



INTERIM REPORT QUARTERS 1-3/2010

Verbund

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DEAR SHAREHOLDERS,

the future belongs to renewable energy sources. Hydropower is the most important and most economical way of generating electricity. This is why we intend to invest in the expansion of this power source quickly and massively, especially in our domestic market of Austria. The planned capital increase will grant us additional flexibility in the implementation of our long-term investment plan.

CAPITAL INCREASE RESOLVED BY SHAREHOLDERS

At the Extraordinary General Meeting on 24 September 2010, VERBUND's shareholders passed on the resolution of the creation of authorised capital for the planned capital increase of around € 1 billion. This was approved by a majority of 99.9 %. This confirms the support for the planned capital measure among the shareholders of VERBUND. We view this to be a clear order to implement our projects rapidly.

On the basis of the resolution by the Council of Ministers in August 2010, the National Assembly passed the law allowing the Republic of Austria to participate in the capital increase on 20 October 2010. In addition to the Republic of Austria, which holds 51 % of shares in VERBUND AG, the other core shareholders – EVN AG, Wiener Stadtwerke Holding AG and TIWAG – have announced their participation in the capital increase by exercising their pre-emption rights fully or significantly.

The capital increase is planned to go ahead in November 2010, though the exact date will depend on the market environment.

The capital increase will grant VERBUND AG additional flexibility in the implementation of its long-term investment plan and the further growth of the company. Among others, its investments comprise the major projects such as the Limberg II pumped storage power plant, the 380 kV Salzburg line and the Reißbeck II pumped storage power plant. This also includes the vital expansion of Austria's high-voltage grid. At the same time, the planned measure will strengthen the capital structure of VERBUND and allow it to safeguard a solid A-range rating.

We will continue to back hydropower in future as we are confident that it will play an increasingly important role in European electricity supply

OPERATIVE BUSINESS MORE STABLE AGAIN

After the water supply was well below average in the first half of 2010, the hydro coefficient was above the multi-year average in quarter 3/2010. Strong values were recorded in August and in September in particular. In spite of this recovery, river water supply in quarters 1-3/2010 was down 3 % on the long-term average with a coefficient of 0.97 and 10 percentage points below the extremely good figure for the previous year.

This led to a major reduction in energy production from run-of-river power plants. Generation by annual storage power plants also decreased as against the previous year due to a decline in inflows. The reduction in VERBUND's hydropower energy production, however, was shored up considerably by the acquisition of power plants on Bavaria's River Inn in August 2009. It declined by 4.5 % period-on-period from 21,472 GWh to 20,513 GWh.

Thermal generation, however, rose by 95.5 % to 2,962 GWh compared to 2009. This increase is also due to VERBUND's electricity purchase rights in the POWEO power plant in Pont-sur-Sambre (France), which began operations at the end of September 2009.

Developments in the relevant spot market prices have recently been stable for the current financial year. Spot market prices for electricity in quarter 3/2010 were on average up around € 2/MWh on prices for the first half of 2010. Overall, however, wholesale prices for electricity remained at a relatively low level.

As a result of the positive influencing factors in quarter 3/2010 described above, our operating business has stabilised again. After a decline in the operating result of around 28 % in the first half of 2010, the operating result after three quarters is down 22.1 % on the previous year's level at € 625.6 million. Sales declined by 1.7 % compared to 2009.

However, the Group result in quarter 3/2010 was squeezed by non-recurring negative effects in the financial result, particularly as a result of the impairment on the investment in POWEO S.A. due to the significant drop in its share price. Thus, the Group result declined by 39.5 % period-on-period to € 334.0 million.

Assuming an average water supply in quarter 4/2010 and that wholesale prices remain stable, we are anticipating a decline in the operating result of not more than 25 %. However, given the negative non-recurring effects in the financial result, our earnings forecast for the 2010 Group result has to be scaled back and we are predicting a drop of around 35 %. Dividends will approach a payout ratio of 45 % to 50 %.

OUTLOOK

DI Wolfgang Anzengruber
Chairman
of the Managing Board

Dr. Johann Sereinig
Deputy Chairman
of the Managing Board

Dr. Ulrike Baumgartner-Gabitzer
Member
of the Managing Board

THE VERBUND SHARE

STOCK MARKET ENVIRONMENT

In 2009, the major stock markets closed with significant price gains. At the beginning of 2010, this positive trend continued. From the middle of January, however, negative economic data triggered growing concerns. At the beginning of February, the financial problems of Greece and other EU nations became increasingly clear and caused price declines on the capital markets. Overwhelmingly positive macro-economic data helped the prices recover starting mid-February. Between the middle and end of April, annual highs were recorded on international markets.

Within a few weeks, however, these gains were lost again as the downgraded credit ratings of European debtor nations caused investors to be more risk adverse. A comprehensive EU stimulus package to re-finance government bonds slowed the decline on the equity markets, but did not reverse the trend by the end of June.

A significant recovery in prices did not begin until the start of quarter 3/2010. The trend was particularly positive in the US. The US Dow Jones Industrial (DJI) index rose by 10.4 % in quarter 3/2010. In light of the good company results, the at times weaker economic data did not leave a lasting impression on market participants. In Europe, too, stock markets mostly rose in quarter 3/2010, particularly in the export-oriented core nations of the EU.

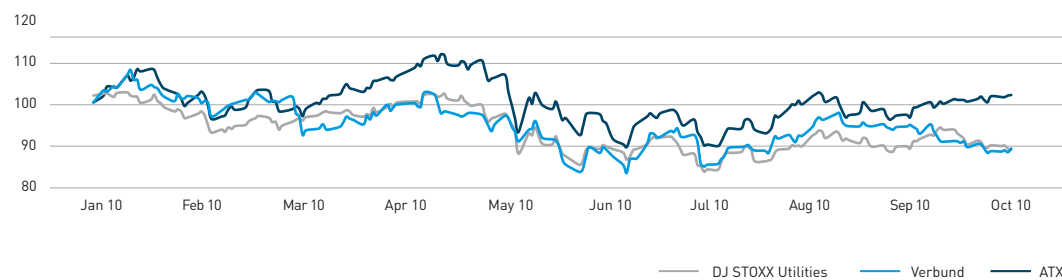
Since the beginning of the year, the US Dow Jones Industrial index has risen by 3.5 %. However, even a strong quarter 3/2010 (up 6.8 %) was not enough to bring the Euro Stoxx 50 over the level achieved at the end of 2009. It fell 7.4 % as at 30 September 2010. The Nikkei 225 declined 11.2 % in quarters 1-3/2010.

VIENNA STOCK EXCHANGE

The leading Vienna index ATX posted a strong performance in quarter 3/2010 with growth of 11.5 %. While the European benchmark index Eurostoxx 50 was down 7.4 % as against the end of 2009 at the end of September, the ATX rose slightly by 1.8 %. On the one hand, this reflects the strong international demand for Austrian products. On the other, this is due to the strong performance in the CEE states – which are particularly important for Austria's companies.

PRICE PERFORMANCE OF VERBUND SHARE

RELATIVE SHARE PRICE DEVELOPMENT (01.01.2010 = 100 %)



In quarters 1-3/2010, the performance of VERBUND share was characterised by investors' lingering uncertainty regarding utilities.

VERBUND share had closed the 2009 financial year at € 29.7, corresponding to a negative performance of 8.8 %. In the first two months of 2010, it kept pace with the ATX, the key index of the Vienna stock exchange.

At the start of March, VERBUND share incurred heavy price losses. Firstly, this was due to VERBUND's results for 2009 being slightly down on analysts' expectations. The second factor was the outlook for the 2010 financial year, which many analysts found surprisingly negative.

After an upward trend in March and early April, VERBUND share steadily lost ground to reach an annual low on 8 June. After a period of recovery, in mid-June the share lost considerable value again at the end of quarter 2/2010 following the announcement of the planned capital increase. VERBUND share performed in line with the ATX in July and August. Utility stocks came under pressure generally in September, which had a negative effect on the performance of VERBUND share.

As at 30 September 2010, VERBUND share closed at € 26.3, representing a negative performance of 11.5 % in quarters 1-3/2010. Accordingly, VERBUND share developed more weakly than the ATX in the first nine months of the year (up 1.8 %), but better than the DJ STOXX Utilities index (down 12.0 %).

Stock exchange turnover in VERBUND share reached € 2,144.6 million at the end of quarters 1-3/2010. On average, 407,441 shares were traded every day. The total value of the company based on its market capitalisation was € 8,105.7 million as at 30 September 2010, while its weighting in the ATX was 5.6 %.

TURNOVER AND MARKET CAPITALISATION

STOCK SPECIFIC FIGURES

	UNIT	Q 1-3/2010	Q 1-3/2009
SHARE PRICE HIGH	€	32.1	38.1
SHARE PRICE LOW	€	24.5	23.7
LAST SHARE PRICE	€	26.3	34.6
PERFORMANCE	%	-11.5	6.1
MARKET CAPITALISATION	€ MILLION	8,105.7	10,648.3
ATX WEIGHTING	%	5.6	7.0
STOCK EXCHANGE TURNOVER	€ MILLION	2,144.6	2,528.2
TRADING VOLUME/DAY	SHARES	407,441	429,327

CAPITAL MARKET CALENDAR 2010

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

MANAGEMENT REPORT

BUSINESS DEVELOPMENT

EARNINGS POSITION

INCOME STATEMENT (CONDENSED)

€ MILLION

	Q 1-3/2010	Q 1-3/2009	CHANGE	
			ABSOLUTE	IN %
SALES	2,406.0	2,446.7	-40.7	-1.7
OPERATING RESULT	625.6	802.9	-177.3	-22.1
FINANCIAL RESULT	-118.4	19.6	-138.0	N.A.
GROUP RESULT	334.0	551.8	-217.8	-39.5

OPERATING RESULT

Electricity sales declined by 3.7 % period-on-period to € 2,130.3 million in quarters 1-3/2010. The decline is primarily due to the sharp drop in forward/future market prices (contracted in prior periods). This negative price effect was not fully compensated by the slight increase in own generation and the 9.7 % overall rise in electricity sales volume. The increase in own generation is due to the 2009 acquisition of thirteen run-of-river plants on the Bavarian Inn (up 1,199 GWh) and the significant rise in thermal generation. The latter rose by 1,447 GWh (thereof 696 GWh from the POWEO plant in Pont-sur-Sambre). Thus, own generation increased by 2.1 % despite the drop in the hydro coefficient from 1.07 to 0.97. The higher overall electricity sales volume was primarily due to the significantly higher volumes sold to customers and traders abroad.

Grid sales declined by 6.6 % period-on-period to € 186.8 million in quarters 1-3/2010. This is primarily due to the lower international proceeds from auctions and declining inter-transmission system operator compensation.

The higher electricity sales volume coupled with the relatively lower increase in own generation led to proportionately significantly higher electricity purchases. However, this was largely compensated by positive price effects, with the result that expenses for electricity purchases in quarters 1-3/2010 only rose by 8.0 % period-on-period. Expenses for grid purchases rose by 12.4 % in the same period.

SALES

€ MILLION

	Q 1-3/2010	Q 1-3/2009	CHANGE	
			ABSOLUTE	IN %
ELECTRICITY SALES	2,130.3	2,211.6	-81.3	-3.7
GRID SALES	186.8	200.1	-13.3	-6.6
OTHER	88.8	35.0	53.8	153.7
SALES	2,406.0	2,446.7	-40.8	-1.7

The use of fuels and expenses for other purchased services declined by 18.5 % period-on-period to € 86.1 million. The higher use of fuels owing to the rise in thermal generation by Mellach and Dürnrrohr power plants was compensated by positive price deviations in primary energy sources and the use of the provision for impending losses. The improvement is therefore mainly due to the absence of value adjustment requirements for inventories of coal and oil compared with quarters 1-3/2009.

Payroll expenses declined by 3.6 % period-on-period to € 221.8 million in quarters 1-3/2010. The collective bargaining agreement increase of 1.45 % and the increase in personnel by 254 to 3,008 caused current payroll costs to rise by 7.2 %. The increase in personnel is predominantly due to the expansion of the group of consolidated companies in 2009. This negative effect was more than compensated by the decline in expenses for severance payments and pensions.

The 15.9 % rise in amortisation/depreciation charges is essentially due to the 2009 acquisition of thirteen run-of-river plants on the Bavarian Inn. In quarters 1-3/2009, other operating expenses climbed by 28.9 % period-on-period to € 183.1 million. This related largely to the construction expenses in connection with the Albanian hydropower concession for Ashta. However, this was offset by the corresponding recognition under other sales. The Group-wide savings activities and the absence of exceptional redevelopment expenses for a hydropower plant (Wagspeicher) reduced expenses compared with quarters 1-3/2009.

The result from interests accounted for using the equity method declined by 30.2 % to € 52.1 million. In particular, the result of domestic participations can be compared with those for quarters 1-3/2009 to a limited extent only because of the change in the mode of recognising pro rata IFRSs results in 2009. The result of foreign interests was reduced by an impairment on the participating interest in the French POWEO S.A. (Group) of € 42.8 million. Foreign currency gains at the Turkish EnerjiSA Enerji Üretim A.S. and positive earnings effects from tax investment benefits at the Italian Sorgenia S.p.A. (Group) increased earnings.

Interest income declined mainly as a result of the termination of cross-border leasing investments by 41.3 % to € 23.0 million. Interest expenses rose by 36.0 % to € 180.5 million as a result of extensive borrowings in 2009 as well as the interest on the obligation from a long-term electricity supply agreement in connection with the acquisition of the run-of-river plants on the Bavarian Inn in the previous year. This was counteracted primarily by the lower interest expenses as a result of the early terminations of cross-border leasing transactions.

Other financial result changed from € 31.7 million in quarters 1-3/2009 to € -19.5 million in quarters 1-3/2010. This was primarily due to the € 40.4 million drop in net foreign currency gains and losses. Earnings were also reduced by the non-recurring change of € -38.4 million in the result from early terminations of cross-border leasing transactions. The absence of impairment needs on securities and investment funds had an opposite effect compared to quarters 1-3/2009.

FINANCIAL POSITION

Non-current assets rose by 1.6 % to € 9,515.8 million as compared with 31 December 2009. This increase in assets is primarily due to investments in power plant and line construction projects and the development of interests accounted for using the equity method. This was counteracted by the decline in investments and other non-current receivables.

Investments in property, plant and equipment amounted to € 408.2 million in quarters 1-3/2010. The three largest investment projects were the construction of the Mellach gas and steam power plant at

FINANCIAL RESULT

NON-CURRENT AND CURRENT ASSETS

€ 183.6 million, the construction of the Limberg II pumped storage plant at € 49.2 million and the construction of the 380 kV Salzburg line at € 36.2 million.

The carrying amount of the interests accounted for using the equity method increased by 5.1 % to € 2,285.7 million since 31 December 2009. Factors contributing to this included a capital increase of € 25.0 million at the Turkish Enerjisa Enerji Üretim A.S. and the change in consolidation method for the Albanian Energji Ashta Shpk at € 8.1 million. Furthermore, the carrying amount of the interests accounted for using the equity method increased by results of interests accounted for using the equity method of € 52.1 million (after recognising impairments on the participating interest in POWEO S.A. (Group)) and foreign currency differences from Turkish participating interests of € 59.9 million. This was counteracted by dividend distributions.

Investments and other non-current receivables declined by 21.4 % to € 678.8 million since 31 December 2009. This is essentially due to terminations of investments due to early terminations of cross-border leasing transactions and disposals of non-current investments.

Current assets declined by 15.8 % to € 825.9 million compared with 31 December 2009. In particular, this was due to declining stocks of primary energy sources, fair value changes in the energy area and the decline in cash and cash equivalents. This was counteracted by providing short-term finance to interests accounted for using the equity method.

NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Non-current and current financial liabilities rose by 5.9 % as against 31 December 2009 to € 4,565.0 million. This was mainly due to borrowings from the European Investment Bank to finance the Mellach gas and steam power plant and the construction of the line in Salzburg. This was counteracted by the repayment of financial liabilities in the course of early terminations of cross-border leasing transactions.

OTHER NON-CURRENT AND CURRENT LIABILITIES

Other non-current and current liabilities, excluding financial obligations, rose 8.5 % compared with 31 December 2009 to € 2,403.0 million. The change is mainly due to lower provisions for outstanding receipts for investments and maintenance expenses and fair value changes in energy derivatives.

CASH FLOW

The changes to cash and cash equivalents in quarters 1–3/2010 amounted to € –104.1 million. Despite the high investment volume in quarters 1–3/2010, free cash flow remained positive at € 58.8 million. This covered the negative cash flow from financing activities by 36.1 %. The remaining funding requirements reduced cash and cash equivalents to € 21.9 million.

Cash flow from operating activities was € 516.6 million in quarters 1–3/2010, 27.0 % down period on period. This was mainly due to declining contributions from generation (down 14.1 %) and the grid area (down 17.3 %) as well as the rise in net interest payments. In particular, this was counteracted by the decline in aperiodic cash flows from the derivatives in the energy area.

Cash flow from investment activities amounted to € –457.9 million in quarters 1–3/2010 (quarter 1–3/2009: € –1,852.2 million). In particular, the change of € 1,394.3 million is due to the higher payments for business acquisitions in quarters 1–3/2009, which were not matched by similar payments this year. There was also an increase in investments in property, plant and equipment. Payments for capital increases and acquisitions of shares in interests accounted for using the equity method also amounted to just 5.1 % of the corresponding payments in quarters 1–3/2009. Furthermore, the cash flow from investment activities in quarters 1–3/2010 includes proceeds from the sale of securities of € 88.1 million.

Cash flow from financing activities amounted to € –162.8 million in quarters 1–3/2010 (quarters 1–3/2009: € 1,047.9 million). The change of € –1,210.7 million is mainly due to 89.1 % lower borrowings of financial liabilities and higher dividend payments. This was counteracted by the lower payments for the repayment of financial liabilities and for the early termination of cross-border leasing transactions.

KEY FIGURES

VERBUND'S KEY FIGURES

	UNIT	Q 1-3/2010	Q 1-3/2009
AVERAGE NUMBER OF SHARES IN CIRCULATION ¹	NUMBER	308,200,000	308,200,000
GEARING ²	%	151.9	143.6
NET DEBT ²	€ MILLION	5,126.2	4,796.0
ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	€ MILLION	434.5	1,796.2
ADDITIONS TO PARTICIPATING INTERESTS	€ MILLION	33.8	553.7
EBITDA MARGIN	%	33.1	38.8
EBIT MARGIN	%	26.0	32.8
AVERAGE NUMBER OF EMPLOYEES		3,008	2,754
ELECTRICITY SALES ³	GWh	41,910	38,192
HYDRO COEFFICIENT		0.97	1.07

¹ Diluted = non-diluted.

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

³ Electricity sales before netting of external electricity trading: quarters 1-3/2010: 105.278 GWh; quarters 1-3/2009: 81.886 GWh

Gearing rose from 143.6 % on 30 September 2009 to 151.9 % on 30 September 2010. This increase is due to the rise in financial liabilities from issuing bonds and borrowing loans.

GEARING

The return on sales (EBIT margin) fell from 32.8 % in quarters 1-3/2009 to 26.0 %. This reduction is due to the significantly lower forward/future market prices, the drop in own generation from hydropower, the decline in grid sales and the increased amortisation/depreciation charges. This was counteracted by the drop in payroll expenses and the Group-wide savings measures.

RETURN ON SALES

RISKS AND OPPORTUNITIES

As part of its various activities at different stages of the value chain in Austria and abroad, VERBUND is exposed to a wide variety of opportunities to be leveraged and risks to be avoided as well as possible. At the time of the deregulation of the electricity market in Austria, a Group-wide risk and opportunity management system was developed and established that comprises all stages of the value chain within the Group. Under this system, all opportunities and risks that are relevant for VERBUND are revised, and new ones are added, at regular intervals and whenever deemed necessary. In addition, measures to manage opportunities and risks are documented comprehensively in the risk management IT system. The effects on consolidated net profit before taxes are regularly reported to the Managing Board and the Supervisory Board as part of quarterly reporting.

In 2009, to further safeguard its strategic activities, VERBUND introduced a risk-based portfolio management system that analyses all its activities in terms of risk and return considerations.

Volume and price risk has the greatest potential to influence consolidated results in the entire energy sector. VERBUND's earnings depend heavily on weather conditions and the resulting generation potential. A deviation of 1 % either way from the planned generation value for the remainder of 2010 would have an earnings effect of +/- € 2.5 million.

VOLUME AND PRICE RISK (EBIT MARGIN)

Changes in wholesale prices for electricity are the second major source of potential risk/opportunity for VERBUND. A 1 % change in wholesale prices for the remainder of 2010 would increase/reduce earnings by € 0.6 million.

Volume and price risks also affect thermal power plants. Requirements of primary energy sources and emissions certificates can also vary on the basis of wholesale prices depending on spreads.

INVESTMENT RISKS

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

In the 2006 financial year, VERBUND acquired a stake in the French utility POWEO S.A. and the French power company POWEO Production S.A.S. The stages of the value chain covered by the POWEO Group are power generation and trading and selling electricity and gas to French end customers. VERBUND currently holds a share of around 46 % in POWEO S.A. and around 40 % in POWEO Production S.A.S.

In recent years, POWEO has extended its position on the French end customer market as one of the few independent providers of electricity and gas. Given the lack of deregulation on the electricity market in France, the profitable development of POWEO S.A. on the end customer market is at risk. It has therefore initiated a restructuring process with the aim of focussing on long-term profitable business segments. As part of the restructuring process, further losses, additional write-downs of the carrying amount and further financing requirements on the part of the POWEO Group and legal disputes between the shareholders of POWEO cannot be ruled out.

COUNTERPARTY RISK

To date, VERBUND has not experienced any significant defaults among its business partners. Nonetheless, there remains a substantial risk that customers will experience payment difficulties, and hence that the energy volumes sold or procured for them will have to be resold. This may result in significant financial losses on account of the sharp fall in wholesale prices for electricity triggered by the economic crisis.

REGULATORY CONDITIONS

Owing to the specifications of European law, the Austrian Gas Act (GWG) must be amended. VERBUND is lobbying for this revision to be used for fundamental reform to further deregulate the gas market – in line with EU intentions – and to make it more attractive to new participants.

RATING RISK

In quarter 3/2010, Standard & Poor's changed its outlook from "negative" to "stable". Given the planned capital increase, VERBUND is not expected to borrow any funds in the coming months, which will optimise its capital structure. For this reason, the probability of a downgrade can be rated as very low. VERBUND's rating is also a good average compared to other European power utilities.

BUSINESS SEGMENTS

ELECTRICITY

KEY FIGURES ELECTRICITY SEGMENT

€ MILLION

	Q 1-3/2010	Q 1-3/2009	CHANGE
EXTERNAL SALES	2,158.8	2,234.4	-3.5 %
EBIT	605.4	766.7	-21.0 %
CAPITAL EMPLOYED	4,670.4	4,618.1	1.1 %
ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	330.0	1,660.2	-80.1 %

In the Electricity segment, external sales dropped by 3.5 % to € 2,158.8 million (quarters 1-3/2009: € 2,234.4 million). EBIT fell by 21.0 % to € 605.4 million (quarters 1-3/2009: € 766.7 million). This decline resulted mainly from the significant drop in the water supply and the sharp reduction in forward/future market prices (contracted in prior periods) period-on-period. However, the 9.7 % rise in sales volume did not compensate for the negative price deviations.

PROCUREMENT

GWh

	Q 1-3/2010	Q 1-3/2009	CHANGE
HYDRO POWER	20,513	21,472	-4.5 %
THERMAL POWER	2,962	1,515	95.5 %
WIND/SUN	82	77	5.8 %
OWN GENERATION	23,557	23,064	2.1 %
PURCHASED ELECTRICITY	18,353	15,128	21.3 %
GROUP PROCUREMENT	41,910	38,192	9.7 %
FORWARD CONTRACTS	63,368	43,695	45.0 %

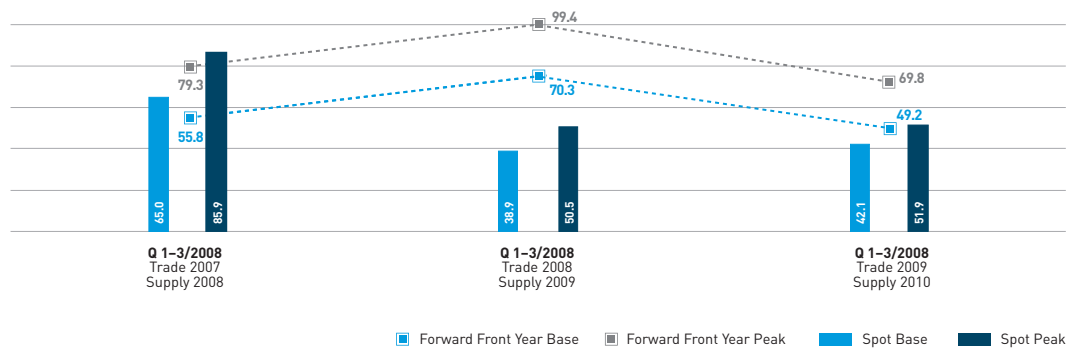
Total generation by VERBUND in quarters 1-3/2010 was 23,557 GWh, up 2.1 % period-on-period. At 0.97, the hydro coefficient of the run-of-river plants was down 3 % on the long-term average and 10 percentage points on the figure for the previous year. The acquisition of the run-of-river plants on the Bavarian Inn compensated somewhat for the drop in production by VERBUND's hydropower plants, as a result of which the decline amounts to 4.5 %. Generation by annual storage power plants dropped by 18 % period-on-period owing to a decline in inflows.

In quarters 1-3/2010, 87 % of VERBUND's own generation in total came from hydropower plants. There was a significant surge in thermal generation of 95 %. This was due to proportionate electricity procurement from the Pont-sur-Sambre power plant in France that has been operational since September 2009 and the better production conditions for facilities in Austria. Purchased electricity rose by 21.3 % to account for 43.8 % of total generation.

ELECTRICITY PRICES

DEVELOPMENT OF WHOLESALE PRICES

€/MWh



Source: EEX European Energy Exchange, EPEX European Power Exchange

The average prices for year base 2010 electricity forward contracts traded in 2009 was € 49.2/MWh, 30 % below the level recorded in the previous year. The electricity spot market price level in quarter 1/2010 recovered slightly by 8.3 % to € 42.1/MWh. quarter 3/2010 was up significantly (by 18 %) on quarter 3/2009. This is mainly due to price developments for primary energy sources and emission certificates.

Since the start of 2010, the price of Brent crude oil has ranged between \$ 69/bbl and \$ 88/bbl and was \$ 82 bbl as at the end of September 2010. Prices for CIF ARA coal supplies (6,000 kcal/kg) fell from \$ 84/t in January 2010 to \$ 71/t in March. By the end of September 2010 it then rose to \$ 96/t, its highest price this year.

The spot prices on gas hub Net Connect Germany (NCG) have been rising steadily since the low of € 11.5/MWh at the end of March 2010 to up to € 20.2/MWh in mid-June and have since tracked sideways to € 19.0/MWh at the end of September 2010. The same development was seen on the gas futures market. The contract on the NCG trading hub for 2011 (Cal11 contract) rose from its low of € 15/MWh (mid-March 2010) to its highest price for the year to date of € 23.1/MWh (mid-June). It then dropped to € 20.3/MWh by the end of September.

SALES

VERBUND's electricity sales volume in quarters 1–3/2010 rose by 9.7 % period-on-period. The quantities sold on foreign markets – not including own requirements – amounted to 56 %, which is mainly due to the activities on the electricity markets of Germany and France. The German market represents the main focus of VERBUND's activities abroad at 70 % of volumes sold.

SALES VOLUME BY CUSTOMER SEGMENT

GWh

	Q 1–3/2010	Q 1–3/2009	CHANGE
END CUSTOMERS	8,554	7,462	14.6 %
RESELLERS	17,506	17,643	–0.8 %
TRADERS	14,525	11,842	22.7 %
OWN REQUIREMENTS	1,325	1,245	6.4 %
GROUP SALES	41,910	38,192	9.7 %
FORWARD CONTRACTS	63,368	43,695	45.0 %

The share of business with resellers declined slightly by 0.8 %. There was a minor reduction of 1.7 % in Austria. The reduction in deliveries to national companies under procurement rights was significant due to the low water volume. However, this effect was partly offset by new, long-term energy supply contracts with national utilities concluded in 2009. Meanwhile, sales to foreign resellers increased. This was primarily due to heavier activity in supplying French grid operators.

SALES VOLUMES BY COUNTRY

	%
AUSTRIA	45.4
GERMANY	38.5
FRANCE	12.0
ITALY	1.4
OTHERS	2.7

Sales from energy supply to trading companies also increased. Sales from the sales area as well as trading with standardised forward contracts, which are recognised net in sales, increased significantly.

Sales to end customers in Austria improved by 3.8 % in spite of the persistently uncertain economic conditions. Sales volume abroad saw significant rises, which can be attributed to the increased acquisition on the French market. As part of the systematic implementation of credit assessment, customers are still selected according to the strict standards.

In Austria, VERBUND has around 220,000 end customers in the household, agricultural and commercial segment (annual consumption of up to 100,000 kWh). Owing to the price hike in the small customer segment in May 2010, VERBUND's customer base was reduced by roughly 8 % to around 220,000 quality customers. VERBUND is still one of Austria's lowest cost electricity providers and offers customers electricity from 100 % hydropower sources. According to a recent survey by the Austrian Consumer Information Association (VKI), VERBUND is Austria's best electricity provider with 86 out of 100 possible points. The survey rated the nature and quality of information provided, with the website, hotline and annual electricity bills being closely scrutinised.

VERBUND VICTORIOUS IN CONSUMER TESTING

In June 2010, a 100 % hydropower standard product of up to 1 GWh was successfully introduced for industrial customers. This will make the switch easier for larger industrial customers and make processing more cost effective for VERBUND.

VERBUND is positioned as an innovation and information leader in the business and industrial customer segment. The ongoing development of its products ensures that the company has a competitive edge over the rest of the market. To promote business with industrial customers in Germany, sales and trading business were bundled in VERBUND Trading & Sales Deutschland GmbH and a sales office began work in Düsseldorf in June 2010. VERBUND EcoSales GmbH was also formed to sell electricity under the Renewable Energies Act in Germany.

Construction on all of VERBUND's power plant projects was generally on schedule. Work on the construction of the 480 MW Limberg II pumped storage power plant at Europe's largest power plant construction site is progressing rapidly. The assembly of the rotary valves, the engine generator and the pump turbine on the second unit was completed on time. The plant, which has a total investment of € 400 million, is expected to commence operations at the end of 2011.

EXPANSION OF HYDROPOWER GENERATION

Work to prepare the construction site for the Reißbeck II project – the addition of a new 430 MW pumped storage plant to the existing power plant – began after the construction decision was submitted. Ground was broken on the project on 8 October 2010. Operations are scheduled to commence at the end of 2014.

Work on the revitalisation project for the Styrian Pernegg power plant is progressing according to schedule.

An appeal has been filed by the parties concerned against the approval granted by the Tirol EIA authorities for the international "Inn Joint Power Plant" project (89 MW).

EXPANSION OF THERMAL POWER GENERATION

The construction of the cycle gas and steam power plant in Mellach near Graz, with a total capacity of 832 MW, is proceeding according to schedule. Work on the major gas turbine, generator and steam turbine components made significant progress in the first three quarters. The main components for line 1 are already on site and boiler assembly is well underway. The two 125 m chimney are complete. The project, which has a total investment of € 550 million, is expected to commence operations at the end of 2011.

In the EIA procedure for the joint project being planned with Energie Klagenfurt for a 400 MW gas and steam power plant in Klagenfurt, the authorities granted positive first instance EIA approval on 14 September 2010 following a unanimous decision by the Carinthian state government.

GRID**KEY FIGURES GRID SEGMENT**

€ MILLION

	Q 1–3/2010	Q 1–3/2009	CHANGE
EXTERNAL SALES	191.4	205.3	–6.7 %
EBIT	38.7	57.0	–32.1 %
CAPITAL EMPLOYED	854.1	779.4	9.6 %
ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	71.1	77.2	–7.9 %

In the Grid segment, external sales fell by 6.7 % to € 191.4 million (quarters 1–3/2009: € 205.3 million). EBIT declined by 32.1 % to € 38.7 million (quarters 1–3/2009: € 57.0 million).

KEY OPERATING FIGURES GRID SEGMENT

	UNIT	Q 1–3/2010	Q 1–3/2009
ENERGY VOLUME FOR SETTLEMENT	GWh	12,845	11,912
EXTERNAL GRID REVENUE	€ MILLION	186.8	200.1

The transported energy volume for settlement in the 220/380 kV grid (without pumped storage) increased by 7.8 % in quarters 1–3/2010. The decrease in revenue in quarters 1–3/2010 is due in particular to lower international revenue from auctions and ITC settlement. This was compensated in part by the higher national grid proceeds.

AWARD OF CROSS-BORDER CAPACITY (AUCTIONS)

The sales forecast from auctions of capacity from bottleneck borders to the control areas in Slovenia, the Czech Republic, Hungary, Italy and Switzerland declined from around € 50 million in 2009 to roughly € 30 million in 2010. This was primarily due to the decline in energy trading and the significant reduction of the price spread compared to neighbouring countries.

INTERNATIONAL REVENUE FOR TRANSIT COSTS

In September 2010, the European Commission presented its guidelines for Inter-TSO compensation (ITC) for settling international electricity transport costs. The European fund for settling these costs was set at € 100 million – practically half the amount of previous years. The grid subsidiary VERBUND-Austrian Power Grid AG can therefore only expect income of around € 10 million from this for 2010.

TARIFF REGULATION

In February 2010, the Energie-Control-Kommission (ECK) resolved to initiate proceedings in line with section 25 in conjunction with section 55 of the Elektrizitätswirtschafts- und organisationsgesetz (ElWOG, Austrian Electricity Act) to establish new system utilisation rates from 1 January 2011. Tariff review proceedings are expected to be completed in quarter 4/2010.

On the basis of a December 2009 agreement between the Austrian Association of Electricity Companies, Oesterreichs Energie, and the regulatory authority E-Control, a joint procurement strategy was contractually regulated for grid losses on the domestic transmission and distribution grid. Since 12 September 2010, VERBUND-Austrian Power Grid AG has successfully performed the central procurement of around 85 % of grid losses incurred in Austria, which are purchased on the basis of regular, market-based tenders on the international wholesale markets. The joint procurement model for grid losses replaces the previous unsatisfactory system for calculating and recognising procurements costs and opens up to VERBUND-Austrian Power Grid AG and the participating grid operators opportunities for savings.

GRID LOSSES PROCUREMENT

In quarters 1-3/2010, working in cooperation with national and international grid partners and other market participants – in spite of shut-downs for reconstruction and maintenance work – the security of supply in the control area of VERBUND-Austrian Power Grid AG was guaranteed. As part of the construction of the 380 kV Salzburg line, extensive technological bottleneck management measures were implemented to ensure the security of supply for Salzburg.

SECURITY OF SUPPLY AND BOTTLENECK MANAGEMENT

A programme has been drawn up to implement the “independent transmission grid operator” provided for in the third energy liberalisation package. In this context, the steps necessary for certification by the supervising authority were extensively planned and performed with the support of third-party consultants. The national law is expected in quarter 4/2010.

THIRD EU ENERGY LIBERALISATION PACKAGE

In addition to the first system on the 380 kV line Vienna Southeast-Győr, a second system was installed from Vienna Southeast to Szombathely. Operations commenced successfully on 04 May 2010 together with the Hungarian transmission grid operator MAVIR. The Sarasdorf relay station is currently being expanded. The integration of one system into the Sarasdorf relay station is planned for quarter 1/2011.

ASSEMBLY OF SECOND SYSTEM FOR VIENNA-HUNGARY 380 KV LINE

In the construction of the “Salzach Neu – St. Peter” segment of the 380 kV Salzburg line that began in August 2009, 127 out of 150 pylons – around half the total – have been erected. Access to the pylons is complete, all construction work on the line and substations is on schedule. The line is expected to go live in spring 2011.

CONSTRUCTION WORK ON 380 KV SALZBURG LINE AT SALZACH NEU – ST. PETER PROCEEDING ON SCHEDULE

The total investment volume for creating the 380 kV line, the relay stations and the disassembly of the 220 kV and 110 kV lines was around € 119 million. This further step towards completing the 380 kV ring contributes significantly towards guaranteeing the security of supply for the city of Salzburg.

PARTICIPATING INTERESTS

FOREIGN INTERESTS

In June 2007, VERBUND acquired 50 % of shares in EnerjiSA Enerji Üretim A.S., the power company of the Turkish Sabanci Group. The partners have ambitious goals: EnerjiSA Enerji Üretim A.S. is aiming for a market share of the Turkish electricity market of 10 % by 2015. Its generation portfolio – mainly gas and hydropower - will be increased to 5,000 MW. In addition, the partners are also striving to achieve an integrated position to reduce its risk by acquiring distribution grid companies.

TURKEY

The global financial and economic crisis of recent years is also showing its effect on Turkey in 2010: falling demand, lower sales and lower prices on the spot market drove down revenues by 50 % in quarter 1/2010 compared to quarter 1/2009.

However, demand and prices recovered significantly in quarter 2/2010, with the result that EnerjiSA Enerji Üretim A.S. ended the period with sales of € 118.0 million, only around 18.8 % down on the figure

for the same period of the previous year. Earnings after taxes increased from € 22.6 million to € 39.4 million. This was due to the improved financial result, triggered by the depreciation of the euro against the Turkish lira.

Power plant expansion is proceeding at full speed. The 919 MW Bandirma gas plant will be fully operating in quarter 4/2010, six hydropower plants and a wind farm are under construction. Decisions on two further hydropower plants are expected in October 2010. These facilities are scheduled to join the grid 2011 and 2013. Further projects are being developed parallel to this. There is still major potential for expansion in Turkey in the hydropower segment, where VERBUND can contribute its core competence, in renewable energies (wind, solar) and in state-of-the-art thermal power plants.

At the start of 2009, VERBUND acquired the Turkish distribution grid company Baskent EDAS together with Sabanci. Today, Baskent supplies around 3.2 million customers in the region around Ankara with electricity. By 2012, Baskent EDAS is to become one of the leading distribution grid companies in Turkey.

Despite the tough market environment, the Turkish distribution grid company Baskent Elektrik Dagitim A.S. achieved small sales increases period-on-period in the first half of 2010. Earnings are expected to stabilise further as a result of restructuring work and a statutory increase in rates.

ITALY

Sorgenia, founded in 1999 by VERBUND together with the Italian industrial holdings company CIR, is still showing a clear growth trend. VERBUND currently holds around 45 % in Sorgenia.

Sorgenia has a rated capacity of around 2,900 MW, the expansion of its power plant capacity is progressing rapidly: In addition to the two major, state-of-the-art gas plants Modugno (814 MW) and Termoli (770 MW), a third – Lodi (805 MW) – will start operation in 2010. A further major gas plant, Aprilia (792 MW), is under construction.

Sorgenia is continuing to expand its generation capacity from renewable energies. 15 MW of photovoltaics and 80 MW of wind turbines are already operational in Italy. The French participating interest Société Française d'Eoliennes (SFE) has a wind power rated capacity of 110 MW.

Sorgenia is expanding its current sales activities as part of its business model: It currently sells 10 TWh/year to around 500,000 customers.

Although Sorgenia's earnings doubled in quarters 1–2/2010, sales were still down slightly on the previous year's level. The main reason for this positive development is the government's investment benefits (Tremonti Ter), from which Sorgenia has profited.

FRANCE

VERBUND has increased its holding in POWEO S.A. in 2009. Following a capital increase, VERBUND now holds 46 % with 7,541,286 shares and is therefore the largest single shareholder.

One goal of POWEO is to establish a generation portfolio in France. A key step towards this goal was taken in 2009 with the commissioning of a gas and steam power plant (412 MW) in Pont-sur-Sambre. The construction decision for another 413 MW gas power plant in Toul was made in July 2010. The generation portfolio is supplemented by renewable energies: 97 MW of wind and 3 MW of photovoltaics facilities are in operation, a further 8 MW wind farm is under construction in Clerimoi. A major 12 MW photovoltaics plant will go live in Torreilles in a few months.

POWEO has been operating on the French consumer market for several years. However, the situation on this market is extremely difficult: Low regulated tariffs combined with high sourcing costs are making it very difficult for alternative providers to remain financially successful in competition with the former monopolist EdF. This unfortunate situation for all market players is to be remedied by new legal

regulations. Under the name NOME, the French energy market will receive new legislation to allow sustainable competition. A law on this was already expected in 2009. A draft bill has now been submitted and is expected to be implemented in the first half of 2011 at the earliest.

POWEO is currently undergoing a restructuring process that will allow the company to focus more on its core activities. The restructuring programme could lead to further losses, additional write-downs of the carrying amount or receivables and further financing requirements on the part of the POWEO Group.

The construction of the Ashta power plant, on the Drin river south of Shkodër began in February of this year. With a rated capacity of around 50 MW, the plant will generate power for a total of 100,000 households in Albania from 2012.

ALBANIA

On 20 April 2010, agreements were signed with EVN AG (Energie Versorgung Niederösterreich AG) for a 50 % stake in the Albanian power plant project Ashta, which came into effect on being approved by the Albanian and European authorities on 27 August 2010.

DOMESTIC INTERESTS

The results of STEWEAG-STEAG GmbH improved in 2010 as a whole due firstly to a higher gross profit margin and secondly to increased sales. In turn, this is mainly due to rising sales volumes among industrial customers. The restructuring project that has been running since 2009 is sustainably optimising its already rising earnings.

STEWEAG-STEAG GMBH

The construction of the Gössendorf and Kalsdorf plants is proceeding on schedule.

The clear rise in sales and trading is driving up earnings and giving rise to better forecasts for 2010 as a whole than originally assumed.

KELAG-KÄRNTNER ELEKTRIZITÄTS-AKTIENGESELLSCHAFT

The Feldsee pumped storage plant will begin trial operations before the end of 2010. Work on the Kor-alpe pump is on schedule. KELAG is participating in the VERBUND pumped storage plant Reißbeck II, which is expected to start operation in 2014. The construction plans and permits are already in place.

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

Despite the slight rise in sales volumes, the development of oil prices is having a negative effect on the forecast results of Energie Klagenfurt GmbH for 2010 as a whole.

ENERGIE KLAGENFURT GMBH

Together with VERBUND, it is developing the 400 MW Klagenfurt combined cycle gas turbine, which will ensure the long-term provision of electricity and heat to the city of Klagenfurt and the state of Carinthia. The EIA decision has already been issued.

Vienna, 19 October 2010

The Managing Board

DI Wolfgang Anzengruber
Chairman
of the Managing Board

Dr. Johann Sereinig
Deputy Chairman
of the Managing Board

Dr. Ulrike Baumgartner-Gabitzer
Member
of the Managing Board

GROUP INTERIM FINANCIAL STATEMENTS

ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

INCOME STATEMENT IN ACCORDANCE WITH IFRSs

€ MILLION

	NOTES	Q 1–3/2010	Q 1–3/2009	Q 3/2010	Q 3/2009
SALES		2,406.0	2,446.7	823.9	778.9
ELECTRICITY SALES	1	2,130.3	2,211.6	754.3	720.3
GRID SALES		186.8	200.1	50.1	51.0
OTHER	2	88.8	35.0	19.5	7.6
OTHER OPERATING INCOME	3	24.5	32.9	10.7	10.9
EXPENSES FOR ELECTRICITY, GRID, GAS AND EMISSION RIGHT PURCHASES (TRADE)	4	-1,143.6	-1,052.0	-373.0	-326.2
USE OF FUELS AND EXPENSES FOR OTHER PURCHASED SERVICES	5	-86.1	-105.7	-37.0	-26.9
PAYROLL EXPENSES	6	-221.8	-230.0	-65.1	-73.2
AMORTISATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT		-170.3	-146.9	-57.2	-51.0
OTHER OPERATING EXPENSES		-183.1	-142.1	-59.0	-43.4
OPERATING RESULT		625.6	802.9	243.3	269.1
RESULT FROM INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	7	52.1	74.7	1.0	7.1
RESULT FROM PARTICIPATING INTERESTS – OTHER		6.4	6.8	0.6	0.7
INTEREST INCOME	8	23.0	39.2	6.2	9.7
INTEREST EXPENSES	9	-180.5	-132.7	-58.7	-43.1
OTHER FINANCIAL RESULT	10	-19.5	31.7	7.5	64.4
FINANCIAL RESULT		-118.4	19.6	-43.5	38.8
PROFIT BEFORE TAX		507.2	822.5	199.8	307.9
TAXES ON INCOME		-112.3	-183.4	-50.9	-74.3
PROFIT FOR THE PERIOD		394.9	639.1	148.8	233.6
ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (GROUP RESULT)		334.0	551.8	123.7	191.9
ATTRIBUTABLE TO MINORITY INTERESTS		60.9	87.3	25.1	41.7
EARNINGS PER SHARE €¹		1.08	1.79	0.40	0.62

¹ Diluted = non-diluted.

STATEMENT OF COMPREHENSIVE INCOME IN ACCORDANCE WITH IFRSs

€ MILLION

	Q 1-3/2010	Q 1-3/2009	Q 3/2010	Q 3/2009
PROFIT FOR THE PERIOD	394.9	639.1	148.8	233.6
OTHER COMPREHENSIVE INCOME FROM				
EXCHANGE DIFFERENCES	59.7	-14.1	-16.0	-3.6
AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	0.5	41.5	0.4	17.4
CASH FLOW HEDGES	-104.9	-66.4	37.4	-68.1
INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	-8.8	-16.7	3.0	-19.6
TOTAL OTHER COMPREHENSIVE INCOME BEFORE TAXES	-53.5	-55.6	24.8	-73.8
- TAXES ON INCOME ¹	27.1	11.4	-10.9	17.7
TOTAL OTHER COMPREHENSIVE INCOME (RECOGNISED IN EQUITY) AFTER TAXES ²	-26.4	-44.2	14.0	-56.1
TOTAL COMPREHENSIVE INCOME	368.5	594.9	162.8	177.5
ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	307.3	506.5	137.5	135.0
ATTRIBUTABLE TO MINORITY INTERESTS	61.2	88.4	25.3	42.5

¹ Taxes in other comprehensive income are as follows: on available-for-sale financial instruments: € -0.1 million (quarters 1-3/2009: € -10.4 million); on cash flow hedges: € 26.3 million (quarters 1-3/2009: € 17.6 million); on interests accounted for using the equity method € 0.9 million (quarters 1-3/2009: € 4.2 million).

² Of the total other comprehensive income after tax, minority interests account for € 0.3 million (quarters 1-3/2009: € 1.1 million)

STATEMENT OF CHANGES IN EQUITY IN ACCORDANCE WITH IFRSs

€ MILLION

	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT									
	EQUITY	CAPITAL RESERVES	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME FROM				TOTAL	MINORITY INTERESTS	TOTAL SHAREHOLDERS' EQUITY
				EXCHANGE DIFFERENCES	AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	CASH FLOW HEDGES	OTHER RESERVES			
AS AT 1/1/2009	308.2	10.9	2,505.5	-52.5	-20.5	114.3	1.8	2,867.8	260.3	3,128.1
CHANGES IN COMPANIES CONSOLIDATED	0.0	0.0	19.0	0.0	0.1	-0.5	0.0	18.6	1.1	19.7
TOTAL COMPREHENSIVE INCOME	0.0	0.0	551.8	-14.1	30.1	-64.9	3.6	506.5	88.4	594.9
DIVIDENDS	0.0	0.0	-323.6	0.0	0.0	0.0	0.0	-323.6	-79.2	-402.8
AS AT 30/9/2009	308.2	10.9	2,752.6	-66.6	9.7	48.9	5.5	3,069.2	270.7	3,339.9
AS AT 1/1/2010	308.2	10.9	2,845.1	-59.8	3.6	4.7	5.2	3,117.9	291.8	3,409.7
CAPITAL DECREASE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	-0.6
SHIFT BETWEEN SHAREHOLDER GROUPS	0.0	0.0	19.8	0.0	0.0	0.0	0.0	19.8	31.6	51.4
TOTAL COMPREHENSIVE INCOME	0.0	0.0	334.0	60.5	0.9	-89.9	1.8	307.3	61.2	368.5
DIVIDENDS	0.0	0.0	-385.3	0.0	0.0	0.0	0.0	-385.3	-70.1	-455.3
AS AT 30/9/2010	308.2	10.9	2,813.6	0.7	4.5	-85.2	7.0	3,059.8	313.9	3,373.7

BALANCE SHEET IN ACCORDANCE WITH IFRSs

€ MILLION

	NOTES	30/9/2010	31/12/2009
NON-CURRENT ASSETS		9,515.8	9,364.1
INTANGIBLE ASSETS	11	621.6	633.3
PROPERTY, PLANT AND EQUIPMENT	12	5,791.0	5,553.8
INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	13	2,285.7	2,174.3
OTHER PARTICIPATING INTERESTS		138.6	138.6
INVESTMENTS AND OTHER RECEIVABLES	14	678.8	864.1
CURRENT ASSETS		825.9	981.1
INVENTORIES		109.1	127.1
TRADE RECEIVABLES AND OTHER RECEIVABLES		694.9	728.1
CASH AND CASH EQUIVALENTS		21.9	126.0
TOTAL ASSETS		10,341.6	10,345.2
	NOTES	30/9/2010	31/12/2009
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		3,059.8	3,117.9
MINORITY INTERESTS	15	313.9	291.8
NON-CURRENT LIABILITIES		6,073.9	5,956.8
FINANCIAL LIABILITIES	16	4,295.3	4,153.7
PROVISIONS		655.9	672.0
DEFERRED TAX LIABILITIES		142.0	174.1
CONTRIBUTIONS TO BUILDING COSTS		428.1	401.9
DEFERRED INCOME - CROSS-BORDER LEASING		57.2	74.1
OTHER LIABILITIES		495.5	481.0
CURRENT LIABILITIES		894.1	978.7
FINANCIAL LIABILITIES		269.7	156.7
PROVISIONS		168.7	284.5
CURRENT TAX LIABILITIES		111.2	151.4
TRADE PAYABLES AND OTHER LIABILITIES		344.5	386.1
TOTAL EQUITY AND LIABILITIES		10,341.6	10,345.2

CASH FLOW STATEMENT IN ACCORDANCE WITH IFRSs (CONDENSED)

€ MILLION

	NOTES	Q 1-3/2010	Q 1-3/2009
CASH FLOW FROM OPERATING ACTIVITIES ¹	17	516.6	707.3
CASH FLOW FROM INVESTMENT ACTIVITIES	18	-457.9	-1,852.2
CASH FLOW FROM FINANCING ACTIVITIES	19	-162.8	1,047.9
CHANGES TO CASH AND CASH EQUIVALENTS		-104.1	-97.0
CASH AND CASH EQUIVALENTS AS AT 1/1		126.0	107.8
CASH AND CASH EQUIVALENTS AS AT 30/9		21.9	10.8

¹ Includes payments from electricity futures primarily concluded for hedging purposes in the amount of € -41.0 million (quarters 1-3/2009: € -159.4 million)

SEGMENT REPORTING

€ MILLION

	ELECTRICITY	GRID	PARTICIPATING INTERESTS & SERVICES	ELIMINATION	TOTAL GROUP
Q 1-3/2010					
EXTERNAL SALES	2,158.8	191.4	55.7	0.0	2,406.0
INTERNAL SALES	99.2	49.4	64.1	-212.7	0.0
TOTAL SALES	2,258.0	240.8	119.8	-212.7	2,406.0
OPERATING RESULT ¹	605.4	38.7	-17.7	-0.8	625.6
DEPRECIATION AND AMORTISATION	-122.4	-41.8	-6.7	0.7	-170.3
THEREOF IMPAIRMENT LOSSES	-0.1	0.0	-0.1	0.0	-0.3
OTHER MATERIAL NON-CASH ITEMS ²	-57.5	5.4	1.9	-0.2	-50.5
RESULT FROM PARTICIPATING INTERESTS	0.0	0.0	58.6	0.0	58.6
THEREOF RESULT FROM INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	0.0	0.0	52.1	0.0	52.1
CAPITAL EMPLOYED ³	4,670.4	854.1	6,184.6	-3,867.0	7,842.1
THEREOF CARRYING AMOUNT OF INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	2.2	1.3	2,282.3	0.0	2,285.7
ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	330.0	71.1	33.4	0.0	434.5
ADDITIONS TO PARTICIPATING INTERESTS	0.0	0.0	33.7	0.0	33.8
Q 1-3/2009					
EXTERNAL SALES	2,234.4	205.3	7.0	0.0	2,446.7
INTERNAL SALES	106.4	57.8	63.8	-228.0	0.0
TOTAL SALES	2,340.8	263.1	70.8	-228.0	2,446.7
OPERATING RESULT ¹	766.7	57.0	-21.0	0.2	802.9
DEPRECIATION AND AMORTISATION	-98.4	-43.0	-6.2	0.7	-146.9
THEREOF IMPAIRMENT LOSSES	-0.1	0.0	0.0	0.0	-0.1
OTHER MATERIAL NON-CASH ITEMS ²	55.7	0.8	-1.1	-0.2	55.2
RESULT FROM PARTICIPATING INTERESTS	0.0	0.0	81.5	0.0	81.5
THEREOF RESULT FROM INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	0.0	0.0	74.7	0.0	74.7
CAPITAL EMPLOYED ³	4,618.1	779.4	6,438.1	-4,036.3	7,799.3
THEREOF CARRYING AMOUNT OF INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD	2.2	1.3	2,121.6	0.0	2,125.1
ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	1,660.2	77.2	57.7	0.0	1,795.1
ADDITIONS TO PARTICIPATING INTERESTS	0.0	0.0	553.7	0.0	553.7

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

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

³ Capital employed corresponds to the total capital less those assets that do not contribute to the process of providing and utilising services (e.g. prepayments, plants under construction and closed items on the assets and liabilities side) as well as non-interest-bearing debts. This figure has been revised. The previous year's figures have been adjusted.

SELECTED EXPLANATORY NOTES

These condensed consolidated interim financial statements of VERBUND AG for quarters 1-3/ 2010 comply with the requirements of IAS 34 »Interim Financial Reporting«. These consolidated interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs), as endorsed by the EU.

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

These condensed consolidated interim financial statements for quarters 1-3/2010 were reviewed by Deloitte Audit Wirtschaftsprüfungs GmbH.

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

NEW OR AMENDED IFRSs UND IFRICs

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

BASIS

¹ The legal name of the company was changed to VERBUND AG upon entry in the commercial register on 18 May 2010.

ACCOUNTING POLICIES

² Basis: Endorsement Status Report dated 26 July 2010

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

In the event of a sale of shares leading to loss of control, the remaining stake is remeasured at fair value in income after deconsolidation due to the amendments to IAS 27. This accounting rule was applied to EVN AG's acquisition of a 50 % stake in Energji Ashta Shpk.

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

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

For business acquisitions achieved in stages, the amendments to IFRS 3 mean uniform acquisition accounting for all shares on the acquisition date. Shares already held must be remeasured at fair value in income. The fair value of these shares will then be included in the fair value of the consideration transferred.

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

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

The first-time application requirement of the amendments to IAS 32, IAS 39, IFRS 1, IFRS 2 and the changes from the Annual Improvements 2009 do not affect the condensed interim financial statements for quarters 1–3/2010.

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

CHANGES IN COMPANIES CONSOLIDATED

EVN AG acquired a 50 % stake in Energji Ashta Shpk effective 27 August 2010. As a result, the Albanian project company changed from a subsidiary to a joint venture of VERBUND. Energji Ashta Shpk is currently building a two-stage hydromatrix power plant on the Drin in the north of Albania as part of a government hydropower plant concession.

The purchase price paid by EVN AG for the 50 % stake was € 5.1 million. The deconsolidation led to an earnings effect of € -0.1 million. The 50 % stake still held by VERBUND is now accounted for using the equity method and was remeasured. The remeasurement (also) led to an earnings effect of € -0.1 million.

All earnings effects resulting from the transaction were recognised under other result from participating interests. There was no reclassification adjustment of other comprehensive income items to the income statement.

ELECTRICITY SALES ACCORDING TO CUSTOMER AREAS

€ MILLION

	Q 1-3/2010	Q 1-3/2009	CHANGE	
			ABSOLUTE	IN %
END CUSTOMERS	554.2	528.4	25.8	4.9
RESELLERS	844.8	957.3	-112.5	-11.8
TRADERS	731.3	725.8	5.5	0.8
TOTAL ELECTRICITY SALES	2,130.3	2,211.6	-81.3	-3.7
THEREOF DOMESTIC	950.4	1,071.6	-121.2	-11.3
THEREOF ABROAD	1,179.9	1,140.0	39.9	3.5

(1) ELECTRICITY SALES

Other sales increased in quarters 1-3/2010 by € 53.8 million or 153.7 % to € 88.8 million. € 42.2 million of these additional sales are due to construction services in connection with a hydropower plant concession in Albania that was accounted for in accordance with IFRIC 12. The corresponding construction costs are largely contained in other operating expenses.

(2) OTHER SALES

Other operating income in quarters 1-3/2010 decreased by € 8.3 million or 25.3 % period-on-period to € 24.5 million. This change is primarily due to the first-time adoption of IFRIC 18, which has led to the reversals of deferred income from contributions to building costs received to be largely recognised in sales (see accounting policies).

(3) OTHER OPERATING INCOME

In quarters 1-3/2010, of € 12.5 million of reversals of deferred income from contributions to building costs received, only € 0.7 million (quarters 1-3/2009: € 12.1 million) was included in other operating income.

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

€ MILLION

	Q 1-3/2010	Q 1-3/2009	CHANGE	
			ABSOLUTE	IN %
ELECTRICITY PURCHASES	-1,032.9	-956.2	-76.7	-8.0
GRID PURCHASES	-107.6	-95.8	-11.9	-12.4
GAS PURCHASES AND EMISSION RIGHTS PURCHASES (TRADE)	-3.0	0.0	-3.0	N.A.
TOTAL	-1,143.6	-1,052.0	-91.6	-8.7

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

Use of fuels and expenses for other purchased services in quarters 1-3/2010 decreased by € 19.5 million or 18.5 % period-on-period to € 86.1 million. This change is partly due to the use of provisions for impending losses. Furthermore, value adjustments to the stocks of heating oil and coal which had to be effected due to the price situation on the electricity markets in the same period of the previous year were not required in quarters 1-3/2010.

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

(6) PAYROLL EXPENSES**PAYROLL EXPENSES**

€ MILLION

	Q 1–3/2010	Q 1–3/2009	CHANGE	
			ABSOLUTE	IN %
WAGES, SALARIES AND RELATED COSTS	-200.6	-187.2	-13.4	-7.2
EXPENSES FOR SEVERANCE PAYMENTS AND PENSIONS	-21.2	-42.8	21.6	50.5
TOTAL	-221.8	-230.0	8.2	3.6

The collective bargaining agreement increase of 1.45 % and the increase in personnel by 254 employees, for a total of 3,008 (30 September 2009: 2,754) resulted in a € 13.4 million (7.2 %) rise in current payroll expenses. The increase in personnel is primarily due to the expansion of the group of consolidated companies (195) in 2009.

The decline in expenses for severance payments and pensions is essentially due to developments in the early retirement area such as lower initial provisioning as a result of the extension of the pension settlement for the long-term insured (“Hacklerregelung”) and changes in provisions for severance payments which resulted mainly from actuarial gains due to estimate revisions for wage and salary trends.

A total of € 5.2 million (quarters 1–3/2009: € 5.1 million) was paid into the pension fund assets funding defined contribution plans in quarters 1–3/2010. For the pension fund assets funding defined benefit plans, the expected return remains at 2 % p. a.

(7) RESULT FROM INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD**RESULT FROM INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD**

€ MILLION

	Q 1–3/2010	Q 1–3/2009	CHANGE	
			ABSOLUTE	IN %
DOMESTIC	43.9	80.3	-36.4	-45.3
ABROAD	8.3	-5.6	13.9	N.A.
TOTAL	52.1	74.7	-22.5	-30.2

All interests accounted for using the equity method have been included since 2009 at their pro rata IFRSs results from interim or annual financial statements, the balance sheet date of which falls a maximum of three months prior to the balance sheet date of the parent company. The resulting exceptional changeover effects mean that the comparative information for domestic interests accounted for using the equity method from quarters 1–3/2009 can be compared only to a limited extent.

The interest in POWEO S.A. (Group) was tested for impairment as there was an indication of impairment: The quoted market price per share for the company listed on Euronext Paris was below the (average) cost per share for the entire reporting period. The recoverable amount was calculated on the basis of the fair value less (considered as not material) costs to sell. The measurement basis was the market price of POWEO S.A. (Group) as at 30 September 2010 of € 9.10 per share. The resulting impairment amounted to € 42.8 million and was recognised under result from interests accounted for using the equity method for the “Participating Interests & Services” segment. The impairment was primarily due to the difficult situation on the French end customer market. This is characterised by low regulated electricity rates, high sourcing costs and the dominant position of Électricité de France S.A. on the market. Furthermore, the value of the interest in POWEO S.A. (Group) was negatively influenced by uncertainty regarding the content and timing of the resolution on “Loi NOME”, a law intended to effect more competitive reorganisation of the French electricity market.

Within the result from foreign interests accounted for using the equity method, this was mainly counteracted by the positive foreign exchange developments in the measurement of the foreign currency

liabilities of Enerjisa Enerji Üretim A.S. and positive tax effects at Sorgenia S.p.A. (Group). This tax saving primarily comes from “Tremonti Ter”, a law that allows a 50 % deduction of the total investment amount from the taxable annual profit for a limited time.

Interest income in quarters 1-3/2010 decreased by € 16.2 million or 41.3 % period-on-period to € 23.0 million. This decline is primarily due to the fact that, in the course of early terminations of cross-border leasing transactions, the related interest-bearing investments were repaid.

(8) INTEREST INCOME

Interest expenses in quarters 1-3/2010 increased by € 47.8 million or 36.0 % period-on-period to € 180.5 million. This increase was caused primarily by borrowings under the EMTN programme (European Medium Term Note) in 2009 as well as by the interest on the obligation from a long-term electricity supply agreement with E.ON Wasserkraft GmbH. The lower interest expenses due to early terminations of cross-border leasing transactions counteracted the rise.

(9) INTEREST EXPENSES

Borrowing costs capitalised under IAS 23 amounted to € 11.1 million in quarters 1-3/2010 (quarters 1-3/2009: € 3.8 million). The average borrowing costs of VERBUND, calculated on a monthly basis, were between 4.2 % and 4.8 % in quarters 1-3/2010 (quarters 1-3/2009: between 4.2 % and 4.5 %).

In quarters 1-3/2010, the other financial result was € -19.5 million, corresponding to a negative change period-on-period in the amount of € 51.2 million.

(10) OTHER FINANCIAL RESULT

In quarters 1-3/2009, the other financial result was boosted in particular by profits in the amount of € 20.1 million from a foreign exchange hedging transaction in connection with the acquisition of Baskent Elektrik Dagitim A.S. A similar effect was not seen in quarters 1-3/2010. This was counteracted by the change in impairment losses of securities and investment funds to € 0.2 million (quarters 1-3/2009: € 27.2 million). Valuation gains of € 3.8 million from a JPY bond in quarters 1-3/2009 became valuation losses of € -16.6 million.

The net earnings effect on the other financial result from early complete or partial terminations of cross-border leasing transactions totalled € -18.8 million (quarters 1-3/2009: € 19.6 million). This net earnings effect includes the reversal of a provision for interest rate differences from non-current investments as well as the prorated reversal of deferred income from cross-border leasing.

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

(11) INTANGIBLE ASSETS

VERBUND acquired property, plant and equipment of € 408.2 million in quarters 1-3/2010 (quarters 1-3/2009: € 272.7 million and € 886.3 million from business acquisitions). The largest investment projects are the gas and steam combination power plant in Mellach, the pumped storage power plant Limberg II and the 380 kV Salzburg line.

(12) PROPERTY, PLANT AND EQUIPMENT

On the other hand, property, plant and equipment with a net carrying amount of € 3.7 million (quarters 1-3/2009: € 2.4 million) was sold. This resulted in a gain on disposal of € 1.1 million (quarters 1-3/2009: € 0.7 million).

A capital increase was carried out at Turkish Enerjisa Enerji Üretim A.S. as at 15 June 2010. VERBUND's 50 % share in this capital increase is € 25.0 million.

(13) INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD

The deconsolidation of the Albanian Energji Ashta Shpk resulted in the addition of an interest accounted for using the equity method of € 5.1 million effective 27 August 2010 (see changes in companies consolidated).

(14) INVESTMENTS AND OTHER RECEIVABLES

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

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

INVESTMENTS AND OTHER NON-CURRENT RECEIVABLES		€ MILLION	
	30/9/2010	31/12/2009	
INVESTMENTS – CROSS-BORDER LEASING	0.0	88.0	
INVESTMENTS – CLOSED ITEMS ON THE BALANCE SHEET	245.4	234.0	
SUBTOTAL	245.4	322.0	
INTEREST RATE SWAPS – CLOSED ITEMS ON THE BALANCE SHEET	101.2	64.6	
OTHER INVESTMENTS AND OTHER RECEIVABLES	332.2	477.5	
TOTAL	678.8	864.1	

(15) MINORITY INTERESTS

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

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

This sale of shares led to a shift between shareholder groups, i.e. from the stake attributable to shareholders of the parent company to minority interests (see accounting policies).

(16) FINANCIAL LIABILITIES

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

NON-CURRENT FINANCIAL LIABILITIES		€ MILLION	
	30/9/2010	31/12/2009	
FINANCIAL LIABILITIES - CROSS-BORDER LEASING	0.0	94.1	
FINANCIAL LIABILITIES – CLOSED ITEMS ON THE BALANCE SHEET	346.5	298.6	
SUBTOTAL	346.5	392.7	
OTHER FINANCIAL LIABILITIES	3,948.8	3,761.0	
TOTAL	4,295.3	4,153.7	

(17) CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities for quarters 1–3/2010 decreased by € 190.7 million or 27.0 % period-on-period to € 516.6 million.

The change in contributions from the energy business in the amount of € –133.7 million was largely compensated for by the decline in aperiodic payments in connection with derivatives in the energy area in the amount of € 118.4 million. Period-on-period, cash flow from operating activities increased as a result of € 23.4 million higher contributions from the business and industrial customer area and lower payments in connection with personnel in the amount of € 4.8 million as well as lower income tax payments of € 12.5 million.

This was mainly counteracted by the following factors that negatively affected cash flow from operating activities compared with quarters 1-3/2009: € -38.4 million from the contributions from the grid segment, € -55.9 million from net interest payments and € -16.7 million from VAT payments.

Cash flow from investing activities during quarters 1-3/2010 totalled € -457.9 million, representing a change period-on-period of € 1,394.3 million or 75.3 %. Investments in intangible assets and property, plant and equipment amounted to € 498.9 million (quarters 1-3/2009: € 335.0 million and € 983.7 million from business acquisitions). Capital increases and acquisitions of shares in foreign interests accounted for using the equity method resulted in payments of € 27.9 million (quarters 1-3/2009: € 551.3 million). This was counter-acted by proceeds of € 88.1 million (quarters 1-3/2009: € 58.3 million) from the disposal of financial assets.

(18) CASH FLOW FROM INVESTMENT ACTIVITIES

The sale of a 50 % stake in the Albanian project company Energji Ashta Shpk (net of cash and cash equivalents transferred) led to proceeds of € 5.0 million.

Cash flow from financing activities during quarters 1-3/2010 totalled € -162.8 million, representing a change period-on-period of € 1,210.7 million or 115.5 %. Dividend payments amounted to € 455.3 million (quarters 1-3/2009: € 402.8 million). Borrowings of long-term financial liabilities of € 200.0 million (quarters 1-3/2009: € 1,827.5 million) were counteracted by repayments of € 56.6 million (quarters 1-3/2009: € 325.1 million). The changes in current financial liabilities resulted in cash inflows of € 134.6 million (quarters 1-3/2009: € 92.8 million).

(19) CASH FLOW FROM FINANCING ACTIVITIES

The early total or partial terminations of cross-border leasing transactions (including related costs) led to payments of € 34.3 million (quarters 1-3/2009: € 145.3 million). Furthermore, the cash flow from financing activities includes proceeds from the disposal of shares in VERBUND-Innkraftwerke GmbH.

DIVIDENDS PAID

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

DIVIDENDS PAID

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

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

	30/9/2010	THEREOF DUE IN 2010	THEREOF DUE FROM 2011 TO 2015
TOTAL OBLIGATION	997.5	331.3	666.3

PURCHASE COMMITMENTS

Open payment obligations as at 30 September 2010 relate to the 50 % stakes in Turkish generation company Enerjisa Enerji Üretim A.S. and Albanian project company Energji Ashta Shpk.

OPEN PAYMENT OBLIGATIONS

OPEN PAYMENT OBLIGATIONS

€ MILLION

	30/9/2010	THEREOF DUE IN 2010	THEREOF DUE FROM 2011 TO 2015
TOTAL OBLIGATION	62.0	62.0	0.0

In addition, there are payment obligations arising from a general agreement between VERBUND and Sabanci Holding A.S. to establish a generation portfolio with a installed capacity of around 5,000 MW in Turkey by 2015. The corresponding projects of Enerjisa Enerji Üretim A.S. must be financed with equity ratios of between 30 % and 40 %. VERBUND's share of this is 50 %. The resulting equity injections are included in the open payment obligations as far as the corresponding shareholder resolutions have already been made.

CONTINGENT LIABILITIES

By 30 September 2010, approximately 85 % of the original volume of cross-border leasing transactions has been extinguished.

With respect to the portion of leasing liabilities not yet repaid from the last remaining cross-border leasing transaction, VERBUND has a subsidiary liability as at 30 September 2010 in the amount of € 481.1 million (31 December 2009: € 827.2 million). As for the rights of recourse vis-à-vis the main debtors, € 377.2 million (31 December 2009: € 722.1 million) has been secured by way of counter guarantees from financial institutions, companies authorised to procure electricity and regional authorities (resulting from guarantor liabilities).

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

VERBUND also has a credit commitment of € 85.0 million for POWEO Production S.A.S. to bridge construction finance until financial closing for a gas and steam combination power plant in Toul. As at 30 September 2010, the bridge loan had been 38.9 % utilised in line with planning (see events after the balance sheet date). There is a second credit commitment of € 35.0 million for POWEO S.A. This is intended solely to provide working capital financing. It ends on 16 May 2012 and was not utilised as at 30 September 2010.

RELATED-PARTY DISCLOSURES

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

TRANSACTIONS WITH INTERESTS ACCOUNTED FOR USING THE EQUITY METHOD		€ MILLION	
	Q 1-3/2010	Q 1-3/2009	
SALES	383.4	412.1	
OTHER OPERATING INCOME	17.0	3.5	
ELECTRICITY AND GRID PURCHASES	128.1	118.9	
OTHER OPERATING EXPENSES	3.7	4.6	
INTEREST INCOME	5.9	6.8	
	30/9/2010	31/12/2009	
LOANS	223.2	226.2	
RECEIVABLES	139.0	40.2	
LIABILITIES	20.1	19.3	

As at 30 September 2010, loans to interests accounted for using the equity method include a long-term loan of € 183.0 million running until 2023 (31 December 2009: € 185.8 million) to POWEO Pont-sur-Sambre Production S.A.S. The loan was used for pro rata construction finance of the gas and steam combination power plant in Pont-sur-Sambre. The power plant has been mortgaged as collateral for this loan.

As at 30 September 2010, receivables from interests accounted for using the equity method include receivables from POWEO S.A. (Group) of € 39.0 million (31 December 2009: € 5.8 million). These consist of the bridge loan for the construction of the gas and steam combination power plant in Toul in the amount of € 33.1 million (31 December 2009: € 0.0 million) and receivables from electricity sales and from interest income from the above loan.

As at 30 September 2010, liabilities to interests accounted for using the equity method include liabilities to POWEO S.A. (group) of € 5.1 million (31 December 2009: € 6.5 million). These result from an off-take agreement running until 2025 for 40 % of the electricity generated in Pont-sur-Sambre.

Energy supply to the Republic of Austria was € 0.04 million in quarters 1-3/2010 (quarters 1-3/2009: € 0.3 million). Energy supply to companies controlled or significantly influenced by the Republic of Austria was € 61.0 million in quarters 1-3/2010 (quarters 1-3/2009: € 74.1 million). In quarters 1-3/2010, these electricity sales were compensated by electricity purchases from companies controlled by the Republic of Austria in the amount of € 22.0 million (quarters 1-3/2009: € 21.9 million).

Expenses for supervision by E-Control came to € 7.4 million in quarters 1-3/2010 (quarters 1-3/2009: € 7.0 million).

Effective 15 October 2010, on capital increase was carried out at Turkish Enerjisa Enerji Üretim A.S. VERBUND's 50 % share in this capital increase was € 25.0 million.

EVENTS AFTER THE BALANCE
SHEET DATE

Effective 15 October 2010, a capital increase was implemented at the Albanian Energji Ashta Shpk. VERBUND's 50 % share in this capital increase was € 16.0 million.

The market value of POWEO S.A. (Group) on 18 October 2010 was € 8.33 per share.

On 1 October 2010 and 7 October 2010, POWEO Production S.A.S. utilised further tranches of the credit facility provided by VERBUND in the amount of € 38.7 million in total (see contingent liabilities). Effective 19 October 2010, an agreement for construction finance in the amount of € 185.0 million for the gas and steam combination power plant in Toul was concluded between POWEO Toul Production S.A.S. and a German-Austrian banking syndicate. Thus, the bridge loan can be repaid by no later than November 2010 in line with planning. VERBUND AG will assume a financial guarantee for the 15-year syndicated loan, for which POWEO Toul Production S.A.S. must provide a senior mortgage as collateral within four weeks in the form of the power plant under construction.

Vienna, 19 October 2010

The Managing Board

DI Wolfgang Anzengruber
Chairman
of the Managing Board

Dr. Johann Sereinig
Deputy Chairman
of the Managing Board

Dr. Ulrike Baumgartner-Gabitzer
Member
of the Managing Board

DECLARATION OF THE LEGAL REPRESENTATIVES

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

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

Vienna, 19 October 2010

The Managing Board

DI Wolfgang Anzengruber
Chairman
of the Managing Board

Dr. Johann Sereinig
Deputy Chairman
of the Managing Board

Dr. Ulrike Baumgartner-Gabitzer
Member
of the Managing Board

TRANSLATION OF THE REPORT ON THE REVIEW OF THE INTERIM FINANCIAL REPORT AS OF SEPTEMBER 30, 2010

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

INTRODUCTION

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

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

The execution of this engagement and our responsibility, also in relation to third parties, shall be governed, as agreed by signing the engagement letter, by the general conditions of contract for the public accounting professions as issued by the Austrian Chamber of Public Accountants and Tax Advisors dated March 8, 2010 and March 22, 2010 respectively. Our liability for negligence is agreed to be limited to € 12 million. This total maximum liability cap may only be utilized up to its maximum amount even if there is more than one claimant or more than one claim has been asserted.

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

SCOPE OF REVIEW

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

CONCLUSION

TRANSLATION OF THE STATEMENT ON THE INTERIM GROUP MANAGEMENT REPORT

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

Vienna, October 19, 2010

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Gerhard Marterbauer
(Austrian) Certified Public Accountant

Mag. Maximilian Schreyvogel
(Austrian) Certified Public Accountant

This English translation of the review report and the statement was prepared for the client's convenience only. It is no legally relevant translation of the German review report.

IMPRINT

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Design:

AHA design / planetx

Imagephoto and Photo-Artwork:

Severin Wurnig

Printed by:

Manz Crossmedia GmbH & Co KG

