Interim Report
1st Quarter of 2006/2007

1 October 2006 – 31 December 2006

06/07

MVV Energie

Key Figures

1 October 2006 – 31 December 2006

MVV Energie Group[1] Euro million	**2006/2007**	2005/2006 adjusted [2]	2005/2006	% change adjusted [2]	% change
External sales[3]	582	551	551	+ 6	+ 6
EBITDA	104	109	109	– 5	– 5
EBITA	69	77	77	– 10	– 10
EBIT	69	77	77	– 10	– 10
EBT	43	56	61	– 23	– 30
Net surplus for the period	26	29	35	– 10	– 26
Net surplus for the period after minority interests	21	26	29	– 19	– 28
Earnings[3] per share[4] in Euro	0.38	0.48	0.54	– 21	– 30
Cash flow pursuant to DVFA/SG	63	61	66	+ 3	– 5
Cash flow per share[5] pursuant to DVFA/SG in Euro	1.14	1.15	1.25	– 1	– 9
Free cash flow[6]	75	– 40	– 35	—	—
Total assets (as of 31. 12.)	3 182	3 153	3 131	+ 1	+ 2
Equity (as of 31. 12.)	865	858	976	+ 1	– 11
Investments[7]	54	49	49	+ 10	+ 10
Number of employees[8]	6 728	6 456	6 456	+ 4	+ 4

[1] in accordance with International Financial Reporting Standards (IFRS)

[2] previous year's figures adjusted by statement of initial put option at Stadtwerke Kiel AG

[3] excluding energy taxes

[4] in accordance with IAS 33

[5] increase in number of shares (weighted quarterly average) from 53.3 million to 55.8 million as a result of capital increase

[6] cash flow from operating activities less investments in intangible assets, property, plant and equipment and investment property

[7] investments in intangible assets, property, plant and equipment, investment property, as well as payments for the acquisition of fully and proportionately consolidated companies and other financial assets

[8] including external personnel at Mannheim waste-to-energy plant of MVV Energie AG

Contents

06/07

Overview of Developments at the Company

Events of significance in the 1st quarter of 2006/2007 1 October 2006 – 31 December 2006

Highlights in the 1st Quarter

- Dividend increase proposed
- Notable successes in sale of electricity and energy-related services
- Unusually mild weather conditions

Profitable growth in 2005/06 financial year

On 14 November 2006 we published preliminary key figures for the 2005/06 financial statements. The MVV Energie Group achieved double-digit growth for all key earnings figures in the 2005/06 financial year. We took a major step in this financial year towards achieving further profitable growth in future.

In view of the improvement in the company's operating earnings power, in December 2006 the Executive and Supervisory Boards of MVV Energie AG decided to propose an increase in the dividend from Euro 0.75 to Euro 0.80 per share for approval by the Annual General Meeting to be held on 9 March 2007.

Shared service companies from 1 October 2006

The joint subsidiaries founded by MVV Energie AG and its shareholdings – 24/7 Netze GmbH, Mannheim, 24/7 IT-Service GmbH, Kiel, 24/7 Metering GmbH, Offenbach, 24/7 United Billing GmbH, Offenbach and 24/7 Trading GmbH, Mannheim – largely commenced operations as of 1 October 2006. The pooling of internal services will enable us to tap considerable synergy potential and to strengthen our group of companies for future competition.

Expansion of market position in Czech Republic

In December 2006, MVV Energie AG acquired a 70 % shareholding in the Czech district heating company Teplárna Liberec and in three further district heating systems in neighbouring towns. The Czech antitrust authority approved the acquisition with effect from 1 January 2007. This step will enable our group of companies to increase its annual sales in this target market by around 50 % from their current level of Euro 48 million.

Notable success in nationwide sale of electricity in Germany

In October 2006, the Federal Armed Forces (Bundeswehr) commissioned MVV Energie AG to supply electricity to 430 points in the Military District Administration West. The supply agreement begins in 2007 and has an initial term of three years. MVV Energie AG was awarded this contract with its innovative "Electricity Fund" product even though tenders had been invited from across Europe.

MVV Energie AG and the Metro Group signed an "Electricity Fund" agreement in December 2006. This requires MVV Energie AG to supply electricity to a total of 370 locations of the Metro Group in Germany starting in 2008. The supply agreement has a sales volume of approx. Euro 56 million per year. With around 270 000 employees, the Metro Group is the world's third-largest retail group.

New acquisitions in energy-related services business

MVV Energiedienstleistungen GmbH acquired 100 % of the shares in Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS) with effect from 1 October 2006. IGS provides all utility and infrastructure services to the twelve companies based at the location in Gersthofen near Augsburg.

DECON GmbH and MVV Consulting GmbH, two wholly-owned subsidiaries of the fully consolidated company MVV Energiedienstleistungen GmbH, acquired new consulting orders with a volume of more than Euro 10 million during the quarter under report. These orders focus on Tanzania, Egypt, Kenya, Serbia-Montenegro and Rumania.

Business Performance

Economic framework

The substantial growth of the German economy, which according to the Federal Statistics Office led to price-adjusted GDP growth of 2.5 % in 2006, is continuing apace. However, economic developments are generally of less significance to the business performance of the MVV Energie Group than weather conditions in the winter months.

The quarter under report was characterised by unusually mild temperatures, which averaged 9 degrees Celsius and thus exceeded the statistical mean by 4 degrees. At the Mannheim location, the degree days figure, an indicator of heating requirements, was 19 % lower than the equivalent figure for the previous year.

The mild temperatures and other factors led international primary energy prices to ease slightly. The price of Brent crude oil amounted to $ 60.86 per barrel at the end of 2006, while it had still amounted to $ 78.15 per barrel in August 2006. Electricity prices on the EEX German electricity exchange also declined at the end of the quarter under report. Due to mild temperatures and high volumes of wind energy input, average spot market prices for base loads fell to Euro 44.67/MWh towards the end of 2006.

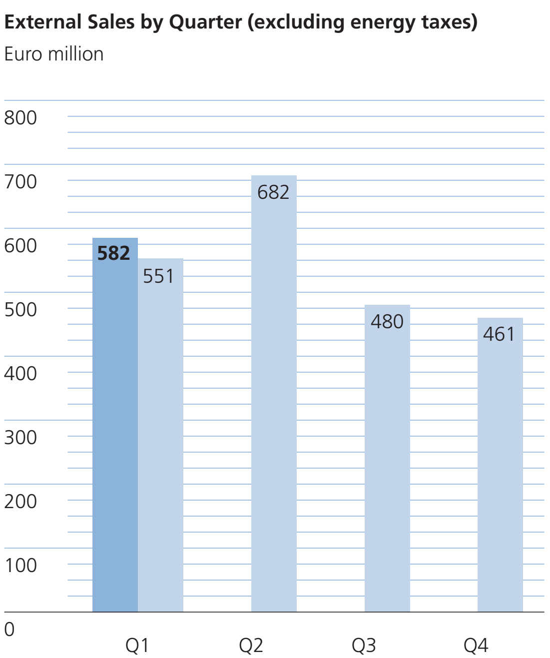
Energy policy

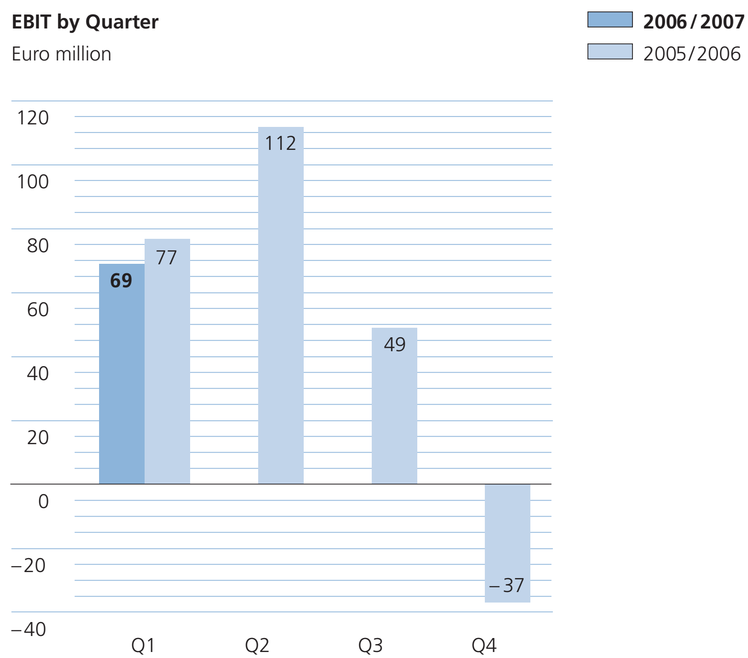
A series of legislative proposals intended to enhance competition on the energy market were discussed on German and European levels during the quarter under report. The Federal Ministry of Economics (BMWi) still plans to tighten up antitrust legislation to exclude any possibility of market abuse on the part of dominant market players. It is planned to introduce cost-based reviews of energy prices, which could also impact on the MVV Energie Group. This kind of state intervention in price structures is criticised by competition experts.

Moreover, in December 2006 the BMWi presented initial key points concerning the structuring of incentive regulation, which according to the information included therein is only expected to come into effect at the beginning of 2009. The existing legislation provides for an earlier system change to incentive regulation by early 2008.

On a European level, the EU Commission presented a new energy package on 10 January 2007. Alongside numerous further measures included in the package, the EU Commission also gives consideration to ownership unbundling. The extent to which the Council of Ministers and European Parliament will endorse these proposals remains to be seen.

The negotiations still underway upon the publication of this report between the Federal Government and the EU Commission concerning the allocation of CO_2 certificates for the second phase of EU-wide emissions trading confront the German energy industry with considerable uncertainty. It currently remains to be seen how many CO_2 certificates will be allocated to existing and new plant for the period from 2008 to 2012. The MVV Energie Group is actively participating in the discussions surrounding energy policy, contributing its own proposals for achieving greater competition and effective grid regulation.





Earnings performance of the MVV Energie Group

Our group of companies increased its **external sales** by 7 % to Euro 619 million in the 1st quarter of 2006/07 despite the marked downturn in volumes due to unusually mild outdoor temperatures. Following the deduction of the electricity and gas tax of Euro 37 million (previous year: Euro 28 million) charged on to customers, sales grew by 6 % to Euro 582 million. This growth is primarily attributable to the electricity and value-added services segments, which are less affected by weather conditions. In the district heating and gas segments, the price adjustments introduced as of 1 October 2006 as a result of the rise in procurement costs offset part of the volume-related downturn in sales. The sales of the value-added services segment for the 1st quarter of 2006/07 include Euro 20 million resulting from the initial consolidation of new companies (please see value-added service segment). Germany accounted for 96 % of the total sales of the MVV Energie Group during the quarter under report, while 4 % of sales were attributable to our foreign companies.

In the interests of comparability, the figures reported for some items in the income statement in the previous year have been retrospectively adjusted to the IFRS (International Financial Reporting Standards) requiring mandatory application for the first time in the interim financial statements for 2006/07. Information on these amendments has been provided in the notes to the interim financial statements for the 1st quarter of 2006/07 (from Page 25).

Capitalised own-account services showed a year-on-year reduction of Euro 6 million, mainly as a result of changes in inventories in connection with the completion and settlement of the Leuna I non-recyclable waste incineration plant in the previous year. *Other operating income* rose by Euro 8 million to Euro 27 million mainly as a result of items requiring valuation in connection with the application of IAS 39 (2004) and of income from the release of a debit difference (badwill) relating to the initial consolidation of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG.

On the expenses side, the rise in *cost of materials* is mainly due to higher costs for materials and third-party services. In the field of procurement we further expanded our procurement network at the locations in Mannheim, Kiel, Offenbach, Ingolstadt and Solingen. This successful cooperation has resulted in the smooth assumption of procurement activities for the newly established shared service companies at the various locations.

Personnel expenses showed a year-on-year increase of Euro 12 million to Euro 81 million. This increase is mainly due to provisions stated at the Kiel location (Euro 9 million), chiefly in connection with the socially responsible reduction of personnel, as well as to additions resulting from the initial full consolidation of shareholdings.

The inclusion of new companies also led *other operating expenses* to increase. Moreover, the rise in this item is also attributable to factors relating to the application of IAS 39 (2004). This standard also requires pending energy trading transactions intended to secure market prices to be recorded as financial instruments. By analogy with the treatment of external sales, we have reported other operating expenses net of energy taxes for the first time. The previous year's figure has been adjusted accordingly.

Earnings before interest, tax, depreciation and goodwill amortisation (EBITDA) showed a year-on-year decline of Euro 5 million to Euro 104 million. After depreciation and amortisation, our group of companies generated **operating earnings before interest and tax (EBIT)** of Euro 69 million in the 1st quarter of 2006/07, compared with Euro 77 million in the previous year.

The decline in earnings is principally due to weather-related volume downturns in the district heating and gas segments, as well as to the statement of personnel provisions, especially at the Kiel subgroup.

The financing expenses reported for the quarter include expenses of Euro 13 million resulting from the revised version of IAS 32 (2003), which required mandatory retrospective application for the first time at our Group as of 31 December 2006 for the put options held by the City of Kiel in connection with the minority shareholding in Stadtwerke Kiel AG. In the interests of comparability, it was necessary to make retrospective adjustments to the financing expenses stated in the quarterly report for the past 2005/06 financial year (Euro – 5.9 million). This led to corresponding amendments to the figures reported in the previous year for all subsequent earnings figures and for the share of earnings allocable to third parties (Euro – 2.5 million).

Earnings before tax (EBT) amounted to Euro 43 million in the quarter under report, compared with Euro 56 million in the previous year (adjusted). Taxes on income decreased from Euro 27 million (adjusted) in the previous year to Euro 17 million. This decline is chiefly due to the lower level of earnings and to the one-off collection of corporate income tax credits as of 31 December 2006.

After taxes on income and the share of the net surplus allocable to minority shareholders, the MVV Energie Group reported a **net surplus for the period after minority interests** (share of net income allocable to shareholders in MVV Energie AG) of Euro 21 million in the 1st quarter of 2006/07, compared with Euro 26 million in the previous year (adjusted).

On this basis, the MVV Energie Group generated **earnings per share** pursuant to IAS 33 of Euro 0.38 in the 1st quarter of 2006/07, compared with Euro 0.48 in the 1st quarter of 2005/06 (adjusted). It should be noted in this respect that, mainly as a result of the capital increase in November 2005, the number of shares has increased from 53.3 million to 55. 8 million (weighted quarterly average).

Earnings performance of major shareholdings

Prior to consolidation, our German municipal utility and foreign district heating shareholdings generated sales of Euro 283 million (previous year: Euro 272 million) and operating earnings (EBIT) of Euro 30 million (previous year: Euro 38 million) in the 1st quarter of 2006/07. All companies with operations in the district heating and gas businesses suffered volume downturns due to weather conditions.

Moreover, the earnings performance of MVV Energie AG and the respective shareholdings was affected in the 1st quarter of 2006/07 by the transfer of internal services to the shared service companies, which commenced operations as of 1 October 2006. The initial full consolidation of 24/7 Netze GmbH, Mannheim and 24/7 Metering GmbH, Offenbach, led to structural changes at MVV Energie AG and at the municipal utility shareholdings affected. However, these did not as yet impact on the earnings of the MVV Energie Group during the quarter under report.

Sales at **Stadtwerke Kiel AG** showed a year-on-year increase of 1 % to Euro 101 million. Operating earnings (EBIT) fell by Euro 7 million to Euro 6 million. The decline in earnings is attributable to weather-related volume downturns, as well as to one-off charges resulting from the statement of provisions for the socially responsible reduction of personnel. These factors were countered by improved earnings contributions from the value-added services business. As well as implementing sustainable cost-saving measures, the Kiel shareholding is continuing to focus on growth. Notable sales successes were achieved at medium-sized companies in Greater Hamburg and in Bad Schwartau with novel electricity products.

Sales at **Energieversorgung Offenbach AG (EVO)** rose by 12 % to Euro 96 million. This increase is chiefly due to the value-added services and waste businesses. This growth was supplemented by restructuring success, enabling operating earnings (EBIT) to improve by Euro 3 million to Euro 13 million.

The weather-related downturn in gas turnover was the principal cause for the year-on-year decline in operating earnings (EBIT) by Euro 1 million to Euro 3 million at the proportionately consolidated shareholding in **Stadtwerke Solingen GmbH (SWS)**. Sales rose by 3 % to Euro 28 million, mainly as a result of increased electricity revenues. SWS intends to implement cost-saving measures and prioritise investments to counter the weather-related downturn and the reduction in earnings expected from the still outstanding grid utilisation fee assessment notices.

Sales at **Stadtwerke Ingolstadt Beteiligungen GmbH (SWI)** showed year-on-year growth of 11 % to Euro 28 million. The rise in sales in the electricity and value-added services businesses more than compensated for the weather-related downturn in gas turnover with private customers. SWI did not pass on the rise in gas procurement prices in full on the sales side. As a result and due to the weather-related loss of gas turnover, operating earnings (EBIT) witnessed a year-on-year decline of almost Euro 1 million to Euro 3 million. Following the launch of the "Electricity Fund", SWI successfully acquired its first customers for this product during the quarter under report. A new energy logistics tool is intended to improve the processing of sales data and thus to help to optimise work processes.

Sales at **Köthen Energie GmbH** dropped by 6 % to Euro 4 million. The price adjustments which had become necessary as a result of increasing procurement costs and growth in the value-added services business were insufficient to offset the downturn in volumes in the gas and district heating businesses due to weather conditions. Operating earnings (EBIT) fell to Euro 0.5 million (previous year: Euro 0.9 million). New contracting projects are about to be concluded.

Mainly as a result of price adjustments, sales at our **Czech subgroup** showed year-on-year growth of 2 % to reach Euro 15 million. The weather-related decline in district heating turnover resulted in a downturn in earnings at this subgroup as well. These were the main reasons for the decline in EBIT by Euro 1 million to around Euro 4 million in the 1st quarter of 2006/07.

The reduction in district heating turnover chiefly due to weather conditions meant that sales at our **Polish subgroup** fell to Euro 11 million, a decline of Euro 4 million (27 %) on the equivalent quarter in the previous year. Operating earnings (EBIT) dropped by Euro 0.3 million compared with the first quarter of the previous year to Euro 1 million. Underlying conditions in the Polish district heating market have become more difficult as a result of the political changes in the past year.

Balance sheet

Apart from some new regulations requiring mandatory application in financial years starting on or after 1 January 2006, the accounting and valuation methods applied in the interim financial statements of the MVV Energie Group as of 31 December 2006 largely correspond to those applied in the consolidated financial statements as of 30 September 2006. The amendments compared with the previous year's interim financial statements as of 31 December 2005 primarily relate to the initial statement of the Kiel put option and the statement of CO_2 emissions certificates. In the interests of comparability, corresponding retrospective amendments have been made to the previous year's figures. Further information has been provided in the notes to the interim financial statements for the 1st quarter of 2006/07 starting on Page 25 of this report.

The *total assets* of the MVV Energie Group rose slightly from Euro 3.15 billion at the balance sheet reporting date (30 September 2006) to Euro 3.18 billion as of 31 December 2006. Property, plant and equipment showed a net increase of Euro 34 million to Euro 1.90 billion following investments and additions and depreciation resulting from the initial full consolidation of shareholdings. *Long-term assets* rose from Euro 2.36 billion to Euro 2.40 billion.

The development of *short-term assets* was affected on the one hand by an increase in accounts receivable and cash and cash equivalents and on the other by a reduction in other assets. The rise in accounts receivable is chiefly due to increased volumes in the nationwide supply of electricity and to the increase in energy prices as of 1 October 2006. The decline in other assets is mainly the result of a decline in market prices, which affected both other assets and short-term other liabilities on the liabilities side in the context of the valuation of energy trading transactions pursuant to IAS 39 (2004).

Mainly as a result of the earnings performance, *shareholders' equity* rose to Euro 865 million, an increase of Euro 28 million on 30 September 2006. *Long-term debt* rose, primarily due to increased provisions and deferred tax liabilities, by Euro 17 million to Euro 1.38 billion. This was countered by a decline of Euro 15 million in *short-term debt*, principally as a result of lower financial liabilities. The equity ratio showed a slight increase from 26.5 % as of 30 September 2006 to 27.2 %.

Cash flow

The cash flow based on DVFA/SG increased from Euro 61 million (adjusted) in the first quarter of the previous year to Euro 63 million. This increase is mainly attributable to non-cash expenses, such as increased depreciation and the statement of provisions for early retirement.

The cash flow from operating activities rose from Euro 8 million (adjusted) in the first quarter of the previous year to Euro 109 million. In the previous year, the cash flow from operating activities had been negatively affected both by price increases and by a higher level of seasonal and invoicing-related factors. In the year under report, the cash flow was positively affected by the substantial rise in tax liabilities compared with tax receivables as a result of the change in the VAT fiscal unity as of 1 October 2006 (please see Financial position on Page 10).

Following the deduction of investments of Euro 34 million in intangible assets, property, plant and equipment and investment property (previous year: Euro 47 million), the high level of cash flow from operating activities resulted in a positive free cash flow of Euro 75 million, compared with a negative free cash flow of Euro – 40 million (adjusted) in the previous year. Of the cash flow for investing activities, around Euro 18 million related to investments in expansion and growth, which will only generate inflows of funds in subsequent years.

The taking up of loans and the outflow of funds for loan repayments in the quarter under report resulted in a negative cash flow of Euro – 42 million from financing activities. At Euro 34 million (adjusted), the cash flow from financing activities had been positive in the first quarter of the previous year, notably as a result of the inflow of funds from the capital increase. The detailed cash flow statement can be found on Page 24 of the interim report.

Investments

The MVV Energie Group invested a total of Euro 54 million in the 1st quarter of 2006/07 (previous year: Euro 49 million). Of this sum, Euro 34 million was invested in intangible assets, property, plant and equipment and investment property (previous year: Euro 47 million) and Euro 20 million in financial assets and the acquisition of fully consolidated companies (previous year: Euro 2 million).

The investments made in intangible assets, property, plant and equipment and investment property mainly involved optimising supply facilities and distribution grids at MVV Energie AG, its shareholdings in Kiel, Offenbach, Solingen, Ingolstadt, and Köthen and its district heating companies in Poland and the Czech Republic. Work continued at the Kiel subgroup on the construction of a third gas cavern and in Köthen on the direct and storage pipe link to the European long-distance grid. Investments in our high-growth environmental energy segment focused on the construction of the second incineration line at the Leuna II waste-to-energy plant.

Investments in financial assets chiefly involved the acquisition of new shareholdings in the energy-related services business.

Financial position

Long-term and *short-term financial liabilities* fell by Euro 41 million (3 %) compared with the previous year to Euro 1.39 billion. The net financial liabilities (financial liabilities less cash and cash equivalents) of the MVV Energie Group decreased by 5 % to Euro 1.25 billion during the quarter under report.

Accounts payable rose compared with 30 September 2006, mainly as a result of the substantial increase in volumes in the nationwide sale of electricity and of price adjustments.

The decline in *other liabilities* is due to the valuation of energy trading transactions pursuant to IAS 39 (2004). This has mainly been affected by reduced market prices and the discontinuation of pending transactions already fulfilled by supplies as of 31 December 2006.

Tax liabilities rose from Euro 15 million at 31 December 2005 to Euro 43 million. This item contains VAT liabilities of Euro 34 million for the first time as of 31 December 2006, given that MVV Energie AG has acted as the fiscal parent of other companies in the MVV Energie Group for VAT purposes since 1 October 2006.

Segment reporting

In line with the separation of grids from sales and generation required by law (legal unbundling), with effect from 1 October 2006 MVV Energie AG, Energieversorgung Offenbach AG (EVO) and Gasversorgung Offenbach GmbH leased their grids and facilities involved in the supply of electricity, district heating, gas and water to 24/7 Netze GmbH, which manages, operates and maintains these facilities. 24/7 Netze GmbH is a joint subsidiary of MVV Energie AG and EVO and operates the grids of all divisions. This has resulted in structural changes at individual companies and, within the companies, in individual items in their income statements.

External Sales of the MVV Energie Group by segment

1st Quarter, 1.10. – 31.12.

Euro million	**2006/2007**	2005/2006	% change
Electricity[1]	263	230	+ 14
District heating	76	84	– 10
Gas[2]	111	131	– 15
Water	25	25	—
Value-added services	57	27	+ 111
Environmental energy	47	49	– 4
Other/consolidation	3	5	– 40
	582	551	+ 6

[1] excluding electricity tax

[2] year under report: excluding gas tax (Euro 11 million); previous year: including gas tax (Euro 20 million) prior to legislative amendment of tax liability attribution on 1 August 2006 (arithmetic calculation)

Electricity segment – sales growth, reduced EBIT

External sales in the electricity business rose by Euro 33 million (+ 14 %) to Euro 263 million in the 1st quarter of 2006/07. This increase is chiefly attributable to MVV Energie AG, which reported substantial volume growth in nationwide electricity sales. Moreover, part of the sales growth is due to price adjustments in the nationwide sale of electricity and in trading volumes at MVV Energie AG.

The turnover reported in the electricity segment (excluding electricity turnover in the environmental energy and value-added services segments) rose by 0.8 billion kWh (+ 18 %) compared with the first quarter of the previous year to 5.4 billion kWh. This growth mainly related to the wholesale electricity and secondary distribution businesses. Growth was also achieved in the electricity sold by our group of companies in the retail business with end customers (private, industrial and commercial customers), where volumes rose by 0.1 billion kWh (+ 6 %) to 2.4 billion kWh.

In the 1st quarter of 2006/07, MVV Energie AG supplied a volume of 169 million kWh to 87 medium-sized industrial and commercial customers via its "Electricity Fund" product. Electricity Fund volumes of 1.9 billion kWh (195 customers) and 2.6 billion kWh (219 customers) have already been acquired for the 2007 and 2008 calendar years respectively. This new product is now also being marketed via our shareholdings in Offenbach, Kiel, Köthen and Ingolstadt (from 1 January 2007).

Operating earnings (EBIT) in the electricity segment showed a year-on-year decline of Euro 4 million to Euro 6 million. This decline is mainly attributable to the Kiel and Offenbach subgroups. Earnings in Kiel were affected by proportionate charges relating to personnel provisions. At Energieversorgung Offenbach (EVO), the rejection or reduction of the level of electricity prices submitted for approval has led to a downturn in margins. The increase in procurement costs arising in spite of our risk-minimising procurement strategy could not be charged on in full on the sales side. These factors more than offset the positive impact of our cost-saving measures.

Sales Volumes
of the MVV Energie Group[1]

1st Quarter, 1.10. – 31.12.	2006/2007	2005/2006	% change
Electricity in kWh million	5515	4608	+ 20
of which wholesale in kWh million	3034	2360	+ 29
of which retail in kWh million	2481	2248	+ 10
District heating[2] in kWh million	1838	2345	– 22
Gas in kWh million	2964	3606	– 18
Water in m³ million	13.4	13.7	– 2
Combustible waste delivered in tonnes 000s	332	318	+ 4

[1] total sales volumes of all segments
[2] correction in previous year's figure

District heating segment – affected by weather conditions

Sales volumes in the district heating segment, excluding volumes reported under environmental energy and value-added services, fell by 22 % to 1.57 billion kWh. This was due to a downturn in volumes at all companies with district heating operations on account of the milder temperatures. Of the total district heating turnover during the quarter under report, 28 % related to our foreign activities in the Czech Republic and Poland. The weather indicator which we use (degree day figures) was 19 % below the equivalent figure for the previous year during the quarter under report and 22 % below the long-term average for the period.

Segment sales amounted to Euro 76 million, equivalent to a year-on-year decline of 10 %. The charging on of the increase in procurement prices resulting from oil and coal prices developments on the sales side was insufficient to compensate for the weather-related decline in sales.

Operating earnings (EBIT) in the district heating segment fell by Euro 2 million to Euro 24 million (– 8 %) during the quarter under report. This decline is chiefly due to the downturn in sales as a result of weather conditions.

Gas segment – affected by weather conditions and one-off item at Kiel subgroup

The gas business was affected not only by mild temperatures, but also by a downturn in the secondary distribution business as a result of competitive factors. Overall, sales volumes in the gas segment, excluding the volumes reported in the value-added services segment, were 20 % down on the equivalent figures for the previous year. Our shareholdings in Ingolstadt and Solingen reported less severe declines as a result of their supplies of process gas to industrial customers, which are not dependent on weather conditions.

External sales fell from Euro 131 million in the first quarter of the previous year to Euro 111 million (– 15 %). This decline was chiefly due weather-related volume reductions. The price adjustments introduced by our companies were insufficient to pass on in full the rise in procurement prices driven by the development of the oil price and by high demand on international energy markets, both of which factors lie outside our control.

This is reflected in the development of the margin (external sales less procurement costs) which, following adjustment for the impact of gas tax on both sides, fell compared with the 1st quarter of the previous year. The decline in the margin accounted for around half of the decline in operating earnings (EBIT) by Euro 11 million to Euro 7 million in the 1st quarter of 2006/07. Moreover, earnings in the gas segment were also proportionately affected by expenses incurred at the Kiel subgroup in connection with the statement of personnel provisions.

EBIT of the MVV Energie Group by segment

1st Quarter, 1. 10. – 31. 12.

Euro million	**2006/2007**	2005/2006	% change
Electricity	6	10	– 40
District heating	24	26	– 8
Gas	7	18	– 61
Water	2	5	– 60
Value-added services	9	1	+ 800
Environmental energy	21	17	+ 24
Other/consolidation	—	—	—
	69	77	– 10

Water segment – seasonal factors

Sales volumes fell by 2 % compared with the same quarter in the previous year, with all municipal utility companies reporting virtually the same rate of decline. At Euro 25 million, sales in the water segment were nevertheless at the same level as in the previous year as a result of price adjustments.

Segment operating earnings (EBIT) dropped by Euro 3 million compared with the first quarter of the previous year. This decline is chiefly due to an increase in other expenses and higher allocations. Both of these factors had a disproportionate impact on the earnings for the 1st quarter, which were comparatively weak due to seasonal factors. The business performance of the water segment is mainly dependent on developments in the summer months.

In the interests of optimally exploiting synergy effects, water grids and water production activities in Mannheim have been transferred along with district heating grids to the spun-off company 24/7 Netze within the framework of the implementation of the unbundling measures required by the Energy Act (EnWG) for the electricity and gas divisions.

Environmental energy segment – cost savings

Sales in the environmental energy segment amounted to Euro 47 million, equivalent to a decline of Euro 2 million on the first quarter of the previous year. This is principally due to the expiry of a major steam supply agreement and to a downturn in sales due to scheduled inspection measures. Having been undertaken at a later date in the previous year, these were carried out in the first quarter of the current year. These factors more than offset the higher sales resulting from the rise in waste volumes. Growth rates in this area declined on account of the high level of sales in the previous year (base effect). The figures for the 1st quarter of 2005/06 had already accounted in full for the positive market developments following the entry into force of the Technical Guidelines for the Disposal of Municipal Solid Waste (TASi) at the waste-to-energy plants in Mannheim and Offenbach and the first sales at the Leuna I non-recyclable waste incineration plant.

Operating earnings (EBIT) rose by 24 % to Euro 21 million in the 1st quarter of 2006/07. This substantial growth is due in particular to savings generated by lower procurement and input materials costs.

Value-added services segment

Sales in the value-added services segment more than doubled compared with the previous year, rising by Euro 30 million to Euro 57 million. This growth is mainly due to the MVV Energiedienstleistungen subgroup, where sales jumped from Euro 23 million in the equivalent quarter in the previous year to Euro 47 million. This was chiefly due to substantial growth in the municipal and industrial contracting business, as well as in the subgroup's national and international consulting activities. Of these sales, around Euro 20 million related to companies fully consolidated for the first time, and in particular to MVV Energiedienstleistungen GmbH Berlin (previously IVB Immobilien Versorgung GmbH Berlin), Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS) and the consulting subsidiary DECON GmbH. Moreover, this segment also includes the value-added services business of the municipal utility shareholdings in Kiel, Offenbach, Ingolstadt and Köthen, where sales rose by Euro 6 million in the first quarter of the previous year to Euro 12 million. This increase is primarily due to the initial inclusion of the shared service company 24/7 United Billing GmbH in the value-added services segment at EVO.

Operating earnings (EBIT) in the value-added services segment showed a year-on-year improvement from Euro 1 million to Euro 9 million. This figure includes one-off income (Euro 6 million) from the inclusion of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG. A sum of Euro 3 million relates to the value-added services business at the municipal utility shareholdings.

We intend to achieve further organic growth in the dynamic market for energy-related services, while also aiming to generate external growth by acquiring companies or shareholdings as and when opportunities arise.

Research and Development

As planned, in October 2006 we launched the first practical trials for an innovative house energy plant. This is intended to extend our knowledge of innovative energy-related services and to support the market launch of new technologies. The gas-driven plant works on the principle of cogeneration, simultaneously generating heating energy and electricity. The plant is being installed and operated at private customers of the MVV Energie Group across Germany.

The potential for the further expansion of cogeneration-based district heating is to be investigated within the framework of a comprehensive district heating study, with a long-term master plan being compiled for the exploitation of such potential. Alongside MVV Energie AG, the municipal utility companies in Heidelberg, Ludwigshafen, Schwetzingen and Viernheim are project partners with equal rights, as is Grosskraftwerk Mannheim.

Personnel Totals	**2006/2007 31.12.2006**	2005/2006 30.9.2006	2005/2006 31.12.2005	Change on 31.12.2005
MVV Energie AG [1]	1 555	1 569	1 654	– 99
Fully consolidated shareholdings	3 560	3 156	3 165	+ 395
MVV Energie AG with fully consolidated shareholdings	**5 115**	**4 725**	**4 819**	**+ 296**
Proportionately consolidated shareholdings	1 563	1 562	1 580	– 17
MVV Energie Group [2]	**6 678**	**6 287**	**6 399**	**+ 279**
External personnel at Mannheim waste-to-energy plant	50	51	57	– 7
	6 728	**6 338**	**6 456**	**+ 272**

[1] including 58 employees of MVV RHE AG (previous year: 62)

[2] including 446 trainees (previous year: 302)

Employees

The total number of personnel at the MVV Energie Group (including external personnel at Mannheim waste-to-energy plant) rose by 272 employees overall compared with 31 December 2005 to reach 6 728 as of 31 December 2006. The largest share of this increase related to Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS), which was fully consolidated for the first time, and to DECON Deutsche Energie-Consult Ingenieurgesellschaft mbH.

The decline in personnel witnessed at MVV Energie AG is principally due to the spin-off of MVV Energiedienstleistungen GmbH, which is now recorded under fully consolidated companies, and to the scheduled implementation of the FOKUS efficiency enhancement programme. The selection procedure for the "Optimisation of operating processes" project concerning the filling of positions in the technical divisions was completed in December 2006. The surplus capacities are to be reduced in a socially responsible manner in the coming years. Personnel totals also declined at Energieversorgung Offenbach AG and Stadtwerke Kiel AG. We increased the number of personnel in our high-growth environmental energy and energy-related services divisions.

Executive Board

Karl-Heinz Trautmann, the member of the Executive Board of MVV Energie AG responsible for the sales, trading and environmental energy divisions, left the company at his own request as of 15 October 2006. His previous responsibility for sales has since been borne by the CEO, Dr. Rudolf Schulten, and that for the trading and environmental energy divisions by Dr. Werner Dub, a member of the Executive Board.

The MVV Energie AG Share

Performance Comparison of the MVV Energie AG Share (ISIN DE000A0H52F5)

Sharp rise in share price

Our share price showed marked growth of 46 % compared with the previous year (31 December 2005) to reach Euro 26.00. Accounting for the dividend distribution of Euro 0.75 per share, our performance over the same period even amounted to 51 %. The ongoing positive trend in the performance of our share since summer 2004 has therefore continued. The market capitalisation of MVV Energie AG amounted to around Euro 1 450 million as of 31 December 2006.

We see the rise in our share price as being mainly attributable to the pleasing earnings performance of the MVV Energie Group, which is also reflected in the figures released on 11 January 2007 for the past 2005/06 financial year. This trend is also likely to have been supported by the favourable overall climate on the stock exchange in Germany. Our share showed an above-average performance compared with the development of the SDAX (+ 31 %) and Prime Utilities (+ 30 %) indices over the same period. This is the first time since our IPO in 1999 that our share has outperformed its comparative indices over a one-year period. This development was also supported by the performance of the share price during the quarter under report. The period high amounted to Euro 26.50 in variable trading and the period low to Euro 22.23. With an equivalent volume of Euro 27 million, the volume of trades involving shares in MVV Energie AG rose by 3 % compared with the equivalent quarter in the previous year.

Following the end of the quarter under report, our share price reached a new all-time high of Euro 28.79 in variable XETRA trading on 6 February 2007.

Investor relations oriented towards capital market

We are convinced that the pleasing performance of our share price is due in part to the intensification of our activities in the field of investor relations and our professional communications with the financial markets. During the 1st quarter of 2006/07 we were involved in two road shows to Anglo-American investors in Edinburgh and London, as well as attending two international investors' conferences in Paris and Frankfurt am Main. We were accorded a very warm response by investors. The positive press coverage in major daily and financial newspapers also resulted in increased contacts with investors and in a better understanding of the equity story of MVV Energie AG.

Outlook

Events after the balance sheet date

Approvals for electricity grid fees

On 10 January 2007, the Federal Networks Agency cut the level of electricity grid fees submitted by Energieversorgung Offenbach AG (EVO) by 17 % retrospectively as of 1 January 2007. On 30 January 2007, MVV Energie AG received the approval notification for its electricity grid fees, in which the Federal Networks Agency cut the level of fees submitted by the company by 18 %. Consistent cost-saving measures in the past two years, which will have a positive impact in the coming years, have enabled the MVV Energie Group to prepare for the reduction in revenues in the grid division at an early stage.

Smooth execution of relocation

During the first two weekends of December 2006, around 500 employees at the Mannheim location moved from the office tower on Luisenring to the "Mannheimer Tor" office complex in the Augustaanlage. This move was logistically well prepared and ran smoothly. The office building on Luisenring is to be completely renovated over a period of 15 months.

Outlook

Future economic framework

Leading economic research institutes expect the positive development of the economy to continue in 2007 in spite of the VAT increase at the beginning of the year. Of greater significance for the ongoing business performance of the MVV Energie Group, however, is the question as to whether the mild weather conditions seen so far in the winter of 2006/07 will continue. These lead to lower heating energy requirements, particularly in private households.

Having persisted at very high levels into the second half of 2006, crude oil and gas prices have recently fallen significantly on the international procurement markets. It is nonetheless to be expected that procurement costs will remain high in 2007. At the end of 2006, futures market prices for base load electricity amounted to Euro 50/MWh for the 2007 calendar year and Euro 56.15/MWh for the 2008 supply year.

We expect to see a further intensification of competition in the energy sector and the pressure on costs already witnessed on account of the regulation of grid utilisation fees to increase even further in future.

Strategic alignment

Our business policy remains focused on achieving profitable growth. Our strengths in the core business of energy and water distribution in the private customer segment lie in our high brand awareness levels and the importance of our brands in the various local markets and grid regions of our municipal utility companies. In terms of our interregional industrial and commercial customer business, our advantages lie in our nationwide presence across all customer segments as a result of sales cooperation agreements within our municipal utility network and our company field sales employees across seven sales regions.

We will maintain electricity and gas price levels at the Mannheim location at around the national average. We passed on the rise in VAT as of 1 January 2007, but did not increase our net prices.

In the environmental energy segment, we expect to be able to continue to operate our non-recyclable waste incineration plants at full capacity in the 2006/07 financial year. Notable progress has been made on the construction of the second non-recyclable waste incineration plant Leuna II, so that operations can now be expected to commence earlier than scheduled (October 2007). We are closely monitoring developments in the waste market and are reviewing the viability of further possible shareholdings and locations for non-recyclable waste incineration plants.

We also intend to grow more rapidly than the market and to enhance our profitability in our energy-related services business. We see the real estate and housing industry as harbouring particularly good market opportunities. We have also improved our national and international market position in our consulting business.

Regulation

The Federal Ministry of Economics is currently working on an ordinance for a system of incentive regulation for grid utilisation fees, whose entry into force can be expected to increase the pressure on such fees. We expect this and the implementation of a competitive entry/exit system in the gas sector to intensify competition in the German electricity and gas markets. Given our longstanding experience of sales and trading, we view these additional challenges positively.

Further cost savings planned

The FOKUS efficiency enhancement programme in the administrative division at MVV Energie AG in Mannheim is running on schedule. We expect the re-organisation of the Technical Facility Management division, which we are implementing on schedule from January 2007, to generate additional savings at the Mannheim location. Within the framework of strict cost management, our Kiel shareholding already reached agreements with employees concerning part-time early retirement prior to the change in the legal framework. Moreover, the establishment of the five shared service companies has laid the foundation for exploiting further synergy potential and cost savings at the MVV Energie Group.

Expected earnings position

The introduction of cost-saving measures which will have a positive impact in the coming years means that we were early to prepare our group of companies for the increasing competition in the energy market and the decline in revenues in the grid division. At the same time, the expansion of our high-growth environmental energy and energy-related services divisions has made us more independent of the regulated markets.

In the current 2006/07 financial year, we are fully on target in those business divisions not affected by weather conditions. The unusually mild weather conditions will result in a downturn in sales and earnings in the district heating and gas businesses, which will also impact on the overall earnings of our group of companies for the 2006/07 financial year.

Expected financial position

In addition to organic growth, we also aim to achieve external growth in the coming years by acquiring shareholdings in further municipal utility companies and shareholdings in the environmental energy and energy-related services business fields. We will obtain the necessary capital with the capital increase of 18.2 % from existing authorised capital scheduled to be executed with subscription rights in the 1st half of 2007. The Supervisory Board of MVV Energie AG has commissioned the Executive Board to make all necessary preparations for the capital increase. Investments of Euro 278 million and Euro 199 million have so far been budgeted for the 2006/07 and 2007/08 financial years respectively. These investments will focus on the high-growth environmental energy and value-added services segments. In Mannheim, we are planning the construction of a new waste-fired boiler no. 6 to replace older waste-fired boilers. We expect this to enhance the economic effectiveness and competitiveness of the waste-to-energy plant in Mannheim. The order is scheduled to be assigned in spring 2007, with operations commencing in autumn 2009.

Future research and development

The activities of our R&D division are to be aligned more closely to our overall corporate strategy and to market challenges. The focuses of these activities will include the efficient supply of heating and cooling energy, decentralised and regenerative energy supply structures and the intelligent integration of decentralised energy input sources into the grid.

Future risks

There were and still are no indications of any risks which could have endangered the continued existence of the company during the period under report or which could do so in subsequent periods. No additional risks have been added to the six areas of risk listed in the 2005/06 annual report (strategic risks, legal risks, financing risks, price risks, volume risks and operating risks). The volume risk arising in the 1st quarter of 2006/07 on account of the unusually mild weather situation continues to apply in the 2nd quarter of 2006/07.

Growth opportunities resulting from market consolidation

Numerous municipal utility companies in Germany can be expected to witness growing pressure on their margins as a result of grid regulation. Given our proven track record in the further development of our municipal utility shareholdings and the antitrust restrictions on large vertical players, we believe that we have good prospects of being allowed to purchase any companies put up for sale. The value-based management of municipal utility companies has now become one of our core competencies. We also see further potential for growth in Eastern Europe.

Securing the future by means of sustainable action

In the 2006/07 financial year, the companies in the MVV Energie Group will maintain their commitment to society, their measures to protect the environment and to promote their employees, as well as their local and regional customer retention activities.

Interim Financial Statements 1st Quarter of 2006/2007 (IFRS)

Balance Sheet

as of 31. 12. 2006

Balance Sheet of the MVV Energie Group Euro 000s	**31. 12. 2006**	30. 9. 2006	Notes
Assets			
Long-term assets			
Intangible assets	308 048	308 760	
Property, plant and equipment	1 904 633	1 870 793	
Investment property	5 944	5 654	
Shareholdings valued at equity	15 033	15 433	
Other financial assets	133 429	134 450	
Receivables and other assets	7 995	7 336	
Deferred tax assets	20 302	18 948	
	2 395 384	**2 361 374**	
Short-term assets			
Inventories	51 408	49 142	
Accounts receivable	431 299	370 156	1
Other assets	130 656	228 755	2
Tax receivables	34 790	24 073	
Cash and cash equivalents	138 647	119 368	
	786 800	**791 494**	
	3 182 184	**3 152 868**	
Equity and liabilities			
Equity			
Share capital	142 764	142 764	
Capital reserve	255 523	255 523	
Retained earnings	238 740	236 537	
Net earnings of the MVV Energie Group for the period[1]	118 288	97 240	
Capital of the MVV Energie Group	**755 315**	**732 064**	
Minority interests	110 165	104 912	
	865 480	**836 976**	
Long-term debt			
Provisions	131 882	118 729	
Financial liabilities	1 009 617	1 014 113	
Other liabilities	29 257	29 125	
Deferred tax liabilities	211 309	203 572	
	1 382 065	**1 365 539**	
Short-term debt			
Provisions[2]	221 317	209 023	
Financial liabilities	380 842	417 400	5
Accounts payable	198 707	139 139	4
Other liabilities	91 076	169 749	6
Tax liabilities	42 697	15 042	7
	934 639	**950 353**	
	3 182 184	**3 152 868**	

[1] The net earnings for the period also include the annual net earnings for the previous financial year.

[2] of which tax provisions of Euro 62 987 thousand (previous year: Euro 49 032 thousand)

Income Statement*

for the period 1. 10. 2006 – 31. 12. 2006

* 1st quarter of 2005/2006 adjusted

Income Statement of the MVV Energie Group Euro 000s	1. 10. 2006 to 31. 12. 2006	1. 10. 2005 to 31. 12. 2005	Notes
Sales	619 424	578 580	
less electricity and gas taxes	37 060	27 535	
Sales after electricity and gas taxes	582 364	551 045	9
Capitalised own-account services	3 962	9 921	
Other operating income	26 798	18 907	
Cost of materials	363 925	349 450	
Personnel expenses	81 267	69 659	10
Other operating expenses	64 093	51 813	11
Income from shareholdings valued at equity	– 400	—	
Other income from shareholdings	615	497	
EBITDA	**104 054**	**109 448**	
Depreciation	34 804	32 541	
EBITA	**69 250**	**76 907**	
Goodwill amortisation	—	—	
EBIT	**69 250**	**76 907**	
Financing income	1 342	747	
Financing expenses	27 390	22 129	12
EBT	**43 202**	**55 525**	
Taxes on income	16 762	26 616	13
Net surplus for the period	**26 440**	**28 909**	
Minority interests	5 392	3 387	
Share of earnings allocable to shareholders in MVV Energie AG (Net surplus for the period after minority interests)	**21 048**	**25 522**	
Basic and diluted earnings per share (Euro)	0.38	0.48	14

Statement of Changes in Equity*

for the period 1. 10. 2006 – 31. 12. 2006

* 1st quarter of 2005/2006 adjusted

Statement of Changes in Equity Euro 000s	Share capital of MVV Energie AG	Capital reserve of MVV Energie AG	Retained earnings: Statutory reserve and other retained earnings / consolidation	Retained earnings: Differential amount from currency conversion	Retained earnings: Fair value valuation of financial instruments	Net earnings of the MVV Energie Group	**Capital of the MVV Energie Group**	Minority interests	**Total**
Balance at 1. 10. 2005 – as reported in quarterly financial statements in previous year	129 802	178 293	237 215	8 367	111	68 976	622 764	230 839	853 603
Retrospective application of IAS 32 (2003)	—	—	—	—	—	9 228	9 228	– 125 795	– 116 567
Balance at 1.10. 2005	**129 802**	**178 293**	**237 215**	**8 367**	**111**	**78 204**	**631 992**	**105 044**	**737 036**
Earnings recognised directly under equity	—	—	—	1 840	428	—	2 268	631	2 899
Net surplus for the period	—	—	—	—	—	25 522	25 522	3 387	28 909
	—	**—**	**—**	**1 840**	**428**	**25 522**	**27 790**	**4 018**	**31 808**
Distribution of dividend	—	—	—	—	—	—	—	– 488	– 488
Capital increase	12 800	75 969	—	—	—	—	88 769	—	88 769
Change in reporting entity	—	—	—	—	—	—	—	1 004	1 004
Balance at 31.12.2005	**142 602**	**254 262**	**237 215**	**10 207**	**539**	**103 726**	**748 551**	**109 578**	**858 129**
Balance at 1.10.2006	**142 764**	**255 523**	**226 451**	**9 364**	**722**	**97 240**	**732 064**	**104 912**	**836 976**
Earnings recognised directly under equity	—	—	—	3 267	338	—	3 605	282	3 887
Net surplus for the period	—	—	—	—	—	21 048	21 048	5 392	26 440
	—	**—**	**—**	**3 267**	**338**	**21 048**	**24 653**	**5 674**	**30 327**
Distribution of dividend	—	—	—	—	—	—	—	– 475	– 475
Change in reporting entity	—	—	– 1 402	—	—	—	– 1 402	54	– 1 348
Balance at 31.12.2006	**142 764**	**255 523**	**225 049**	**12 631**	**1 060**	**118 288**	**755 315**	**110 165**	**865 480**

Segment Reporting*

for the period 1. 10. 2006 – 31. 12. 2006

* 1st quarter of 2005/2006 adjusted

Income Statement by segment Euro 000s	External Sales		Intercompany Sales		EBIT	
	1. 10. 2006 to 31. 12. 2006	1. 10. 2005 to 31. 12. 2005	**1. 10. 2006 to 31. 12. 2006**	1. 10. 2005 to 31. 12. 2005	**1. 10. 2006 to 31. 12. 2006**	1. 10. 2005 to 31. 12. 2005
Electricity	262 990	229 630	12 203	17 525	5 599	9 629
District heating	76 092	83 893	11 243	10 137	24 317	26 308
Gas	110 721	131 061	7 070	6 872	6 941	17 994
Water	25 438	25 157	4 365	105	2 547	4 474
Value-added services	57 143	27 275	21 349	10 022	9 075	1 369
Environmental energy	46 931	49 159	7 872	8 699	20 609	17 248
Other/consolidation	3 049	4 870	– 64 102	– 53 360	162	– 115
MVV Energie Group	**582 364**	551 045	**—**	—	**69 250**	76 907

Further information about Segment Reporting under Note 15

Cash Flow Statement*

for the period 1. 10. 2006 – 31. 12. 2006

* 1st quarter of 2005/2006 adjusted

Cash Flow Statement of the MVV Energie Group Euro 000s	**1. 10. 2006 to 31. 12. 2006**	1. 10. 2005 to 31. 12. 2005
Net surplus for the period	26 440	28 909
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	34 804	32 541
Change in long-term provisions	7 645	– 869
Other non-cash income and expenses	– 5 592	821
Cash flow as per DVFA/SG	**63 297**	**61 402**
Change in short-term provisions	6 784	24 076
Result generated from disposal of intangible assets and property, plant and equipment	13	168
Change in other assets	31 081	– 196 732
Change in other liabilities	7 879	118 600
Cash flow from operating activities	**109 054**	**7 514**
Investments in intangible assets, property, plant and equipment and investment property	– 33 654	– 47 327
(Free cash flow)	**(75 400)**	**(– 39 813)**
Proceeds from disposal of intangible assets, property, plant and equipment and investment property	1 954	1 063
Proceeds from subsidy payments	1 793	1 904
Proceeds from disposal of other financial assets	1 348	2 965
Payments for the acquisition of fully and proportionately consolidated companies	– 18 018	—
Payments for other financial assets	– 2 092	– 2 138
Cash flow from investing activities	**– 48 669**	**– 43 533**
Proceeds from taking up of loans	54 140	155 637
Payments for redemption of loans	– 95 392	– 209 910
Proceeds from capital increases	—	88 769
Dividend payment	– 475	– 488
Cash flow from financing activities	**– 41 727**	**34 008**
Cash-effective change in cash and cash equivalents	18 658	– 2 011
Change in cash and cash equivalents due to currency conversion	407	454
Change in cash and cash equivalents due to changes in reporting entity	215	2 193
Cash and cash equivalents as of 1. 10. 2006 (2005)	119 367	127 975
Cash and cash equivalents as of 31. 12. 2006 (2005)	**138 647**	**128 611**

Further information about the Cash Flow Statement under Note 16

Cash flow – aggregate depiction Euro 000s	**1. 10. 2006** **to 31. 12. 2006**	1. 10. 2005 to 31. 12. 2005
Cash and cash equivalents at 1. 10. 2006 (2005)	**119 367**	127 975
Cash flow from operating activities	109 054	7 514
Cash flow from investing activities	– 48 669	– 43 533
Cash flow from financing activities	– 41 727	34 008
Change in cash and cash equivalents due to changes in reporting entity	215	2 193
Change in cash and cash equivalents due to currency conversion	407	454
Cash and cash equivalents at 31. 12. 2006 (2005)	**138 647**	128 611

Notes on the Interim Financial Statements for the 1st Quarter of 2006/2007

Disclosures concerning the company

MVV Energie AG has its legal domicile in Mannheim, Germany. The MVV Energie Group acts as an energy distribution company and service provider in the fields of electricity, district heating, gas, water, environmental energy and valued-added services.

These abridged consolidated interim financial statements were compiled by the Executive Board and approved on 8 February 2007.

Accounting and valuation methods

The abridged consolidated interim financial statements for the period 1 October 2006 – 31 December 2006 have been compiled in accordance with IFRS accounting requirements as applicable in the EU, and in particular with IAS 34 "Interim Financial Reporting". The interim report does not include all notes and disclosures required of a complete set of annual financial statements and should therefore be read in conjunction with the consolidated financial statements as of 30 September 2006. No application has been made of published standards and interpretations not yet requiring mandatory application.

With the exception of the new provisions outlined below, the accounting and valuation methods applied in the interim financial statements as of 31 December 2006 correspond to those applied in the consolidated financial statements as of 30 September 2006.

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have amended or newly adopted some standards and interpretations which required mandatory application for the first time in the abridged interim report. The MVV Energie Group has applied the following standards and interpretations for the first time in the 2006/07 financial year:

IAS 19: 2004 amendment	"Actuarial gains and losses, group plans and disclosures"
IAS 21: 2005 amendment	"Net investment in a foreign operation"
IAS 39: 2005 amendment	"Fair value option", "Cash flow hedge accounting of forecast intragroup transactions" and "Financial guarantees"
IFRS 6:	"Exploration for and evaluation of mineral resources"
IFRIC 4:	"Determining whether an agreement contains a lease"
IFRIC 5:	"Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds"
IFRIC 6:	"Liabilities arising from participating in a specific market – waste electrical and electronic equipment"
IFRIC 7:	"Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies"
IFRIC 8:	"Scope of IFRS 2"
IFRIC 9:	"Reassessment of embedded derivatives"

The initial application of these amendments did not have any notable implications.

The revised version of IAS 32 (2003) required mandatory application for the first time in the consolidated financial statements of the MVV Energie Group as of 30 September 2006. This regulation states that agreements involving the obligation to purchase an equity instrument represent a financial liability in the amount of the present value of the purchase price, irrespective of whether this obligation only requires fulfilment in the event of an option right being exercised by the contractual partner and irrespective of the probability of such right being exercised. In accordance with the development in national and international accounting practice, the MVV Energie Group applies this regulation to put options held by minority shareholders. Accordingly, these minority interests have been have been recognised as short-term or long-term debt in line with the details of the contract. These financial obligations have been stated at fair value in accordance with the provisions of IAS 39. The difference between the exercise price and the carrying amount of the minority interests is treated as a purchase price obligation dependent on future events by analogous application of the provisions governing the depiction of business combinations. The earnings distributed to minority shareholders are stated as financing expenses, as are changes in the present value of the potential payment obligations.

The comparative period has been adjusted retrospectively. The impact on the consolidated financial statements for the 1st quarter of 2005/06 can be depicted as follows:

Income statement	Change in Euro 000s
Financing expenses	– 5 875
Share of earnings allocable to other shareholders	– 2 468
Share of earnings allocable to shareholders in MVV Energie AG	– 3 407
	Change in Euro
Earnings per share	– 0.06

Change in the cash flow statement	Change in Euro 000s
Cash flow from operating activities	– 4 966
Cash flow from financing activities	4 966

The method of accounting for CO_2 emissions certificates has changed since the abridged interim report for the 1st quarter of 2005/06. This voluntary change is due to the circumstance that the net method of accounting for the obligation to submit CO_2 emission certificates pursuant to Section 6 (1) of the German Greenhouse Gas Trading Act (TEHG) has proven to be suitable and widespread within the sector. Accordingly, CO_2 emissions certificates allocated free of charge are valued at Euro 0. Emission certificates acquired in return for payment are measured at cost. A provision is stated for the obligation to submit CO_2 emissions certificates and is basically measured on the basis of the carrying amounts of the certificates available at the balance sheet reporting date. In the event of the emissions caused not being covered in full by available CO_2 emissions certificates, the fair value of the CO_2 emissions certificates still required is included in the measurement of the provision. In the income statement, this change in accounting method led other operating income and other operating expenses to be reduced in each case by Euro 1 470 thousand.

Moreover, sales have been reported net of energy taxes for the first time in the abridged interim report. This resulted in a reduction in sales amounting to Euro 37 060 thousand (previous year: Euro 27 535 thousand). Other operating expenses have reduced by the same amount. Please see Note 15 for a depiction of the implications for segment reporting.

Furthermore, the figures for the comparative quarter have been retrospectively amended to account for the changes in the reporting entity depicted in the consolidated financial statements as of 30 September 2006 in respect of shareholdings valued at equity. Income amounting to Euro 154 thousand has correspondingly been reclassified from income from shareholdings valued at equity to other income from shareholdings.

The compilation of the interim financial statements in some cases requires assumptions and estimates to be made which could impact on the values stated for the assets, liabilities, income and expenses thereby reported. The actual figures could in individual cases deviate at a later point in time from the assumptions and estimates thereby made. Suitable amendments would be made with a corresponding impact on earnings upon more accurate information becoming reliable.

Changes in the reporting entity

In addition to MVV Energie AG, 49 German and foreign subsidiaries in which MVV Energie AG directly or indirectly holds a majority of the voting rights are fully consolidated in the interim financial statements of the MVV Energie Group (30 September 2006: 42). The relevant control concept requires the parent company to exercise a controlling influence for a company to be fully consolidated. This is the case for all fully consolidated companies.

The following companies were included in the consolidated financial statements by means of full consolidation for the first time during the period under report:

24/7 Metering GmbH, Offenbach
24/7 Netze GmbH, Mannheim
MVV Energiedienstleistungen GmbH IS Südwest, Mannheim
MVV Energiedienstleistungen GmbH Südwest, Mannheim
MVV Energiedienstleistungen GmbH & Co. KG IK Korbach, Korbach
DECON Deutsche-Energie Consult Ingenieurgesellschaft mbH, Bad Homburg
Industriepark Gersthofen Servicegesellschaft mbH & Co. KG, Gersthofen

With the exception of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG, the aforementioned companies are newly established companies and companies which have previously not been operationally active. The initial inclusion of these companies in the Group did not result in any major changes to the cash flow statement or in any notable impact on earnings within the Group.

On 1 October 2006, the MVV Energie Group acquired 100 % of the shares in Industriepark Gersthofen Servicegesellschaft mbH & Co. KG. The accounting treatment of this acquisition has been based on the acquisition method.

The fair values of the assets and liabilities of the company identifiable upon acquisition were as follows:

Euro 000s	Stated upon acquisition	Carrying amount
Intangible assets	2 533	25
Property, plant and equipment	30 729	50 317
Deferred tax assets	586	586
Accounts receivable, other assets	10 546	10 546
Cash and cash equivalents	17	17
Provisions	9 737	9 737
Other liabilities	3 815	3 815
Deferred tax liabilities	4 652	14 520
Fair value of net assets	26 207	33 419
Earnings contribution for for the period 1. 10. 2006 – 31. 12. 2006	544	—
Debit difference	– 5 992	—

The debit difference was recognised immediately by profit under loss and is included in other operating income. The purchase price obligation is to be settled with cash funds. The costs directly allocable to the acquisition amounted to Euro 136 thousand.

Currency conversion

The currency conversion in the abridged interim financial statements has been based on the following exchange rates:

1 Euro	Rate on reporting date		Average rate	
	31. 12. 2006	30. 9. 2006	**1. 10. 2006 to 31. 12. 2006**	1. 10. 2005 to 31. 12. 2005
Polish zlotys (PLN)	3.831	3.971	3.848	3.915
Czech crowns (CZK)	27.485	28.326	28.036	29.304

(Source: European Central Bank)

Seasonal influences on business activities

The seasonal nature of the business activities of the companies in the MVV Energie Group means that a higher level of sales and operating earnings is regularly generated in the first two quarters than in the 3rd and 4th quarters. This factor was less marked in the 1st quarter of 2006/07 on account of the mild weather conditions.

Notes on the Balance Sheet

1 Accounts receivable

The rise in accounts receivable in the 1st quarter of the 2006/07 financial year is the result of seasonal factors. The corresponding delineation of consumption resulting from increased energy turnover during the winter months leads to a rise in the volume of accounts receivable.

2 Other assets

The decline in other assets is principally due to the significant reduction in market prices of energy trading transactions. The reduction in prices leads to a decline in the positive fair values of energy derivatives.

3 Distribution of earnings

The Executive Board and the Supervisory Board propose appropriating the net earnings of MVV Energie AG for the 2005/06 financial year as follows:

Distribution of a dividend of Euro 0.80 per individual share for the 2005/06 financial year (total: Euro 44 613 832.00). The dividend is payable on 12 March 2007.

4 Accounts payable

The rise in accounts payable in the 1st quarter of the 2006/07 financial year is also the result of seasonal factors. The corresponding delineation of consumption on the part of our suppliers resulting from increased energy procurement by the MVV Energie Group during the winter months leads to a rise in the volume of accounts payable.

5 Short-term financial liabilities

The decline in short-term financial liabilities by Euro 36 million is principally due to an improvement in the liquidity situation at MVV Energie AG. Increased incoming payments led to a reduction in the drawdown of short-time financing facilities at banks.

6 Other liabilities

The decline in other liabilities is mainly due to a significant reduction in the market prices of energy trading transactions. The reduction in prices leads to a decline in the negative fair value of energy derivatives.

7 Tax liabilities

The rise in tax liabilities is principally due to the fact that the previous fiscal unity with MVV GmbH was abolished as of 1 October 2006 and that MVV Energie AG is the new fiscal parent. MVV Energie AG has accordingly reported the liabilities resulting from this fiscal unity parenthood for the first time.

8 Contingent liabilities

There have been no major changes in contingent liabilities since 30 September 2006.

Notes on the Income Statement

9 Sales

A depiction of sales broken down into their respective segments has been provided in the segment report.

10 Personnel expenses

The rise in personnel expenses is principally due to the expected utilisation of additional part-time early retirement agreements.

11 Other operating expenses

The rise in other operating expenses is mainly attributable to the valuation of energy trading load adjustments stated in accordance with IAS 39.

12 Financing expenses

Financing expenses include expenses amounting to Euro 13 115 thousand (previous year: Euro 5 875 thousand) in connection with changes in the present value of the payment obligation resulting from the Kiel put option, as well as the share of annual net earnings distributed to minority shareholders in Stadtwerke Kiel AG, Kiel. In view of the distribution resolution adopted during the period under report, the annual net earnings distributed were due for immediate payment and thus recorded in full under profit and loss during the period under report.

13 Taxes on income

Taxes on income Euro 000s	**1. 10. 2006 to 31. 12. 2006**	1. 10. 2005 to 31. 12. 2005
Current taxes	15 503	22 265
Deferred taxes	1 259	4 351
	16 762	**26 616**
Effective tax rate in %	**38.8**	47.9

The decline in the effective tax burden compared with the previous year is principally due to the collection of corporate income tax credits as of 31 December 2006 (Euro 4.5 million) and to tax-exempt income from the release of a debit difference in connection with the initial consolidation in the current financial year.

14 Earnings per share

Earnings per share	**1. 10. 2006 to 31. 12. 2006**	1. 10. 2005 to 31. 12. 2005
Share of earnings allocable to shareholders in MVV Energie AG (Euro 000s)	21 048	25 522
No. of shares in 000s (weighted quarterly average)	55 767	53 258
Earnings per share (Euro)	0.38	0.48

Given that no option rights to shares in MVV Energie AG were effective at the reporting date, it was not necessary to account for any dilution effects.

15 Segment reporting

The electricity segment includes the value creation stages involved in the generation, trading, distribution and sale of electricity. The gas and district heating segments include the value creation stages involved in the procurement, distribution and sale of gas and of heating water and steam. As well as procurement, distribution and sale, the water segment also includes the value creation stage of production (waterworks).

In addition to the activities of the MVV Energiedienstleistungen subgroup, which are subdivided into industrial and municipal contracting, national and international consulting, industrial and railway electricity and business services, the value-added services segment also includes the value-added services business at the municipal utility companies, which is in turn subdivided into technical services, telecommunications and contracting services. The newly established shared service company 24/7 Metering GmbH, Offenbach, and 24 Solution GmbH, Kiel, are also reported in the value-added services segment. The shared service company 24/7 IT-Service GmbH, Kiel, which is to perform the functions of 24 Solution GmbH, had not been entered in the Commercial Register at the reporting date.

The environmental energy segment includes the activities relating to the incineration of non-recyclable waste and the operation of biomass power plants.

The other/consolidation section depicts consolidation items, as well as those activities not allocable to individual business segments. The earnings of shareholdings valued at equity have also been reported in the segment earnings and segment assets of the other/consolidation section, given that it is in most cases not possible to allocate their activities to one of the business segments.

The segment revenues reported in the abridged interim report have been adjusted for the first time to eliminate energy taxes. This resulted in a correction of Euro 26 051 thousand in the level of external sales reported for the electricity segment in the 1st quarter of the 2006/07 financial year (1st quarter of the previous year: Euro 27 535 thousand). The intracompany sales reported for the electricity segment fell by Euro 1209 thousand in the 1st quarter of 2006/07 (previous year: Euro 2101 thousand). In the gas segment, the amended reporting method resulted in a correction of Euro 11 008 thousand in the level of external sales reported in the 1st quarter of 2006/07 (previous year: Euro 0) and to a correction of Euro 703 thousand in the level of intracompany sales (previous year: Euro 0).

The intracompany sales represent the amount of sales between the group companies. The transfer prices applied to transfers between the segments correspond to customary market prices. Segment sales are equivalent to the total of intracompany and external sales.

Operating earnings (EBIT) have been selected to represent segment earnings. We have refrained from depicting the transition to annual net earnings in our segment reporting in view of the fact that such transition has already been depicted in the income statement.

16 Cash flow statement

In contrast to the depiction in the 1st quarter of the 2005/06 financial year, grants received have been reported in the cash flow from investing activities and no longer in the cash flow from financing activities.

The composition of the financial funds of the MVV Energie Group has changed on account of the initial consolidation of companies which for reasons of immateriality had previously not been consolidated. The resultant effects have been reported under the item "Change in cash and cash equivalents due to changes in the reporting entity".

The cash flow as per DVFA/SG for the current financial year is slightly higher than in the previous year in spite of the reduction in the net surplus for the period. This is primarily due to non-cash expenses in connection with the statement of provisions for early retirement. In the previous year, the cash flow from operating activities was affected by a substantial rise in accounts receivable and other assets. In addition to seasonal factors, this effect was also attributable to the rise in energy prices in the past year and the initial statement of energy trading transactions in accordance with IAS 39 (2004). In the current financial year, the total level of capital employed in short-term assets has declined following adjustment for the impact of changes in the reporting entity. Overall, this has therefore led to a considerably higher level of cash flow from operating activities than in the equivalent period in the previous year.

17 Relationships to related companies, individuals and entities

Relationships to related companies, individuals and entities	Goods and services provided		Receivables		Liabilities	
Euro 000s	**1. 10. 2006 to 31. 12. 2006**	1. 10. 2005 to 31. 12. 2005	**31. 12. 2006**	31. 12. 2005	**31. 12. 2006**	31. 12. 2005
City of Mannheim	6 626	8 514	5 009	4 758	48 276	103 895
Proportionately consolidated companies	11 477	10 756	3 972	2 212	811	111

All business arrangements have been concluded at customary market conditions and are basically analogous to the supply and service agreements concluded with other companies.

The liabilities towards the City of Mannheim and its affiliated companies mainly relate to loan liabilities towards MVV GmbH. These liabilities have reduced given that no new financial liabilities have been taken up via MVV GmbH since the 2005/06 financial year.

18 Events after the balance sheet date

On 4 January 2007, Energie Holding a.s. based in Prague / Czech Republic was founded as a wholly-owned subsidiary of MVV Energie CZ s.r.o. Group-external municipal district heating generation and distribution assets were acquired for and contributed to this company. Moreover, Energie Holding a.s. acquired 70 % of the shares in Teplána Liberec based in Liberec / Czech Republic. No purchase price allocation has been undertaken as yet.

In January 2007, Energieversorgung Offenbach AG and MVV Energie AG received their electricity grid fee approval notices. The Federal Networks Agency has accordingly cut the level of electricity grid utilisation fees submitted by Energieversorgung Offenbach AG by 17 % and those submitted by MVV Energie AG by 18 %. The implications of the approval notices are currently subject to internal review.

Mannheim, 8 February 2007
MVV Energie AG
Executive Board

Dr. Schulten Dr. Dub Farrenkopf

Financial Calendar

9. 3. 2007	Annual General Meeting
12. 3. 2007	Payment of dividend
14. 5. 2007	Interim Report 2nd Quarter of 2006/2007
14. 5. 2007	Press Conference and Analysts' Conference 2nd Quarter of 2006/2007
14. 8. 2007	Interim Report 3rd Quarter of 2006/2007
20. 11. 2007	Publication of preliminary results for the 2006/2007 financial year

Publisher

MVV Energie AG
Luisenring 49
D-68159 Mannheim

Postal address
D-68142 Mannheim

Tel: +49 (0)621 290-0
Fax: +49 (0)621 290-2324

www.mvv-energie.de
energie@mvv.de

Editorial responsibility

Wilfried Schwannecke
Group Statistics and Reporting
Tel: +49 (0)621 290-2392
Fax: +49 (0)621 290-3075
w.schwannecke@mvv.de

Contact

Hilko Schomerus
Investor Relations
Tel: +49 (0)621 290-2567
Tel: +49 (0)621 290-3075
www.mvv-investor.de
ir@mvv.de

Design Anja Helm, 745 Agentur für Gestaltung, Düsseldorf