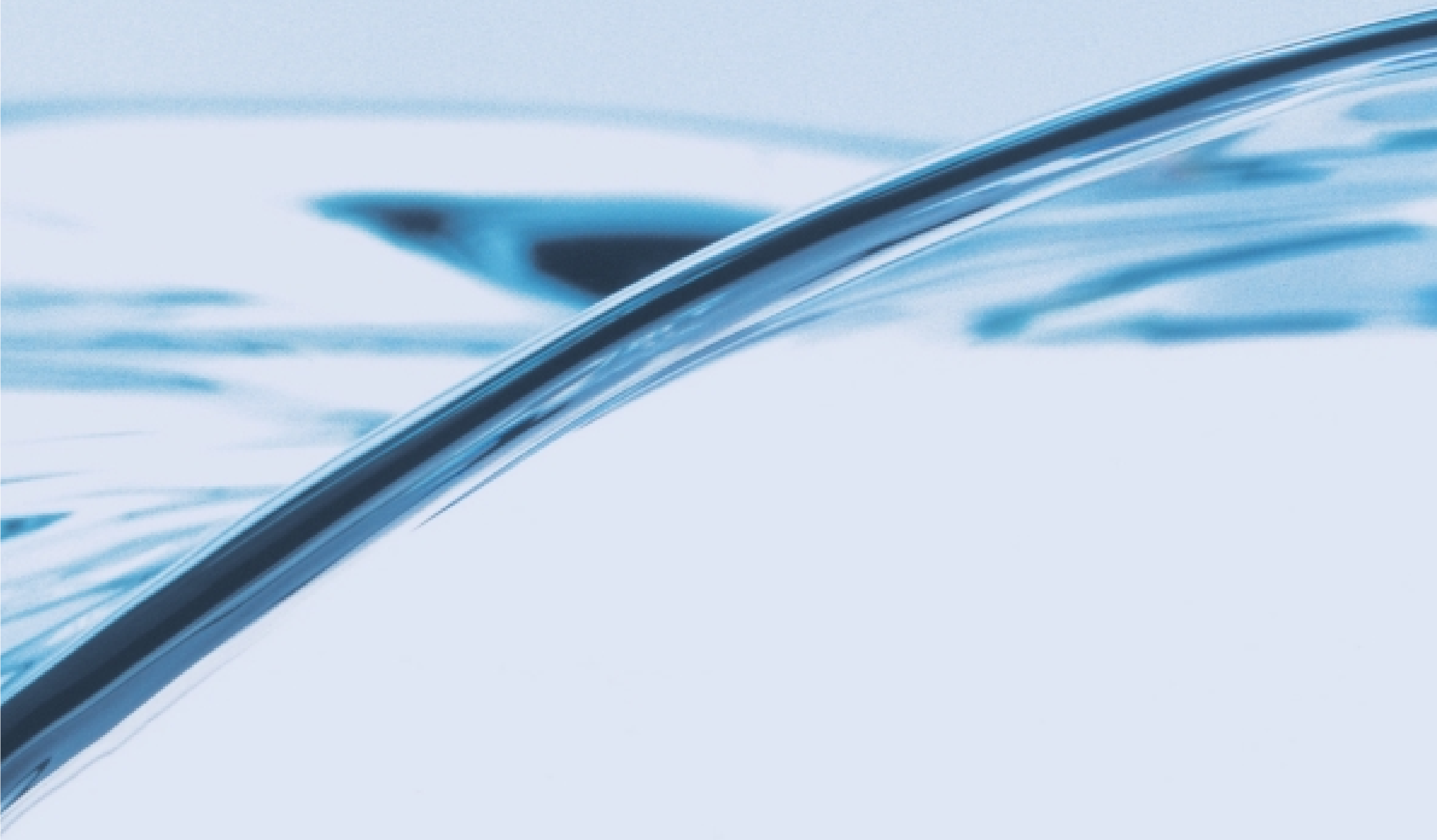
2/2004

INTERIM REPORT



Verbund

REPORT OF THE MANAGING BOARD

DEAR SHAREHOLDER,

in quarters 1-2/2004, the Verbund group managed to continue its positive operating performance and made significant steps towards profitable growth both in Austria and abroad. Having fulfilled the conditions imposed by Brussels, the Austrian Electricity Solution was granted antitrust approval. Verbund's activities abroad were further strengthened through the topping-up of its interest in the Italian joint venture Energia. The share price developed very positively and, with a performance of 56.1 % in the first half of the year, was a top performer among the electricity supply companies worldwide.

EXCELLENT BUSINESS TREND

The European market environment developed quite favorably for Verbund. The declining reserve capacities, increasing and volatile fuel costs and the costs for the implementation of the climate protection measures ensure that the wholesale prices for electricity are under constant upwards pressure. This trend is set to continue as the full costs for the construction of power plants are not yet covered at the current price level. Generating the majority of its electricity from hydropower and being a wholesaler with a strong position on the Austrian market and a highly diversified marketing structure in the neighboring European electricity markets, above all, in Italy, Germany and Slovenia, Verbund profits from this development strongly.

Consequently, the utilization of the increasing wholesale prices and growing sales volumes paved the way for a further increase in sales revenue of 22.0 % to 1,465.3 million. The increase in sales revenue and the lean cost structure which has been achieved through consequent restructuring programs in the past years are essential contributors to the 19.2 % improvement in the operating result to € 191.3 million. Substantial debt clearing from the cash flow, a significant jump in investment income and positive effects due to deferred tax adjustments as a consequence of the corporate tax reform 2005 allowed the group result to improve by 15.0 % to € 145.3 million in spite of the considerable number of positive one-off measures in the previous year. This positive earnings trend has also led to an improvement of all the essential control-specific group ratios which already lie above the European industrial average.

AUSTRIAN ELECTRICITY SOLUTION – FULFILLING THE CONDITIONS

The Austrian Electricity Solution, the cooperation between Verbund wholesale and distribution and the partner companies of EnergieAllianz, will shortly become reality. Verbund has sold its distribution subsidiary APC to the Slovenian group Istrabenz and, in so doing, has fulfilled the suspending condition resulting from the antitrust suit in Brussels. The antitrust approval of the European Commission was granted on 08 July 2004. Operations are planned to commence on 01 October 2004. From then on, Verbund expects synergies in the amount of € 40 million p.a. with a proportionate share in 2004.

ITALY – PROFITABLE GROWTH IN ONE OF EUROPE'S MOST ATTRACTIVE ELECTRICITY MARKETS

Italy is one of the most interesting electricity markets in Europe, not least, since the electricity-price level is much higher than in any of the other EU states. This is essentially due to the low line capacities and low domestic generation volumes which do not cover the demand for electricity. For this reason, Verbund has further extended its successful activities in the Italian electricity market and increased its interest in the joint venture Energia from 26.6 % to 37.5 % through a capital increase in the amount of € 150 million. By 2007, Energia will set up three modern gas power plants each with a capacity of 760 MW and will also have production volumes from three power plants which were purchased from the Italian company ENEL. This will allow Energia to become one of the top five players in Italy. Verbund expects that this participation will lead to significant earnings contributions in the form of dividend flow backs from 2007 onwards.

VERY POSITIVE SHARE PERFORMANCE

In quarter 2/2004, the price of the Verbund share continued its positive development trend from quarter 1/2004. Since the beginning of the year, the share has generated a plus of 56.1 %. Consequently, the Verbund share clearly outperformed the DJ STOXX Utilities (+ 12.4 %) and the ATX (+ 28.8 %) The Verbund share therefore achieved the highest value increase of all the listed utility stocks. We interpret this as a clear indication that the strategy and development of the company is positively accepted on the capital market.

POSITIVE OUTLOOK 2004

The outlook for fiscal 2004 is quite positive. We, more than any other European energy utility, will profit from the expansion of sales activities in Europe with the focus on profitability, the positive price development and low-cost, environmentally-friendly hydropower. In addition, the implementation of the Austrian Electricity Solution and the synergies that will be created will have a positive effect on the result. We expect that the operating result will in any case lie at least 15 % over the value reported in the previous year, that the economic value added will lead to a significant value generation and that it will be possible to continue the successful debt-clearing program.

Dipl.-Ing. Hans Haider Chairman of the Managing Board	Dr. Michael Pistauer Deputy Chairman of the Managing Board	Dr. Johann Sereinig Member of the Managing Board

ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods applied in this interim report are identical to those applied in the last annual financial statements.

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

EARNINGS POSITION

CONSOLIDATED INCOME STATEMENT (SHORT VERSION) **Mio. €**

	Q1-2/2004	Q1-2/2003	Change
Sales revenue	1,465.3	1,201.1	22.0 %
Operating result	191.3	160.5	19.2 %
Financial result	-6.6	45.9	114.4 %
Group result	145.3	126.3	15.0 %

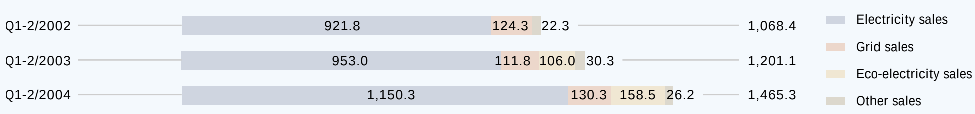
POSITIVE SALES REVENUE DEVELOPMENT

The further increase in selling prices and sales volumes in electricity business combined with greater volumes transported at unchanged tariffs in the grid area paved the way for a 22.0 % rise in group sales revenue to € 1,465.3 million.

Specifically, electricity revenue rose by 20.7 % to € 1,150.3 million (excl. eco-electricity). There were gains both in Austria with respect to business with provincial companies (€ 2.7 million) and business customers (€ 19.1 million) and abroad (€ 175.4 million). Business with foreign customers makes up 56.3 % of electricity revenue. The total increase in quantities sold compared to the corresponding period of the previous year, came to 2,659 GWh or 6.9 %.

Grid revenue was up 16.6 % at € 130.3 million. This is essentially attributable to higher revenue from cross-border clearing, an increase in power transported and higher aperiodic revenue for system service fees.

SALES REVENUE **Mio. €**



Eco-electricity revenue rose significantly by 49.5 % to € 158.5 million, above all, due to the expansion of wind power plants.

INCREASING ELECTRICITY, GRID AND ECO-ELECTRICITY PURCHASES

The greater electricity volumes purchased – due to increasing sales at a stable level of own generation – together with higher purchase prices led to a 27.2 % increase in electricity purchases (incl. eco-electricity purchases) to € 886.9 million. The hydro coefficient of run-of-river power plants came to 1.01 and therefore exceeded the value reported in the previous year (0.98). Grid purchases rose by 26.7 % to € 38.0 million primarily due to higher revenue with end customers.

INCREASED USE OF FUELS

The 20.6 % increase in expenses for fuel and other purchased services to € 63.5 million is mainly due to the increase in hard coal purchases at higher prices as well as to the increase in services purchased for the construction of the Nußdorf power plant.

PROVISIONS DRIVE UP PAYROLL EXPENSES

Payroll and related expenses rose by 5.9 % to € 157.7 million.

The scheduled continuation of the personnel restructuring measures resulted in a stronger drop in the staffing level by 180 (previous year: 170) to 2,511 employees.

This development lowered expenditure for wages, salaries and related expenses in spite of a collective agreement increase of approx. 2 % and the payment of municipal tax arrears (€ 106.3 million, previous year: € 108.6 million).

Expenses for severance payments and pensions rose, on the other hand, 21.6 % to € 51.4 million. A provision for restructuring measures had a negative impact compared to the previous year. A comparison with the previous period is only possible to a limited extent as the corridor method pursuant to IAS 19.93 was not yet applied in quarters 1-2/2003. The application of the corridor method would have lowered pension expenditure in the corresponding period the pervious year by approx. € 4 million.

INCREASE IN OTHER OPERATING EXPENSES

The increase in other operating expenses by 16.6 % to € 69.4 million resulted, above all, from higher contributions in compliance with the Act on the Remediation of Contaminated Sites (Altlastensanierungsgesetz), greater value adjustments on the receivables side and expenses for the renovation of the head-water duct at Dionysen power plant.

DETERIORATING FINANCING RESULT

The decline in the JPY and CHF exchange rates led, on balance, to valuation-related exchange losses in the amount of € 9.3 million (previous year: € 64.3 million exchange gains). These have already been realized in the amount of € 0.2 million through repayments. Adjusted for foreign-exchange trends, the financing result was up € 14.0 million. This positive trend was achieved through the ongoing debt-clearing program in connection with lower interest rates.

RESULT FROM PARTICIPATING INTERESTS SHOWS POSITIVE DEVELOPMENT

The improvement in the result from participating interests by 22.7 % to € 40.0 million was mainly due to the increase in investment income from associated companies consolidated at equity which more than compensated for last year´s gain from the disposal of the EVN interest (€ 20.4 million). The clear improvement in the income from the companies consolidated at equity (€ 36.1 million; previous year: € 7.1 million) is due, above all, to the higher profits generated by these companies. In addition, the recording method was adjusted to delayed recording (one year delay) of audited actual values on the occasion of the annual financial statements for 2003. In quarters 1-2/2003, pro-rated planned values were still used.

REDUCED INCOME TAX EXPENDITURE

This reduction is primarily attributable to the Tax Reform 2005 which was passed by parliament in May 2004 on the basis of which the deferred tax amounts were revalued at the new corporate tax rate of 25 % (€ 23.5 million tax income). The high, non-tax-effective investment income also contributed significantly to this reduction.

NET WORTH

NON-CURRENT ASSETS

Long-term assets rose by € 125.1 million to € 6,019.1 million. With respect to plant, property and equipment, the decline can be attributed, primarily, to scheduled depreciation. The increase in participating interests is mainly due to the topping-up of the interest in Energia SpA in the amount of € 150 million. Other long-term investments have changed, essentially, in terms of valuation.

CURRENT ASSETS

Short-term assets increased by € 88.1 million to € 402.5 million. This improvement is, above all, due to the increase in trade receivables and prepayments made in the eco-electricity area as well as to the increase in cash and cash equivalents.

LONG AND SHORT-TERM FINANCIAL OBLIGATIONS

These increased by € 58.2 million to € 3,031.8 million due, not least, to the borrowing of short-term funds in the amount of € 297.2 million and valuation-related changes in the amount of € 34.2 million. Repayments, on the other hand, amounted to € 274.7 million.

OTHER LONG-TERM LIABILITIES WITHOUT FINANCIAL OBLIGATIONS

The increase in long-term provisions can be attributed, in particular, to the restructuring measures in the generation area.

OTHER SHORT-TERM LIABILITIES WITHOUT FINANCIAL OBLIGATIONS

The increase in provisions is caused, above all, by accruals for eco-electricity supplies and provisions for taxes. The € 28.4 million reduction in trade payables and valuation-related changes were responsible for the drop in other short-term liabilities.

FINANCIAL SITUATION

OPERATING CASH FLOW

The operating cash flow in the amount of € 259.5 million is 3.7 % higher than the value reported in the previous year. This can essentially be attributed to the increase in prices and sales volumes and the drop in interest payments due to continued debt clearance.

INVESTMENT CASH FLOW

The cash outflow in the investment area is mainly due to topping-up of the interest in Energia SpA in the amount of € 150 million and investments in plant, property and equipment in the amount of € 24.3 million.

CASH FLOW FROM FINANCING ACTIVITY

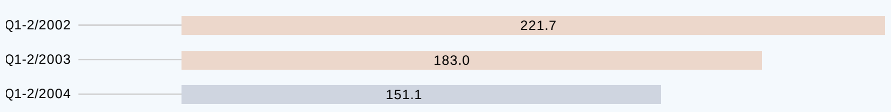
The scheduled redemption of bonds, loans and long-term credit on the one hand and the increase in short-term borrowings on the other led, together with the distribution of dividends, to a negative cash flow from financing activity.

KEY RATIOS

NET GEARING

Net gearing dropped from 160.5 % as on 31 December 2003 to 151.1 % as on 30.06.2004 due to the ongoing debt-clearing program and an increase in shareholders' equity after dividend distribution.

NET GEARING %



EBIT MARGIN

Despite the squeeze on margins from external electricity and eco-electricity trading, the EBIT margin only fell slightly compared to quarters 1-2/2003 by 0.3 percentage points from 13.4 % to 13.1 %.

EARNINGS POSITION

SALES REVENUE

Sales revenue in quarter 2/2004 increased, compared to the same period the previous year, by 22.0 % to € 737.5 million. Of all sales generated to date, 50.3 % can be apportioned to the 2nd quarter.

ELECTRICITY, GRID AND ECO-ELECTRICITY PURCHASES

The increase of 25.1 % to € 472.4 million is primarily attributable to the greater volumes of electricity purchased at increased prices.

FUEL EXPENSES AND OTHER PURCHASED SERVICES

The 17.2 % increase to € 29.0 million – with stable fuel expenses in quarter 2/2004 – is mainly due to the jump in purchased services for the construction of the Nußdorf power plant.

PAYROLL

Although the ongoing staff reductions have cut expenditure significantly, the restructuring measures and the concentration on core business still necessitate further contributions to provisions for restructuring. Consequently, payroll and related expenses rose by 18.2 % to € 84.8 million.

OTHER OPERATING EXPENSES

The 22.0 % increase to € 39.8 million was brought about by the provision for the renovation of the Dionysen power plant as well as greater value adjustments on the receivables side.

FINANCIAL RESULT

In quarter 2/2004, the financial result came to € 15.8 million and therefore remained more or less unchanged compared to the corresponding period the previous year. In the financing result, negative valuation effects were compensated – at least in part – through the utilization of more favorable interest rate levels in connection with reduced financial obligations. The result from participating interests improved by a significant € 38.6 million. This is attributable to the positive development of the at equity holdings.

INCOME TAX EXPENSES

The income tax income of € 0.7 million reported in quarter 2/2004 (2003: income tax expenses: € 30.6 million) can be attributed to the adjustment of the deferred tax amounts to the new corporate tax rate of 25 % as well as to the high, non-tax-effective investment income.

NET WORTH

NON-CURRENT ASSETS

Non-current assets rose by € 137.7 million in quarter 2/2004. With respect to plant, property and equipment, the decline can be attributed, primarily, to scheduled depreciation. The interest held in associated companies rose primarily due to the increase of the stake in Energia SpA. Other long-term investments have changed, essentially, in terms of valuation.

CURRENT ASSETS

In quarter 2/2004, short-term assets increased by € 34.2 million. This improvement is mainly due to the increase in cash and cash equivalents from the free cash flow.

LONG-TERM LIABILITIES

The long-term liabilities did not change significantly in quarter 2/2004.

SHORT-TERM LIABILITIES

Short-term liabilities rose by € 71.6 million in quarter 2/2004. The rise in short-term liabilities by € 136.2 million is attributable, above all, to short-term borrowing. By contrast, the other liabilities were reduced mainly as a result of the distribution of the dividends for 2003.

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

CONSOLIDATED INCOME STATEMENT

Mio. €

	Q1-2/2004	Q1-2/2003	Q2/2004	Q2/2003
Sales revenue	**1,465.3**	**1,201.1**	**737.5**	**604.5**
Electricity sales	1,150.3	953.0	571.1	466.9
Grid sales	130.3	111.8	62.8	56.2
Eco-electricity sales	158.5	106.0	90.4	66.0
Others	26.2	30.3	13.2	15.4
Other operating income and changes in inventory	33.4	39.2	15.0	17.7
Electricity. grid and eco-electricity purchases	-925.0	-727.1	-472.4	-377.8
Fuel expenses and other purchased services	-63.5	-52.6	-29.0	-24.7
Payroll and related expenses	-157.7	-148.9	-84.8	-71.7
Depreciation and amortization	-91.8	-91.7	-45.5	-45.8
Other operating expenses	-69.4	-59.5	-39.8	-32.6
Operating result	**191.3**	**160.5**	**81.0**	**69.6**
Financing result	-50.5	9.1	-22.0	11.9
Result from participating interests*	40.0	32.6	37.4	-1.1
Result from long-term investment	3.9	4.2	0.4	4.9
Financial result	**-6.6**	**45.9**	**15.8**	**15.7**
Result before taxes on income	**184.7**	**206.4**	**96.8**	**85.3**
Taxes on income	-24.6	-64.2	0.7	-30.6
Result after taxes on income	**160.1**	**142.2**	**97.5**	**54.7**
Minority interests	-14.8	-15.9	-1.5	0.1
Group result	**145.3**	**126.3**	**96.0**	**54.8**
Earnings per share €	4.72	4.11		

* Thereof at equity: Q1/2004 € 1.3 million (Q1/2003 € 5.0 million)

CONSOLIDATED BALANCE SHEET

Mio. €

	30.06.2004	31.12.2003
Non-current assets	**6,019.1**	**5,894.0**
Intangible assets	9.6	10.5
Plant, property and equipment	4,152.1	4,219.6
Participating interests*	611.2	433.2
Long-term investments - cross border leasing	916.1	889.6
Other long-term investments and other long-term receivables	330.1	341.1
Current assets	**402.5**	**314.3**
Inventories	26.4	17.7
Receivables and other assets	294.2	253.6
Loans - cross border leasing	1.3	0.9
Securities	15.8	14.0
Cash and cash equivalents	64.8	28.1
Assets	**6,421.6**	**6,208.3**

	30.06.2004	31.12.2003
Shareholders' equity	**1,548.4**	**1,437.6**
Long-term liabilities	**3,770.8**	**3,856.2**
Financial obligations	1,349.8	1,461.2
Financial obligations - cross border leasing	999.6	984.5
Provisions	620.6	595.4
Contributions to building costs	448.7	451.0
Deferred income and assets - cross border leasing	271.6	274.5
Other liabilities	18.7	20.3
Provision for deferred taxes	61.8	69.3
Short-term liabilities	**1,102.4**	**914.5**
Financial obligations	679.0	527.0
Financial obligations - cross border leasing	3.4	0.9
Provisions	292.5	223.6
Other liabilities	127.5	163.0
Liabilities	**6,421.6**	**6,208.3**

* Thereof at equity: as of 31.03.2004 € 398.0 million (as of 31.12.2003 € 398.5 million)

CONSOLIDATED CASH FLOW STATEMENT

Mio. €

	Q1-2/2004	Q1-2/2003
Cash flow from operating activities	259.5	250.3
Cash flow from investment activities	-175.0	77.9
Cash flow from financing activities	-47.8	-350.3
Changes in cash and cash equivalents	**36.7**	**-22.1**
Cash and cash equivalents as of 01.01.	28.1	67.5
Cash and cash equivalents as of 30.06.	**64.8**	**45.4**

CONSOLIDATED STATEMENT OF CHANGES AT EQUITY

Mio. €

	Share capital	Capital reserves	Profit reserves	Own shares	Minority interests	Total share-holders' equity
As of 01.01.2003	**224.0**	**10.9**	**894.9**	**-7.4**	**140.6**	**1,263.0**
Cash flow hedge			0.4		0.0	0.4
Increase in minority interests					1.0	1.0
Dividends			-43.0		-1.4	-44.4
Group result			126.3		15.9	142.2
As of 30.06.2003	**224.0**	**10.9**	**978.6**	**-7.4**	**156.1**	**1,362.2**
As of 01.01.2004	**224.0**	**10.9**	**1,053.0**	**-7.4**	**157.0**	**1,437.6**
Profit from sale of own shares			1.3			1.3
Sale of own shares				7.4		7.4
Cash flow hedge			4.6		0.1	4.7
Dividends			-61.6		-0.3	-61.9
Successive acquisition					-0.7	-0.7
Group result			145.3		14.8	160.1
As of 30.06.2004	**224.0**	**10.9**	**1,142.6**	**0.0**	**170.9**	**1,548.4**

RATIOS Mio. €

	Einheit	Q1-2/2004	Q1-2/2003
Earnings per share*	€	4.72	4.11
Average number of shares in circulation (1)*	Stück	30,798,337	30,737,861
Net Gearing**	%	151.1	183.0
Net interest-bearing debt	Mio. €	2,301.40	2,492.40
Investment in plant, property and equipment	Mio. €	24.3	22.7
EBITDA margin	%	19.3	21.0
EBITDA margin excl. external electricity trade and eco-electricity	%	31.3	35.0
EBIT margin	%	13.1	13.4
EBIT margin excl. external electricity trade and eco-electricity	%	20.9	22.0
Average no. of employees		2,511	2,691
Electricity sales	GWh	41,200	38,541
Hydro coefficient		1.01	0.98

* Diluted = non-diluted

** Based on interest-bearing net debt

SEGMENTAL REPORTING (BUSINESS SEGMENTS) Q1-2/2004 Mio. €

	Electricity	Eco-electricity	Grid	Others/ Holding	Elimi-nation	Total Group
External sales	1,170.8	158.5	133.3	2.7	0.0	1,465.3
Internal sales	54.1	4.6	17.2	25.4	-101.3	0.0
Total sales	**1,224.9**	**163.1**	**150.5**	**28.1**	**-101.3**	**1,465.3**
Depreciation and amortization	-65.7	0.0	-23.3	-4.8	2.0	-91.8
Expenses / income (excl. depreciation and amortization)	-1,003.1	-162.9	-86.3	-29.2	99.3	-1,182.2
Operating result (EBIT)	**156.1**	**0.2**	**40.9**	**-5.9**	**0.0**	**191.3**
Result of companies consolidated at equity	0.0	0.0	0.0	36.2	0.0	36.2
Carrying amount of companies consolidated at equity	0.0	0.0	0.0	576.9	0.0	576.9
Carrying amount of segment assets	5,000.0	90.1	824.3	1,692.0	-1,184.8	6,421.6
Segment liabilities	-4,133.8	-90.1	-541.9	-1,164.1	1,184.8	-4,745.1
Investment in non-current intangible assets and plant, property and equipment	15.8	0.0	7.4	1.6	0.0	24.8

ELECTRICITY

POSITIVE PRICE DEVELOPMENT

In quarter 1-2/2004, the revenue increase, which was already noticeable in quarter 1/2004 due to the positive price effects in indexed contracts for annual, quarterly and monthly products, continued. The Front Year Base for electricity prices for 2004 was up 18% compared to 2003. In addition, the output marketable at short notice in quarter 2/2004 was also sold at a price level that exceeded that of the previous year. The day-ahead prices for base and peak on the European Electricity Exchange (EEX) for quarter 2/2004 lay 7.5 % and 0.8 % above the values recorded in the previous year. The long-term positive price trend is attributable to the reduction in reserve capacities and the rising costs for primary energy sources. Furthermore, the anticipated costs for the implementation of the Emission Trading Directive is exerting pressure on the wholesale prices. Consequently, the group's electricity sales totaled € 1,308.8 million (incl. eco-electricity) in quarter 1-2/2004 and therefore lie well above the previous year's value (€ 1,058.9 million) whereby the revenue generated through business with foreign customers accounts for 56 % of total sales.

RAISED ELECTRICITY SALES

Electricity sales in quarter 1-2/2004 were up 6.9 % at 41,200 GWh. This is due, above all, to enhanced trading activities with international partners which improved by 11.8 % to 21,278 GWh. The increased volumes were utilized, above all, to enhance distribution activities in the German, French and Slovenian electricity markets.

End-customer business was, however, down 1.4 % at 3,472 GWh primarily due to the increased focus on trading business.

Business with resellers dropped slightly (- 1.0 %) as a result of the decline in trading activities at the provincial companies. The drop in supplies from purchase rights on account of the poorer water supply in quarter 1/2004 was, however, more than compensated in quarter 2/2004.

INCREASED GENERATION

The total generation of the group came to 15,291 GWh and was therefore more or less unchanged compared to the previous year with hydraulic generation making up 84 % of total generation. Generation at hydropower plants amounted to 12,838 GWh which represents an increase of 1.1 % compared to the same period the previous year. As a result, the poor water supply in quarter 1/2004 was more than compensated by the water supply level in quarter 2/2004 which lay above the long-term average. Thermal generation, on the other hand, fell 5.4 % to 2,453 GWh. This is attributable to the lower price level on the spot market in quarter 1/2004 which did, however, improve in quarter 2/2004.

The increase in trading activities also resulted in a 9.9 % increase in electricity purchases to 23,776 GWh. This corresponds to 58 % of total generation.

GENERATION			GWh
	Q1-2/2004	Q1-2/2003	Change
Hydropower	12,838	12,696	1.1 %
Thermal power	2,453	2,592	-5.4 %
Own generation	**15,291**	**15,289**	**-0.0 %**
External procurement	23,776	21,643	9.9 %
Eco-electricity processing	2,133	1,609	32.6 %
Group generation	**41,200**	**38,541**	**6.9 %**

SALES			GWh
	Q1-2/2004	Q1-2/2003	Change
End consumers	3,472	3,521	-1.4 %
Resellers	13,530	13,661	-1.0 %
Traders	21,278	19,027	11.8 %
Own consumption	702	648	8.4 %
Eco-electricity processing	2,218	1,683	31.8 %
Group consumption	**41,200**	**38,541**	**6.9 %**

GRID

In quarters 1-2/2004, the amount of energy transmitted over the 220/380 kV Verbund-grid and relevant to clearing came to 7,793 GWh and was therefore 6.7 % down on the previous year. In spite of this, grid sales were up 18.5 % at € 130.3 million. This is due to increased revenue from cross border clearing for cross-border transports – from which Austria, the European electricity hub, greatly benefits – aperiodic adjustments from fiscal 2003 as well as higher capacity volumes.

Revenue from eco-electricity (electricity supplies and contributions) totaled € 158.5 million in quarters 1-2/2004 compared to € 106.0 million in quarters 1-2/2003. This increase reflects the expansion of subsidized eco-electricity generation in Austria. As Verbund is only responsible for processing and administering subsidies for eco-electricity, the effects are, on balance, expected to be result-neutral.

EXTENSION OF THE GRID

By completing the 380 kV ring and connecting it with the Styria line as well as the St. Peter – Tauern line, Verbund is actively dedicated to establishing an efficient grid infrastructure which will serve as a basis for long-term supply security. The Styria line project has now entered into the decisive phase of the Environmental Impact Analysis (EIA). Following the execution of the improvements as directed by the authorities, the EIA documentation was made available for public inspection. The EIA authorities are currently drawing up the Environmental Impact Analysis Report which will be open for public inspection for a period of four weeks. The verbal negotiations will subsequently be called on the basis of the decisions rendered.

The Environmental Impact Declaration (EID), which is to be submitted in the fall of 2004, is currently being drawn up for the second line project from Upper Austria to Salzburg.

ECO-ELECTRICITY

In quarters 1-2/2004, the volume of eco-electricity sold rose to 32.6 %. This significant increase is attributable to the eco-electricity expansion carried out last year. The necessary raising – in line with generation – of the regulated grid-tariff premiums was prevented at the end of 2003 due to a Länder veto and consequently, Verbund did not offer the new members of the eco-balance group the full tariff between January and March 2004. The required decree was passed on 26 March 2004 with effect from 01 April 2004 and should lead to a balanced result in 2004. For this reason, Verbund can, at this time, pay all feed-in plants the full tariff.

THE VERBUND SHARE

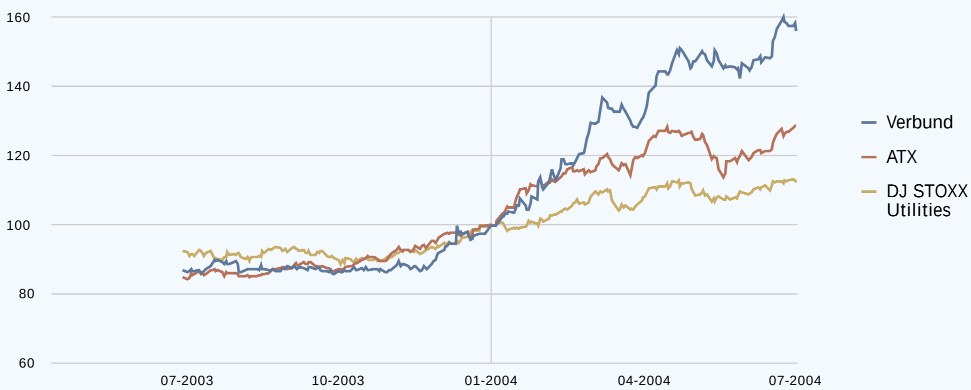
INTERNATIONAL STOCK MARKET SITUATION

The positive price trend observed on the international stock markets in the previous year continued in January and February. The terrorist attacks in Madrid, the tense situation in Iraq and, above all, muted economic growth in Europe did, however, trigger a noticeable price adjustment in March. In the middle of May, the high increase in oil prices and the discussions on increasing the interest rates once again led to a deterioration. An increase of the output volumes and, for the most part, healthy company figures did, however, bring about a slight recovery. Up to the end of quarter 2/2004, the most important indexes displayed a sidewards movement.

The Dow Jones Industrial Average (DJIA) Index gained 0.8 %; the more broad-based Standard & Poor's (S&P) 500 Index was up 1.3 % and the technology exchange NASDAQ gained 2.7 %. In Europe, the DJ Euro STOXX 50 improved by 0.9 % and the Deutsche Aktienindex (DAX) was up 5.1 %. The Austrian Traded Index (ATX), the index that comprises the largest Austrian stocks, improved by 28.8 %. DJ STOXX Utilities, the index of the major European utility stocks and an important benchmark for Verbund, was up 12.4 %.

SHARE-PRICE DEVELOPMENT

RELATIVE SHARE-PRICE DEVELOPMENT (1 YEAR, 01.01.2004 = 100 %)



The Verbund share started the stock-exchange year 2004 with a price of € 92.60. The significant price increase which commenced in November 2003 continued in the first two months of the year. At the end of February, Verbund published the best group result in the company's history and the dividend was raised by 43 %. The subsequent road shows in Great Britain, Germany and France attracted enormous interest. Investors and analysts confirmed their confidence in the successful economic development of Verbund. Positively influenced by the increasing wholesale prices, the successful expansion of activities in Italy and the corporate tax reduction from 01 January 2005, the Verbund share closed at € 144.56. This corresponds to a very positive performance of 56.1 % since the beginning of the year. Consequently, the Verbund share also developed well ahead of the DJ STOXX Utilities index.

SALES AND MARKET CAPITALIZATION

STOCK RATIOS

	Unit	Q1-2/2004	Q1-2/2003
Peak price	€	148.50	86.55
Lowest price	€	92.92	77.50
Closing price	€	144.56	80,23
Performance	%	56.11	-1.12
Market capitalization	Mio. €	4,455.34	2,472.69
Weighting ATX	%	4.73	4.71
Stock-exchange turnover	Mio. €	399.00	148.77
Stock-exchange turnover	Units	26,380	15,132

Stock exchange turnover in Verbund shares reached € 399.0 million. On average, 26,380 shares were traded every day. As of 30 June 2004, Verbund had the fourth highest valuation of companies listed on the Vienna stock exchange. The total value of the company derived from its market capitalization amounted to € 4,455.34 million; its weighting at the ATX was 4.7 %.

CAPITAL MARKET CALENDAR

Event	Location	Date
Interim report Q1-2/2004	–	21.07.2004
Press conference / balance sheet	Vienna	21.07.2004
Meetings with analysts and investors	Vienna	21.07.2004
Meetings with analysts and investors	London	22. – 23.07.2004
Meetings with analysts and investors	Milan	27. – 28.07.2004
Meetings with analysts and investors	Frankfurt	29.07.2004
Investors' conference (Erste Bank)	Bad Tatzmannsdorf	07.10.2004
Investors' conference (EEI)	San Diego	24. – 27.10.2004
Interim report Q 1-3/2004	–	02.11.2004
Meetings with analysts and investors	Switzerland	xx.12.2004

IMPRINT / CONTACT

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

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

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

Name: ______________________

Company: ______________________

Address: ______________________

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E-mail: ______________________

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

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