HIRINGS	PERSONS	211	165	89
TRAINING PER EMPLOYEE	HOURS	46.1	48.5	40.0
DIRECT TRAINING COSTS PER EMPLOYEE	€	1,345	1,455	1,220
AVERAGE AGE OF EMPLOYEES	YEARS	44.2	44.5	44.6

VALUE-BASED MANAGEMENT

In spite of the difficult situation on the international financial markets, Verbund managed to increase the Economic Value Added (EVA) by € 1.3 million from € 439.5 million to € 440.8 million and therefore generated a positive value contribution for its shareholders. The capital costs were updated in October 2008 and since then amount to 8.25 %.

»HE WHO STOPS GETTING BETTER HAS STOPPED BEING GOOD.«

2003 – 2008

Value-based management is a central focus at Verbund. In 2003, a project on value-based management was carried out to create greater transparency with regard to value creation in Verbund and the EVA® was defined as a key ratio. Due to Verbund's strong investment activities, value-orientated management will focus on the value-based management of the investment portfolio in the future.

The decisive indicator is called EVA®. Sustainable corporate value enhancement takes top priority in all decisions that are made within Verbund. For this reason, 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 of Verbund as a central control criterion. A sustainable improvement in the corporate value is achieved when the EVA®, i.e. the net operating profit after tax (NOPAT) less the capital costs for the capital employed, is positive.

NOPAT is defined as the operating profit before financing costs, however, including the result from participating interests and less income taxes. The working capital is the total capital less the parts not involved in the service provision and utilization process and the non-interest bearing borrowed capital provided. The capital charge is determined by multiplying the capital employed (this being the sum of all interest-bearing capital items at carrying amounts) by the weighted average cost of capital (WACC).

Group WACC comes to 8.25 %. The weighted average cost of capital, which reflects the weighted average of the yield requirements of the equity providers and lenders, is always derived on the basis of the yield expectations that can be observed on the capital market. The equity risk premiums are calculated using the Capital Asset Pricing Model (CAPM). The target capital structure forms the basis for the weighted costs of equity and debt.

The updating of the capital costs in October 2008 refers, above all, to the risk free interest rate and the consideration of the increased risks resulting from the expansion of the group's activities in countries with underdeveloped capital markets. The updated group WACC comes to 8.25 % and is calculated as follows:

WEIGHTED AVERAGE COST OF CAPITAL

MARKET RISK PREMIUM	5.6 %		RISK-FREE INTEREST RATE	4.8 %
X BETA FACTOR	1.00		+ CREDIT SPREAD	1.9 %
= EQUITY RISK PREMIUM	5.6 %		= COST OF DEBT PRE TAXES	6.7 %
+ RISK-FREE INTEREST RATE	4.8 %		– TAXES	23.8 %
= COST OF EQUITY	10.4 %		= COST OF DEBT AFTER TAXES	5.1 %
EQUITY CAPITAL RATIO	60 %	+	DEBT CAPITAL RATIO	40 %
	WACC = 8.25 %			

Against the backdrop of the turbulence on the financial markets in the course of the financial market crisis, a further adjustment of the capital costs, particularly with regard to the lowering of the risk free interest rate, may take place in fiscal 2009.

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 vary depending on the region. The decision-making process is based on value-oriented and strategic criteria so as to guarantee
- a capital market-oriented yield for the shareholders,

EDUARD MÖRIKE (1804 – 1875), GERMAN POET

- 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.

Calculation of the EVA®. The EVA® calculation is based on a net operating profit after tax (NOPAT) of € 890.3 million (previous year: € 777.7 million) as well as an average capital employed of € 5,448.8 million (previous year: € 4,831.3 million).

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 (version of June 2007) 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 61st Ordinary General Meeting held on 26 March 2008 in accordance with § 65 para. 1 no. 8 Stock Corporation Act (AktG) relating to the purchase of own shares is valid until 26 September 2010; up to now, the Managing Board has not issued a decision on a 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, 27 January, 2009

The Managing Board

General Director
Dipl.-Ing. Wolfgang Anzengruber
Chairman

Deputy General Director
Dr. Johann Sereinig
Deputy Chairman

Managing Director
Dr. Ulrike Baumgartner-Gabitzer
Member

Managing Director
Mag. Christian Kern
Member

FINANCIAL STATEMENTS

INCOME STATEMENT OF THE VERBUND GROUP

INCOME STATEMENT OF THE VERBUND GROUP

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	NOTES	2008	2007
SALES REVENUE	1	**3,744,749**	**3,038,343**
ELECTRICITY SALES		3,400,032	2,718,004
GRID SALES		301,987	274,536
OTHER		42,730	45,803
OTHER OPERATING INCOME	2	96,111	52,560
EXPENSES FOR ELECTRICITY, GRID AND EMISSION RIGHT PURCHASES (TRADE)	3	–1,813,916	–1,458,027
USE OF FUELS AND EXPENSES FOR OTHER PURCHASED SERVICES	4	–133,999	–98,620
PAYROLL EXPENSES	5	–306,224	–262,009
AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	14	–183,229	–182,942
OTHER OPERATING EXPENSES	6	–264,915	–173,174
OPERATING RESULT		**1,138,577**	**916,131**
RESULT FROM INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	7	34,090	51,789
RESULT FROM PARTICIPATING INTERESTS – OTHER	7	8,215	3,101
INTEREST INCOME	8	94,623	72,833
INTEREST EXPENSES	9	–205,876	–181,396
OTHER FINANCIAL RESULT	10	–44,747	19,938
FINANCIAL RESULT		**–113,694**	**–33,735**
PROFIT BEFORE TAX		**1,024,883**	**882,396**
TAXES ON INCOME	11	–234,142	–217,251
TOTAL PROFIT		**790,741**	**665,145**
ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT (GROUP RESULT)		686,639	579,178
ATTRIBUTABLE TO MINORITY INTERESTS		104,102	85,967
EARNINGS PER SHARE (€) [1]		**2.23**	**1.88**

[1] Diluted = non-diluted

BALANCE SHEET OF THE VERBUND GROUP

BALANCE SHEET OF THE VERBUND GROUP

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	NOTES	31. 12. 2008	31. 12. 2007
NON-CURRENT ASSETS		**7,326,417**	**6,323,288**
INTANGIBLE ASSETS	12	12,542	11,015
PROPERTY, PLANT AND EQUIPMENT	13	4,390,012	4,131,969
INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	15	1,532,157	1,156,275
OTHER PARTICIPATING INTERESTS	15	188,696	39,690
LONG-TERM INVESTMENTS – CROSS BORDER LEASING	16	590,441	537,817
OTHER LONG-TERM INVESTMENTS AND OTHER LONG-TERM RECEIVABLES	17, 19	612,569	446,522
CURRENT ASSETS		**967,422**	**1,016,490**
INVENTORIES	18	66,448	48,814
TRADE RECEIVABLES AND OTHER RECEIVABLES	19	793,192	637,556
CASH AND CASH ITEMS	20	107,782	330,120
TOTAL ASSETS		**8,293,839**	**7,339,778**

	NOTES	31. 12. 2008	31. 12. 2007
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	21–25,27	**2,867,786**	**2,407,456**
MINORITY INTERESTS	26	**260,299**	**267,169**
LONG-TERM LIABILITIES		**3,815,679**	**3,679,988**
FINANCIAL OBLIGATIONS	28	1,597,984	1,605,163
FINANCIAL OBLIGATIONS – CROSS BORDER LEASING	28	728,581	604,562
PROVISIONS	30	647,914	619,978
PROVISION FOR DEFERRED TAXES	11	179,247	148,554
CONTRIBUTIONS TO BUILDING COSTS	32	401,883	419,398
DEFERRED INCOME – CROSS BORDER LEASING	33	244,816	250,759
OTHER LIABILITIES	34	15,254	31,574
SHORT-TERM LIABILITIES		**1,350,075**	**985,165**
FINANCIAL OBLIGATIONS	28	596,094	376,767
PROVISIONS	30	235,115	225,372
PROVISION FOR DEFERRED TAXES	31	166,725	47,440
OTHER LIABILITIES	35	352,141	335,586
TOTAL EQUITY AND LIABILITIES		**8,293,839**	**7,339,778**

CASH FLOW STATEMENT OF THE VERBUND GROUP

CASH FLOW STATEMENT OF THE VERBUND GROUP

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	NOTES	2008	2007
RESULT		790,741	665,145
PROFIT SHARES ATTRIBUTABLE TO LIMITED PARTNERS		40,914	41,277
AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT (LESS REVERSAL OF BUILDING-COST CONTRIBUTIONS)		168,195	166,697
WRITE-UPS/DOWNS ON LONG-TERM INVESTMENTS AS WELL AS AT EQUITY CHANGES		45,750	–21,267
RESULT FROM THE DISPOSAL OF ASSETS		–28,537	1,310
CHANGES IN INVENTORIES		–17,634	2,525
CHANGES IN SHORT-TERM TRADE RECEIVABLES AND OTHER RECEIVABLES		–201,341	26,706
CHANGES IN VALUATION-RELATED FOREIGN CURRENCY FLUCTUATIONS, INTEREST ACCRUALS AND DISCOUNTS		27,965	13,720
CHANGES IN PROVISIONS AND DEFERRED TAXES		128,241	–88,211
CHANGES IN SHORT-TERM LIABILITIES EXCLUDING FINANCIAL OBLIGATIONS AND THE CHANGE IN THE ACCRUAL IN CONNECTION WITH CROSS BORDER LEASING		–20,126	–276
RESULT FROM THE MERGER OF NON-CONSOLIDATED SUBSIDIARIES AND CHANGES IN COMPANIES CONSOLIDATED		0	0
OPERATING CASH FLOW		**934,168**	**807,626**
INVESTMENTS IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT		–423,141	–243,115
DISPOSALS OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT		29,908	4,690
LONG-TERM INVESTMENTS		–769,793	–454,714
DISPOSALS OF LONG-TERM INVESTMENTS		38,744	49,935
ADDITION/DISPOSAL OF CONSOLIDATED SUBSIDIARIES, BUSINESS DIVISIONS – CHANGES IN COMPANIES CONSOLIDATED		0	–4,998
CHANGES IN LONG-TERM RECEIVABLES		2,608	1,637
CASH FLOW FROM INVESTING ACTIVITIES		**–1,121,674**	**–646,564**
CHANGES IN SHORT-TERM BORROWINGS		316,372	–291,057
NEW BONDS, LOANS AND LONG-TERM CREDIT		402,000	783,395
INVESTMENTS IN CONNECTION WITH CROSS BORDER LEASING		0	0
REDEMPTION OF BONDS, LOANS AND LONG-TERM CREDIT		–340,980	–125,066
REPAYMENT AND DISPOSALS OF LONG-TERM INVESTMENTS IN CONNECTION WITH CROSS BORDER LEASING		–463	–656
BUILDING-COST CONTRIBUTIONS RECEIVED		–2,481	9,193
CHANGES IN TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES		867	446
DISTRIBUTION OF DIVIDENDS AND WITHDRAWALS		–410,147	–295,166
CASH FLOW FROM FINANCING ACTIVITIES		**–34,832**	**81,090**
CHANGES TO CASH AND CASH ITEMS		**–222,338**	**242,151**
CASH AND CASH ITEMS AT THE BEGINNING OF THE FISCAL YEAR		**330,120**	**87,969**
CASH AND CASH ITEMS AT THE END OF THE FISCAL YEAR	**20**	**107,782**	**330,120**

See notes under point VI.
Other Disclosures

STATEMENT OF CHANGES IN EQUITY OF THE VERBUND GROUP

STATEMENT OF CHANGES IN EQUITY OF THE VERBUND GROUP

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	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT							
	SHARE CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	RESERVES FOR EXCHANGE RATE DIFFERENCES	OTHER RESERVES	TOTAL	MINORITY INTERESTS	TOTAL SHAREHOLDERS' EQUITY
NOTES	21	22	23	24	25		26	
AS OF 01. 01. 2007	**308,200**	**10,936**	**1,748,226**	**0**	**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 HEDGES					1,653	1,653		1,653
TOTAL PROFITS/LOSSES RECOGNIZED IN EQUITY BEFORE TAXES	**0**	**0**	**0**	**0**	**–15,175**	**–15,175**	**–780**	**–15,955**
– TAXES					3,520	3,519	194	3,713
TOTAL PROFITS/LOSSES RECOGNIZED IN EQUITY AFTER TAXES	**0**	**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**	**0**	**–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**	**0**	**–7,934**	**2,407,456**	**267,169**	**2,674,625**
AS OF 01. 01. 2008	**308,200**	**10,936**	**2,096,254**	**0**	**–7,934**	**2,407,456**	**267,169**	**2,674,625**
CHANGES IN COMPANIES CONSOLIDATED			–56			–56		–56
PROFITS/LOSSES RECOGNIZED DIRECTLY IN EQUITY FROM								
AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS					–11,885	–11,885	–503	–12,387
INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD				–52,459	–174	–52,633		–52,633
CASH FLOW HEDGES					150,775	150,775		150,775
TOTAL PROFITS/LOSSES RECOGNIZED IN EQUITY BEFORE TAXES	**0**	**0**	**0**	**–52,459**	**138,716**	**86,257**	**–503**	**85,754**
– TAXES					–35,130	–35,130	126	–35,004
TOTAL PROFITS/LOSSES RECOGNIZED IN EQUITY AFTER TAXES	**0**	**0**	**0**	**–52,459**	**103,587**	**51,127**	**–377**	**50,750**
PROFIT FOR THE PERIOD			686,639			686,639	104,102	790,741
TOTAL OF RECOGNIZED PROFITS AND LOSSES	**0**	**0**	**686,639**	**–52,459**	**103,587**	**737,766**	**103,725**	**841,491**
DIVIDENDS			–277,380			–277,380	–110,594	–387,974
AS OF 31. 12. 2008	**308,200**	**10,936**	**2,505,457**	**–52,459**	**95,653**	**2,867,786**	**260,299**	**3,128,085**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 2008

I. FINANCIAL REPORTING PRINCIPLES

Together with its subsidiaries, Österreichische Elektrizitätswirtschaft-Aktiengesellschaft (Verbundgesellschaft), with its headquarters at Am Hof 6a, 1010 Vienna, registered at Vienna Commercial Court (FN 76023z), forms Verbund Group, for which the following financial statements were compiled for 2008 according to IFRSs.

The Verbund Group produces, trades and sells electrical energy to power exchange users, traders, provincial energy companies, industrial enterprises, households and commercial customers and holds interests in companies that engage in the activities described above. In addition, the Verbund Group operates the Austrian high-voltage grid.

GENERAL BASIS

The consolidated financial statements of Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft) were prepared in compliance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union.

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 fully consolidated companies is 31 December 2008.

The consolidated financial statements have been prepared in € thousand (amounts shown in the Income Statement of the Verbund Group, in the Balance Sheet of the Verbund Group, in the Cash Flow Statement of the Verbund Group and in the 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 Elektrizitätswirtschaft-Aktiengesellschaft (Verbundgesellschaft) is the parent company. All important companies that are controlled by the parent company (»subsidiaries«) are included, by way of 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 operating policies of the company. The inclusion of a subsidiary commences at the time at which the controlling influence is obtained 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 a 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 under consideration of deferred taxes are eliminated.

With effect from 1 January 2008, Austrian Power Vertriebs GmbH was merged with VERBUND-Austrian Power Sales GmbH. This does not have any effect on the consolidated financial statements as both companies were wholly-owned subsidiaries of the Verbundgesellschaft.

In fiscal 2008, ENERGJI ASHTA Shpk. and the subgroup VERBUND-Photovoltaics Iberica S.L. were fully consolidated for the first time.

The financial statements of VERBUND-Photovoltaics Iberica S.L. (Group) include the parent company VERBUND-Photovoltaics Iberica S.L., which was founded in July 2008, as well as companies of the Mercadillo Group (19 companies) and the Macael Group (9 companies) which were acquired in quarters 2–3/2008 to build and operate solar parks in Spain. There were no notable assets or liabilities at the time of acquisition. There was no goodwill resulting from the acquisition of the Mercadillo Group and the Macael Group.

ENERGJI ASHTA Shpk. was founded in December 2008 with a share capital of approx. € 1.0 million. The company is involved in building and operating hydropower plants in Albania.

At the beginning of the year, the Verbund Group acquired 50.0 % of the shares in the Turkish electricity trading company Enerjisa Elektrik Enerjisi Toptan Satis A.S for a purchase price of € 0.3 million. In addition, the Verbund Group purchased 50.0 % of the shares in the Turkish gas wholesale company Enerjisa Dogalgaz Toptan Satis A.S. for € 0.2 million in April 2008.

Enerjisa Elektrik Dagitim A.S. was founded in November 2008 with a share capital of approx. € 0.025 million. The Verbund Group holds a stake of 49 %. The joint venture Enerjisa Enerji Üretim A.S. – in which Verbund has a 50 % interest – holds a further 2 % of the shares. In accordance with the requirements of the Turkish privatization authority, Enerjisa Elektrik Dagitim A.S. serves the Baskent distribution grid as an acquisition company for the purchase of the distribution grid company Baskent Elektrik Dagitim A.S., the tender for which was won jointly by the Verbund Group and Sabanci Holding A.S. in 2008.

These shareholdings are joint ventures in accordance with IAS 31 »Interests in Joint Ventures« and are included in the financial statements of the Verbund Group using the equity method. The partner company, apart from the Verbundgesellschaft, is the Turkish Sabanci Holding A.S.

The consolidated financial statements include the parent company Verbundgesellschaft, 16 (previous year: 15) subsidiaries and 16 (previous year: 13) 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. For further exceptions, please refer to the list of participating interests.

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 IASs, to new IFRSs as well as to IFRIC and SIC interpretations, as effective on 31 December 2008 and as adopted by the European Union, were applied when preparing the consolidated financial statements.

In fiscal 2008, the following standards/interpretations were applied for the first time:

NEW IFRSs/IFRICs

		APPLICABLE AS OF
IFRIC 11	IFRS 2 – GROUP AND TREASURY SHARE TRANSACTIONS	01. 03. 2007
IFRIC 14	IAS 19 - THE LIMIT ON A DEFINED BENEFIT ASSET, MINIMUM FUNDING REQUIREMENTS AND THEIR INTERACTION	01. 01. 2008

AMENDED IFRSs/IFRICs

		APPLICABLE AS OF
IAS 39	FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT	01. 07. 2008
IFRS 7	FINANCIAL INSTRUMENTS: DISCLOSURES	01. 07. 2008

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 the Verbundgesellschaft at this time, IFRIC 11 will not be applied either.

IFRIC 14 »IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction« focuses on the financial reporting of pension plans. In many countries, laws or contractual terms require employers to make minimum funding payments for their pension or other employee benefit plans. This enhances the security of the retirement benefit promise made to members of an employee benefit plan. These include the backing regulations for Austrian pension funds set forth in the Pension Fund Act. Such minimum funding payments, e.g. the existing obligation to contribute to pension obligations that are covered by pension-fund assets, in effect, would not have any influence on the measurement of the assets or liabilities of a defined-benefit plan as the contributions become assets of the plan at the time of payment.

In accordance with IAS 19.58, the measurement of a surplus of a defined-benefit plan is limited to the present value of the economic benefits in the form of reimbursements from the plan or a reduction of future contributions to the plan. IFRIC 14 focuses on the interaction between the minimum funding requirements and the upper limit for the measurement of surpluses in a defined-benefit plan under IAS 19.

In connection with a contribution obligation that leads to a surplus – and is therefore not included in the DBO –, the employer is only obliged to recognize a further liability from existing minimum funding regulations when the contributions that are payable cannot be reimbursed to the company or used to reduce further contributions. As the contributions payable to the pension fund up to 31 December 2008 did not lead to a surplus, IFRIC 14 does not affect the balance sheet.

In October 2008, the IASB adopted amendments to IAS 39 »Financial Instruments: Recognition and Measurement« and IFRS 7 »Financial Instruments: Disclosures«. These amendments, which refer to the possibilities of reclassifying individual financial instruments within the measurement categories, may be applied retrospectively from 1 July 2008. The amendments were adopted into European law on 15

October 2008. The Verbund Group will not be affected as a result. The clarification of the time of enactment of the amendments published by IASB in November 2008 and the transitional provisions have not yet been incorporated into European law.

The amendments to existing or new standards and interpretations already adopted in the EU, which were issued, but not yet effective, by 31 December 2008, were not voluntarily applied ahead of the effective date.

NEW IFRSs/IFRICs NOT YET APPLIED

		PLANNED APPLICATION DATE
IFRS 8	OPERATING SEGMENTS	01. 01. 2009
IFRIC 12	SERVICE CONCESSION AGREEMENTS	01. 01. 2008
IFRIC 13	CUSTOMER LOYALTY PROGRAMS	01. 07. 2008
IFRIC 15	AGREEMENTS FOR THE CONSTRUCTION OF REAL ESTATE [1]	01. 01. 2009
IFRIC 16	HEDGES OF A NET INVESTMENT IN A FOREIGN OPERATION [1]	01. 10. 2008
IFRIC 17	DISTRIBUTIONS OF NON-CASH ASSETS TO OWNERS [1]	01. 07. 2009

[1] The standards not adopted by the EU are, in accordance with IASB, to be applied in the fiscal years that commence on or after the date of enactment.

AMENDED IFRSs/IFRICs NOT YET APPLIED [2]

		PLANNED APPLICATION DATE
IAS 1	PRESENTATION OF FINANCIAL STATEMENTS	01. 01. 2009
IAS 23	BORROWING COSTS	01. 01. 2009
IAS 27	CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS	01. 07. 2009
IAS 32	FINANCIAL INSTRUMENTS: PRESENTATION	01. 01. 2009
IAS 39	FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT [1]	01. 07. 2009
IFRS 1 [3]	FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS	01. 01. 2009
IFRS 2	SHARE-BASED PAYMENT	01. 01. 2009
IFRS 3	BUSINESS COMBINATIONS	01. 07. 2009

[2] Individual IFRSs were slightly revised in the course of the annual improvement process.

[3] Not yet endorsed by the EU.

IFRS 8 »Operating Segments« regulates disclosures relating to the company's business segments, products and services, regions and customer relationships. It requires that segment reporting be prepared on the same basis that is used for internal control where reports are submitted to the company's chief operating decision maker – as a basis for decisions relating to performance measurement and resource allocation (Management Approach). In contrast, IAS 14 states that segment 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 12 »Service Concession Arrangements« focuses on the accounting treatment of service arrangements between the public and the private sector. These services include the construction, operation and maintenance of infrastructures for which the public sector retains power of disposal. The Verbund Group is currently examining the extent to which the consolidated financial statements will be affected through the application of this interpretation.

IFRIC 13 »Customer Loyalty Programs« regulates the recognition of revenue in connection with customer bonus programs that are offered either by the producers or service providers themselves or via third parties. The effects of the application of this interpretation on the Verbund Group are currently being examined.

IFRIC 15 »Agreements for the Construction of Real Estate« regulates the accounting treatment of real estate sales where the agreement with the purchaser is signed prior to the completion of the construction work. The construction of real estate is not one of the activities of the Verbund Group and, hence, IFRIC 15 will also not have an effect on the consolidated financial statements.

IFRIC 16 »Hedges of a Net Investment in a Foreign Operation« clarifies unresolved issues in connection with the currency hedging of a foreign operation. These include the risk that is to be hedged, the company within the group that can hold the hedging instrument and the recording of the disposal of a foreign operation in the books of account. The effects of the application of this interpretation on the Verbund Group are currently being closely examined.

IFRIC 17 »Distributions of Non-cash Assets to Owners« focuses on the accounting treatment of an obligation to distribute non-cash assets. This obligation is recognized from the point in time at which the distribution is no longer at the discretion of the company. As no non-cash assets are distributed, this interpretation will not be applied in the consolidated financial statements of the Verbund Group.

The amendment to IAS 1 »Presentation of Financial Statements« introduces new terminology as well as new regulations relating to the presentation of the financial statements. In future, non-owner changes in equity must be strictly separated from owner changes in equity. In addition, derivatives must be subdivided and presented according to the term of the derivative. Here, all non-owner changes in equity may be recognized in a »Statement of Comprehensive Income«. This will result in changes to the way the consolidated financial statements of the Verbund Group are presented in fiscal 2009.

The revision of IAS 23 »Borrowing Costs« resulted in the termination of the option of recognizing borrowing costs that can be directly allocated to the acquisition or the construction or the production of a qualifying asset as an expense. In future, these borrowing costs have to be capitalized as a part of the cost of a qualifying asset. The effects of this amendment on the consolidated financial statements of the Verbund Group are currently being closely examined.

While the revision of IAS 27 »Consolidated and Separate Financial Statements« contains amended provisions relating to the presentation of minority interests as well as to the accounting treatment in the event that the controlling influence over a subsidiary is lost, the amendments to IFRS 3 »Business Combinations« further develop the application of the acquisition method of accounting for business combinations.

Following the amendment of IAS 32 »Financial Instruments: Presentation« and IAS 1 »Presentation of Financial Statements« regarding the differentiation of equity and borrowed capital, puttable instruments can in future be classified as equity if certain conditions are met. In this way, the equity of partnerships can be allocated to equity in the separate financial statements in accordance with IFRSs. This classification as equity is, however, limited to the separate financial statements and is therefore not applicable in the consolidated financial statements. As a result, the amendments to IAS 32 and IAS 1 will not have an effect on the consolidated financial statements of the Verbund Group.

The amendments to IAS 39 »Financial Instruments: Recognition and Measurement« allow henceforth, under the provision that certain conditions are met, the designation of inflation risks as an underlying transaction and the designation of a unilateral risk as an underlying transaction. The essential effects of the amendment to IAS 39 on the consolidated financial statements are currently being examined.

Due to the fact that the revision of IFRS 1 »First-time Adoption of International Financial Reporting Standards« refers to companies that are applying IFRSs for the first time, this will not have any effect on the consolidated financial statements of the Verbund Group.

The amendments to IFRS 2 »Share-based Payment« essentially refer to the definition of the vesting conditions and the regulations pertaining to the cancellation of a plan by a party other than the company. Within the Verbund Group, share-based payment only exists within companies that are accounted for using the equity method and, hence, IFRS 2 only finds application there.

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 38, recognized in the balance sheet at cost less scheduled straight-line amortization and impairment losses.

Development costs within the Verbund Group were expensed as incurred due to the fact that the recognition criteria according to 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 or production cost less scheduled straight-line depreciation and impairment losses.

In addition to direct costs, appropriate indirect costs 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	
RESIDENTIALS, OFFICES, PLANTS 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 2008, 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 (finance lease), 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 interest income 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 the Verbund Group holds all essential risks and rewards, the asset is capitalized under non-current assets at the present value of the minimum lease payments and the present value of the obligation is carried as a liability.

IMPAIRMENT OF NON-FINANCIAL ASSETS

All non-financial assets within the scope of IAS 36 are tested with regard to the value of their carrying amounts if there is an indication of impairment (impairment test). In the case of goodwill, intangible assets with indefinite useful lives and assets not yet available for use, an impairment test is carried out annually even if there are no indications of impairment. Impairment exists when the carrying amount is greater than the recoverable amount of the asset. The recoverable amount is the higher of the value in use and the fair value less costs to sell for the asset. The value in use is determined using a present value oriented process in accordance with the discounted cash flow method (DCF method). Here, the relevant cash flows are derived on the basis of the financial plans of the Board. The capitalization rate is the pre-tax rate which reflects the current market estimates of the time value of money and the specific risks associated with the asset. Impairment losses must be recognized in the amount to which the carrying amount exceeds the recoverable amount. If, in later periods, the indications for the impairment no longer exist, impairment losses are reversed. This does not apply for goodwill.

PARTICIPATING INTERESTS

Shares in non-consolidated affiliated companies and other participating interests that are not recognized under 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 on the basis of similar arm's length transactions for the corresponding period and measurement by means of discounting the expected cash flow may not be carried out due to the fact that the cash flow cannot be measured reliably, the participating interests are measured at cost less impairment losses.

The values of the interests recognized under the equity method are, according to IAS 28 and depending on the capital share held by the Verbund Group, increased or decreased each year by the share in the result that is due to the Verbund Group, the changes in the investee's equity by other comprehensive income items, the distributions and intercompany-result eliminations of this participating interest as well as by the amortized fair value adjustments from a previous business combination. 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 there is an indication of impairment with regard to the net investment. If so, an impairment test under IAS 36 is carried out. The value is measured on the basis of the recoverable amount, i.e. the higher of the value in use and the fair value less costs to sell of the asset. The recoverable amount of the participating interest is primarily determined on the basis of the concept of the fair value less costs to sell. When measuring the fair value less costs to sell, preference is given to market price oriented procedures as opposed to present value oriented procedures. The measurement should always be based on the best information available to the company on the balance sheet date in connection with the hypothetical sale of the asset in an arm's length transaction between knowledgeable, willing parties.

In fiscal 2008, the following indications of possible impairment losses were considered:

- The stock market price of POWEO S.A. (Group), which includes a proportionate share of POWEO Production S.A.S., was significantly below the carrying amount from autumn 2008 up to the end of the year.
- It would appear that the earnings trend assumed at the time of acquisition of Energie Klagenfurt GmbH can no longer be realized.
- The selling price of the company shares held by VERBUND-Gasbeteiligungsgmbh in GAZ DE NORMANDIE S.A.S now is below the carrying amount if benchmarked against an arm's length transaction.

SECURITIES AND LOANS

Securities, except for securities acquired in connection with cross border leasing transactions, are classified as »available for sale«. Financial instruments that are not loans or receivables, not held to maturity and not measured at fair value through profit or loss are allocated to this category.

Balance sheet recognition is at fair value, which is 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, in the presence of a significant and objective indication in accordance with the intragroup standards, recognized in profit or loss. All buys and sells are recognized using trade date accounting.

Securities acquired in connection with cross border leasing transactions constitute »loans and receivables« (Medium Term Notes) and are measured at amortized cost less impairment losses.

Interest-bearing loans, including those in connection with cross border leasing transactions, are allocated to the category loans and receivables (LaR) and are recognized at amortized cost 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 method.

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 impairment losses for expected uncollectible amounts.

The impairments, which are carried out in the form of individual allowances via valuation accounts, take due account of the expected default risks; actual defaults result in the derecognition of the corresponding receivables. Within the framework of the individual allowances, the financial assets for which a potential impairment loss exists, are grouped on the basis of similar default risk characteristics. They are then tested for impairment and, if necessary, impaired.

Other non-current and current receivables and assets include receivables from finance leases (see »Leased out and leased assets«) and derivative financial instruments from the financial and electricity areas (see »Derivative financial instruments«). Notes to the accounting treatment of emission rights included under other short-term 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 impairment losses.

IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, the carrying amounts of the financial assets that are not measured at fair value through profit or loss are tested for the presence of objective and substantial indications of impairment (e.g. substantial financial difficulties of the debtor, a high probability of insolvency proceedings being opened against the debtor, the non-existence of an active market for the financial asset, a significant change in the technological, economic and legal environment and the market environment of the issuer or a sustained decline in the fair value of the financial asset below amortized cost). In the presence of indications of impairment, these are recognized in profit or loss.

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 distributed across the financing term by means of the effective interest method and shown in the financing result.

Individual liabilities from cross border leasing transactions were designated as at fair value through profit or loss upon initial recognition (Fair Value Option). This classification facilitates the elimination of measurement incongruence which would have occurred otherwise.

For further details, see hedging transactions in the financial area as well as point VI »Risk/Risk Management – Financial Area« below.

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 profit or loss.

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 selling price less future production costs is used as a basis for other inventories. Inventory risks resulting from the storage period and reduced marketability are accounted for in this amount by means of allowances based on empirical data. The use of primary energy inventories and raw materials and supplies is determined using the moving-average-price method.

PENSIONS, SIMILAR OBLIGATIONS AND STATUTORY SEVERANCE PAYMENTS

Due to company agreements and contracts, employees are entitled receive pension payments upon taking retirement and if certain conditions are met. These defined-benefit pension commitments are partially offset by the pension-fund assets of BAV Pensionskassen AG (pension fund) earmarked for this purpose. To the extent that these defined-benefit obligations must be met by the 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. Actuarial gains or losses are 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 pension-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 1 January and 31 December 2008. The calculations are based on »AVÖ 2008-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.

Employees with employment contracts commencing before 31 December 2002 receive, on the basis of statutory commitments that apply in Austria, 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 under (30) below.

Employees with employment contracts commencing after 31 December 2002 in Austria 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 recognized as a defined-contribution plan in accordance with IAS 19.

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.

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 under interest expenses.

OTHER LIABILITIES

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.

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 out to US investors and, at the same time, leased back on the basis of a finance-lease 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 (zero coupons, medium-term notes) or in financial institutions exclusively of a high-grade credit rating (A rating from Moody’s and S&P at the time of investment) 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. The Verbund Group generated a net present value gain of approx. € 300 million through the conclusion of these transactions.

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 (zero coupons, medium term notes) or loans to financial institutions. These loans are collateral promise agreements with financial institutions of a good and high-grade credit rating. With respect to the portion of leasing liabilities not yet repaid, the 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 (resulting from guarantor liabilities). 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 balance sheet date. Valuation expenses and valuation income are fully equal in terms of value and value dates and are offset against each other.

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 completed in the year under review, whereby the goal of achieving a structure that corresponds to the other transactions was achieved through the conclusion of an equity payment undertaking agreement.

The financial market crisis also had singular effects on the transactions that were concluded by the Verbund Group. These are described in the risk section.

INCOME TAXES

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.

With effect from fiscal 2005, the Verbund Group used the option – provided by the legislator through the Tax Reform Act 2005 – of forming a group of companies for tax purposes.

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 according to IAS 12 for all temporary differences between the book values and tax bases of assets and liabilities as recognized in the IFRSs consolidated financial statements and in the individual companies' tax balance sheets. In addition, the tax advantage from existing loss carry-forwards that is likely to be realized is also included in the calculation. Exceptions to this rule are temporary differences in connection with participating interests provided that these do not result from tax-effective amortizations of investments.

The corporate tax rate applicable to the parent company Österreichische Elektrizitätswirtschafts-AG is 25 %.

The following income tax rates were used for the fully consolidated companies:

INCOME TAX RATES USED FOR THE FULLY CONSOLIDATED COMPANIES %

	2008	2007
AUSTRIA	25	25
ITALY	27.5 / 4.8176	33
NETHERLANDS	20 / 25.5	20 / 23.5 / 25.5
SPAIN	25	–
ALBANIA	25	–

EXCHANGE RATE CONVERSIONS

The functional currency for Verbundgesellschaft and the fully consolidated companies is the Euro.

Transactions in foreign currencies are measured at the foreign exchange reference rate of the European Central Bank on the balance sheet date. The following essential exchange rates were applied on the balance sheet date:

EXCHANGE RATES

COUNTRY	CURRENCY	ECB FOREIGN EXCHANGE REFERENCE RATE	
		31. 12. 2008	31. 12. 2007
ALBANIA	1 € = ALL	123.8000[4]	121.7800 [1]
JAPAN	1 € = JPY	126.1400	164.9300
POLAND	1 € = PLN	4.1535	3.5935
CZECH REPUBLIC	1 € = CZK	26.8750	26.6280
HUNGARY	1 € = HUF	266.7000	253.7300
USA	1 € = USD	1.3917	1.4721

[1] No foreign exchange reference rate is published by the ECB for the Albanian Lek (ALL). The exchange rate stated has been published by Reuters.

The annual financial statements of the group companies denominated in foreign currency are translated into Euros. The currencies are translated, in accordance with IAS 21, using the functional currency method. In the case of companies that do not report in Euros, assets and liabilities are translated using the foreign exchange reference rate of the European Central Bank on the balance sheet date. Income and expenses are translated on the basis of the average rate for the year. Translation differences are recognized directly in equity in the currency translation adjustment.

The following exchange rates were applied on the balance sheet date in the translation of annual financial statements of the group companies denominated in foreign currencie:

EXCHANGE RATES

COUNTRY	CURRENCY	ECB FOREIGN EXCHANGE REFERENCE RATE		
		31. 12. 2008	31. 12. 2007	Average rate 2008
TURKEY	1 € = TRY	2.1488	1.7170	1.8800

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognized at fair value upon conclusion of the contract (normally corresponds to the transaction price) and in the following periods. Unrealized gains or losses are in principle recognized in profit or loss, except when the requirements for hedge accounting in accordance with IAS 39 are fulfilled. In this case, the rules that apply for hedge accounting are used.

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

In the case of cash flow hedges, the unrealized gains and losses of the hedging instrument are initially recognized under other reserves. They are not shown in the income statement until the underlying hedged transaction is recognized in profit or loss. In the event that planned transactions are hedged and these transactions lead to the recognition of a financial asset or a financial liability in subsequent periods, the amounts recognized in equity up to this point in time must, pursuant to IAS 39, be unwound and recognized in profit or loss in the period in which the asset or liability affects the profit or loss for the period. If the transaction leads to the recognition of non-financial assets or liabilities, the amounts recognized in equity are offset against the initial value of the asset or liability, whereby the profit or loss for the period will not be affected.

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 %.

Positive fair values are recognized under trade receivables and other receivables and negative fair values under other financial obligations or other liabilities.

Contracts that were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with the company's expected purchase, sale or usage requirements (own-use contracts) are not accounted for as derivative financial instruments, but rather as executory contracts.

HEDGING TRANSACTIONS IN THE FINANCIAL AREA

In order to limit and control existing foreign currency and interest rate risks, certain derivative financial instruments are used in the financial area, in particular currency forwards and interest rate swaps.

In the case of certain cross border leasing transactions, investments result in variable income, which have to be seen alongside with fixed obligations. To avoid risk, derivative transactions were concluded (interest-rate swaps) for the corresponding financial obligations. Since the items that are allocated to the swaps have - with regard to interest and currency risk – an exactly opposite risk profile, the carrying amounts 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.

MEASURING THE FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS IN THE FINANCIAL AREA

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

The fair value of interest-rate swaps is equivalent to the value that the Verbund Group 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.

HEDGING TRANSACTIONS IN THE ENERGY AREA, ELECTRICITY CONTRACTS IN THE WHOLESALE PORTFOLIO

Within the framework of cash flow hedge accounting pursuant to IAS 39, the Verbund Group used derivative financial instruments to hedge the price risks associated with future sales and procurement transactions. Forward or future contracts are used – as derivatives pursuant to IAS 39.9 – as hedging instruments.

On the balance sheet date it is assessed whether the cumulative change in the value of the underlying transaction compared to the cumulative change in the value of the hedging instrument lies within the a corridor of 80 % to 125 % as required under IAS 39 for cash flow hedge accounting. An ineffective portion of the change in the value of the hedging instrument that lies within this corridor, but with a deviation from 100 %, is recognized in the profit or loss for the period.

Electricity derivatives not designated as hedging instruments are allocated to the wholesale portfolio and measured at fair value through profit or loss.

In fiscal 2008, the portfolio structure in the electricity segment was modified as a result of the increased net balancing of electricity contracts in fiscal 2008. The corresponding disclosures in the balance sheet for fiscal 2008 were adjusted accordingly so as to give a true and fair view of the company.

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

The market valuation of the hedging instruments used within the framework of cash flow hedges comes to € 148.2 million as on 31 December 2008. This is recognized directly in equity until the underlying transaction is effected and will subsequently be offset against the result of the underlying transaction, whereby the profit or loss for the period will not be affected. Electricity derivatives in the wholesale portfolio not designated as hedging instruments are measured at fair value. The market valuation of the derivatives in the wholesale portfolio comes to € 8.3 million as on 31 December 2008. This amount was recognized in profit or loss.

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 the commercialization of own generation, which is dominant in respect of value creation, 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. The result from the measurement and realization of derivative energy trading contracts is recognized net under electricity revenue.

MEASURING THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS IN THE ENERGY AREA

The fair values of the electricity futures and electricity forwards used within the Verbund Group can be measured reliably at each balance sheet date as corresponding stock exchange prices are available from the EEX and PNX (electricity futures) or the measurement is carried out with a forward price curve that is derived from the stock exchange prices using an EURIBOR-based discounting method (electricity forwards).

REALIZATION OF 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 is recognized on the basis of account invoices. Revenue from personnel secondments and consulting/planning services is recognized 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 preparing the annual financial statements pursuant to IFRSs, 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 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 considerable risk that a material 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 executory contracts were created in the amount of € 321.1 million. The assessment of the recoverable amount of the hydraulic and thermal power plants (carrying amount less contribution to construction costs: € 1,104.1 million (previous year: € 1,066.8 million)) is based primarily on the value-in-use concept. Here, relevant cash flows are derived on the basis of financial plans over the useful life for the specific generation type. The discount rate is the pre-tax rate which reflects the current market estimates of the time value of money and the specific risks associated with the asset. This pre-tax rate ranges from 9.50 % to 10.00 %. To date, none of the impairment losses recognized have had to be reversed in the course of 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 the fees to be paid by electricity producers, generation value, forecast and availability risks and future potential perils for plant-specific charges. An important influencing factor in the thermal area, apart from the fees to be paid by electricity producers, is the implementation of emission rights trading.

- The interests in POWEO S.A. (Group) and Energie Klagenfurt GmbH, which are accounted for using the equity method, as well as in VERBUND-Gasbeteiligungsgmbh (carrying amounts: € 235.9 million; previous year: € 267.6 million) were assessed for indications of impairment.

- The stock price of POWEO S.A. was applied to determine the recoverable amount of the interest in this company, including its share in POWEO Production S.A.S. Due to the fact that the recoverable amount lay below the carrying amount, the value in use was determined using the weighted average cost of capital concept in accordance with the discounted cash flow method. The cash flows are derived from the financial plan of POWEO S.A. The forecast period for distribution activities comprises the detailed planning phase with a successive increase in customer numbers as well as a continuation phase for the further development of the activity after the targeted number of customers has been achieved. In accordance with the value in use concept, plant capacities that are operational, under construction or fully approved are included in the valuation of POWEO S.A. on a proportionate basis. The forecast period for the proportionate production activities varies from 20 to 35 years depending on the plant cycle for the generation type. The detailed planning phase embraces the construction and initial operation of the generation capacities. The cash inflows over the useful life of the individual generation types are considered in a subsequent rough planning phase. For the continuation phase, an unlimited further development of the different plant capacities is assumed. The sustainable surpluses therefore represent the stable and regular cash surpluses from a generation-type dependent plant capacity that is continuously used over an unlimited period of time, which were derived on the basis of the present value of a plant cycle. The cash flows are discounted with pre-tax capital costs that range between 7.90 % and 10.00 % depending on the business activity. A long-term growth rate of 0.5 % is assumed for the cash surpluses in the continuation phase. Important value drivers include, in the distribution area, the targeted customer number and, in the production area, the average growth rate of the cash flows in the rough planning phase.

- In determining the recoverable amount of the interest in POWEO Production S.A.S., the fair value less costs to sell, which was derived using the weighted average cost of capital concept in accordance with the discounted cash flow method, was used with priority. The cash surpluses are derived in accordance with industry-compatible returns on the basis of the expansion targets defined by management for the plant portfolio which is differentiated along generation types. The forecast period ranges from 25 to 35 years depending on the plant cycle for the generation type. The detailed planning phase essentially comprises the expansion of the production portfolio. The cash inflows over the useful life of the individual generation types are considered in a subsequent rough planning phase. For the continuation phase, an unlimited further development of the different plant capacities is assumed. The sustainable surpluses therefore represent the stable and regular cash surpluses from a generation-type dependent plant capacity that is continued over an unlimited period of time, which were derived on the basis the present value of a generation type-specific plant cycle. The cash flows are discounted with after-tax capital costs that range between 7.25 % and 7.75 % depending on the business activity. A long-term growth rate of 0.5 % is assumed for the cash surpluses in the continuation phase. The average growth rate of the cash flows in the rough planning phase and the capital costs have a significant influence on the value. In the case of an average growth rate of the cash flows of 1.8 % in the rough planning phase or a 0.2 % increase in capital costs in each case, the recoverable amount and the carrying amount will be at the same level.

- In determining the recoverable amount of the interest in Energie Klagenfurt GmbH, the fair value less costs to sell, which was derived using the weighted average cost of capital concept in accordance with the discounted cash flow method, was used. The cash flows are derived on the basis of a financial plan and the information available therein which would be used by a knowledgeable, willing business partner in an arm's length transaction. The forecast period is divided into three phases. In the detailed planning phase it is essentially assumed that optimization measures and probable expansions of the energy resourcing will be initiated, which will take effect in the subsequent rough planning phase. As a result, the earning power of the company will reach an industry-compatible level in the course of the rough planning phase. For the continuation phase, a sustainable development of a stabilized company is assumed. The cash flows are discounted with risk-adjusted cost of capital of 7.50 %. It is assumed that the cash flows will grow at a rate of 1 % in the continuation phase. The recoverable amount of the interest is less than the carrying amount and, consequently, impairment losses in the amount of € 50 million were recognized in fiscal 2008.

- In determining the recoverable amount of the interest in GAZ DE NORMANDIE S.A.S., the fair value less costs to sell which was determined on the basis of an appropriate selling price for shares in the company in an arm's length transaction was applied. The recoverable amount of the interest is less than the carrying amount and, consequently, impairment losses in the amount of € 2.3 million were recognized in fiscal 2008.

- The measurement of the existing provisions for pensions and similar obligations, severance obligations as well as semi-retirement programs (carrying amount: € 538.0 million, previous year: € 532.3 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: € 29.5 million (previous year: € 13.7 million)) was based on assumptions and estimates on the balance sheet date. Important factors in determining the costs include the demolition time, the opinion on the determination of the decommissioning costs, the valorization of these costs and the interest rate.

- Judgments are made at the end of every quarter as to the probability of occurrence of the contingent liabilities and cross border leasing not recognized in the balance sheet (fiscal 2008: contingent liabilities in the amount of € 22.7 million and cross border leasing € 3,976.2 million; previous year: contingent liabilities in the amount of € 21.2 million and cross border leasing € 3,718.7 million). If the probability of an outflow of resources with economic benefits is not high enough to warrant a liability being recognized in the balance sheet, but can also not be classified as improbable, the liabilities are shown under contingent liabilities. The estimates are made by the appropriate experts under consideration – to the greatest extent possible – of the market expectations and – in individual cases – opinions.

- Due to the appeal submitted by the Bulgarian TSO Elektroenergien Sistemen Operator EAD (ESO) against the first ITC settlement (international grid utilization) for January 2008, the monthly invoices for the period from February to August 2008 could not be made until December 2008. In addition, the settlement agency (RWE/swissgrid) could not provide notification of settlement amounts for the period from September to December 2008 prior to the balance sheet date. These services will therefore be recognized in the consolidated financial statements on the basis of an existing computation model and recalculation differences may occur in the following periods.

II. SEGMENTAL REPORTING

SEGMENTAL REPORTING ACCORDING TO BUSINESS SEGMENTS

Verbund's segment reporting consists of the following business segments

- Electricity
- Grid
- Participating Interests & Services.

The »Electricity« segment comprises

- generation,
- electricity trade and
- electricity distribution.

Under § 8 (3) ElWOG (Electricity Industry and Organization Act), electricity companies have to 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. The segmentation of the Verbund Group 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«.

The segment »Participating Interests & Services« comprises, in accordance with IAS 14.20

- the management and control functions of Verbundgesellschaft as well as the activities in the domestic interests area,
- the financing function of VERBUND-Finanzierungsservice GmbH and VERBUND-International Finance B.V.,
- the services of the Shared Service Center of VERBUND Management Service GmbH,
- the telecom activities of VERBUND-Telekom Service GmbH,
- the activities of VERBUND-International GmbH in the foreign interests area,
- VERBUND Austrian Renewable Power GmbH, which was founded for the renewable energy area, as well as
- VERBUND-Beteiligungsholding GmbH, which was purchased to optimize the management of the participating interests.

NOTES TO THE SEGMENTAL DATA

Internal segmental sales reflects the volume of sales between the segments. These are settled under the same conditions as for non-related third parties. External and internal sales are added to a total sum of sales.

Depreciation and amortization refers to the amortization of intangible assets and depreciation of property, plant and equipment.

Non-cash expenses in the amount of € 139.7 million (previous year: € 0.2 million) are included in the Participating Interests & Services segment.

The impairment losses essentially refer to the steam-generating power plant Mellach, which is currently in operation.

Verbundgesellschaft uses the criterion »operating result« to judge the financial success of the business segments »Electricity«, »Grid« and »Participating Interests & Services«. The operating result is the total of the operating results of the companies included in the segment under consideration of intersegmental sales and expenses.

The result from companies accounted for using the equity method reflects the prorated company results.

The non-interest-bearing assets and the non-interest-bearing liabilities of the segments reflect all non-interest-bearing items excluding tax on income.

Assets that can be allocated to foreign business include, essentially,

ASSETS THAT CAN BE ALLOCATED TO FOREIGN BUSINESS — MILLION €

		2008	2007
FULLY CONSOLIDATED COMPANIES	VERBUND-PHOTOVOLTAICS IBERICA S.L. (EU)	21.0	0.0
INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	SORGENIA S.P.A. (GROUP) (EU)	507.4	223.0
	POWEO S.A. (GROUP) (EU)	76.6	88.0
	POWEO PRODUCTION S.A.S. (EU)	82.7	50.6
	ENERJISA ENERJI ÜRETIM A.S. (TURKEY)	333.2	245.3

Investments allocated to foreign business in fiscal 2008 amounted to € 432.8 million (previous year: € 350.6 million) and refer, essentially, to the further topping up of the interests in Enerjisa Enerji Üretim A.S., Sorgenia S.p.A. (Group) as well as POWEO Production S.A.S.

SEGMENTAL REPORTING ACCORDING TO BUSINESS SEGMENTS — MILLION €

	ELECTRICITY	GRID	PARTICIPATING INTERESTS & SERVICES	ELIMINATION	TOTAL GROUP
QUARTERS 1–4/2008					
EXTERNAL SALES	3,426.4	307.9	10.5	0.0	3,744.7
INTERNAL SALES	126.9	43.6	79.1	–249.6	0.0
TOTAL SALES	**3,553.3**	**351.5**	**89.6**	**–249.6**	**3,744.7**
SCHEDULED DEPRECIATION AND AMORTIZATION	–120.6	–53.7	–7.0	0.0	–181.3
IMPAIRMENT LOSSES	–1.9	0.0	0.0	0.0	–1.9
OPERATING EXPENSES/INCOME (EXCL. DEPRECIATION AND AMORTIZATION)	–2,333.6	–209.8	–129.2	249.6	–2,422.9
OPERATING RESULT (EBIT)	**1,097.2**	**88.0**	**–46.6**	**0.0**	**1,138.6**
RESULTS OF COMPANIES MEASURED AT EQUITY	0.0	0.0	34.1	0.0	34.1
CARRYING AMOUNT OF ASSOCIATES MEASURED AT EQUITY	0.0	0.0	1,532.2	0.0	1,532.2
NON-INTEREST BEARING SEGMENT ASSETS	3,936.3	957.3	989.4	–35.1	5,847.9
NON-INTEREST BEARING SEGMENT LIABILITIES	–1,144.3	–219.6	–18.7	35.1	–1,347.5
OPERATING CASH FLOW	647.6	101.8	643.5	–458.7	934.2
INVESTMENT IN NON-CURRENT INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	253.3	159.1	33.2	0.0	445.4

SEGMENTAL REPORTING ACCORDING TO BUSINESS SEGMENTS CONTINUED — MILLION €

	ELECTRICITY	GRID	PARTICIPATING INTERESTS & SERVICES	ELIMINATION	TOTAL GROUP
QUARTERS 1–4/2007					
EXTERNAL SALES	2,743.1	285.4	9.8	0.0	3,038.3
INTERNAL SALES	129.2	40.9	63.6	–233.7	0.0
TOTAL SALES	**2,872.3**	**326.3**	**73.4**	**–233.7**	**3,038.3**
SCHEDULED DEPRECIATION AND AMORTIZATION	–123.7	–53.6	–5.6	0.0	–182.9
IMPAIRMENT LOSSES	0.0	0.0	0.0	0.0	0.0
OPERATING EXPENSES/INCOME (EXCL. DEPRECIATION AND AMORTIZATION)	–1,864.0	–210.5	–98.5	233.7	–1,939.3
OPERATING RESULT (EBIT)	**884.6**	**62.2**	**–30.7**	**0.0**	**916.1**
RESULTS OF COMPANIES MEASURED AT EQUITY	0.0	0.0	51.8	0.0	51.8
CARRYING AMOUNT OF ASSOCIATES MEASURED AT EQUITY	0.0	0.0	1,156.3	0.0	1,156.3
NON-INTEREST BEARING SEGMENT ASSETS	3,648.6	850.6	154.3	–6.8	4,646.6
NON-INTEREST BEARING SEGMENT LIABILITIES	–1,056.0	–142.0	–53.7	6.8	–1,244.9
OPERATING CASH FLOW	685.5	81.7	245.6	–205.2	807.6
INVESTMENT IN NON-CURRENT INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	169.1	76.0	11.1	0.0	256.1

SEGMENTAL REPORTING ACCORDING TO REGIONS

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

SEGMENTAL REPORTING ACCORDING TO REGIONS — MILLION €

	2008	2007
ELECTRICITY SALES – DOMESTIC	1,332.4	1,005.6
THEREOF TO RESELLERS	762.1	644.3
THEREOF TO END CUSTOMERS [1]	470.3	245.0
THEREOF TO TRADERS	100.1	116.3
ELECTRICITY SALES – ABROAD	2,067.6	1,712.4
THEREOF TO EU MEMBER STATES	2,065.5	1,710.6
THEREOF TO OTHER COUNTRIES	2.0	1.8
TOTAL ELECTRICITY SALES	3,400.0	2,718.0
REVENUE FROM GRID SALES (DOMESTIC)	302.0	274.5
SUBTOTAL ELECTRICITY AND GRID SALES	**3,702.0**	**2,992.5**
OTHER SALES REVENUE – OTHER (DOMESTIC)	42.7	45.8
TOTAL SALES REVENUE	3,744.7	3,038.3
THEREOF DOMESTIC SALES REVENUE	1,677.7	1,325.3
THEREOF SALES REVENUE ABROAD	2,067.0	1,713.0

[1] Thereof € 66.9 million (previous year: € 60.6 million) from grid fees for further account.

III. NOTES TO THE INCOME STATEMENT

(1) REVENUE

REVENUE ACCORDING TO CUSTOMER SEGMENTS

MILLION €

	2008	2007
CUSTOMER SEGMENT		
END CUSTOMERS	641.2	295.4
RESELLERS	1,267.7	1,107.2
TRADERS	1,491.1	1,315.4
TOTAL ELECTRICITY SALES	**3,400.0**	**2,718.0**

OTHER REVENUE

MILLION €

	2008	2007
REVENUE FROM DISTRICT-HEATING SALES	14.1	11.2
SALES REVENUE FROM CONSULTING/PLANNING SERVICES AND FOR OTHER SERVICES	11.6	17.6
STAFF SECONDMENTS	10.0	9.2
USER AND MANAGEMENT FEES	5.3	4.8
REVENUE FROM SALES OF WASTE PRODUCTS/COAL/FUEL/OIL	1.2	1.1
OTHER	0.5	1.9
OTHER SALES REVENUE	**42.7**	**45.8**

(2) OTHER OPERATING INCOME

OTHER OPERATING INCOME

MILLION €

	2008	2007
INCOME FROM THE DISPOSAL AND WRITE-UP OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	36.1	1.0
CHANGES IN INVENTORY AND OWN WORK CAPITALIZED	19.9	13.6
PRO-RATA TEMPORIS REVERSAL OF BUILDING-COST CONTRIBUTIONS	15.0	16.2
INCOME FROM VARIOUS GOODS AND SERVICES	8.9	8.4
INCOME FROM THE REVERSAL OF PROVISIONS	3.3	0.8
REVENUE FROM INSURANCE INDEMNITIES	3.1	0.6
TENANCY AND LEASING INCOME	1.0	1.1
INCOME FROM MATERIAL SALES	1.0	0.6
INCOME FROM SOCIAL AMENITIES	0.6	0.6
INCOME FROM VALUE ADJUSTMENTS OF RECEIVABLES	0.4	2.5
OTHER	6.8	7.2
OTHER OPERATING INCOME	**96.1**	**52.6**

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

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

	2008	2007
EXPENSES FOR ELECTRICITY PURCHASES	1,709.5	1,378.2
EXPENSES FOR SYSTEM USE	104.4	78.6
EMISSION RIGHTS PURCHASES	0.0	1.2
EXPENSES FOR ELECTRICITY, GRID AND EMISSION RIGHTS PURCHASES	**1,813.9**	**1,458.0**

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

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

	2008	2007
FUEL EXPENSES	110.1	91.2
EMISSION RIGHTS ACQUIRED AGAINST PAYMENT	15.9	0.4
OTHER UTILIZATION-DEPENDENT EXPENSES	8.0	7.0
USE OF FUELS AND OTHER UTILIZATION-DEPENDENT EXPENSES	**134.0**	**98.6**

(5) PAYROLL EXPENSES

PAYROLL EXPENSES — MILLION €

	2008	2007
WAGES AND SALARIES	192.9	176.0
EXPENSES FOR SOCIAL SECURITY CONTRIBUTIONS AS REQUIRED BY LAW AS WELL AS CHARGES AND COMPULSORY CONTRIBUTIONS BASED ON BENEFITS	42.5	40.7
OTHER SOCIAL EXPENSES	3.2	3.1
SUBTOTAL	238.6	219.8
EXPENSES FOR PENSIONS AND SIMILAR OBLIGATIONS	55.5	34.3
EXPENSES FOR SEVERANCE PAYMENTS	12.1	7.9
PAYROLL EXPENSES	**306.2**	**262.0**

The increase in »Expenses for severance payments« and »Expenses for pensions and similar obligations« is caused by the higher measurement basis and losses in pension fund assets. These burdened »Expenses for pensions and similar obligations« in the amount of € 11.6 million, while income in the amount of € 1.2 million in the previous year lowered pension expenses. The pension-fund contributions to the defined-contribution Investment and Risk Community amounted to € 6.7 million (previous year: € 6.4 million).

»Expenses for severance payments« include € 0.3 million (previous year: € 0.2 million) for contributions to a corporate employee-benefits fund.

(6) OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES MILLION €

	2008	2007
MAINTENANCE OF POWER PLANTS	74.0	39.4
EXTERNAL SERVICES RECEIVED	35.5	23.7
LEGAL, CONSULTING AND AUDITING FEES	24.0	13.3
DECOMMISSIONING COSTS	17.6	0.0
COMPENSATION PAYMENTS	16.9	1.5
ADVERTISING EXPENSES	15.5	14.3
COSTS FOR ALLOCATED STAFF, TEMPORARY STAFF	14.2	11.6
MATERIAL COSTS FOR MOTOR-VEHICLE OPERATION AND MAINTENANCE	12.5	10.9
TRAVEL EXPENSES, STAFF TRAINING	10.9	11.0
EDP EXPENSES	6.6	6.3
EXPENSES FOR E-CONTROL [1]	6.4	6.1
RENT, LEASING	4.3	1.8
COMMUNICATION	3.7	3.2
FEES	3.6	3.7
INSURANCE	3.1	3.0
MEMBERSHIP FEES	3.1	2.4
OPERATING COSTS	3.1	2.3
OTHER OPERATING TAXES	1.5	1.1
EXPENSES ARISING FROM VALUE ADJUSTMENTS FOR RECEIVABLES	0.9	3.0
LOSSES FROM THE DISPOSAL OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	0.9	2.3
PROVISION FOR CONTROVERSIAL GRID EQUALIZATION CLAIMS	0.0	6.5
OTHER	6.6	5.8
OTHER OPERATING EXPENSES	**264.9**	**173.2**

[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) RESULT FROM PARTICIPATING INTERESTS

RESULT FROM PARTICIPATING INTERESTS MILLION €

	2008	2007
INCOME FROM ASSOCIATES MEASURED AT EQUITY	34.1	51.8
INVESTMENT INCOME FROM AFFILIATED NON-CONSOLIDATED COMPANIES	5.5	4.6
INCOME FROM PARTICIPATING INTERESTS IN OTHER COMPANIES	5.0	1.6
INCOME FROM DISPOSAL OF LONG-TERM INVESTMENTS/PARTICIPATING INTERESTS	0.0	0.2
EXPENSES FROM AFFILIATED NON-CONSOLIDATED COMPANIES	–2.3	–3.3
RESULT FROM PARTICIPATING INTERESTS	**42.3**	**54.9**

»Income from associates measured at equity« includes an impairment loss revealed for the interest in Energie Klagenfurt GmbH within the framework of an impairment test in the amount of € 50 million.

(8) INTEREST INCOME

This item essentially includes interest and similar income (€ 94.6 million; previous year: € 72.9 million).

(9) INTEREST EXPENSES

This item essentially includes interest and similar expenses (€ 165.0 million; previous year: € 140.1 million) as well as profit/loss shares attributable to limited partners (€ 40.9 million; previous year: € 41.3 million).

(10) OTHER FINANCIAL RESULT

This item contains, essentially, distribution income from investment funds and income from security investments as well as measurement results recognized in profit or loss. The investment fund investments were originally carried out primarily to cover the provisions for pension obligations, but also include investments that were carried out to create liquidity reserves. In addition, this item includes income from loans as well as exchange gains and losses from foreign currencies.

OTHER FINANCIAL RESULT — MILLION €

	2008	2007
INCOME FROM FINANCIAL INSTRUMENTS	16.3	16.1
RESULT FROM THE DISPOSAL OF FINANCIAL INSTRUMENTS	0.8	0.0
EXCHANGE GAINS FROM FOREIGN CURRENCIES	27.2	4.0
IMPAIRMENT OF FINANCIAL INSTRUMENTS	–38.8	0.0
OTHER EXPENSES FROM FINANCIAL INSTRUMENTS	–1.7	0.0
EXCHANGE LOSSES FROM FOREIGN CURRENCIES	–48.6	–0.2
OTHER FINANCIAL RESULT	**–44.8**	**19.9**

(11) INCOME TAX

INCOME TAX — MILLION €

	2008	2007
CURRENT TAX EXPENSES (THEREOF TAX EXPENSES FROM PRIOR PERIODS € 0.9 MILLION; PREVIOUS YEAR: EXPENSES € 10.6 MILLION)	241.7	217.0
CHANGES IN DEFERRED INCOME TAXES	–7.6	0.3
INCOME TAX	**234.1**	**217.3**

Tax expenses for 2008 of € 234.1 million undershot the calculated tax expenses of € 256.2 million by € 22.1 million; such calculated tax expenses would result from the application of a tax rate of 25 % to the pre-tax profit (€ 1,024.9 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 €

	2008	2007
CALCULATED TAX EXPENSES	256.2	220.6
DIFFERENT FOREIGN TAX RATES	0.3	0.2
TAX RELIEF DUE TO		
TAX-EXEMPT INVESTMENT INCOME	–23.7	–14.6
TAX-EXEMPT PREMIUMS	–0.8	–0.7
OTHER ITEMS	–0.5	–0.1
AMORTIZATION OF GOODWILL IN ACCORDANCE WITH § 9 PARA. 7 KSTG (CORPORATION TAX ACT)	0.0	–1.1
INCREASES IN TAX EXPENSES DUE TO		
OTHER ITEMS	1.6	1.1
INCOME TAX EXPENSE FOR THE PERIOD	**233.1**	**205.4**
TAX EXPENSES FOR PRIOR PERIODS (CURRENT AND DEFERRED)	1.0	11.9
INCOME TAX EXPENSE RECOGNIZED	**234.1**	**217.3**
EFFECTIVE TAX RATE	**22.8 %**	**24.6 %**

Current tax expenses in the amount of € 3.3 million were recognized directly in equity. The deferred taxes offset directly in equity amount to € –38.2 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 €

	2008	2007
PROVISIONS FOR PENSIONS AND SEVERANCE PAYMENTS	55.9	61.3
IMPAIRMENT LOSSES FROM PARTICIPATING INTERESTS	11.3	0.0
DERIVATIVE FINANCIAL INSTRUMENTS	0.0	0.2
DEFERRED TAX ASSETS	**67.2**	**61.5**
PROPERTY, PLANT AND EQUIPMENT (DIFFERENT USEFUL LIVES)	–115.9	–117.0
SPECIAL TAX DEPRECIATION	–81.4	–83.5
DERIVATIVE FINANCIAL INSTRUMENTS	–38.0	0.0
OTHER	–11.1	–9.6
DEFERRED TAX LIABILITIES	**–246.4**	**–210.1**
RECOGNITION OF DEFERRED TAXES (NETTED; + ASSET/– LIABILITY)	**–179.2**	**–148.6**

In fiscal 2008, the net position for deferred taxes changed as follows:

NET POSITION FOR DEFERRED TAXES MILLION €

OPENING BALANCE 01. 01. 2008	**–148.6**
CHANGES RECOGNIZED DIRECTLY IN EQUITY	–38.2
CHANGES RECOGNIZED IN PROFIT OR LOSS	7.6
CLOSING BALANCE 31. 12. 2008	**–179.2**

The changes recognized directly in equity essentially refer to the profits and losses from available-for-sale financial instruments and cash flow hedges.

Due to 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.

IV. 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 MILLION €

	2008	2007
ACQUISITION COSTS AS OF 01. 01.	50.4	44.1
CHANGES IN COMPANIES CONSOLIDATED	0.0	0.2
ADDITIONS	5.1	6.7
DISPOSALS	–2.7	–0.6
ACQUISITION COSTS AS OF 31. 12.	**52.7**	**50.4**
ACCUMULATED AMORTIZATION AS OF 01. 01.	39.4	36.1
CHANGES IN COMPANIES CONSOLIDATED	0.0	0.2
AMORTIZATION 2008	3.5	3.6
DISPOSALS	–2.7	–0.5
ACCUMULATED AMORTIZATION AS OF 31. 12.	**40.2**	**39.4**
NET CARRYING AMOUNT AS IN CURRENT YEAR	12.5	11.0
NET CARRYING AMOUNT AS IN PREVIOUS YEAR	11.0	8.0

THE IMPAIRMENT LOSSES ESSENTIALLY REFER TO THE STEAM-GENERATING POWER PLANT MELLACH, WHICH IS CURRENTLY IN OPERATION

(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 CON-STRUCTION AND PROJECTS	TOTAL
2008							
ACQUISITION/ PRODUCTION COSTS AS OF 01. 01. 2008	5,314.6	1,960.4	2,016.3	931.7	114.6	290.6	10,628.2
ADDITIONS	10.7	10.3	39.3	16.8	9.2	354.1	440.3
DISPOSALS	–71.2	–233.7	–106.8	0.0	–11.7	0.0	–423.4
REPOSTINGS	8.0	7.1	31.9	0.5	0.7	–48.3	0.0
ACQUISITION/ PRODUCTION COSTS AS OF 31. 12. 2008	**5,262.1**	**1,744.1**	**1,980.7**	**949.0**	**112.9**	**596.4**	**10,645.1**
ACCUMULATED DEPRECIATION AS OF 01. 01.2 008	2,626.4	1,705.9	1,611.8	454.5	88.1	9.6	6,496.2
DEPRECIATION 2008	66.4	26.6	57.5	20.1	6.7	0.5	177.8
IMPAIRMENT LOSSES	0.7	0.5	0.6	0.0	0.0	0.0	1.9
DISPOSALS	–70.5	–233.6	–105.2	0.0	–11.5	0.0	–420.8
REPOSTINGS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ACCUMULATED DEPRECIATION AS OF 31. 12. 2008	**2,623.0**	**1,499.4**	**1,564.7**	**474.6**	**83.3**	**10.1**	**6,255.1**
NET CARRYING AMOUNT AS OF 31. 12. 2008	2,639.1	244.7	416.0	474.4	29.6	586.3	4,390.0
NET CARRYING AMOUNT AS OF 31. 12. 2007	2,688.2	254.5	404.5	477.2	26.5	281.0	4,132.0
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

The additions for fiscal 2008 are listed in the following:

ADDITIONS — MILLION €

	2008	2007
380 kV LINE KAINACHTAL – SOUTHERN BURGENLAND	90.3	20.4
KAPRUN LIMBERG II POWER PLANT	78.3	62.8
GAS AND STEAM TURBINE COMBINATION POWER PLANT MELLACH	64.5	2.5
HIEFLAU POWER PLANT – EXPANSION	31.5	8.5
SOLAR POWER PLANTS IN SPAIN	21.0	0.0
SUBSTATION VIENNA-SOUTHEAST – CONSTRUCTION OF NEW MAIN CONTROL CENTER	13.8	3.5
WERFEN/PFARRWERFEN POWER PLANT	13.0	10.3
AUTOMATION OF HYDROPOWER PLANTS	12.5	11.3
GERLOS II POWER PLANT	0.4	12.6
OTHERS WITH INDIVIDUAL AMOUNTS UNDER € 10 MILLION	115.0	117.5
TOTAL	**440.3**	**249.4**

In fiscal 2002, Triebenbacht power plant was taken over on the basis of a financial-leasing arrangement. This was recorded under »Property, plant and equipment« with a residual carrying amount of € 17.9 million (previous year: € 18.8 million) as of 31 December 2008

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

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

	2008	2007
SCHEDULED DEPRECIATION AND AMORTIZATION	181.3	182.9
IMPAIRMENT LOSSES	1.9	0.0
AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	**183.2**	**182.9**

The impairment losses essentially refer to the steam-generating power plant Mellach, which is currently in operation.

(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-CONSOLIDATED AFFILIATED COMPANIES	OTHER PARTICIPATING INTERESTS	PREPAYMENTS ON PARTICIPATING INTERESTS	TOTAL
2008					
(AMORTIZED) ACQUISITION COSTS AS OF 01. 01. 2008	1,156.3	8.5	42.3	0.0	1,207.0
ADDITIONS - INTERESTS ACQUIRED	432.9	4.1	110.8	36.7	584.6
ADDITIONS - PROFITS/LOSSES	95.9	0.0	0.0	0.0	95.9
DISPOSALS - PROFITS/LOSSES	–64.5	0.0	0.0	0.0	–64.5
DISPOSALS	0.0	0.0	–0.5	0.0	–0.5
DIVIDEND DISTRIBUTIONS	–38.5	0.0	0.0	0.0	–38.5
(AMORTIZED) ACQUISITION COSTS AS OF 31. 12. 2008	**1,582.2**	**12.5**	**152.6**	**36.7**	**1,784.0**
ACCUMULATED VALUE ADJUSTMENTS AS OF 01. 01. 2008	0.0	0.0	11.0	0.0	11.0
IMPAIRMENT LOSSES	50.0	2.3	0.0	0.0	52.3
DISPOSALS	0.0	0.0	–0.1	0.0	–0.1
ACCUMULATED VALUE ADJUSTMENTS AS OF 31. 12. 2008	**50.0**	**2.3**	**10.9**	**0.0**	**63.2**
NET CARRYING AMOUNT AS OF 31. 12. 2008	1,532.2	10.2	141.8	36.7	1,720.8
NET CARRYING AMOUNT AS OF 31. 12. 2007	1,156.3	8.5	31.3	0.0	1,196.0
2007					
(AMORTIZED) ACQUISITION COSTS AS OF 01. 01. 2007	785.2	5.6	42.3	0.0	833.1
ADDITIONS - INTERESTS ACQUIRED	351.1	3.1	0.7	0.0	354.9
ADDITIONS - PROFITS/LOSSES	61.8	0.0	0.0	0.0	61.8
DISPOSALS - PROFITS/LOSSES	–11.8	0.0	0.0	0.0	–11.8
DISPOSALS	–1.6	–0.2	–0.7	0.0	–2.5
DIVIDEND DISTRIBUTIONS	–28.5	0.0	0.0	0.0	–28.5
(AMORTIZED) ACQUISITION COSTS AS OF 31. 12. 2007	**1,156.3**	**8.5**	**42.3**	**0.0**	**1,207.0**
ACCUMULATED VALUE ADJUSTMENTS AS OF 01.01.2007	0.0	0.2	11.0	0.0	11.2
IMPAIRMENT LOSSES	0.0	0.0	0.0	0.0	0.0
DISPOSALS	0.0	–0.2	0.0	0.0	–0.2
ACCUMULATED VALUE ADJUSTMENTS AS OF 31. 12. 2007	**0.0**	**0.0**	**11.0**	**0.0**	**11.0**
NET CARRYING AMOUNT AS OF 31. 12. 2007	1,156.3	8.5	31.3	0.0	1,196.0
NET CARRYING AMOUNT AS OF 31. 12. 2006	785.2	5.3	31.3	0.0	821.8

The additions to interests measured at equity refer to interests acquired, capital increases and contributions. The additions in fiscal 2008 essentially refer to der Enerjisa Enerji Üretim A.S. (€ 140.1 million), POWEO Production S.A.S. (€ 32.8 million) and the Sorgenia S.p.A. Group (€ 258.2 million).

The impairment losses under interests measured at equity refer to the impairment loss revealed for the interest in Energie Klagenfurt GmbH within the framework of an impairment test.

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. 2008	31. 12. 2007
NET CARRYING AMOUNT	1,532.2	1,156.3
THEREOF GOODWILL	268.9	237.9
THEREOF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES	0.5	15.3

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 decline in intangible assets with indefinite useful lives is attributable to the final settlement of an asset recognized as a long-term receivable from an allowance in the course of the acquisition of an interest in Sorgenia S.p.A. (Group), which led to a reversal.

The additions to interests in non-consolidated affiliated companies essentially refer to VERBUND-Gasbeteiligungsgmbh (€ 2.1 million) and Alpha Wind S.R.L. (€ 2.0 million). The additions to other participating interests refer, essentially, to Energie AG Oberösterreich (€ 110.7 million).

The disposals of other participating interests refer, in particular, to an adjustment of the interest in Kärntner Restmüllverwertungs GmbH (acquisition cost: € 0.3 million/accumulated value adjustments: € 0.0 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 01. 01. 2008	43.8	494.0	537.8
FOREIGN-CURRENCY MEASUREMENT	2.2	17.7	19.9
ADDITIONS	1.1	3.1	4.2
CAPITALIZED INTEREST	0.1	44.2	44.3
DISPOSALS	0.0	–15.8	–15.8
(AMORTIZED) ACQUISITION COSTS AS OF 31. 12. 2008	**47.1**	**543.3**	**590.4**

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 64.3 million (previous year: USD 62.1 million).

None of the securities are pledged at this time and of loans, an amount of € 409.6 million (previous year: € 346.6 million) is pledged. Of this amount, € 295.3 million is pledged to US investors and € 114.3 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
2008				
ACQUISITION COSTS AS OF 01. 01. 2008	41.3	289.4	74.0	404.7
ADDITIONS	0.1	104.9	87.9	192.9
DISPOSALS	–0.2	–38.6	0.0	–38.8
REPOSTINGS	–0.7	0.0	–4.0	–4.7
ACQUISITION COSTS AS OF 31. 12. 2008	**40.6**	**355.6**	**157.8**	**554.0**
ACCUMULATED VALUE ADJUSTMENTS AS OF 01. 01. 2008	0.0	38.6	0.0	38.6
IMPAIRMENT LOSS THROUGH PROFIT OR LOSS	0.0	38.8	0.0	38.8
IMPAIRMENT LOSSES THROUGH EQUITY	0.0	25.8	0.0	25.8
VALUE INCREASES	0.0	–4.0	0.0	–4.0
RECYCLING	0.0	–10.5	0.0	–10.5
DISPOSALS	0.0	0.4	0.0	0.4
REPOSTINGS	0.0	0.0	0.0	0.0
ACCUMULATED VALUE ADJUSTMENTS AS OF 31. 12. 2008	**0.0**	**89.1**	**0.0**	**89.1**
NET CARRYING AMOUNT AS OF 31. 12. 2008	40.6	266.5	157.8	464.9
NET CARRYING AMOUNT AS OF 31. 12. 2007	41.3	250.8	74.0	366.1
OTHER LONG-TERM RECEIVABLES				
NET CARRYING AMOUNT AS OF 31. 12. 2008				147.6
NET CARRYING AMOUNT AS OF 31. 12. 2007				80.4
TOTAL				
NET CARRYING AMOUNT AS OF 31. 12. 2008				612.6
NET CARRYING AMOUNT AS OF 31. 12. 2007				446.5
2007				
ACQUISITION COSTS AS OF 01. 01. 2007	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
IMPAIRMENT LOSSES THROUGH EQUITY	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				91.2
TOTAL				
NET CARRYING AMOUNT AS OF 31. 12. 2007				446.5
NET CARRYING AMOUNT AS OF 31. 12. 2006				395.3

The reposting of acquisition costs refers to the reclassification to current assets.

The additions to other loans excl. cross border leasing (€ 87.9 million) essentially refer to a loan to POWEO Pont sur Sambre (€ 86.0 million) and a loan to EVN AG (€ 1.7 million).

The securities (€ 266.5 million, previous year: € 250.8 million) primarily comprise shares in investment funds and bonds and are classified as available-for-sale.

Of the securities, € 136.9 million (previous year: € 65.9 million) were pledged as security, above all in connection with trading at power exchanges and the management of balancing energy.

Other loans in the amount of € 157.8 million (previous year: € 74.0 million) exist, essentially, in connection with the financing of POWEO Pont sur Sambre (€ 157.0 million).

The electricity prepayment to Österreichisch-Bayerische Kraftwerke Aktiengesellschaft (€ 27.8 million, previous year: € 28.9 million) recognized under other long-term receivables, was reduced by € 1.1 million in fiscal 2008.

Other long-term receivables include, after set-off against prepayments received, € 1.6 million (previous year: € 3.2 million) as the present value of future leasing installments for plants leased out by the Verbund Group to a large customer (financial leasing under IAS 17). The lease agreements will terminate on 30 September 2010. The total of non-discounted leasing installments amounts to € 1.7 million (previous year: € 3.3 million). Redemptions due within a year amount to € 0.9 million and redemptions due in 2010 to € 0.7 million.

Other long term receivables include receivables from the fair values of the derivative financial instruments of the financial area in connection with cross border leasing in the amount of € 117.9 million (previous year: € 47.9 million).

CURRENT ASSETS

(18) INVENTORIES

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.

INVENTORIES — MILLION €

	2008	2007	CHANGE
PRIMARY ENERGY SOURCES	63.6	46.5	17.1
LESS VALUE ADJUSTMENTS	–0.1	–0.5	0.4
SUBTOTAL	**63.5**	**46.0**	**17.5**
MATERIALS AND SUPPLIES	2.9	2.8	0.1
INVENTORIES	**66.4**	**48.8**	**17.6**

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	
	2008	2007	2008	2007
TRADE RECEIVABLES	281.1	248.1	0.0	0.0
RECEIVABLES FROM COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	30.9	32.5	0.0	0.0
OTHER LOANS	2.0	2.2	0.0	0.0
LOANS TO COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	0.6	0.7	0.0	0.0
RECEIVABLES FROM NON-CONSOLIDATED AFFILIATED COMPANIES	5.5	9.7	0.0	0.0
OTHER RECEIVABLES AND ASSETS	473.1	344.4	147.6	80.4
TRADE RECEIVABLES AND OTHER RECEIVABLES	**793.2**	**637.6**	**147.6**	**80.4**

Other receivables with a maturity of more than one year are recognized in the balance sheet under »Other long-term receivables« (see (17)).

OTHER RECEIVABLES AND ASSETS

MILLION €

	SHORT-TERM		LONG-TERM	
	2008	2007	2008	2007
FAIR VALUE OF THE DERIVATIVE FINANCIAL INSTRUMENTS				
ENERGY AREA	383.7	34.2	0.0	0.0
FINANCIAL AREA	0.0	0.0	117.9	47.9
EMISSION RIGHTS	43.0	0.1	0.0	0.0
ELECTRICITY PREPAYMENT ÖBK	0.0	0.0	27.8	28.9
RECEIVABLES – REPUBLIC OF AUSTRIA	7.2	1.6	0.0	0.0
RECEIVABLES FROM INTEREST ACCRUALS	5.6	2.6	0.0	0.0
SECURITIES IN EEX / ELECTRICITY TRADE	4.2	22.6	0.0	0.0
RECEIVABLES FROM TAX CLEARING	4.0	0.9	0.0	0.0
RECEIVABLES FROM LOCK OPERATIONS AND MAINTENANCE	3.6	4.7	0.0	0.0
RECEIVABLE FROM FINANCIAL LEASING	0.0	0.0	1.6	3.2
OTHER RECEIVABLES FROM PAYROLL	0.4	0.3	0.0	0.0
PREPAYMENTS MADE FROM AUCTIONS	0.1	10.9	0.0	0.0
DEPOSITS AT BANKS > 3 MONTHS < 1 YEAR	0.0	245.8	0.0	0.0
RECEIVABLES – ELWOG	0.0	1.8	0.0	0.0
SECURITIES IN CONNECTION WITH ELECTRICITY TRANSPORTS	0.0	0.5	0.0	0.0
OTHER	21.3	18.4	0.3	0.4
OTHER RECEIVABLES AND ASSETS	**473.1**	**344.4**	**147.6**	**80.4**

The total amount of € 4.2 million (previous year: € 23.1 million) recognized as securities was pledged, above all, in connection with the management of balancing energy and trading at power exchanges.

Allowances and amounts overdue exist as of 31 December 2008 for the following receivables:

ALLOWANCES

MILLION €

	CARRYING AMOUNT	THEREOF: IMPAIRED ON BALANCE SHEET DATE	ALLOWANCES	GROSS
2008				
TRADE ACCOUNTS RECEIVABLE	281.1	35.0	12.4	293.5
RECEIVABLES FROM COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	30.9	0.0	1.4	32.3
RECEIVABLES FROM NON CONSOLIDATED AFFILIATED COMPANIES	5.5	0.0	0.0	5.5
LOANS	2.6	0.0	0.0	2.6
OTHER RECEIVABLES AND ASSETS	473.1	0.1	2.3	475.4
TOTAL	**793.2**	**35.1**	**16.1**	**809.3**
2007				
TRADE ACCOUNTS RECEIVABLE	248.1	31.7	6.7	254.8
RECEIVABLES FROM COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	32.5	16.4	3.7	36.2
RECEIVABLES FROM NON CONSOLIDATED AFFILIATED COMPANIES	9.7	0.0	0.0	9.7
LOANS	2.9	0.0	0.0	2.9
OTHER RECEIVABLES AND ASSETS	344.4	0.1	2.2	346.6
TOTAL	**637.6**	**48.2**	**12.6**	**650.2**

AMOUNTS OVERDUE

MILLION €

	CARRYING AMOUNT	THEREOF: NEITHER OVERDUE ON THE BALANCE SHEET DATE NOR IMPAIRED	THEREOF: NOT IMPAIRED ON THE BALANCE SHEET DATE AND OVERDUE IN THE FOLLOWING PERIODS			
			LESS THAN 30 DAYS	BETWEEN 31 AND 120 DAYS	BETWEEN 121 AND 360 DAYS	MORE THAN 360 DAYS
TRADE ACCOUNTS RECEIVABLE	281.1	202.9	4.0	11.4	0.3	1.6
RECEIVABLES FROM COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	30.9	29.8	0.4	0.6	0.0	0.0
RECEIVABLES FROM NON CONSOLIDATEDAFFILIATED COMPANIES	5.5	5.5	0.0	0.0	0.0	0.0
LOANS	2.6	2.6	0.0	0.0	0.0	0.0
OTHER RECEIVABLES AND ASSETS	473.1	467.8	2.2	0.1	0.0	0.3
TOTAL	**793.2**	**708.6**	**6.6**	**12.1**	**0.3**	**1.9**

The allowances for receivables from companies in which participating interests are held refer in the amount of € 0.0 million (previous year: € 2.3 Million) to related parties in accordance with IAS 24 (participating interests accounted for using the equity method).

(20) CASH AND CASH ITEMS

CASH AND CASH ITEMS — MILLION €

	2008	2007
SHORT-TERM DEPOSITS	0.0	116.1
CASH IN BANKS	107.7	213.9
CASH BALANCE	0.1	0.1
CASH AND CASH ITEMS	**107.8**	**330.1**

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

The cash and cash items correspond with the liquid resources of the cash flow statement.

EQUITY

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

(21) SHARE CAPITAL

The share capital comprises:

51,018,000 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 group result by the weighted average number of shares in circulation in 2008 (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 these 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 2008, which are prepared in accordance with Austrian Accounting Standards.

(24) RESERVE FOR EXCHANGE RATE DIFFERENCES

The exchange rate reserve contains the result of the currency translation of the joint ventures held with the Turkish Enerjisa Group, which are accounted for using the equity method. As of 31 December 2008, this comes to € 52.5 million.

(25) OTHER RESERVES

OTHER RESERVES — MILLION €

	PROFITS AND LOSSES FROM			
	AVAILABLE-FOR-SALE ASSETS	INTERESTS MEASURED AT EQUITY	CASH FLOW HEDGING	TOTAL
AS OF 01. 01. 2008	–11.6	2.1	1.7	–7.8
CHANGE	–15.3	–0.2	58.4	42.9
RECYCLING (SALE)	6.4	0.0	54.2	60.6
AS OF 31. 12. 2008	**–20.5**	**1.9**	**114.3**	**95.7**

The amounts recognized are net amounts less income taxes. The income taxes on profits or losses recognized directly in equity in fiscal 2008 come to € 35.1 million (previous year: € 3.5 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 recognized under the equity method reflect the changes in the value of available-for-sale financial instruments and cash flow hedges that are recognized directly in equity at the associated companies. The profits and losses from cash flow hedges result from the measurement of the hedging instruments used to hedge the price risks associated with future sales and procurement transactions.

(26) 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 VERBUND-Austrian Thermal Power GmbH & Co KG (44.35 %) are, pursuant to IAS 32, recognized under long-term financial obligations.

(27) 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 prepared in accordance with commercial law. In fiscal 2008, it amounts to € 323.6 million (previous year: € 277.4 million). A distribution of the full amount will be proposed to the General Meeting. This would correspond to a distribution of € 1.05 per share (previous year: € 0.90).

LONG AND SHORT-TERM FINANCIAL OBLIGATIONS

(28) LONG-TERM AND SHORT-TERM LIABILITIES

LONG AND SHORT-TERM FINANCIAL OBLIGATIONS — MILLION €

	SHORT-TERM		LONG-TERM	
	2008	2007	2008	2007
BONDS	670.8	646.9	16.7	344.0
LIABILITIES TO BANKS	770.6	783.5	448.0	18.0
FINANCIAL OBLIGATIONS TO OTHERS	17.9	49.1	131.4	14.8
FINANCIAL OBLIGATIONS TO LIMITED PARTNERS	138.7	125.7	0.0	0.0
TOTAL FINANCIAL OBLIGATIONS EXCL. CROSS BORDER LEASING	**1,598.0**	**1,605.2**	**596.1**	**376.8**
FINANCIAL OBLIGATIONS – CROSS BORDER LEASING	728.6	604.6	0.0	0.0
LONG AND SHORT-TERM FINANCIAL OBLIGATIONS	**2,326.6**	**2,209.8**	**596.1**	**376.8**

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

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

AS OF 01. 01. 2008 (LONG-TERM AND SHORT-TERM)	1,982.0
NET CHANGE IN MONEY MARKET TRANSACTIONS	103.2
CHANGE IN INTEREST ACCRUALS	1.0
SCHEDULED REPAYMENTS	–341.0
BORROWINGS (AFTER DEDUCTION OF COSTS)	402.0
CHANGES TO FINANCIAL OBLIGATIONS ATTRIBUTABLE TO LIMITED PARTNERS	13.0
EXCHANGE LOSSES	33.9
AS OF 31. 12. 2008 (LONG-TERM AND SHORT-TERM)	**2,194.1**

The capital and profit/loss shares attributable to the limited partners of VERBUND-Austrian Thermal Power GmbH & Co KG were recognized under long-term financial obligations. The changes were as follows:

CAPITAL AND PROFIT/LOSS SHARES ATTRIBUTABLE TO LIMITED PARTNERS — MILLION €

	2008	2007
SHARES ATTRIBUTABLE TO LIMITED PARTNERS AS OF 01. 01.	125.7	107.6
CHANGES FROM CASH FLOW HEDGE NOT RECOGNIZED IN PROFIT OR LOSS	–5.7	0.9
PROFIT/LOSS SHARES ATTRIBUTABLE TO LIMITED PARTNERS	40.9	41.4
DISTRIBUTION	–22.2	–24.2
SHARES ATTRIBUTABLE TO LIMITED PARTNERS AS OF 31. 12.	**138.7**	**125.7**

The financial obligations from cross border leasing changed as follows:

FINANCIAL OBLIGATIONS FROM CROSS BORDER LEASING — MILLION €

AS OF 01. 01. 2008	604.6
EXCHANGE LOSSES	19.9
CAPITALIZATION – CROSS BORDER LEASING	63.6
REPAYMENTS/DISPOSALS FROM CROSS BORDER LEASING	–30.4
MARKET CHANGES – CROSS BORDER LEASING	70.9
AS OF 31. 12. 2008	**728.6**

In fiscal 2008, new long-term financial obligations were incurred in the total amount of € 402.0 million. Of this amount, € 222.0 million refer to a loan taken out directly by the 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 € 180.0 million were taken out by the fully consolidated subsidiary VERBUND-International Finance BV in the Netherlands where the borrowing activities of the group are concentrated. These borrowings took the form of a loan in the amount of € 130.0 million from the European Investment Bank as well as a promissory note loan in the amount of € 50.0 million. Of the new loans, € 346.2 million is subject to a variable interest rate and € 55.8 million to a fixed interest rate.

Financial obligations, excluding cross border leasing transactions, were reduced in the total amount of € 341.0 million through scheduled repayments. There were no unscheduled repayments. As for short-term financial obligations (cash advances), an amount of € 13.7 million was repaid and another € 116.9 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 € 63.6 million (previous year: € 61.4 million) were carried out. Repayments/disposals were carried out in the amount of € 30.4 million (previous year: € 30.9 million).

The obligation resulting from the financial-leasing agreement for Triebenbach power plant will be repaid, within one year, to the amount of € 0.9 million, in the following four years to the amount of € 4.2 million and subsequently to the amount of € 13.6 million. The sum of non-discounted leasing installments amounted to € 23.5 million (previous year: € 24.7 million), including the payment of the residual value. The leasing arrangement will end on 30 April 2015.

There are no mortgage-backed obligations.

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

LONG AND SHORT-TERM FINANCIAL OBLIGATIONS 2008

MILLION €

	MATURITY TO	ISSUE VOLUME	LIABILITY 31. 12. 2008	REMAINING MATURITY <= 1 YEAR	REMAINING MATURITY > 1 TO 2 YEARS	REMAINING MATURITY > 2 TO 3 YEARS	REMAINING MATURITY > 3 TO 4 YEARS	REMAINING MATURITY > 4 TO 5 YEARS	REMAINING MATURITY > 5 YEARS	WEIGHTED NOMINAL INTEREST RATE	WEIGHTED EFFECTIVE INTEREST RATE	FAIR VALUE 31. 12. 2008
1. BONDS												
EURO CURRENCIES	2017	589.4	582.9	14.3	0.0	0.0	0.0	0.0	568.6	4.00 %	5.24 %	580.5
FOREIGN CURRENCIES (JPY)	2015	126.1	104.6	2.5	0.0	0.0	0.0	0.0	102.2	4.10 %	3.64 %	111.9
TOTAL BONDS		**715.5**	**687.5**	**16.7**	**0.0**	**0.0**	**0.0**	**0.0**	**670.8**	**4.02 %**	**4.54 %**	**692.4**
THEREOF AT A FIXED INTEREST RATE	2017	715.5	687.5	16.8	0.0	0.0	0.0	0.0	670.8	4.02 %	4.54 %	700.3
THEREOF AT A VARIABLE INTEREST RATE		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–	–	0.0
2. PAYABLES TO BANKS												
EURO CURRENCIES	2026	1,243.9	1,218.6	448.0	22.2	24.3	194.7	47.9	481.5	4.61 %	3.85 %	1,161.6
FOREIGN CURRENCIES		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–	–	0.0
TOTAL PAYABLES TO BANKS		**1,243.9**	**1,218.6**	**448.0**	**22.2**	**24.3**	**194.7**	**47.9**	**481.5**	**4.61 %**	**3.85 %**	**1,161.6**
THEREOF AT A FIXED INTEREST RATE	2023	446.3	441.6	125.1	11.8	9.0	178.7	16.3	100.3	3.71 %	3.97 %	432.6
THEREOF AT A VARIABLE INTEREST RATE	2026	797.6	777.0	322.9	10.4	15.3	16.0	31.6	381.2	5.12 %	3.79 %	729.0
3. FINANCIAL OBLIGATIONS TO OTHERS												
EURO CURRENCIES	2021	114.6	109.3	91.5	1.0	1.0	1.1	1.1	13.6	2.50 %	3.51 %	109.3
FOREIGN CURRENCIES (JPY)	2009	34.8	40.0	40.0	0.0	0.0	0.0	0.0	0.0	1.90 %	4.70 %	39.9
3A. TOTAL FINANCIAL OBLIGATIONS TO OTHERS EXCLUDING CROSS BORDER LEASING		**149.4**	**149.3**	**131.5**	**1.0**	**1.0**	**1.1**	**1.1**	**13.6**	**2.34 %**	**4.69 %**	**149.2**
THEREOF AT A FIXED INTEREST RATE	2021	34.9	40.0	40.0	0.0	0.0	0.0	0.0	0.0	1.90 %	4.70 %	39.9
THEREOF AT A VARIABLE INTEREST RATE	2015	114.5	109.3	91.5	1.0	1.0	1.1	1.1	13.6	2.50 %	4.44 %	109.3
3B. FINANCIAL OBLIGATIONS TO LIMITED PARTNERS			**138.7**	**0.0**	**138.7**	**0.0**	**0.0**	**0.0**	**0.0**			
3C. CROSS BORDER LEASING			**728.6**	**0.0**	**3.6**	**0.0**	**0.8**	**0.0**	**724.2**			**909.1**
TOTAL FINANCIAL OBLIGATIONS TO OTHERS			**1,016.6**	**131.5**	**143.3**	**1.0**	**1.9**	**1.1**	**737.8**			**1,058.3**
TOTAL FINANCIAL OBLIGATIONS EXCLUDING CROSS BORDER LEASING		**2,108.8**	**2,194.0**	**596.2**	**161.9**	**25.3**	**195.8**	**49.0**	**1,165.9**	**4.25 %**	**4.28 %**	**2,003.2**
TOTAL FINANCIAL OBLIGATIONS INCLUDING CROSS BORDER LEASING			**2,922.7**	**596.2**	**165.5**	**25.3**	**196.6**	**49.0**	**1,890.1**			**2,912.3**

LONG AND SHORT-TERM FINANCIAL OBLIGATIONS 2007

MILLION €

	MATURITY TO	ISSUE VOLUME	LIABILITY 31. 12. 2007	REMAINING MATURITY <= 1 YEAR	REMAINING MATURITY > 1 TO 2 YEARS	REMAINING MATURITY > 2 TO 3 YEARS	REMAINING MATURITY > 3 TO 4 YEARS	REMAINING MATURITY > 4 TO 5 YEARS	REMAINING MATURITY > 5 YEARS	WEIGHTED NOMINAL INTEREST RATE	WEIGHTED EFFECTIVE INTEREST 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
THEREOF AT A VARIABLE INTEREST RATE		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–	–	0.0
2. PAYABLES TO BANKS												
EURO CURRENCIES	2021	852.8	801.4	18.0	214.9	17.2	19.3	189.0	343.0	4.32 %	4.41 %	782.3
FOREIGN CURRENCIES		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–	–	0.0
TOTAL PAYABLES TO BANKS		**852.8**	**801.4**	**18.0**	**214.9**	**17.2**	**19.3**	**189.0**	**343.0**	**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	85.6	9.8	10.2	19.2	273.3	5.07 %	4.77 %	409.7
3. FINANCIAL OBLIGATIONS TO OTHERS												
EURO CURRENCIES	2021	37.7	33.3	14.8	1.0	1.0	1.0	1.1	14.4	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**	**14.4**	**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	14.7	1.0	1.0	1.0	1.1	14.5	3.77 %	3.65 %	33.3
3B. FINANCIAL OBLIGATIONS TO LIMITED PARTNERS			**125.7**	**0.0**	**125.7**	**0.0**	**0.0**	**0.0**	**0.0**			
3C. CROSS BORDER LEASING			**604.6**	**0.0**	**0.0**	**3.4**	**0.0**	**3.8**	**597.4**			**654.9**
TOTAL FINANCIAL OBLIGATIONS TO OTHERS			**794.2**	**14.8**	**157.3**	**4.4**	**1.0**	**4.9**	**611.8**			**719.2**
TOTAL FINANCIAL OBLIGATIONS EXCLUDING CROSS BORDER LEASING		**1,978.5**	**1,982.0**	**376.8**	**373.0**	**18.2**	**20.3**	**190.1**	**1,003.5**	**4.16 %**	**4.21 %**	**1,858.1**
TOTAL FINANCIAL OBLIGATIONS INCLUDING CROSS BORDER LEASING			**2,586.6**	**376.8**	**373.0**	**21.6**	**20.3**	**193.9**	**1,600.9**			**2,513.0**

(29) ADDITIONAL NOTES TO FINANCIAL INSTRUMENTS IN ACCORDANCE WITH IFRS 7

MEASUREMENT CATEGORIES, CARRYING AMOUNTS AND FAIR VALUES 2008

MILLION €

BALANCE SHEET ITEM		MEASUREMENT CATEGORY IN ACC. WITH IAS 39/ MEASUREMENT IN ACC. WITH OTHER IAS/IFRS		CARRYING AMOUNT AS OF 31. 12. 2008	FAIR VALUE AS OF 31. 12. 2008
ASSETS					
	INTERESTS IN NON-CONSOLIDATED AFFILIATED COMPANIES	AFS/FAAC		9.2	–
	OTHER PARTICIPATING INTERESTS	AFS/FAAC		142.8	–
	PREPAYMENTS ON PARTICIPATING INTERESTS	AFS/FAAC		36.7	–
OTHER PARTICIPATING INTERESTS				188.7	
	SECURITIES CBL (MEDIUM TERM NOTES)	LAR		47.1	48.1
	OTHER LOANS CBL	LAR		543.4	629.8
LONG-TERM INVESTMENTS – CBL				590.5	
	LOANS OF ASSOCIATED COMPANIES	LAR		40.6	41.3
	SECURITIES EXCL. CBL	AFS		266.5	266.5
	OTHER LOANS EXCL. CBL	LAR		157.8	154.2
	DERIVATIVES FINANCIAL AREA (CBL)	FAHFT	117.9		117.9
	CASH VALUE LEASING INSTALLMENTS (FINANCIAL LEASING)	LAR	1.6		
	OTHER	–	28.1		
	OTHER LONG-TERM RECEIVABLES			147.6	
OTHER LONG-TERM INVESTMENTS AND OTHER LONG-TERM RECEIVABLES				612.5	
	TRADE RECEIVABLES	LAR		281.1	281.1
	RECEIVABLES FROM COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	LAR		30.9	30.9
	RECEIVABLES FROM AFFILIATED COMPANIES	LAR		5.5	5.5
	LOANS	LAR		2.6	2.6
	DERIVATIVES ENERGY AREA	FAHFT		383.6	383.6
	SECURITIES PUT FORWARD	LAR		4.2	4.2
	OTHER	LAR		7.3	7.3
	EMISSION RIGHTS	IAS 38, IAS 2		43.0	–
	OTHER	–		35.0	–
TRADE RECEIVABLES AND OTHER RECEIVABLES				793.2	
CASH AND CASH ITEMS		LAR		107.8	107.8
THEREOF AGGREGATED IN ACC. WITH MEASUREMENT CATEGORY					
FINANCIAL ASSETS MEASURED AT AMORTIZED COST		FAAC		188.7	
AVAILABLE-FOR-SALE FINANCIAL ASSETS (AFS)		AFS		266.5	
LOANS AND RECEIVABLES		LAR		1,229.9	
FINANCIAL ASSETS HELD FOR TRADING		FAHFT		501.5	

MEASUREMENT CATEGORIES, CARRYING AMOUNTS AND FAIR VALUES 2008 CONTINUED MILLION €

BALANCE SHEET ITEM		MEASUREMENT CATEGORY IN ACC. WITH IAS 39/ MEASUREMENT IN ACC. WITH OTHER IAS/IFRS	CARRYING AMOUNT AS OF 31.12.2008	FAIR VALUE AS OF 31.12.2008
LIABILITIES				
		FLAC	2,030.8	1,978.7
		FLHFT	24.5	24.5
FINANCIAL OBLIGATIONS (LONG AND SHORT-TERM)			2,055.3	
		FLAC	429.8	610.3
		FLPL	298.8	298.8
FINANCIAL OBLIGATIONS CBL (LONG-TERM)			728.6	
FINANCIAL OBLIGATIONS TO LIMITED PARTNERS (LONG-TERM)		IAS 32	138.7	
	DERIVATIVES FINANCIAL AREA (CBL)	FLHFT	10.7	10.7
	TRADE ACCOUNTS PAYABLE	FLAC	2.0	2.0
	OTHER	FLAC	2.6	2.6
	OTHER	–	0.1	
OTHER OBLIGATIONS (LONG-TERM)			15.3	
	TRADE ACCOUNTS PAYABLE	FLAC	59.5	59.5
	DERIVATIVES ENERGY AREA	FLHFT	156.5	156.5
	PAYABLES TO COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	FLAC	23.5	23.5
	PAYABLES TO AFFILIATED COMPANIES	FLAC	7.8	7.8
	OTHER	FLAC	10.9	10.9
	OTHER	–	93.9	
OTHER OBLIGATIONS (SHORT-TERM)			352.1	
THEREOF AGGREGATED IN ACC. WITH MEASUREMENT CATEGORY				
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST		FLAC	2,566.9	
FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS UPON INITIAL RECOGNITION (FAIR VALUE OPTION)		FLPL	298.8	
FINANCIAL LIABILITIES HELD FOR TRADING		FLHFT	191.7	

MEASUREMENT CATEGORIES, CARRYING AMOUNTS AND FAIR VALUES 2007

MILLION €

BALANCE SHEET ITEM		MEASUREMENT CATEGORY IN ACC. WITH IAS 39/ MEASUREMENT IN ACC. WITH OTHER IAS/IFRS		CARRYING AMOUNT AS OF 31.12.2007	FAIR VALUE AS OF 31.12.2007
ASSETS					
	INTERESTS IN NON-CONSOLIDATED AFFILIATED COMPANIES	AFS/FAAC		8.4	–
	OTHER PARTICIPATING INTERESTS	AFS/FAAC		31.3	–
OTHER PARTICIPATING INTERESTS				39.7	
	SECURITIES CBL (MEDIUM TERM NOTES)	LAR		43.7	42.4
	OTHER LOANS CBL	LAR		494.1	576.9
LONG-TERM INVESTMENTS – CBL				537.8	
	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)	FAHFT	47.9		47.9
	CASH VALUE LEASING INSTALLMENTS (FINANCIAL LEASING)	LAR	3.2		–
	OTHER	–	29.3		–
	OTHER LONG-TERM RECEIVABLES			80.4	
OTHER LONG-TERM INVESTMENTS AND OTHER LONG-TERM RECEIVABLES				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 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	FAHFT		34.2	34.2
	SECURITIES PUT FORWARD	LAR		23.1	23.1
	OTHER	LAR		19.2	19.2
	EMISSION RIGHTS	IAS 38, IAS 2		0.1	–
	OTHER	–		21.1	–
TRADE RECEIVABLES AND OTHER RECEIVABLES					637.6
CASH AND CASH ITEMS		LAR		330.1	330.1
THEREOF AGGREGATED IN ACC. WITH MEASUREMENT CATEGORY					
FINANCIAL ASSETS MEASURED AT AMORTIZED COST		FAAC		39.7	
AVAILABLE-FOR-SALE FINANCIAL ASSET (AFS)		AFS		250.8	
LOANS AND RECEIVABLES		LAR		1,567.2	
FINANCIAL ASSETS HELD FOR TRADING		FAHFT		82.1	

MEASUREMENT CATEGORIES, CARRYING AMOUNTS AND FAIR VALUES 2007 CONTINUED — MILLION €

BALANCE SHEET ITEM		MEASUREMENT CATEGORY IN ACC. WITH IAS 39/ MEASUREMENT IN ACC. WITH OTHER IAS/IFRS	CARRYING AMOUNT AS OF 31.12.2007	FAIR VALUE AS OF 31.12.2007
LIABILITIES				
FINANCIAL OBLIGATIONS (LONG AND SHORT-TERM)		FLAC	1,856.2	1,858.1
		FLAC	388.8	439.2
		FLPL	215.7	215.7
FINANCIAL OBLIGATIONS CBL (LONG-TERM)			604.6	
FINANCIAL OBLIGATIONS TO LIMITED PARTNERS (LONG-TERM)		IAS 32	125.7	–
	DERIVATIVES FINANCIAL AREA (CBL)	FLHFT	11.6	11.6
	TRADE ACCOUNTS PAYABLE	FLAC	1.0	1.0
	OTHER	FLAC	18.9	18.9
	OTHER	–	0.1	–
OTHER OBLIGATIONS (LONG-TERM)			31.6	
	TRADE ACCOUNTS PAYABLE	FLAC	60.2	60.2
	PAYABLES TO COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	FLAC	43.0	43.0
	PAYABLES TO AFFILIATED COMPANIES	FLAC	8.2	8.2
	DERIVATIVES ENERGY AREA	FLHFT	35.7	35.7
	OTHER	FLAC	13.6	13.6
	OTHER	–	174.9	
OTHER OBLIGATIONS (SHORT-TERM)			335.6	
THEREOF AGGREGATED IN ACC. WITH MEASUREMENT CATEGORY				
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST		FLAC	2,390.0	
FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS UPON INITIAL RECOGNITION (FAIR VALUE OPTION)		FLPL	215.7	
FINANCIAL LIABILITIES HELD FOR TRADING		FLHFT	47.3	

The fair value normally corresponds to the market price of the financial assets. If these are not directly available, they are calculated using recognized measurement models as well as on the basis of current market parameters. Here, the fixed cash flow, or the cash flow determined by way of forward rates using the current yield curve, is discounted at the measurement date using the discount factors determined from the yield curve applicable on the closing date.

If the financial instruments are listed on an active market, the respective price quoted on this market represents the fair value. The fair values of the listed securities correspond to the nominal values multiplied by the prices quoted on the balance sheet date.

The fair values of long-term loans correspond to the present values of the payments connected with the assets under consideration of the current interest parameters, which reflect market- and partner-related changes to the conditions and expectations. Measurement at fair value was not carried out for interests in non-consolidated affiliated companies or other participating interests due to the fact that the cash flow could not be determined in a reliable manner. Fair values could not be derived on the basis of comparable transactions.

In the case of cash and cash equivalents, trade accounts receivable, short-term loans and other short-term receivables, the carrying amount serves as a realistic estimate of the fair value due to the short times to maturity.

The fair values of electricity forwards quoted on the stock exchange correspond to the daily settlement prices published by the respective stock exchange on the balance sheet date.

The fair values of electricity forwards not quoted on the stock exchange are measured with a forward price curve that is derived from the stock exchange prices using an EURIBOR-based discounting method. The transactions are measured individually using the forward rate or price prevailing on the balance sheet date.

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

The fair value of interest-rate swaps is equivalent to the value that the Verbund Group 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.

The fair values of liabilities to banks, loans and other financial obligations are determined as present values of the payments associated with the debts on the basis of the applicable yield curve as well as the credit spread curve for specific currencies.

The fair value of borrowings within short-term credit facilities as well as other short-term liabilities are measured at their carrying amounts due to the short times to maturity.

ANALYSIS OF CONTRACTUAL CASH OUTFLOWS

Disclosure of contractual (undiscounted) cash flows of financial liabilities according to IFRS 7:

CASH FLOWS TO 31. 12. 2008

MILLION €

			MATURITY	
	2009	2010	2011–2013	FROM 2014
BONDS	33.6	32.8	98.4	722.8
PAYABLES TO BANKS	462.4	50.3	337.1	549.9
FINANCIAL OBLIGATIONS TO OTHERS	132.7	1.8	5.4	14.5
FINANCIAL OBLIGATIONS TO LIMITED PARTNERS	0.0	138.7	0.0	0.0
DERIVATIVES – FINANCIAL AREA	24.5	0.0	0.0	0.0
CROSS BORDER LEASING	1.8	5.2	0.8	724.3
CASH FLOWS OF FINANCIAL LIABILITIES	**655.0**	**228.8**	**441.7**	**2,011.5**
TRADE ACCOUNTS PAYABLE	59.5	0.4	1.5	0.1
PAYABLES TO COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	23.5	0.0	0.0	0.0
PAYABLES TO NON-CONSOLIDATED AFFILIATED COMPANIES	7.8	0.0	0.0	0.0
DERIVATIVES – ENERGY AREA	413.6	195.7	72.0	0.0
DERIVATIVES – FINANCIAL AREA	0.0	0.0	34.5	0.0
OTHER	104.6	0.0	0.0	2.6
CASH FLOWS OF OTHER LIABILITIES	**609.0**	**196.1**	**108.0**	**2.7**
CASH FLOWS OF LIABILITIES IN ACCORDANCE WITH IFRS 7	**1,264.0**	**424.9**	**549.7**	**2,014.2**

CASH FLOWS TO 31. 12. 2007

MILLION €

			MATURITY	
	2008	2009	2010–2012	FROM 2013
BONDS	374.7	32.6	95.4	728.6
PAYABLES TO BANKS	51.6	245.9	303.7	443.5
FINANCIAL OBLIGATIONS TO OTHERS	7.1	32.5	4.9	15.4
FINANCIAL OBLIGATIONS TO LIMITED PARTNERS	0.0	125.7	0.0	0.0
CROSS BORDER LEASING	1.8	1.8	5.0	601.2
CASH FLOWS OF FINANCIAL LIABILITIES	**435.2**	**438.5**	**409.0**	**1,788.7**
TRADE ACCOUNTS PAYABLE	60.2	0.0	1.0	0.0
PAYABLES TO COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	43.0	0.0	0.0	0.0
PAYABLES TO NON-CONSOLIDATED AFFILIATED COMPANIES	8.2	0.0	0.0	0.0
DERIVATIVES – ENERGY AREA [1]				
DERIVATIVES – FINANCIAL AREA	0.0	0.0	34.5	0.0
OTHER	204.8	0.1	0.0	2.6
CASH FLOWS OF OTHER LIABILITIES	**316.2**	**0.1**	**35.5**	**2.6**
CASH FLOWS OF LIABILITIES IN ACCORDANCE WITH IFRS 7	**751.4**	**438.6**	**444.5**	**1,791.3**

[1] Due to the adjustment of the disclosures in line with the modified portfolio structure (see Accounting policies), a comparable value from the previous year cannot be provided.

NET RESULTS IN ACCORDANCE WITH MEASUREMENT CATEGORY IAS 39

NET RESULTS IN ACCORDANCE WITH MEASUREMENT CATEGORY — MILLION €

	2008		2007	
	NET RESULT	THEREOF IMPAIR-MENT	NET RESULT	THEREOF IMPAIR-MENT
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	–2.3	–2.3	–2.9	0.0
AVAILABLE FOR SALE FINANCIAL ASSET (AFS)	–69.9	–38.8	–15.4	0.0
LOANS AND RECEIVABLES	–8.3	–8.7	–3.6	–6.1
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	–24.0	0.0	4.0	0.0
FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS UPON INITIAL RECOGNITION (FAIR VALUE OPTION)	–70.9	0.0	1.5	0.0
FINANCIAL ASSETS/LIABILITIES HELD FOR TRADING	70.0	0.0	1.1	0.0
TOTAL INTEREST EXPENSES		–162.7		–136.0
TOTAL INTEREST INCOME		110.9		88.7
DIRECTLY RECOGNIZED IN EQUITY		–21.8		–15.3
RECYCLED INTO PROFIT OR LOSS		–10.0		–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 expenses from value adjustments of receivables.

The net gains/losses of the categories »Financial liabilities measured at amortized cost« and »Financial liabilities designated as at fair value through profit or loss« upon initial recognition include exchange losses in connection with financial obligations and are presented in the other financial result.

The net gains/losses from »Financial assets/liabilities held for trading« refer to the fair value measurement of the derivatives from the energy area and are therefore included in the operating result (electricity revenue); the measurement of the derivatives from the financial area is presented in the other financial result.

Total interest expenses and income are presented in interest expenses and interest income.

(30) LONG-TERM AND SHORT-TERM PROVISIONS

LONG-TERM AND SHORT-TERM PROVISIONS — MILLION €

	LONG-TERM		SHORT-TERM	
	2008	2007	2008	2007
PROVISIONS FOR PENSIONS	230.9	224.3	0.0	0.0
PROVISIONS FOR OTHER POST-EMPLOYMENT BENEFITS	121.2	116.0	0.0	0.0
PROVISIONS FOR SEVERANCE PAYMENTS	140.7	141.5	0.0	0.0
PROVISIONS FOR SEMI-RETIREMENT	30.4	33.1	14.8	17.4
OTHER PERSONNEL-RELATED PROVISIONS	3.4	3.4	52.0	50.3
OTHER PROVISIONS	121.3	101.6	168.3	157.6
LONG-TERM AND SHORT-TERM PROVISIONS	**647.9**	**619.9**	**235.1**	**225.4**

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	
	2008	2007	2008	2007
DERIVATION OF PROVISION RECORDED IN THE BALANCE SHEET				
PRESENT VALUE (DBO) OF OBLIGATIONS COVERED BY FUND ASSETS	173.8	167.4	–	–
MARKET VALUE OF PLAN ASSETS	–132.7	–151.2	–	–
NET VALUE OF OBLIGATIONS COVERED BY FUND ASSETS	41.1	16.2	–	–
PRESENT VALUE (DBO) OF OBLIGATIONS NOT COVERED BY FUND ASSETS	231.9	250.9	114.5	116.3
ACCUMULATED ACTUARIAL GAIN (+)/LOSS (-)	–42.1	–42.8	6.7	–0.3
RECORDED PROVISION 31. 12.	230.9	224.3	121.2	116.0
PAYROLL EXPENSES INCLUDE				
SERVICE COST (ACQUIRED CLAIMS)	0.5	0.5	1.8	2.1
INTEREST EXPENSES	19.9	18.2	5.8	5.7
EXPECTED INVESTMENT GAIN (-)/-LOSS (+)	–5.9	–6.2	–	–
AMORTIZED CORRIDOR GAIN (-)/LOSS (+)	18.7	9.9	–0.1	0.7
PENSION EXPENSES RECORDED UNDER PAYROLL EXPENSES	33.2	22.4	7.5	8.5
ACTUAL INVESTMENT GAIN (-)/LOSS (+)	–11.6	–1.2	–	–
CHANGES TO PRESENT VALUE OF OBLIGATIONS (DBO)				
PRESENT VALUE (DBO) 01. 01.	418.3	427.5	116.3	128.3
SERVICE COST (ACQUIRED CLAIMS)	0.5	0.5	1.8	2.1
INTEREST EXPENSES	19.9	18.2	5.8	5.7
PENSION PAYMENTS/CONTRIBUTIONS TO SUPPLEMENTARY HEALTH INSURANCE	–33.6	–31.9	–2.3	–2.0
ACTUARIAL GAIN (-)/LOSS (+)	0.6	4.1	–7.1	–17.9
ACTUAL DBO 31. 12.	405.7	418.3	114.5	116.3
CHANGES TO FUND ASSETS				
PLAN ASSETS AT MARKET VALUE 01. 01.	151.2	157.6	–	–
FUNDS - CONTRIBUTIONS	2.1	0.6	–	–
FUNDS - PAYOUTS	–9.1	–8.1	–	–
EXPECTED GAIN FROM PLAN ASSETS	5.9	6.2	–	–
ACTUARIAL GAIN (-)/LOSS (+)	–17.5	–5.0	–	–
PLAN ASSETS AT MARKET VALUE 31. 12.	132.6	151.2	–	–
CHANGES TO NON-REALIZED ACTUARIAL GAIN/LOSS				
ACCUMULATED ACTUARIAL GAIN (+)/LOSS (-) 01. 01.	–42.8	–43.6	–0.3	–18.8
ACTUARIAL GAIN (+)/LOSS (-) OF THE YEAR	–0.6	–4.1	7.1	17.9
INVESTMENT GAINS (+)/ -LOSSES (-) OF THE YEAR	–17.5	–5.0	–	–
AMORTIZATION OF THE YEAR	18.7	9.9	–0.1	0.7
ACCUMULATED ACTUARIAL GAIN (+)/LOSS (-) 31. 12.	–42.2	–42.8	6.7	–0.3

The calculations as of 31 December 2008 and of 31 December 2007 are based on the assumptions in the table below:

ACTUARIAL ASSUMPTIONS

	2008	2007
PENSION		
DISCOUNT RATE	MARGIN 5.00–5.25 %	MARGIN 4.75–5.00 %
PENSION INCREASES	2.50 %	2.25 %
SALARY INCREASES	3.00 %	3.00 %
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)	2.0 %	4.0 %
SIMILAR OBLIGATIONS (PREMIUMS FOR SUPPLEMENTARY HEALTH INSURANCE)		
DISCOUNT RATE	MARGIN 5.00–5.25 %	MARGIN 4.75–5.00 %
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	5.00 %	4.75 %
FLUCTUATIONS (DEPENDING ON LENGTH OF SERVICE)	0.0–4.0 %	0.0–4.0 %

The estimated cost increase for medical care has 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 € 114.5 million, a one-percentage-point change in the cost increase has the following effects:

EFFECTS OF A ONE-PERCENTAGE-POINT CHANGE IN THE COST INCREASE — MILLION €

	1 %-POINT INCREASE	1 %-POINT INCREASE
EFFECT ON SERVICE AND INTEREST COSTS	+1.9	–1.5
EFFECT ON DBO	+24.1	–18.8

EXPERIENCE ADJUSTMENTS OF THE LAST 5 YEARS

	2004	2005	2006	2007	2008
OTHER POST EMPLOYMENT BENEFITS (DBO) TO 31. 12. IN MILLION €	75.8	103.1	128.3	116.3	114.5
EXPERIENCE ADJUSTMENTS (+) GAIN / (-) LOSS					
IN % OF THE PRESENT VALUE OF THE OBLIGATION (DBO) AT THE END OF THE PERIOD	3.85 %	1.03 %	–3.67 %	5.26 %	0.3 %

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 €

	2004	2005	2006	2007	2008
PENSION OBLIGATIONS (DBO) AS OF 31.12.	**378.2**	**426.5**	**427.5**	**418.3**	**405.7**
PLAN ASSETS AT MARKET VALUE	–145.0	–156.5	–157.6	–151.2	–132.6
DEFICIT (+)/SURPLUS (-)	**233.2**	**270.0**	**269.9**	**267.1**	**273.1**
EXPERIENCE ADJUSTMENTS (+) GAIN/(-) LOSS					
IN % OF THE PRESENT VALUE OF THE OBLIGATION (DBO) AT THE END OF THE PERIOD	0.44 %	0.40 %	–3.56 %	–1.16 %	–2.11 %
IN % OF THE PLAN ASSETS AT THE END OF THE PERIOD	0.92 %	7.28 %	1.21 %	–3.28 %	–53.9 %

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 2009, current contributions to the defined-contribution pension fund are expected in the amount of € 7.0 million.

The fund assets comprise:

FUND ASSETS

SHARE IN %

	2008	2007
BONDS – EURO	26.71	40.89
BONDS – EURO CORPORATES	2.16	4.04
BONDS – NON-EURO	6.62	11.73
STOCKS – EURO	6.53	8.96
STOCKS – NON-EURO	9.01	18.60
STOCKS – EMERGING MARKETS	0.24	5.61
ALTERNATIVE INVESTMENTS	2.07	5.87
PROPERTY FUND SHARES	0.00	1.00
CASH	17.66	3.30
BONDS – EURO MONEY MARKET	29.00	0.00
TOTAL	**100.00**	**100.00**

PROVISIONS FOR SEVERANCE PAYMENTS

MILLION €

	2008	2007
PROVISION FOR STATUTORY SEVERANCE PAYMENTS	134.6	135.3
PROVISION FOR SEVERANCE PAYMENTS FROM SPECIAL AGREEMENTS IN ACCORDANCE WITH SOCIAL PLAN	6.1	6.2
DISCLOSED PROVISION 31. 12.	140.7	141.5

CHANGES TO PROVISIONS FOR STATUTORY SEVERANCE PAYMENTS

	SEVERANCE OBLIGATIONS	
	2008	2007
DERIVATION OF PROVISION RECORDED IN THE BALANCE SHEET		
PRESENT VALUE (DBO) OF OBLIGATIONS	134.6	135.3
RECORDED PROVISION 31. 12.	134.6	135.3
PAYROLL EXPENSES INCLUDE		
SERVICE COST	2.5	2.6
INTEREST EXPENSES	6.2	5.8
REALIZED ACTUARIAL GAIN (-)/LOSS (+)	2.0	–2.7
SEVERANCE PAYMENT COSTS RECORDED UNDER PAYROLL EXPENSES	10.7	5.7
CHANGES TO PROVISION		
RECORDED PROVISION 01. 01.	135.3	140.7
NET EXPENDITURE RECORDED IN THE INCOME STATEMENT	10.7	5.7
SEVERANCE PAYMENTS	–11.4	–11.1
RECORDED PROVISION 31. 12.	134.6	135.3

CHANGES TO PROVISIONS FOR SEMI-RETIREMENT

	SEMI-RETIREMENT	
	2008	2007
DERIVATION OF PROVISION RECORDED IN THE BALANCE SHEET		
PRESENT VALUE (DBO) OF OBLIGATIONS	45.2	50.5
RECORDED PROVISION 31. 12.	45.2	50.5
PAYROLL EXPENSES INCLUDE		
INTEREST EXPENSES	1.9	2.3
REDUCTION IN PROVISION FOR IMPENDING LOSSES	–2.4	–1.2
RECORDED ACTUARIAL GAIN (+)/LOSS (-)	7.6	–4.1
EXPENSES RECORDED UNDER PAYROLL EXPENSES	7.1	–3.1
CHANGES TO PROVISION		
RECORDED PROVISION 01. 01.	50.5	72.2
RECLASSIFICATION FROM PROVISION FOR IMPENDING LOSSES	2.4	1.2
NET EXPENDITURE RECORDED IN THE INCOME STATEMENT	7.1	–3.1
PAYMENTS FOR SEMI-RETIREMENT	–14.8	–19.8
RECORDED PROVISION 31. 12.	45.2	50.5

The provisions for semi-retirement models provide for bridging payments within the framework of semi-retirement in the amount of € 45.2 million (previous year: € 50.5 million). These models allow the company to reduce employee numbers in a socially-compatible manner.

OTHER PERSONNEL-RELATED PROVISIONS	MILLION €
CARRYING AMOUNT 01. 01. 2008	
THEREOF > 1 YEAR	3.4
THEREOF < 1 YEAR	50.3
TOTAL 01. 01. 2008	**53.7**
NEW PROVISIONS	48.5
INTEREST ACCRUED	0.6
APPROPRIATION	–43.8
REVERSAL	–1.0
RECLASSIFICATION	–2.6
CARRYING AMOUNT 31. 12. 2008	**55.4**
THEREOF > 1 YEAR	3.4
THEREOF < 1 YEAR	52.0

Other personnel-related provisions essentially contain accruals for vacation entitlements (€ 22.7 million; previous year: € 20.8 million), flexitime balances (€ 2.5 million; previous year: € 2.6 million) as well as provisions for personnel reorganization (€ 3.9 million; previous year: € 8.9 million), additional vacation pay (€ 8.5 million; previous year: € 7.4 million), premiums for the performance-oriented salary system (€ 13.2 million; previous year: € 9.3 million) and anniversary bonuses (previous year: € 3.4 million).

OTHER PROVISIONS — MILLION €

	PROVISIONS FOR IMPENDING LOSSES	OTHER	TOTAL
CARRYING AMOUNT 01. 01. 2008			
THEREOF > 1 YEAR	86.9	14.7	101.6
THEREOF < 1 YEAR	15.0	142.6	157.6
TOTAL 01. 01. 2008	**101.9**	**157.3**	**259.2**
NEW PROVISIONS	58.8	165.6	224.4
INTEREST ACCRUED	4.1	0.0	4.1
APPROPRIATION	–2.1	–98.0	–100.1
REVERSAL	–80.7	–17.3	–98.0
RECLASSIFICATION	0.0	0.0	0.0
CARRYING AMOUNT 31. 12. 2008	**82.0**	**207.6**	**289.6**
THEREOF > 1 YEAR	81.0	40.3	121.3
THEREOF < 1 YEAR	1.0	167.3	168.3

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 6.25 % (previous year 5.0 %). The provisions for impending losses were reduced by approx. € 0.3 million as on 31 December 2008 due to the adjustment of the discount rate.

OTHER LONG-TERM AND SHORT-TERM PROVISIONS

MILLION €

	COMPENSATION PAYMENTS	DECOMMISSIONING COSTS	OUTSTANDING RECEIPTS FOR INVESTMENTS	MAINTENANCE EXPENSES	LEGAL, AUDITING AND CONSULTING EXPENSES	ELECTRICITY/ GRID SUPPLIES	OTHER	TOTAL
CARRYING AMOUNT 01. 01. 2008								
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
TOTAL 01. 01. 2008	**2.7**	**13.7**	**42.4**	**32.6**	**2.3**	**43.0**	**20.6**	**157.3**
CHANGES IN COMPANIES CONSOLIDATED	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NEW PROVISIONS	0.1	17.6	64.4	50.2	6.2	14.1	13.0	165.6
INTEREST ACCRUED	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
APPROPRIATION	–0.2	–1.8	–42.1	–31.2	–2.1	–14.6	–6.0	–98.0
REVERSAL	–0.9	0.0	–0.1	–0.9	–0.3	–14.5	–0.6	–17.3
RECLASSIFICATION	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CARRYING AMOUNT 31. 12. 2008	**1.7**	**29.5**	**64.6**	**50.7**	**6.1**	**28.0**	**27.0**	**207.6**
THEREOF > 1 YEAR	0.6	29.5	0.0	10.2	0.0	0.0	0.0	40.3
THEREOF < 1 YEAR	1.1	0.0	64.6	40.5	6.1	28.0	27.0	167.3

(31) PROVISIONS FOR CURRENT TAXES

PROVISIONS FOR TAXES (CURRENT TAXES)

MILLION €

	2008	2007
CORPORATE TAX	166.7	47.4
OTHER TAXES	0.0	0.0
PROVISIONS FOR TAXES (CURRENT TAXES)	**166.7**	**47.4**

The provisions for taxes are all considered short-term.

(32) CONTRIBUTIONS TO BUILDING COSTS

Under this item, building-cost contributions made especially by provincial companies to the Verbund Group, which are non-repayable, are carried as liabilities in the amount of € 401.9 million (previous year: € 419.4 million). These allow for electricity-purchase rights and user rights with respect to power plants and other facilities of the Verbund Group for the duration of their useful lives. The building-cost contributions are reversed parallel to the depreciation of the facilities concerned.

(33) DEFERRED INCOME – CROSS BORDER LEASING

Deferred income includes cash inflows from cross border leasing transactions in the total amount of € 244.8 million (previous year: € 250.8 million). The portion that was reversed in the fiscal year as other operating income amounted to € 6.0 million.

(34) OTHER LIABILITIES (LONG-TERM)

OTHER LIABILITIES (LONG-TERM) — MILLION €

	2008	2007
FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS/FINANCIAL AREA	10.7	11.6
LIABILITIES FROM WATER RIGHTS	2.6	2.6
TRADE ACCOUNTS PAYABLE	2.0	1.0
LIABILITIES – REPUBLIC OF AUSTRIA	0.0	16.3
OTHER	0.0	0.1
OTHER LIABILITIES (LONG-TERM)	**15.3**	**31.6**

(35) OTHER LIABILITIES (SHORT-TERM)

OTHER LIABILITIES (SHORT-TERM) — MILLION €

	2008	2007
FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS/ENERGY AREA	156.7	35.7
TRADE ACCOUNTS PAYABLE	59.5	60.2
LIABILITIES TO ECRA	41.5	0.0
LIABILITIES TO REVENUE AUTHORITIES	26.5	24.0
PAYABLES TO COMPANIES IN WHICH PARTICIPATING INTERESTS ARE HELD	23.5	43.0
PREPAYMENTS RECEIVED FROM AUCTIONS	10.9	11.7
PAYABLES TO NON-CONSOLIDATED AFFILIATED COMPANIES	7.8	8.2
SOCIAL SECURITY (E.G. LIABILITIES TO SOCIAL-INSURANCE INSTITUTIONS)	4.2	4.2
ACCRUED ELECTRICITY PREPAYMENTS	2.6	0.0
RENT/LEASE PREPAYMENTS RECEIVED	2.4	2.4
PREPAYMENTS RECEIVED FOR INCOME THAT WILL BE RECOGNIZED IN FOLLOWING PERIODS	0.0	125.9
LIABILITIES TO PENSION FUND	0.0	10.5
LIABILITIES FROM WATER RIGHTS	0.0	1.9
OTHER	16.5	7.9
OTHER LIABILITIES (SHORT-TERM)	**352.1**	**335.6**

V. RISK / RISK MANAGEMENT

CROSS BORDER LEASING TRANSACTIONS

In the course of the current financial crisis, the ratings of some of the contracting parties in cross border leasing transactions have been downgraded. This, on the one hand, has necessitated that action be taken with respect to the very conservatively structured transactions and, on the other hand, has led to a slight deterioration of the overall risk situation.

The American International Group, Inc. (AIG) is involved in individual cross border leasing transactions that have been concluded by Verbund Group, either as an equity payment undertaker or as a loan provider. The rating of this company has been downgraded and the continued existence and solvency of the company was secured by the US government. As a result of the downgrading, AIG was required to put up additional collateral for two transactions. This collateral was provided within the required posting period.

For one of the transactions, the Verbund Group was required to replace the payment undertaking agreement or provide a letter of credit or purchase US Treasuries within 60 days of the publication of the downgrading of AIG. The sum in question amounted to € 29 million. The Verbund Group negotiated for the early termination of this agreement with the result that the transaction was wound up on 22 January 2009.

Following the commencement of the current financial crisis, a US investor approached the Verbund Group requesting that individual transactions be terminated prematurely. Work then commenced on the corresponding calculations and the examination of the legal framework. Due to fact that the investor was involved in takeover talks, the negotiations on the early termination of the agreements were put on hold until the beginning of 2009.

Negotiations on the early termination of a further transaction have also been entered into with another investor.

The current financial market crisis has led to a downgrading of the credit ratings of counterparties in several other cross border leasing transactions. The ratings, however, still lie above the contractually agreed rating limits. Hence, the Verbund Group does not need to take any additional action with regard to the replacement of individual contracting parties or investment instruments in cross border leasing transactions.

In the event that it becomes necessary to replace a contracting party or an investment instrument, the Verbund Group has the possibility of using alternative instruments, such as US government bonds or letters of credit, to secure the cross border leasing transactions at any time.

Some of the individual components of the risks associated with cross border leasing transactions are described in the following.

FINANCIAL INSTRUMENTS

The group's existing primary financial instruments mainy 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 — MILLION €

	NOTIONAL AMOUNT FOREIGN CURRENCY	POSITIVE FAIR VALUE 31. 12. 2008	NEGATIVE FAIR VALUE 31. 12. 2008	POSITIVE FAIR VALUE 31. 12. 2007	NEGATIVE FAIR VALUE 31. 12. 2007
OTHER RECEIVABLES					
INTEREST-RATE SWAP CROSS BORDER LEASING (FIXED-RATE RECEIVER)	236.0 USD (PY: 231.7 USD)	117.9		47.9	
OTHER LIABILITIES					
CURRENCY FORWARD TRANSACTION CROSS BORDER LEASING	28.2 USD (PY: 27.8 USD)		10.7		11.6
OTHER FINANCIAL OBLIGATIONS					
USD CURRENCY FORWARD TRANSACTION	105.0 USD		6.4		
USD CURRENCY FORWARD TRANSACTION	245.0 USD		18.0		

All of the derivative transactions listed are used exclusively for hedging against existing foreign-currency and interest-rate risks.

The value fluctuations of the cross border leasing derivatives are offset by the value fluctuations of hedged liabilities, which are measured through profit or loss at fair value.

Changes in the value of the USD forward currency transactions are recognized in profit or loss.

The notional amount comprises the reference basis of those derivative instruments that are open at the balance sheet date. In the case of the interest-rate swaps, the actual cash flows are merely a fraction of these values.

LIQUIDITY RISK

In the period under review, the Verbund Group 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 2008. 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 as well as a promissory note loan in the amount of € 200 million that has not yet been used.

For details relating to the disclosure of contractual (undiscounted) cash flows of financial liabilities according to IFRS 7, see (29).

CREDIT RISK

The amounts recognized on the assets 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 following table provides an overview of the most important credit risk items – which are neither value adjusted nor overdue – and the allocated credit rating groups:

CREDIT RISK ITEMS AND THE ALLOCATED CREDIT RATING GROUPS

MILLION €

CREDIT RATING GROUP	EQUIVALENT 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	ENERGY DERIVATIVES	MONEY MARKET TRANSACTIONS
A	UP TO AA3	412.4	107.2	1.6	117.9	47.9	35.4	88.1
B	UP TO A3	178.0	19.9	185.4		115.3	222.1	0.1
C	UP TO BAA3		7.2			51.2	99.2	19.4
D	BELOW BAA3		1.7			1.8	27.0	
NON RATED			130.5	77.5		64.9		0.1
TOTAL		**590.4**	**266.5**	**264.5**	**117.9**	**281.1**	**383.7**	**107.8**

With regard to the securities and loans in connection with the cross border leasing transactions, the Verbund Group has not been able to identify 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 therefore 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 (Group A) at the time of execution, whereby the credit rating and solvency of the business partner is monitored on an ongoing basis to ensure that appropriate and timely action can be taken in the event of an impending default. In this context, we also refer to the separate section above on cross border leasing transactions as well as to the section on other financial obligations.

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) as well as prepayments for the acquisition of wind farms.

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

The Verbund Group considers fluctuations in interest rates a substantial cash flow risk. Under the rules of risk management, only a maximum of 45 % of the financial obligations (incl. money market transactions) may be subject to a floating rate. As of 31 December 2008, the share of financial obligations where the VERBUND Group has a corresponding interest-rate risk was approx. 42.9 % (previous year: 24 %).

An increase in the interest rate by 1 % would entail a reduction of the result by € 7.6 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 2008, interest-rate swaps only exist in connection with cross border leasing transactions. 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. The value fluctuations of the interest-rate swaps are offset by interest rate-induced value fluctuations of the hedged financial obligations and the financial obligations that are presented at fair value.

For a detailed description of the financial obligations including fair values, please refer to the table under (28). The average remaining maturity of the overall portfolio excluding money-market items amounts to 5.0 years (previous year: 5.2 years).

EXCHANGE RISK

There is no significant exchange risk on the assets 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 the VERBUND Group, 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 December 2008, the exchange risk related to all financial obligations (JPY), excluding the financial obligations regarding the Republic of Austria in connection with the pre-financing of building cost contributions and excluding interest accruals as well as the risk associated with the hedging of the planned acquisition of an interest by way of currency forwards (USD), can be represented as follows:

LIABILITY — MILLION €

	31. 12. 2008 FOREIGN CURRENCY	31. 12. 2008 €	31. 12. 2007 FOREIGN CURRENCY	31. 12. 2007 €
JAPANESE YEN	JPY 12,900.0	102.3	JPY 12,900.0	78.2
US DOLLAR	USD 350.0	24.4 *	0.0	0.0

* market value of the derivatives

An unhedged foreign currency exchange rate risk 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. € 1.0 million (previous year: € 0.8 million).

A change of the USD/EUR exchange rate by 1 % would affect the market value of the currency forwards in the amount of € 2.5 million.

ENERGY AREA

The derivative financial instruments (electricity futures, electricity forwards, coal swaps, CO_2 futures and CO_2 forwards) used in the energy area can be broken down as follows:

MARKET VALUES IN ELECTRICITY AREA TO 31. 12. 2008 — MILLION €

	POSITIVE FAIR VALUES	NEGATIVE FAIR VALUES	NET FAIR VALUE
CASH FLOW HEDGE			
FUTURES	49.3	43.8	5.4
FORWARDS	149.8	-2.3	152.1
SWAPS	13.6	22.9	-9.3
TOTAL BEFORE NETTING	212.6	64.4	148.2
THEREOF IN EQUITY, CASH FLOW HEDGE PROVISION			148.2
WHOLESALE			
FUTURES	34.8	116.9	-82.1
FORWARDS	424.3	354.1	70.2
TOTAL BEFORE NETTING	459.1	471.0	-11.9
FUTURES ALREADY REALIZED			20.3
REMAINDER RECOGNIZED IN PROFIT OR LOSS			8.3
TRADING INCL. CO_2			
FUTURES	0.7	9.3	-8.6
FORWARDS	781.3	767.2	14.1
TOTAL BEFORE NETTING	782.0	776.5	5.5
TOTAL			
FUTURES	84.7	170.0	-85.3
FORWARDS	1,355.4	1,119.0	236.4
SWAPS	13.6	22.9	-9.3
TOTAL BEFORE NETTING	1,453.7	1,311.9	141.8
INCLUDING THE NETTING AGREEMENTS	-1,070.0	-1,070.0	0.0
TOTAL AFTER NETTING	383.7	241.8	141.8
EEX/PNX/ECX CLEARING VARIATION BETWEEN MARGINS AND FUTURES		-85.2	
RECOGNIZED UNDER OTHER RECEIVABLES OR OTHER LIABILITIES	383.7	156.6	227.0

DERIVATIVE FINANCIAL INSTRUMENTS USED IN THE ENERGY AREA 2007 MILLION €

		FAIR VALUES	
	POSITIVE	NEGATIVE	NET
TRADING			
FUTURES	2.6	2.1	0.5
FORWARDS	125.9	130.8	-4.9
TOTAL BEFORE NETTING	128.5	132.9	-4.4
INCLUDING THE NETTING AGREEMENTS	97.2	97.2	0.0
TOTAL AFTER NETTING	31.3	35.7	-4.4
HEDGE			
FUTURES	76.6	18.7	57.9
FORWARDS	18.7	76.6	-57.9
SWAPS	3.7	0.8	2.9
TOTAL BEFORE NETTING	99.0	96.1	2.9
INCLUDING THE NETTING AGREEMENTS	96.1	96.1	0.0
TOTAL AFTER NETTING	2.9	0.0	2.9

Due to the adjustment of the disclosures in line with the modified portfolio structure (see Accounting policies), the values from the previous year are not comparable

Positive fair values are recognized under »Trade receivables and other receivables« 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.

The effects of potential market price fluctuations (–10 % to +10 %) on the operating result (wholesale portfolio, trading portfolio) as well as on the shareholders' equity (cash flow hedge accounting) are measured on the basis of a sensitivity analysis. Currently, an increase in the market price of 10 % would affect the operating result in the amount of € +0.8 million (a corresponding drop would lower the operating result by € 0.8 million) and the shareholders' equity, excluding deferred taxes, in the amount of € –80.5 million (a 10 % drop in the market price would have an impact in the amount of € +80.5 million).

The future sales and procurement transactions hedged within the framework of cash flow hedge accounting will be carried out in the following four years (2009 to 2012) and recognized in profit or loss.

As of 31 December 2008, there were no ineffective parts for recognition in profit or loss from cash flow hedge accounting in accordance with IAS 39.

In fiscal 2008, an amount totaling € 73.8 million was allocated to equity reserves, while, in the same period, an amount totaling € 71.5 million was recycled in the income statement.

GOALS OF CAPITAL MANAGEMENT

Capital management within the Verbund Group aims to secure the future of the company, an adequate return on equity and a continuous dividend policy with a pay-out ratio of 45–50 % of the group result.

The capital is assessed in relation to the risks and is controlled on the basis of the ratio between net debt and equity. The net debt corresponds to interest-bearing debts netted against interest-bearing assets. Equity comprises the equity that is attributable to the shareholders of the parent and minority interests as shown on the balance sheet. In 2008, gearing increased from 70.0 % to 80.2 %. The target of keeping gearing below 150 % parallel to an increase in the return on equity was achieved in 2008.

RISK MANAGEMENT

The Verbund Group has a corporate risk management system within the framework of which all risks and opportunities are recorded using risk management software. Parallel to this, appropriate measures are prepared. This process is coordinated by an independent department in the holding, which aggregates the data on a quarterly basis and reports to the Managing Board and the Supervisory Board on the overall risk/opportunity situation.

Corporate risk management focuses on all areas that are of prime importance to the Verbund Group. These include commodities, the financial area, information security, the transmission grid and, due to the international growth strategy, the participating interests.

Individual risk management committees, which convene on a regular basis, have been set up not only for the five core areas but also for other areas such cross border leasing transactions. The overall coordination of all risk-relevant issues in the individual areas represents a central task of the respective risk management committee. This involves, in particular, the ongoing monitoring and updating of the opportunities and risks, the evaluation and implementation of control measures as well as the further enhancement of risk awareness among the employees.

COMMODITIES

Through its core operating activities in the international electricity markets, the Verbund Group is exposed to associated risks and opportunities with its electricity business (in particular, market risks, counterparty risks and operational risks). For this reason, the essential prerequisites for successful operations on the markets are documented within the framework of strict guidelines. A special rule book with defined limits has been adopted to ensure that all market risks are dealt with safely. Similar applies for the counterparty risk, which is subject of a separate guideline that has been established at group and subsidiary level. The procedures for dealing with operational risks are detailed in an appropriate process manual.

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

Corresponding measures for the management of the operational risks in energy business are realized through the implementation of documented organizational and operational structures as well as through the creation of emergency procedures for system failures. The documents and measures are reviewed on an annual basis.

FINANCIAL AREA

Particularly in the light of the current financial market crisis, the Verbund Group is exposed to considerable financial risks through its business activities and financing transactions. These financial risks essentially comprise the interest rate and liquidity risks, counterparty risks, price risks from securities, currency risks as well as a risk of a change in the rating of Verbundgesellschaft.

A separate risk management committee has been set up to monitor the cross border leasing transactions concluded by VERBUND-Austrian Hydro Power AG (see »Accounting policies«).

The corporate risk management system of the Verbund Group therefore not only serves to identify, analyze and evaluate risks and opportunities but also defines corresponding measures which, in the event of a risk materializing, help to secure profits and limit damage.

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 have been defined. These limits are monitored on a regular basis and modified as necessary. Liquidity planning, which not only embraces the current year but also the following fiscal year and also results in appropriate investment and borrowing activities, 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 or telecommunications – information technology (IT) is another important success factor within the Verbund Group. To sensitize the employees in the use of these technologies as well as in the utilization of corporate information, numerous extensive information events and seminars were held in 2008 and modern media were employed to enhance IT security awareness within the group, in particular the security awareness software »Virtual Company«.

IT security is very well organized within Verbund Group. The organizational structures are defined in a corporate »Information Security Policy«, which also assigns the associated responsibilities and competencies. This policy forms the basis for a uniform IT security awareness and sets the standard for efficient risk-appropriate measures. All of the group's IT security concerns are planned and controlled by the Chief Information Security Officer (CISO), a newly created position within the company. Equipped with discretionary powers, the CISO ensures that all of the relevant external and internal standards are complied with. The Risk Management Committee for Information Security assumes lead responsibility for the coordination of all issues relating to IT security.

GRID OPERATIONS

All of the relevant opportunities and risks in the grid area are discussed and controlled by the Risk Management Committee Grid, which convenes on a quarterly basis. One focal point at this time is the completion of the 380 kV ring, an initiative which, from a risk perspective, requires urgent attention. The analysis and evaluation of the potential consequences of climate change, which is also the subject of a corporate project, represents another important area of risk management, not only in the grid area. In 2008, the grid area was confronted with a number of meteorological events (incl. hurricane »Emma«), within the framework of which the crisis management team very successfully demonstrated its capabilities.

PARTICIPATING INTERESTS

The implementation of the group's growth strategy, above all in South East Europe, and the associated reorganization and expansion measures in the investment area, will lead to greater risks but also to greater opportunities. Investment risks within the Verbund Group result from fluctuations in the investment income, changes in the interest value (depending on the currency translation differences) as well as from liabilities and guarantees that are assumed.

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

VI. 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, € 33.2 million (previous year: € 23.9 million) relate to interest inflows, € 97.4 million (previous year: € 53.6 million) to interest outflows. The dividend inflows came to € 49.0 million (previous year: € 34.5 million).

Dividend distributions are presented under financing activities.

Income tax payments amount to € 118.8 million (previous year: € 280.6 million) and refer, essentially, to the cash flows of operating activities.

Long-term investments include outflows for company acquisitions in the amount of € 36.7 million. The outflow refers to a prepayment on a participating interest made in fiscal 2008, first-time consolidation will take place in 2009.

OTHER OBLIGATIONS AND RISKS

CONTINGENT LIABILITIES

The obligations resulting from the cross border leasing transactions concluded by the end of the year 2000 are fully covered by loans to financial institutions, zero coupons and medium term notes. The loans are collateral promise agreements with financial institutions of a good and high-grade credit rating. Certain obligations from cross border leasing agreements were closed out, as were the loans and zero coupons that served as security for the obligations. With respect to the portion of leasing liabilities not yet repaid, Verbund has a subsidiary liability up to 31 December 2008 in the amount of € 3,976.2 million (previous year: € 3,718.7 million). As for the rights of recourse vis-à-vis the main debtors, € 3,193.0 million (previous year: € 2,953.1 million) has been secured by way of counterguarantees of financial institutions, provincial companies and regional authorities (resulting from guarantor liability). In addition, € 479.2 million (previous year: € 456.2 million) is covered by investments in zero coupons of the European Investment Bank, which are also insured via a guarantee of Financial Security Assurance Inc. (FSA).

As of 31 December 2008, contingent liabilities from other liabilities amounted to € 22.7 million (previous year: € 21.2 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 is operating activities at Birecik Baraj ve Hidroelektrik Santrali Tesis ve Islemte Anonim Sikreti in Turkey.

[1] The total amount of obligations is subject to indefinite contractual periods; therefore, an exact amount cannot be calculated.

AGREEMENTS AND PURCHASE COMMITMENTS 31. 12. 2008 — MILLION €

	TOTAL OBLIGATION	WITHIN ONE YEAR	WITHIN FIVE YEARS
RENT, LEASE AND INSURANCE AGREEMENTS	[1]	10.3	40.2
PURCHASE COMMITMENT FOR PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND OTHER SERVICES	807.3	310.4	807.2

PLANT ALLOWANCES

In 2001, the European Commission came to a positive decision 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 2008 and the outstanding balance was transferred to VERBUND-Austrian Thermal Power GmbH & Co KG. This receivable has therefore been settled.

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 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 purchased by 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 purchased by Verbundgesellschaft against reimbursement of the expenses 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 plus an agreed profit mark-up. Verbundgesellschaft is also obliged to purchase the electricity supplied by EWK.

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 at least 450,000 of hard coal at prices that are negotiated on a yearly basis. A fixed price was agreed for the supply of 225,000 tons in the first half of 2009.

OMV Refining & Marketing GmbH is obliged to supply 72,000 t of heating oil (heavy) in accordance with the supply agreement which was concluded on 3 December 2008 and is subject to 12 months notice.

On 24 June 2008, a natural gas supply agreement, which can be terminated 15 years after the commencement of supply, was concluded with EconGas GmbH for approx. 750 million Nm^3 natural gas per year for the gas-steam power plant in Mellach which is currently under construction. The corresponding capacity expansion agreement with Gasnetz Steiermark GmbH for the provision of transport capacity in the maximum amount of 150,400 Nm^3/h for the gas-steam power plant in Mellach was concluded on 29 April 2008.

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 € 789.8 million (previous year: € 259.8 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 the VERBUND Group.

Due to the development of the financial markets, the BAV Pensionskassen AG reported an obligation to make additional contributions in the amount of € 28.6 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.

Verbund has agreed to issue Sorgenia S.p.A. (Group) a convertible bond in 2009.

NUMBER OF EMPLOYEES (AVERAGE)

	2008	2007	CHANGE
SALARIED EMPLOYEES	2,414	2,313	+101
WAGED WORKERS	29	31	–2
APPRENTICES	98	97	+1
NUMBER OF EMPLOYEES (AVERAGE)	2,541	2,441	+100

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

At the balance-sheet date, 535 employees (previous year: 612) were given a »letter of loyalty«, which grants them a higher degree of dismissal protection. To qualify, an employee must have worked for the VERBUND Group for twenty years and must be at least 45 years old.

PROVISION OF PERSONNEL

On average, 74 employees (previous year: 78) were allocated to PÖYRY Energy GmbH (formerly Verbundplan GmbH), in which the VERBUND Group 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 20 (previous year: 21) transfers were made to other affiliated, non-consolidated companies of the VERBUND Group.

RELATED PARTY DISCLOSURES

Related parties of the VERBUND Group include all affiliated and associated companies. The members of the Managing Board and the members of the Supervisory Board of Verbundgesellschaft as well as their close relatives are also related parties, as is the Republic of Austria as the majority shareholder. Companies that are controlled by the Republic of Austria are also related parties. These include, in particular, the ÖBB Group, BBG Bundesbeschaffung GmbH and Energie-Control Österreichische Gesellschaft für die Regulierung in der Elektrizitäts- und Erdgaswirtschaft mit beschränkter Haftung.

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

A) Business 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 — MILLION €

	2008	2007
SALES REVENUE	625.5	593.2
OTHER INCOME	4.6	4.1
ELECTRICITY AND GRID PURCHASES	229.8	165.4
OTHER EXPENSES	5.3	7.0
RECEIVABLES	31.8	32.3
LIABILITIES	23.6	42.5
LOANS	41.1	42.0

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

For 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.

B) Business transactions with the Republic of Austria and companies controlled by the Republic of Austria

In fiscal 2008, electricity sales to the Republic of Austria amounted to € 1.3 million (previous year: € 3.5 million), electricity sales to companies controlled by the Republic of Austria came to € 14.9 million (previous year: € 11.9 million).

Expenses for supervision by E-Control Österreichische Gesellschaft für die Regulierung in der Elektrizitäts- und Erdgaswirtschaft mit beschränkter Haftung come to € 6.4 million in fiscal 2008 (previous year: € 6.1 million).

C) 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 MEMBERS OF THE MANAGING BOARD – SHORT-TERM BENEFITS — €

	FIXED EMOLUMENTS	VARIABLE EMOLUMENTS [1]
DR. MICHAEL PISTAUER	591,734	836,288
DR. JOHANN SEREINIG	542,321	303,896
DR. ULRIKE BAUMGARTNER-GABITZER	403,677	153,825
MAG. CHRISTIAN KERN	394,546	99,038

[1] The variable emoluments are always paid at the onset of the following year, since the goals achieved can only be assessed at the end of each fiscal year. Hence, the variable emoluments paid to all Board members in 2008 reflect the goals achieved in fiscal 2007. Moreover, Mag. Christian Kern was paid a variable emolument share in the amount of € 62,563 in fiscal 2008 resulting from his previous position as a member of the Mana-ging Board of VERBUND-Austrian Power Trading AG.

The remuneration of the four members of the Managing Board amounted to € 3,325,327 (previous year: € 2,953,218). The variable emoluments for Dr. Pistauer for 2008 in the amount of € 470,443, which were paid out due to his departure from the company on 31 December 2008, are also included.

The remuneration of the four members of the Managing Board amounted to € 3,325,327 (previous year: € 2,953,218). The variable emoluments for Dr. Pistauer for 2008 in the amount of € 470,443, which were paid out due to his departure from the company on 31 December 2008, are also included.

The variable emoluments are profit-oriented and are limited to a fixed percentage of the respective fixed emoluments. In fiscal 2008, this percentage was – as in the previous year – 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 goal achievement in 2008 was based to 50 % on the improvement of the group result and to 50 % on qualitative goals. The profit-sharing principles that apply for the members of the Managing Board are unchanged from the previous year.

The Board members did not receive any loans or advances.

The expenses for severance payments and pensions and other post-employment benefits amounted to € 598,630 for the Managing Board (previous year: € 547,119) and to € 20,837 for former members of the Managing Board and their surviving dependants (previous year: € 582,457).

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 € 2,027,403 (previous year: € 1,751,769). The remunerations for the members of the Supervisory Board amounted to € 213,424 (previous year € 199,503).

Transactions with related parties (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 2008, 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. The contracts were approved by the Supervisory Board.

CONTRACTS CONCLUDED WITH MEMBERS OF THE SUPERVISORY BOARD OR COMPANIES TO WHICH INDIVIDUAL MEMBERS OF THE SUPERVISORY BOARD ARE AFFILIATED — T€

CONTRACTING PARTY	SERVICE PROVIDED	
DIPL.-ING. DR. GÜNTHER BRAUNER [1]	STABILITY STUDY, SECURITY MONITORING FOR APG	36.3
»SMART TECHNOLOGIES« MANAGEMENT BERATUNGS- UND BETEILIGUNGS-GESELLSCHAFT M.B.H. [2]	SUPPLY AND MAINTENANCE OF SOFTWARE FOR APG AND VMSG	142.6 [3]

[1] The Supervisory Board member Dipl.-Ing Dr. Günther Brauner is the Chairman of the Institute for Power Systems and Energy Economics at the Technical University of Vienna.
[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 2008 is shown, of this amount services in the total amount of T€ 142.6 were rendered and services in the net amount of T€ 97.0 were settled in 2008.

BENEFIT PLAN FOR MEMBERS OF THE SUPERVISORY BOARD (IN ACCORDANCE WITH RULE 51 OF THE AUSTRIAN CORPORATE GOVERNANCE CODE) — €

	2008	2007
CHAIRMAN	15,000	15,000
DEPUTY CHAIRMAN (TWO)	11,250	11,250
MEMBERS	7,500	7,500
MEETING ALLOWANCE	400	400

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

IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

WIND FARMS BRUCK/ HOLLERN/PETRONELL

With effect from 1 January 2009, the wind farms Bruck/Hollern/Petronell – Carnuntum were acquired to 100 % at a purchase price of € 86.0 million less the liabilities that were assumed up to 31 December 2008. Of this amount, € 36.7 million was paid in fiscal 2008 by way of a prepayment.

PROMISSORY NOTE LOAN

The remaining amount was paid on 7 January 2009 from a private placement (promissory note loan) in the amount of € 200.0 million.

CROSS BORDER LEASING

As a result of the changes in US tax laws, the current financial market crisis and the resulting increase in liquidity requirements, equity investors now display a growing willingness to terminate cross border leasing transactions prematurely.

The cross border leasing transaction Altenwörth (1 and 2), which was carried out in the year 2000, was terminated prematurely on 22 January 2009. In the course of the premature termination of the transaction, the Equity Payment Undertaking Agreement was wound up and the remaining difference to the termination value was paid back to the American investor. In addition, the A-loan and the A Payment Undertaking were terminated while the B-loan and the B Payment Undertaking still exist unchanged as closed balance sheet items to be terminated a later point in time.

Vienna, 27 January, 2009

The Managing Board

General Director
DI Wolfgang Anzengruber
(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, 27 January, 2009

The Managing Board

General Director
DI Wolfgang Anzengruber
(Chairman)

Deputy General Director
Dr. Johann Sereinig
(Deputy Chairman)

Managing Director
Dr. Ulrike Baumgartner-Gabitzer
(Member)

Managing Director
Mag. Christian Kern
(Member)

TRANSLATION OF THE 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 1 January 2008 to 31 December 2008. These consolidated financial statements comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2008, 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, give a true and fair view, in all material respects, of the financial position of the group as of 31 December 2008, and of its financial performance and its cash flows for the financial year from 1 January 2008 to 31 December 2008 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, 27 January, 2009

Deloitte Wirtschaftsprüfungs GmbH

Mag. Gerhard Marterbauer Certified Public Accountant	MMag. Dr. Klaus-Bernhard Gröhs Certified Public Accountant

This report is a translation of the original report in German, which is solely valid.

Any publication or reproduction of the annual financial statements in a form other than that of the audited version which refers to our audit opinion or our audit requires a new audit opinion on our part prior to any such publication or reproduction.

GROUP COMPANIES

GROUP COMPANIES

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COMPANY	DOMICILE	TYPE OF CONSOLIDATION	INTEREST BY MULTIPLICATION	BALANCE SHEET DATE	SHAREHOLDERS' EQUITY	NET PROFIT/LOSS	NOTE
COMPANIES CONSOLIDATED							
ÖSTERREICHISCHE ELEKTRIZITÄTS-WIRTSCHAFTS-AKTIENGESELLSCHAFT	VIENNA	FC		31. 12. 2008	1,731,193	612,899	1
VERBUND-AUSTRIAN POWER GRID AG	VIENNA	FC	100.00 %	31. 12. 2008	320,532	51,020	1
VERBUND ITALIA S.P.A.	MILAN	FC	100.00 %	31. 12. 2008	490,266	4,442	
VERBUND-TELEKOM SERVICE GMBH	VIENNA	FC	100.00 %	31. 12. 2008	4,994	4,592	1
VERBUND-INTERNATIONAL FINANCE B.V.	AMSTERDAM	FC	100.00 %	31. 12. 2008	2,412	412	1
VERBUND-AUSTRIAN POWER TRADING AG	VIENNA	FC	100.00 %	31. 12. 2008	1,513	840	1
VERBUND-FINANZIERUNGSSERVICE GMBH	VIENNA	FC	100.00 %	31. 12. 2008	218	1,759	1
VERBUND MANAGEMENT SERVICE GMBH	VIENNA	FC	100.00 %	31. 12. 2008	1,225	1,936	1
VERBUND-AUSTRIAN POWER SALES GMBH	VIENNA	FC	100.00 %	31. 12. 2008	6,342	4,299	1
VERBUND-INTERNATIONAL GMBH	VIENNA	FC	100.00 %	31. 12. 2008	510,823	-15,227	1
VERBUND-AUSTRIAN RENEWABLE POWER GMBH	VIENNA	FC	100.00 %	31. 12. 2008	18,747	1,659	1
VERBUND-BETEILIGUNGSHOLDING GMBH	VIENNA	FC	100.00 %	31. 12. 2008	526,817	-14,704	1
VERBUND-PHOTOVOLTAICS IBÉRICA, S.L. (GROUP)	MADRID	FC	100.00 %	31. 12. 2008	3,912	-727	1
ENERGJI ASHTA SHPK	TIRANA	FC	100.00 %	31. 12. 2008	1,026	-8	1
VERBUND-AUSTRIAN HYDRO POWER AG	VIENNA	FC	80.33 %	31. 12. 2008	1,397,919	526,673	1
VERBUND-AUSTRIAN THERMAL POWER GMBH	GRAZ	FC	59.49 %	31. 12. 2008	1,653	1,263	1
VERBUND-AUSTRIAN THERMAL POWER GMBH & CO KG	GRAZ	FC	55.65 %	31. 12. 2008	312,865	92,261	1
ÖSTERREICHISCH-BAYERISCHE KRAFTWERKE AKTIENGESELLSCHAFT	SIMBACH	EQ	50.00 %	31. 12. 2007	51,361	3,272	5
ENNSKRAFTWERKE AKTIENGESELLSCHAFT	STEYR	EQ	50.00 %	31. 12. 2007	42,180	808	1,5
DONAUKRAFTWERK JOCHENSTEIN AKTIENGESELLSCHAFT	PASSAU	EQ	50.00 %	31. 12. 2007	12,766	818	5
ENERJISA ENERJI ÜRETIM A.S.	ISTANBUL	EQ	50.00 %	31. 12. 2007	322,201	4,828	2,5
ENERJISA ELEKTRIK ENERJISI TOPTAN SATIS A.S.	ISTANBUL	EQ	50.00 %	31. 12. 2007	598	710	5
ENERJISA DOGALGAZ TOPTAN SATIS A.S.	ISTANBUL	EQ	50.00 %	31. 12. 2007	344	29	5
ENERJISA ELEKTRIK DAGITIM A.S.	ISTANBUL	EQ	49.00 %	31. 12. 2008	23		4,5
ENERGIE KLAGENFURT GMBH	KLAGENFURT	EQ	49.00 %	31. 12. 2007	135,121	1,262	1,5
GRENZKRAFTWERKE GESELLSCHAFT MIT BESCHRÄNKTER HAFTUNG	SIMBACH	EQ	40.17 %	31. 12. 2007	127	77	5
SORGENIA S.P.A. (GROUP)	MILAN	EQ	42.65 %	31. 12. 2007	550,715	76,855	2,3
KELAG-KÄRNTNER ELEKTRIZITÄTS-AKTIENGESELLSCHAFT	KLAGENFURT	EQ	35.13 %	31. 12. 2007	422,102	107,671	2
STEWEAG-STEG GMBH	GRAZ	EQ	34.57 %	31. 12. 2007	516,248	71,619	3
POWEO S.A. (GROUP)	PARIS	EQ	30.01 %	30. 09. 2008	258,676	-33,611	1
THEREOF POWEO PRODUCTION S.A.S			40.00 %				
KRAFTWERK NUSSDORF ERRICHTUNGS-UND BETRIEBS GMBH	VIENNA	EQ	26.77 %	31. 12. 2007	49	4	
KRAFTWERK NUSSDORF ERRICHTUNGS-UND BETRIEBS GMBH & CO KG	VIENNA	EQ	26.77 %	31. 12. 2007	36	237	

1 IFRS
2 Group Financial Statements according to IFRS
3 Subgroup Financial Statements according to IFRS
4 Established 2008
5 Joint venture
FC Full consolidation
EQ Equity method
NC Non-consolidated

All values other than IFRS DATA are indicated pursuant to national commercial law.

GROUP COMPANIES

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COMPANY	DOMICILE	TYPE OF CONSOLIDATION	INTEREST BY MULTIPLICATION	BALANCE SHEET DATE	SHAREHOLDERS' EQUITY	NET PROFIT/LOSS	NOTE
ELECTRICITY							
VERBUND ROMANIA S.R.L.	BUCAREST	NC	100,00 %	31. 12. 2007	4	373	
VERBUND-AUSTRIAN POWER TRADING CZECH REPUBLIC S.R.O.	PRAGUE	NC	100,00 %	31. 12. 2007	163	-51	
VERBUND-AUSTRIAN POWER TRADING SLOVAKIA, S.R.O.	BRATISLAVA	NC	100,00 %	31. 12. 2007	334	-241	
VERBUND-AUSTRIAN POWER TRADING DEUTSCHLAND GMBH	MUNICH	NC	100,00 %	31. 12. 2007	184	76	
VERBUND-AUSTRIAN POWER TRADING HUNGÁRIA ENERGIA-KERESKEDELMI KORLÁTOLT FELELÖSSÉGÜ TÁRSASÁG	BUDAPEST	NC	100,00 %	31. 12. 2007	1,080	405	
APT POWER TRADING SL, TRGOVANJE Z ELEKTRICNO ENERGIJO D.O.O.	LJUBLJANA	NC	100,00 %	31. 12. 2007	1,296	-284	
APT AUSTRIAN POWER TRADING POLSKA SP.Z O.O.	WARSAW	NC	100,00 %	31. 12. 2007	77	-9	
VERBUND-AUSTRIAN POWER TRADING D.O.O.	ZAGREB	NC	100,00 %	31. 12. 2007	32	22	
VERBUND-AUSTRIAN POWER TRADING SR D.O.O.	BELGRADE	NC	100,00 %	31. 12. 2007	12	3	
VERBUND-POWER TRADING MACEDONIA DOOEL	SKOPJE	NC	100,00 %	31. 12. 2007	24	14	
VERBUND-GASBETEILIGUNGSGMBH	VIENNA	NC	100,00 %	31. 12. 2007	1,772	-20	
RIECADO REGIONAL ENERGY CAPACITY AUCTION DATA OPERATOR GMBH	VIENNA	NC	74.80 %	31. 12. 2007	29	0	
VERBUND-AUSTRIAN POWER TRADING ENERGA HELLAS ELECTRICITY SUPPLY AND TRADE S.A.	ATHENS	NC	55.00 %	31. 12. 2007	641	-299	5
ENERGIE AUSTRIA GMBH	VIENNA	NC	52.80 %	31. 12. 2007	55	-1	
ALMENLAND ENERGIE GMBH	FLADNITZ	NC	50.00 %	31. 12. 2008	18		4,5
GEMEINSCHAFTSKRAFTWERK INN GMBH	LANDECK	NC	50.00 %	31. 12. 2007	208	5	5
CEMP D.O.O.	ZAGREB	NC	50.00 %	31. 12. 2007	198	-76	5
PLINSKO PARNA ELEKTRARNA, D.O.O.	KIDRICEVO	NC	40.00 %	31. 12. 2007	1,209	0	
SAVA IZRABLJANJE NARAVNEGA VIRA D.O.O.	MEDVODE	NC	35.00 %	31. 12. 2007	24	0	
ALPHA WIND SRL	BUCAREST	NC	50.07 %	31. 12. 2008	1,002		4
GAZ DE NORMANDIE S.A.S.	PARIS	NC	24.50 %	31. 12. 2007	8,084	-1,116	
OEMAG ABWICKLUNGSSTELLE FÜR ÖKOSTROM AG	VIENNA	NC	24.40 %	31. 12. 2007	5,436	427	
ENVIRONMENT							
VERBUND-UMWELTTECHNIK GMBH	KLAGENFURT	NC	100.00 %	31. 12. 2007	1,176	572	
KÄRNTNER RESTMÜLLVERWERTUNGS GMBH	ARNOLDSTEIN	NC	42.87 %	31. 12. 2007	14,631	1,735	
ENGINEERING							
VERBUNDPLAN BIRECIK BARAJI ISLETME LTD.STI.	BIRECIK	NC	56.23 %	31. 12. 2007	6,090	5,236	
PÖYRY ENERGY GMBH	VIENNA	NC	25.10 %	31. 12. 2007	12,034	2,664	
TOURISM							
TAUERN TOURISTIK GMBH	KAPRUN	NC	83.90 %	31. 12. 2007	3,705	131	
GLETSCHERBAHNEN KAPRUN AKTIENGESELLSCHAFT	KAPRUN	NC	45.00 %	30. 09. 2007	38,578	2,917	
OTHERS							
LESTIN & CO. TAUCH-, BERGUNGS- UND SPRENG-UNTERNEHMEN GESELLSCHAFT M.B.H.	VIENNA	NC	82.35 %	31. 12. 2007	484	9	
LESTIN & CO. TAUCH- UND BERGUNGSUNTER-NEHMEN GESELLSCHAFT M.B.H.	PASSAU	NC	82.35 %	31. 12. 2007	77	0	

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FINANCIAL INFORMATION ON ASSOCIATED COMPANIES

FINANCIAL INFORMATION ON ASSOCIATED COMPANIES AND JOINT VENTURES

COMPANY	DOMICILE	TYPE OF CONSOLIDATION	INTEREST BY MULTIPLICATION	BALANCE SHEET DATE
GRENZKRAFTWERKE GESELLSCHAFT MIT BESCHRÄNKTER HAFTUNG	SIMBACH	EQ	40.17 %	31. 12. 2007
SORGENIA S.P.A. (GROUP)	MILAN	EQ	42.65 %	31. 12. 2007
KELAG-KÄRNTNER ELEKTRIZITÄTS-AKTIENGESELLSCHAFT	KLAGENFURT	EQ	35.13 %	31. 12. 2007
STEWEAG-STEG GMBH	GRAZ	EQ	34.57 %	31. 12. 2007
POWEO S.A. (GROUP)	PARIS	EQ	30.01 %	30. 09. 2008
THEREOF POWEO PRODUCTION S.A.S			40.00 %	
KRAFTWERK NUßDORF ERRICHTUNGS- UND BETRIEBS GMBH & CO KG	VIENNA	EQ	26.77 %	31. 12. 2007
KRAFTWERK NUßDORF ERRICHTUNGS- UND BETRIEBS GMBH	VIENNA	EQ	26.77 %	31. 12. 2007
ALMENLAND ENERGIE GMBH	FLADNITZ	NC	50.00 %	31. 12. 2008
CEMP D.O.O.	ZAGREB	NC	50.00 %	31. 12. 2007
GEMEINSCHAFTSKRAFTWERK INN GMBH	LANDECK	NC	50.00 %	31. 12. 2007
GLETSCHERBAHNEN KAPRUN AKTIENGESELLSCHAFT	KAPRUN	NC	45.00 %	30. 09. 2007
KÄRNTNER RESTMÜLLVERWERTUNGS GMBH	ARNOLDSTEIN	NC	42.87 %	31. 12. 2007
PLINSKO PARNA ELEKTRARNA, D.O.O.	KIDRICEVO	NC	40.00 %	31. 12. 2007
SAVA IZRABLJANJE NARAVNEGA VIRA D.O.O.	MEDVODE	NC	35.00 %	31. 12. 2007
ALPHA WIND SRL	BUCAREST	NC	50.07 %	31. 12. 2008
PÖYRY ENERGY GMBH	VIENNA	NC	25.10 %	31. 12. 2007
GAZ DE NORMANDIE S.A.S.	PARIS	NC	24.50 %	31. 12. 2007
OEMAG ABWICKLUNGSSTELLE FÜR ÖKOSTROM AG	VIENNA	NC	24.40 %	31. 12. 2007

FC Full consolidation
EQ Equity method
NC Non-consolidated

T €

TOTAL				PRORATED			
ASSETS	LIABILITIES	SALES REVENUE	NET PROFIT/LOSS	ASSETS	LIABILITIES	SALES REVENUE	NET PROFIT/LOSS
45,303	45,176	18,722	77	18,197	18,146	7,520	31
2,186,191	1,635476	1,861,693	76,855	932,410	697,531	794,012	32,779
1,117,283	695,181	934,134	107,671	392,379	244,141	328,059	37,813
1,110,982	594,735	663,408	71,619	384,066	205,600	229,340	24,759
844,128	585,452	366,791	-33,611	253,323	175,694	110,074	-10,087
13,977	7,126	1,291	237	3,742	1,908	346	63
49	0	4	4	13	0	1	1
18	0	0	0	9	0	0	0
1,210	1,012	0	-76	605	506	0	-38
6,327	6,119	0	5	3,164	3,060	0	3
67,467	27,326	27,877	2,917	30,360	12,297	12,545	1,313
72,441	52,856	14,179	1,735	31,055	22,659	6,079	744
1,209	0	0	0	484	0	0	0
24	0	0	0	8	0	0	0
1,002	0	0	0	502	0	0	0
29,891	17,857	38,745	2,664	7,503	4,482	9,725	669
9,398	1,314	0	-1,116	2,303	322	0	-273
126,048	120,612	658,723	427	30,756	29,429	160,728	104

FINANCIAL INFORMATION ON ASSOCIATED COMPANIES AND JOINT VENTURES CONTINUED

COMPANY	DOMICILE	TYPE OF CON-SOLIDATION	INTEREST BY MULTIPLICATION	BALANCE SHEET DATE
MATERIAL JOINT VENTURES				
ÖSTERREICHISCH-BAYERISCHE KRAFTWERKE AKTIENGESELLSCHAFT	SIMBACH	EQ	50.00 %	31. 12. 2007
LONG-TERM ASSETS/LIABILITIES				
SHORT-TERM ASSETS/LIABILITIES				
INCOME				
ENNSKRAFTWERKE AKTIENGESELLSCHAFT	STEYR	EQ	50.00 %	31. 12. 2007
LONG-TERM ASSETS/LIABILITIES				
SHORT-TERM ASSETS/LIABILITIES				
INCOME				
DONAUKRAFTWERK JOCHENSTEIN AKTIENGESELLSCHAFT	PASSAU	EQ	50.00 %	31. 12. 2007
LONG-TERM ASSETS/LIABILITIES				
SHORT-TERM ASSETS/LIABILITIES				
INCOME				
ENERJISA ENERJI ÜRETIM A.S.	ISTANBUL	EQ	50.00 %	31. 12. 2007
LONG-TERM ASSETS/LIABILITIES				
SHORT-TERM ASSETS/LIABILITIES				
INCOME				
ENERJISA ELEKTRIK ENERJISI TOPTAN SATIS A.S.	ISTANBUL	EQ	50.00 %	31. 12. 2007
LONG-TERM ASSETS/LIABILITIES				
SHORT-TERM ASSETS/LIABILITIES				
INCOME				
ENERJISA DOGALGAZ TOPTAN SATIS A.S.	ISTANBUL	EQ	50.00 %	31. 12. 2007
LONG-TERM ASSETS/LIABILITIES				
SHORT-TERM ASSETS/LIABILITIES				
INCOME				
ENERJISA ELEKTRIK DAGITIM A.S.	ISTANBUL	EQ	49.00 %	31. 12. 2008
LONG-TERM ASSETS/LIABILITIES				
SHORT-TERM ASSETS/LIABILITIES				
INCOME				
ENERGIE KLAGENFURT GMBH	KLAGENFURT	EQ	49.00 %	31. 12. 2007
LONG-TERM ASSETS/LIABILITIES				
SHORT-TERM ASSETS/LIABILITIES				
INCOME				

FC Full consolidation
EQ Equity method
NC Non-consolidated

T €

TOTAL					PRORATED				
ASSETS	LIABILITIES	SALES REVENUE	EXPENSES	NET PROFIT/LOSS	ASSETS	LIABILITIES	SALES REVENUE	ASSETS	NET PROFIT/LOSS
139,740	88,379	30,687	28,107	3,272	69,870	44,190	15,344	14,054	1,636
130,023	79,240				65,012	39,620			
9,717	9,139				4,859	4,570			
		31,379					15,690		
126,947	84,767	32,270	32,635	808	63,474	42,384	16,135	16,318	404
126,614	39,855				63,307	19,928			
333	44,912				167	22,456			
		33,442					16,721		
26,602	13,836	11,111	10,759	818	13,301	6,918	5,556	5,380	409
21,568	11,506				10,784	5,753			
5,034	2,330				2,517	1,165			
		11,577					5,789		
523,724	201,523	193,243	201,003	-4,828	261,857	100,760	96,620	100,500	-2,414
490,253	106,149				245,122	53,073			
33,471	95,375				16,735	47,686			
		196,175					98,086		
2,158	1,560	12,045	11,394	710	1,079	780	6,022	5,697	355
89	0				45	0			
2,068	1,560				1,034	780			
		12,103					6,052		
350	6	0	24	29	175	3	0	12	14
0	0				0	0			
350	6				175	3			
		53					27		
23	0	0	0	0	11	0	0	0	0
0	0				0	0			
23	0				12	0			
		0					0		
243,404	108,283	102,643	109,016	1,262	119,268	53,059	50,295	53,418	618
164,309	71,815				80,511	35,189			
79,095	36,468				38,757	17,869			
		110,279					54,037		

CORPORATE GOVERNANCE-REPORT 2008

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.

The Austrian Corporate Governance Code can be viewed on the website of the Austrian Working Group for Corporate Governance under www.corporate-governance.at.

Detailed information relating to the composition and working procedures of the Managing Board and the Supervisory Board as well as its committees can be found under the points »Managing Board« and »Supervisory Board«.

IMPORTANT EVENTS IN 2008

Verbund is one of the first companies in Austria to undertake a commitment to comply with the code. In fiscal 2008, 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.

The most important events in the area of corporate governance in fiscal 2008 included the adoption of the new rules of procedure for the Managing Board and the Supervisory Board as well as the appointment of a new Chairman of the Managing Board and, in this connection, the redistribution of the respon-
sibilities of the members of the Managing Board.

The new rules of procedure for the Managing Board regulate the composition and working procedures of the Managing Board, the cooperation between the Managing Board and the Supervisory Board, the information and reporting obligations of the Managing Board and the right of the Supervisory Board to reserve consent, which extends to all essential business transactions and the most important subsidiaries. The rules of procedure for the Supervisory Board refer to the composition, working procedures and duties of the Supervisory Board but also regulate all of the committees (Working Committee, Audit Committee, Emergency Committee, Nomination Committee, Presidential Committee and Compensation Committee) and their competencies in a precise manner.

These new rules of procedure comply with the requirements of the Code with the result that the number of deviations (below) has been reduced from five to three.

In June 2008, the Supervisory Board appointed Dipl.-Ing. Wolfgang Anzengruber as the new Chairman of the Managing Board and Chief Financial Officer of Verbund. General Director Dipl.-Ing. Anzengruber took up office on 1 January 2009 following the retirement of Dr. Michael Pistauer. In tandem with this, the redistribution of the responsibilities of the Managing Board came into effect.

DEVIATIONS

The rules of the Austrian Corporate Governance Code, including the R-Rules, are implemented by Verbund practically without exception. Only a small number of the 80 C-Rules in the Code (version of June 2007) were, 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. 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 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).

A new version of the Austrian Corporate Governance Code was adopted at the end of 2008 resulting in amendments to a number of rules. This new version of the Code, which now contains 83 rules, is effective from 1 January 2009. Following these amendments, Verbund now complies more precisely with the Code. The deviation from the C-Rule 57 no longer exists as Verbund fully complies with the revised rule.

MANAGING BOARD

In fiscal 2008, the Managing Board of Verbund comprised four members:

COMPOSITION OF THE MANAGING BOARD

MANAGING BOARD

	YEAR OF BIRTH	DATE OF FIRST APPOINTMENT	END OF CURRENT TERM IN OFFICE
GENERAL DIRECTOR **DR. MICHAEL PISTAUER** CHAIRMAN	1943	01. 01. 1994 (CHAIRMAN SINCE 11. 05. 2007)	31. 12. 2008
DEPUTY GENERAL DIRECTOR **DR. JOHANN SEREINIG** DEPUTY CHAIRMAN OF THE BOARD	1952	01. 01. 1994	31. 12. 2013
MANAGING DIRECTOR **DR. ULRIKE BAUMGARTNER-GABITZER**	1957	01. 01. 2007	31. 12. 2011
MANAGING DIRECTOR **MAG. CHRISTIAN KERN**	1966	11. 05. 2007	31. 12. 2011

SUPERVISORY BOARD MANDATES OF MEMBERS OF THE MANAGING BOARD OUTSIDE OF THE GROUP:

	COMPANY	FUNCTION
DR. JOHANN SEREINIG	WIENER STÄDTISCHE VERSICHERUNG AG	MEMBER

WORKING PROCEDURES AND DISTRIBUTION OF RESPONSIBILITIES

The distribution of responsibilities and the cooperation obligations of the Managing Board are regulated in the rules of procedure. In addition, the rules of procedure contain the information and reporting obligations of the Managing Board as well as a catalogue of measures which require the approval of the Supervisory Board.

THE RESPONSIBILITIES OF THE MEMBERS OF THE MANAGING BOARD WERE DEFINED AS FOLLOWS BY THE SUPERVISORY BOARD WITHOUT PREJUDICE TO THE OVERALL RESPONSIBILITY OF THE MANAGING BOARD

DR. MICHAEL PISTAUER	CORPORATE DEVELOPMENT, CORPORATE AFFAIRS, FINANCIAL AFFAIRS, CONTROLLING, RISK MANAGEMENT, GENERATION, AUDITING, PERSONNEL COMMITTEE
DR. JOHANN SEREINIG	STRATEGIC MARKETING AND BUSINESS MANAGEMENT, PERSONNEL MANAGEMENT, TRADING/SALES, AUDITING, PERSONNEL COMMITTEE
DR. ULRIKE BAUMGARTNER-GABITZER	LEGAL AFFAIRS, RENEWABLE ENERGIES, TRANSMISSION, SERVICES
MAG. CHRISTIAN KERN	M&A INTERNATIONAL, DEVELOPMENT OF FOREIGN INVESTMENTS

REMUNERATION FOR THE MANAGING BOARD

In fiscal 2008, the remuneration of the members of the Managing Board totaled € 3,325,327 (previous year: € 2,953,218).

REMUNERATION OF THE MEMBERS OF THE MANAGING BOARD

	FIXED EMOLUMENTS IN €	VARIABLE EMOLUMENTS IN €	TOTAL IN €
DR. MICHAEL PISTAUER	591.734	836.288	1.428.023
DR. JOHANN SEREINIG	542.321	303.896	846.217
DR. ULRIKE BAUMGARTNER-GABITZER	403.677	153.825	557.502
MAG. CHRISTIAN KERN	394.546	99.038	493.584

The variable emoluments are always paid at the onset of the next year as goal achievement can only be determined at the end of the year. For this reason, the variable emoluments paid to the members of the Managing Board in fiscal 2007 are presented here.

The variable emoluments for Dr. Pistauer for 2008 in the amount of € 470,443, which were paid out due to his departure from the company on 31 December 2008, are also included. Mag. Christian Kern was paid a variable emolument share in the amount of € 62,563 in fiscal 2008. This resulted from his previous position as a member of the Managing Board of VERBUND-Austrian Power Trading AG.

The variable emoluments are profit-oriented and are limited to a fixed percentage of the respective fixed emoluments. In fiscal 2008, this percentage was – as in the previous year – 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 goal achievement in 2008 was based to 50 % on the improvement of the group result and to 50 % on qualitative goals.

The profit-sharing principles that apply for the members of the Managing Board are unchanged from the previous year.

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.

In fiscal 2008, the expenses for severance payments and pensions and other post-employment benefits (remuneration following the expiry of the contractual relationship) amounted to € 598,630 (previous year: € 547.119) for the Managing Board and for formers members of the Managing Board and their surviving dependants to € 20.857 (previous year: € 582.457).

Former members of the Managing Board or their surviving dependants received severance and pension payments in the amount of € 2,027,403 (previous year: € 1,751,769).

The Board members did not receive any loans or advances.

D&O LIABILITY INSURANCE

Verbund takes out a pecuniary damage liability insurance on behalf of the Board members. These include the members of the Managing Board and the Supervisory Board of Verbundgesellschaft, the members of the Managing Boards, Supervisory Boards, Advisory Committees as well as the executives, authorized signatories and other senior staff members of the subsidiaries in which Verbund holds a majority interest. The costs are carried by the company.

SUPERVISORY BOARD

Ihe Austrian Stock Corporation Law, the Articles of Incorporation, the Rules of Procedure for the Supervisory Board and the Austrian Corporate Governance Code, to which the Supervisory Board has expressly committed itself, form the basis for the actions of the Supervisory Board.

PERSONAL DETAILS, CHAIRMANSHIP AND FUNCTIONS

The Supervisory Board of Verbundgesellschaft comprises 15 members – 10 shareholders are elected by the General Meeting and the remaining 5 members are staff representatives who are delegated by the Works Council. DDr. Erhard Schaschl, who stepped down as 1st Deputy Chairman of the Supervisory Board, was replaced by Mag. Herbert Kaufmann with effect from 26 March 2008.

THE SUPERVISORY BOARD OF VERBUNDGESELLSCHAFT

	YEAR OF BIRTH	DATE OF FIRST APPOINTMENT	END OF CURRENT TERM IN OFFICE
DR. GILBERT FRIZBERG **CHAIRMAN** MANAGING PARTNER IN HERESCHWERKE HOLDING GMBH, MEMBER OF THE MANAGING BOARD OF FI BETEILIGUNGS- U. FINANZIERUNGS AG, CHAIRMAN OF THE SUPERVISORY BOARD OF INTERNATIONALISIERUNGSCENTER STEIERMARK GMBH (ICS)	1956	16. 03. 2000 (CHAIRMAN SINCE 14. 03. 2007)	ORDINARY GENERAL MEETING 2010

THE SUPERVISORY BOARD OF VERBUNDGESELLSCHAFT – CONTINUED

	YEAR OF BIRTH	DATE OF FIRST APPOINTMENT	END OF CURRENT TERM IN OFFICE
DR. MAXIMILIAN EISELSBERG **1ST DEPUTY CHAIRMAN** (SINCE 26. 03. 2008) **2ND DEPUTY CHAIRMAN** (UP TO 26. 03. 2008) ATTORNEY-AT-LAW, CHAIRMAN OF THE SUPERVISORY BOARD OF VIVAG VORSORGE IMMOBILIENVERANLAGUNGS AG. MEMBER OF THE SUPERVISORY BOARD OF KURIER BETEILIGUNGS-AKTIENGESELLSCHAFT	1947	23. 02. 1993	ORDINARY GENERAL MEETING 2010
MDDR. ERHARD SCHASCHL **1ST DEPUTY CHAIRMAN** (UP TO 26. 03. 2008) 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 AG	1943	16. 03. 2000	STEPPED DOWN ON 26. 03. 2008
GENERAL DIRECTOR I.R. DKFM. PETER PÜSPÖK **2ND DEPUTY CHAIRMAN** (SINCE 26. 03. 2008)	1946	16. 03. 2000	ORDINARY GENERAL MEETING 2010
O.UNIV.-PROF. DIPL.-ING. DR. GÜNTHER BRAUNER UNIVERSITY PROFESSOR, MEMBER OF THE MANAGING BOARD OF THE INSTITUTE FOR POWER SYSTEMS AND ENERGY ECONOMICS AT THE TECHNICAL UNIVERSITY OF VIENNA	1942	16. 03. 2000	ORDINARY GENERAL MEETING 2010
DIPL.-BETRIEBSWIRT ALFRED H. HEINZEL 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 ESTONIANCELL AS, KUNDA, ESTONIA, GENERAL COUNCIL OF THE ÖSTERREICHISCHE NATIONALBANK	1947	16. 03. 2000	ORDINARY GENERAL MEETING 2010
GENERAL DIRECTOR DR. BURKHARD HOFER 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	1944	27. 05. 1999	ORDINARY GENERAL MEETING 2010
MAG. HERBERT KAUFMANN SPOKESMAN OF THE MANAGING BOARD OF FLUGHAFEN WIEN AG, MEMBER OF THE SUPERVISORY BOARD OF RAIL CARGO AUSTRIA AG AND AUSTRO CONTROL ÖSTERREICHISCHE GESELLSCHAFT FÜR ZIVILLUFTFAHRT MBH	1949	26. 03. 2008	ORDINARY GENERAL MEETING 2010
DR. MICHAEL LOSCH HEAD OF DEPARTMENT AT THE FEDERAL MINISTRY FOR ECONOMY AND LABOR, CENTER 1 – ECONOMIC POLICY, INNOVATION AND TECHNOLOGY	1968	10. 03. 2005	ORDINARY GENERAL MEETING 2010

THE SUPERVISORY BOARD OF VERBUNDGESELLSCHAFT – CONTINUED

	YEAR OF BIRTH	DATE OF FIRST APPOINTMENT	END OF CURRENT TERM IN OFFICE
DIPL.-ING. HANSJÖRG TENGG MANAGING PARTNER OF SMART TECHNOLOGIES GMBH, CHAIRMAN OF THE SUPERVISORY BOARD OF EXXA AG, SAUBERMACHER DIENSTLEISTUNGS AG KONSUM ÖSTERREICH REG.GEN., DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD OF APCS AG, AGCS AG AND EURO BIO FUELS AG	1947	15. 11. 1983 – 20. 05. 1986, SINCE 10. 03. 2005	ORDINARY GENERAL MEETING 2010
ING. SIEGFRIED WOLF CHAIRMAN OF THE MANAGING BOARD OF MAGNA INTERNATIONAL EUROPE AG, CO-CEO MAGNA INTER-NATIONAL INC., MEMBER OFTHE SUPERVISORY BOARD OF ÖIAG, SIEMENS AG AUSTRIA, STRABAG SE AS WELL AS HGI BETEILIGUNGS AG	1957	16. 03. 2000	ORDINARY GENERAL MEETING 2010
ANTON AICHINGER CHAIRMAN OF THE GROUP WORKS COUNCIL OF THE EMPLOYEES OF VERBUND	1955	DELEGATED BY THE STAFF REPRESENTATIVES SINCE 25. 10. 2006	
KURT CHRISTOF CHAIRMAN OF CENTRAL WORKS COUNCIL	1964	DELEGATED BY THE STAFF REPRESENTATIVES SINCE 08. 03. 2004	
HARALD NOVAK CHAIRMAN OF CENTRAL WORKS COUNCIL	1952	DELEGATED BY THE STAFF REPRESENTATIVES 27. 09. 1991–09. 05. 1993, SINCE 15. 12. 2000	
DIPL.-ING. INGEBORG OBERREINER CHAIRMAN OF WORKS COUNCIL	1951	DELEGATED BY THE STAFF REPRESENTATIVES SINCE 29. 08. 2006	
ING. JOACHIM SALAMON CENTRAL WORKS COUNCIL	1956	DELEGATED BY THE STAFF REPRESENTATIVES SINCE 25. 10. 2006	

INDEPENDENCE CRITERIA

The Supervisory Board defined the following guidelines relating to its independence (in accordance with C-Rule 53 of the Code:

- The member of the Supervisory Board should not have been a member of the Managing Board or an executive of the company or a subsidiary of the company in the last five years.
- The member of the Supervisory Board should not have, nor should he have had in the last year, business relations with the company or a subsidiary of the company that constitute a material conflict of interests for the member of the Supervisory Board. This also applies for business relations with companies in which the member of the Supervisory Board has a considerable economic interest. The approval of individual transactions by the Supervisory Board in accordance with L-Rule 48 does not automatically lead to the member qualifying as being not independent.
- The member of the Supervisory Board should not have been the auditor of the company in the last three years, nor should he have held an interest in or been an employee of the company that conducted the audit.
- The member of the Supervisory Board should not be a member of the Managing Board in another company where a member of the Managing Board of the company is a member of the Supervisory Board
- The member of the Supervisory Board should not be a close relative (direct descendant, spouse, partner, parent, uncle, aunt, brother, sister, niece, nephew) of a member of the Managing Board or of a person who holds one of the positions described in the points above.

All elected members of the Supervisory Board have declared, in written form, their independence in accordance with C-Rule 53. 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 C-Rule 54 (not a shareholder with a stake of more than 10 %): Frizberg, Eiselsberg, Püspök, Schaschl, Brauner, Heinzel, Kaufmann, Tengg and Wolf.

MEETINGS OF THE SUPERVISORY BOARD

The plenum of the Supervisory Board convened in six meetings in fiscal 2008. The attendance rate of all members of the Supervisory Board came to 91 %.

No member of the Supervisory Board failed to personally attend more than half of the meetings.

The activities of the Supervisory Board focused on taking decisions on the following issues:
- Approval of the annual financial statements
- New rules of procedure for the Managing Board and Supervisory Board
- Appointment of a new Chairman of the Supervisory Board
- Acquisition of an interest in Energie AG OÖ
- Construction decision and awarding of contract for Mellach power plant
- Acquisition of wind farms in Austria and Romania
- Sale of Voitsberg power plant
- Capital measures for POWEO shareholding
- Acquisition of a distribution grid operator in Turkey
- Guarantee and liability assumptions as well as borrowings
- Approval of the group budget for 2009.

(see also main activities of the committees of the Supervisory Board).

COMPOSITION AND WORKING PROCEDURES OF THE COMMITTEES

In accordance with the rules of procedure for the Supervisory Board, the Supervisory Board elects the following committees on an annual basis after the Ordinary General Meeting:

a)Working Committee, also Audit Committee

The Working, Audit and Emergency Committees (hereafter referred to as the Working Committee) comprise the chairman, two deputies and three further members of the Supervisory Board. With regard to the staff representatives, § 92 para. a AktG (Stock Corporation Law) applies.

The Working Committee
- prepares the meetings of the Supervisory Board and supports the Supervisory Board in the ongoing monitoring of the management activities, without prejudice to the rights of the Supervisory Board in accordance with § 95 AktG (Stock Corporation Law),
- functions as an Audit Committee in accordance with § 92 para. 4a AktG (Stock Corporation Law) and
- as an Emergency Committee (Rule 39 Austrian Corporate Governance Code).

Issues which require approval, as listed in Appendix 2 of the Rules of Procedure for the Managing Board, are always transferred to the Working Committee by the Supervisory Board.

In the case of decisions that fall within the responsibility of the Emergency Committee, or that are presented to the Emergency Committee for a decision, the chairman must create the prerequisites for a fast decision (convening of a meeting at short notice, video conference); evidence of urgency must be furnished. If necessary, and in certain individual cases, the Working Committee can transfer the power of decision to the chairman.

The Emergency Committee decides on all issues which require an immediate decision from the Supervisory Board for the purpose of gaining economic benefit or preventing impending damage to assets.

The Chairman of the Working Committee discloses to the Chairman of the Supervisory Board the names of deputies, in the order of election, who can be contacted in the event of his absence.

MEMBERS OF THE WORKING COMMITTEE

NAME	FUNCTION
DR. GILBERT FRIZBERG	CHAIRMAN
DR. MAXIMILIAN EISELSBERG	1ST DEPUTY CHAIRMAN
DDR. ERHARD SCHASCHL (UP TO 26. 03. 2008)	1ST DEPUTY CHAIRMAN
DKFM. PETER PÜSPÖK	2ND DEPUTY CHAIRMAN
UNIV.-PROF. DIPL.-ING. DR. GÜNTHER BRAUNER (SINCE 26. 03. 2008)	MEMBER
DR. MICHAEL LOSCH	MEMBER
ING. SIEGFRIED WOLF	MEMBER
ANTON AICHINGER	STAFF REPRESENTATIVE
HARALD NOVAK	STAFF REPRESENTATIVE
DIPL.-ING. INGEBORG OBERREINER	STAFF REPRESENTATIVE

In fiscal 2008, the Working Committee of the Supervisory Board convened in six meetings and the Audit Committee in two meetings. The Emergency Committee held two meetings.

The main activities of the Working Committee included:
- Preparation of the Supervisory Board meetings

The main activities of the Audit Committee included:
- Preparation of the decisions relating to the annual financial statements 2007
- Proposal for the selection of the auditor
- Coordination of the main audit issues for 2008 with the auditor
- Audit program of internal auditing
- Interim report / annual financial statements 2008

The main activities of the Emergency Committee included:
- Approval of funds for the Italian commitment and the acquisition of a distribution grid in Turkey
- Approval of various power plant projects abroad (hydropower plant in Albania, photovoltaic park in Spain, wind farm project in Romania)

b) Presidential and Compensation Committee

It accordance with its rules of procedure, the Supervisory Board sets up a Presidential Committee and a Compensation Committee, which comprise a chairman and two deputies.

The Supervisory Board always transfers the following activities to the Compensation Committee:
- Conclusion or amendment of the contracts of the Managing Board
- Determination of the remuneration of the members of the Managing Board
- Decision relating to bonuses and premiums payable to the members of the Managing Board

MEMBERS OF THE PRESIDENTIAL AND COMPENSATION COMMITTEE

NAME	FUNCTION
DR. GILBERT FRIZBERG	CHAIRMAN
DR. MAXIMILIAN EISELSBERG	1ST DEPUTY CHAIRMAN
DDR. ERHARD SCHASCHL (UP TO 26. 03. 2008)	1ST DEPUTY CHAIRMAN
DKFM. PETER PÜSPÖK (FROM 26. 03. 2008)	2ND DEPUTY CHAIRMAN

In fiscal 2008, the Presidential Committee and Compensation Committee convened in three meetings. The main issues within the framework of these meetings were the agreement on goals for the members of the Managing Board as well as the contract for the newly appointed Chairman of the Managing Board.

c) Nomination Committee

It accordance with its rules of procedure, the Supervisory Board sets up a Nomination Committee, which comprises a chairman and two deputies. With regard to the involvement of the staff representatives, § 92 para. 4 AktG (Stock Corporation Law) applies.

The Nomination Committee puts forwards proposals for appointments to the Managing Board. The Nomination Committee must bear in mind that a nomination to the Managing Board must be made prior to the nominee's 65th birthday. Furthermore, the Nomination Committee prepares the election of Supervisory Board members.

MEMBERS OF THE NOMINATION COMMITTEE

NAME	FUNCTION
DR. GILBERT FRIZBERG	CHAIRMAN
DR. MAXIMILIAN EISELSBERG	1ST DEPUTY CHAIRMAN
DKFM. PETER PÜSPÖK (AS OF 26. 03. 2008)	2ND DEPUTY CHAIRMAN
DDR. ERHARD SCHASCHL (UP TO 26. 03. 2008)	1ST DEPUTY CHAIRMAN
ANTON AICHINGER	STAFF REPRESENTATIVE
DIPL.-ING. INGEBORG OBERREINER	STAFF REPRESENTATIVE

In fiscal 2008, the Nomination Committee convened in three meetings to discuss the appointment of a new Chairman of the Managing Board.

The chairman of each committee must report to the Supervisory Board on the activities of his committee as well as on the decisions that have been made. In urgent matters, the chairman of a committee reports directly to the Chairman of the Supervisory Board.

In fiscal 2008, the following contracts were concluded with members of the Supervisory Board or with companies in which a Member of the Supervisory Board has a considerable economic interest. The services were rendered for various companies in the VERBUND Group. The contracts were approved by the Supervisory Board in accordance with the Stock Corporation Law:

CONTRACTING PARTY	SERVICE PROVIDED	T€
DIPL.-ING. DR. GÜNTHER BRAUNER [1]	STABILITY STUDY, SECURITY MONITORING FOR APG	36,3
»SMART TECHNOLOGIES« MANAGEMENT BERATUNGS- UND BETEILIGUNGSGESELLSCHAFT M.B.H. [2]	SUPPLY AND MAINTENANCE OF SOFTWARE FOR APG AND VMSG	142,6 [3]

1 The Supervisory Board member Dipl.-Ing Dr. Günther Brauner is the Chairman of the Institute for Power Systems and Energy Economics at the Technical University of Vienna.
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 2008 is shown. Of this amount services in the total amount of € 142,600 were rendered and services in the total amount of € 97,000 were settled.

REMUNERATION OF THE SUPERVISORY BOARD

In fiscal 2008, the remuneration of the members of the Supervisory Board totaled € 213,424 (previous year: € 199,503) including the compensation of out-of pocket-expenses.

The following benefit plan for members of the Supervisory Board was adopted in the 59th Ordinary General Meeting on 20 March 2006. The annual compensation and meeting allowance for all members selected by the General Meeting was also set. This benefit plan was also applied in fiscal 2008:

ANNUAL COMPENSATION	IN €
CHAIRMAN	15,000
DEPUTY CHAIRMAN	11,250
MEMBER	7,500
MEETING ALLOWANCE	400

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

In fiscal 2008, the following remuneration was paid to the individual members of the Supervisory Board (in €):

REMUNERATION TO THE MEMBERS OF THE SUPERVISORY BOARD — IN €

NAME (WITHOUT TITLE)	COMPENSATION	MEETING ALLOWANCES
GILBERT FRIZBERG, CHAIRMAN	30,000	4,800
ERHARD SCHASCHL, DEPUTY CHAIRMAN	5,302	800
MAXIMILIAN EISELSBERG, DEPUTY CHAIRMAN	22,500	4,800
PETER PÜSPÖK, DEPUTY CHAIRMAN	20,732	4,800
GÜNTHER BRAUNER	13,233	3,600
ALFRED HEINZEL	7,500	2,000
BURKHARD HOFER	7,500	2,400
HERBERT KAUFMANN	5,733	2,000
MICHAEL LOSCH	15,000	4,800
HANSJÖRG TENGG	7,500	2,000
SIEGFRIED WOLF	15,000	1,600
STAFF REPRESENTATIVES		
ANTON AICHINGER	–	4,400
KURT CHRISTOF	–	2,800
HARALD NOVAK	–	4,800
INGEBORG OBERREINER	–	4,800
JOACHIM SALAMON	–	2,800

The members of the Supervisory Board did not receive any loans or advances.

All members of the Supervisory Board have D&O liability insurance cover, which is taken out on their behalf by Verbund (see page 173 above).

EVALUATION REPORT – DECLARATION OF CONFORMITY OF MANAGING BOARD

Regarding the external evaluation, which has now been carried out for the sixth time, the Managing Board declares:
»The Austrian Corporate Governance Code was applied and adhered to at Österreichische Elektrizitätswirtschafts-AG in fiscal 2008 in accordance with the explanations provided. 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 its amended version in fiscal 2009 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.«

EXTERNAL AUDIT

As in the previous years, an external auditor was voluntarily commissioned in fiscal 2008 to independently monitor adherence to the rules of the Austrian Corporate Governance Code.

Summary of the findings of the report on the evaluation of adherence to the Austrian Corporate Governance Code in fiscal 2008:
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 2008. 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 2008.

Vienna, 24 February 2009

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Helmut Maukner	Mag. Elfriede Baumann
(Certified Public Accountant)	(Certified Public Accountant)

GLOSSARY

Base load	Constant electrical output over all hours of one day.
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 employed	Total capital less the parts not involved in the service provision and utilization process (i.e. prepayments, plants under construction and closed items on the assets and liabilities side) as well as non-interest-bearing debts.
Capital-to-assets ratio	Shareholders' equity in relation to total capital adjusted for closed items on the assets and liabilities side.
Cash flow	Balance of cash inflows and outflows; usually broken down into cash flows from operating activities, investing activities and financing activities.
Closed items	Closed items on the assets and liabilities side include obligations from cross border leasing and the corresponding assets as well as liabilities to the Republic of Austria and the corresponding loans and receivables.
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.
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).
Earnings before Interest and Tax (EBIT)	Operating result
Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)	Operating Result before interest, tax, depreciation of property, plant and equipment and amortization of intangible assets.
EBIT margin	See »Net operating margin«
Economic Value Added (EVA®)	Difference between the return generated by the company on the capital employed and the total capital costs; EVA ® = NOPAT – (Capital Employed * 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
Enterprise Value (EV)	Enterprise Value is the market capitalization plus net debt. Reflects the overall corporate value at market prices
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.
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.
Gearing	Net debt in relation to shareholders' equity. The maximum long-term output of a power plant under normal conditions.
Gross debt	Long-term and short-term financial obligations plus interest-bearing provisions and other interest-bearing debts less closed items.
Gross debt coverage	The ratio of funds from operations (FFO) to gross debt.
Gross interest cover	The ratio of funds from operations (FFO) to interest expenses (including interests in the personnel area).

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.
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.
(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 debt	Gross debt less financial assets; financial assets include cash and cash items, short-term deposits and loans as well as long-term and short-term securities.
Net operating margin	The net operating margin corresponds to the ratio between earnings before interest and tax (EBIT) and sales revenue.
Pay-out ratio	Proposed dividend per share in relation to earnings per share.
Peak load	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.
Return on Capital Employed (ROCE)	Profits after tax (Net Operating Profit after Tax – NOPAT) increased by tax-adjusted interest expenses (including interests in the personnel area) in relation to the average capital employed.
Return on Equity (ROE)	Profit after tax in relation to average shareholders' equity following an adjustment for closed items on the assets and liabilities side.
Risk management	Systematic approach for identifying and assessing potential risks as well as for selecting and implementing appropriate measures to manage such risks.
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.

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GROUP STRUCTURE

VERBUND Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft)

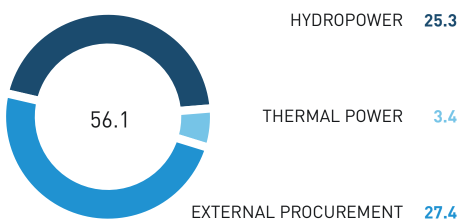
GENERATION	VERBUND-Austrian Hydro Power AG VERBUND-Austrian Thermal Power GmbH & Co KG	Environmentally friendly and cost-effective generation form the basis for the success of Verbund all over Europe. Approx. 90 % of the electricity produced by Verbund in Austria is generated from hydropower. The thermal subsidiaries supply important complementary energy.
TRADING SALES	VERBUND-Austrian Power Trading AG VERBUND-Austrian Power Sales GmbH	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. To date, approx. 180,000 customers have acquired in this segment.
TRANSMISSION	VERBUND-Austrian Power Grid AG	Verbund operates the Austrian 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-International GmbH	Numerous shareholdings in Austria and abroad make growing contributions to earnings within the group. To promote further international growth, VERBUND-BeteiligungsgmbH was renamed to create VERBUND-International GmbH (VI) in May 2008.
RENEWABLE ENERGIES	VERBUND-Austrian Renewable Power GmbH	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 or photovoltaics.

FACTS/FIGURES

GENERATION

GROUP GENERATION

TWh



-1.7%

RATIOS - POWER PLANTS

		BC*	SC**
	NUMBER	MW	GWH
HYDROPOWER PLANTS	88	5.976	21.722
THERMAL POWER PLANTS	8	1.520	-
PROCUREMENT RIGHTS FROM RUN-OF-RIVER PLANTS	20	590	3.030
TOTAL	**116**	**8.086**	**24.752**

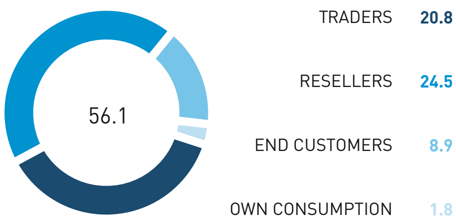
* BOTTLENECK CAPACITY

** STANDARD CAPACITY

TRADING/SALES

GROUP SALES

TWh



-1.7%

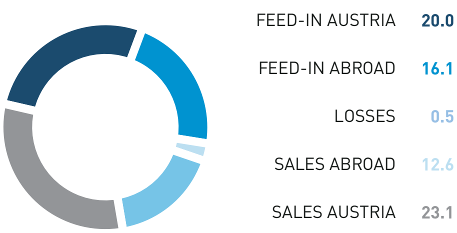
DISTRIBUTION ACCORDING TO COUNTRIES

	TWh	SHARE
AUSTRIA	25.1	45 %
GERMANY	22.7	40 %
FRANCE	7.3	13 %
SLOVENIA	0.4	1 %
BULGARIA	0.3	1%
ITALY	0.2	0 %
OTHERS	0.1	0 %
TOTAL	**56,0**	**100 %**

TRANSPORT

ELECTRICITY TRANSPORT IN 220/380 KV GRID

TWh



GRID

km

VOLTAGE LEVEL	ROUTE LENGTH	SYSTEM LENGTH
380 kV	1,002	2,027
220 kV	1,657	3,309
110 kV	712	1,238
TOTAL	**3,371**	**6,574**

SHARE

STOCK-SPECIFIC FIGURES

	UNIT	2008	2007	2006	2005
PEAK PRICE *	€	59.30	49.95	41.58	30.13
LOWEST PRICE *	€	29.74	31.21	30.05	16.39
CLOSING PRICE *	€	32.56	47.88	40.42	30.13
PERFORMANCE	%	-32.00	18.46	34.15	83.83
MARKET CAPITALIZATION	MILLION €	10,034.99	14,756.62	12,457.44	9,286.07
WEIGHTING ATX	%	10.14	5.36	4.59	4.57
STOCK EXCHANGE TURNOVER	MILLION €	6,221.13	6,180.40	5,500.65	1,830.90
STOCK EXCHANGE TURNOVER/DAY *	UNITS	546,238	665,119	592,491	318,220
EARNINGS/SHARE *	€	2.23	1.88	1.63	1.13
CASH-FLOW/SHARE *	€	3.03	2.62	2.45	2.21
CARRYING AMOUNT/SHARE *	€	10.15	8.68	7.44	6.18
P/E	X	14.61	25.48	24.86	26.59
PRICE/CASH FLOW	X	10.74	18.27	16.52	13.65
PRICE/CARRYING AMOUNT	X	3.21	5.52	5.43	4.87
PROPOSED DIVIDEND/SHARE*	€	1.05	0.90	0.75	0.50
DIVIDEND YIELD	%	3.22	1.88	1.86	1.66
PAY-OUT RATE	%	47.13	47.89	46.13	44.12
EV/EBITDA**	X	9.49	15.13	14.42	15.82

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

**THE RATIOS WERE REVISED. THE VALUES OF THE PREVIOUS YEAR WERE ADJUSTED.

CAPITAL MARKET CALENDAR 2009

EVENT	DATE
ANNUAL RESULTS 2008	25.02.2009
PUBLICATION OF ANNUAL REPORT 2008	25.02.2009
ANNUAL GENERAL MEETING	25.03.2009
DIVIDEND EX-DAY	01.04.2009
DIVIDEND PAYOUT DAY	14.04.2009
INTERIM REPORT QUARTER 1/2009	28.04.2009
INTERIM REPORT QUARTERS 1-2/2009	28.07.2009
INTERIM REPORT QUARTERS 1-3/2009	27.10.2009

SHAREHOLDER STRUCTURE

	%
REPUBLIC OF AUSTRIA	51
EVN AG	10
WIENER STADTWERKE HOLDING AG	10
TIWAG	5
FREE FLOAT	24

BASIC INFORMATIONEN

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