

Corporate Governance Report of the Executive and Supervisory Boards

The German Corporate Governance Code documents the principles of value-based, transparent company management and control. The Executive and Supervisory Boards of MVV Energie AG recognise the recommendations in the Code as guiding principles for our activities and have implemented these virtually in full. Our Declaration of Conformity provides information as to why we have deviated from the recommendations in a few cases.

Transparency

In the past, we have always fulfilled the relevant transparency requirements in the German Commercial Code (HGB) and the Securities Trading Act (WpHG) and also complied in full with the Code's recommendations in this respect. In future, we will continue to ensure that all of our stakeholders have access to the same information at the same time. For this, we provide information about our company and the latest developments at our Group on our website at www.mvv-investor.de, where we also publish a financial calendar with the dates for our regular financial reporting.

Group accounting is based on International Financial Reporting Standards (IFRS), while the separate financial statements of MVV Energie AG are prepared in accordance with the German Commercial Code (HGB).

Compensation report (Component of Group Management Report)

The Executive Board was paid compensation totalling Euro 2 316 thousand during the year under report. This was structured as follows:

Compensation Euro 000s	Fixed ¹	Variable ²	Supervisory Board compensation ³	Total
Dr. Rudolf Schulten	416	311	22	749
Matthias Brückmann	275	243	8	526
Dr. Werner Dub	263	243	17	523
Hans-Jürgen Farrenkopf	266	243	9	518
Total	1 220	1 040	56	2 316

¹ including allowances for pension insurance, health insurance, nursing care insurance, voluntary contributions to employers' mutual insurance association and non-cash benefits, as well as the CEO allowance of Euro 175 thousand for Dr. Rudolf Schulten.

² provisions

³ supervisory board activities at shareholdings

The members of the Executive Board of MVV Energie AG also act as executive board members of MVV RHE AG. The relevant compensation is paid by MVV Energie AG and subsequently charged to MVV RHE AG. This compensation is accounted for in the above table.

Moreover, the CEO also acts as managing director of MVV GmbH. The relevant compensation of Euro 27 thousand is also paid by MVV Energie AG and subsequently charged to MVV GmbH. However, this compensation is not accounted for in the above table.

Variable compensation is calculated on the basis of two components – the annual net surplus of the MVV Energie Group after minority interests pursuant to IFRS adjusted for extraordinary items and the ROCE (Return on Capital Employed). A suitable cap is in place.

No compensation components of a long-term incentive nature were granted during the year under report.

No further payments were either committed or made by third parties. Upon reaching retirement age, the members of the Executive Board are entitled to receive pension benefits amounting to a certain percentage of their fixed compensation. This percentage rises by 2 % for every full year of service up to a maximum value of 70 % of fixed compensation. Pension payments are reduced by income earned elsewhere, benefits received under the state pension scheme and any other pension benefits attributable at least in half to employers' contributions. If the pension benefits are claimed prematurely, then the monthly pension paid is reduced by 0.5 % for every month by which the claimant falls short the applicable retirement age.

In the event of any partial reduction in the employee's working capacity, partial reduction in working capacity due to occupational disability or total inability to work, the pension benefit amounts to 55 % of the employee's fixed compensation and rises by 1 % for every full year of service up to a maximum of 70 %. One component of the pension scheme involves a claim to provision for surviving dependants.

The pension obligations are structured as follows:

Pension Obligations Euro 000s	Value of final pension ¹	Benefit percentage ²	Benefit percentage ³	Allocation to pension provision	
				Service cost	Interest expenses
Dr. Rudolf Schulten	176	48 %	48 %	963 ⁴	50
Matthias Brückmann	144	50 %	70 %	122	6
Dr. Werner Dub	98	56 %	66 %	103	41
Hans-Jürgen Farrenkopf	111	58 %	66 %	162	40
Total	529			1350	137

¹ achievable claim to retirement pension aged 63, taking due account of amounts deducted

² total percentage pension rate achieved for retirement pension (in percent)

³ benefit percentage achievable by the age of 63

⁴ including additional service cost due to retirement of Dr. Rudolf Schulten from the Executive Board

Former members of the Executive Board received benefits of Euro 211 thousand during the year under report. Provisions totalling Euro 3 255 thousand have been stated for pension obligations towards former members of the Executive Board. A total of Euro 35 thousand was allocated to this item during the year under report. Pursuant to IAS 24, related parties also include management staff performing key functions. Alongside the Executive Board, the MVV Energie Group views this group as also including active heads of division and authorised company representatives of MVV Energie AG. Compensation totalling Euro 2 725 thousand was paid to this group of persons in the year under report, with the predominant share (Euro 2 627 thousand) involving payments with current maturities. Senior employees receive a company pension amounting to up to 8.6 % of their fixed compensation. This exclusively takes the form of a defined contribution plan. Within the channels of execution offered within the Group, senior employees are able to determine which biometric risks they would like to cover. The total expenses incurred for the aforementioned compensation schemes amounted to Euro 98 thousand in the year under report.

Compensation of Supervisory Board members

The compensation of our Supervisory Board members is commensurate to their duties and to the responsibilities they assume. The members of the Supervisory Board received annual compensation of Euro 10 thousand each in the 2007/08 financial year, with the Chairman of the Supervisory Board receiving twice and his deputy one and a half times this figure¹. The Chairman of the

Audit Committee received additional annual compensation of Euro 5 thousand and the other members of this committee received additional annual compensation of Euro 2.5 thousand. Moreover, a meeting allowance of Euro 300 was paid per person per meeting of the full Supervisory Board and of the committees. Total compensation amounted to Euro 285 027² and was distributed as follows: Dr. Peter Kurz: Euro 24 500 (including meeting allowance³ of Euro 4 500); Johannes Böttcher: Euro 15 800 (Euro 3 300); Holger Buchholz: Euro 11 800 (Euro 1 800); Werner Ehret: Euro 13 000 (Euro 3 000); Detlef Falk: Euro 11 500 (Euro 1 500); Dr. Rudolf Friedrich: Euro 11 800 (Euro 1 800); Dr. Manfred Fuchs: Euro 18 300 (Euro 3 300); Dr. Stefan Fulst-Blei: Euro 13 000 (Euro 3 000); Reinhold Götz: Euro 15 800 (Euro 3 300); Dr. Karl Heidenreich: Euro 5 455 (Euro 900); Prof. Dr. Egon Jüttner: Euro 13 000 (Euro 3 000); Klaus Lindner: Euro 15 800 (Euro 3 300); Prof. Dr. Norbert Loos: Euro 15 500 (Euro 3 000); Manfred Lösch: Euro 21 700 (Euro 4 200); Dr. Reiner Lübke: Euro 11 800 (Euro 1 800); Barbara Neumann: Euro 12 100 (Euro 2 100); Wolfgang Raufelder: Euro 11 800 (Euro 1 800); Sabine Schlorke: Euro 11 200 (Euro 1 200); Dr. Rolf Martin Schmitz: Euro 6 372 (Euro 900); Uwe Spatz: Euro 13 000 (Euro 3 000); Christian Specht: Euro 11 800 (Euro 1 800). No performance-related compensation is paid to the members of the Supervisory Board.

Declaration of Conformity

The Executive and Supervisory Boards of MVV Energie AG hereby confirm that the company has complied with and continues to comply with the recommendations made by the Government Commission on the German Corporate Governance Code. In respect of the past, this Declaration refers to the version of the German Corporate Governance Code dated 14 June 2007 and published by the Federal Ministry of Justice in the official section of the electronic Federal Official Gazette on 20 July 2007. With regard to the future, it refers to the recommendations of the new version of the Code dated 6 June 2008 and published in the official section of the electronic Federal Official Gazette on 8 August 2008.

The following recommendations were not and are not complied with:

— **Deductible for D&O insurance – Point 3.8 (2):** “If the company takes out a D&O (directors’ and officers’ liability insurance) policy for the Management

¹ members of the Supervisory Board joining or retiring from the Supervisory Board in the course of the financial year receive prorated compensation in line with the duration of their membership

² the amount stated corresponds to the compensation settled as of the reporting date for current members of the Supervisory Board, as well as for those retiring during the year under report

³ meeting allowance in all cases stated in brackets

Board and Supervisory Board, a suitable deductible shall be agreed.” The D&O insurance policy concluded by MVV Energie AG, which protects the insured parties against possible claims for damages, does not provide insurance cover for intentional wrongdoing or wilful negligence on the part of members of the Executive and Supervisory Boards, neither does it cover against their knowingly committing any dereliction of duty. The issue of deductibles therefore only applies to negligent behaviour. The Executive and Supervisory Boards see themselves as being committed without qualification to the motivation and responsibility with which they perform their duties and do not believe that this requires clarification in the form of a deductible.

— **Nomination committee – Point 5.3.3:** “The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting”. The Supervisory Board sees no need to form a nomination committee, which would oblige it to forego the tried-and-tested procedure of nominating candidates for the Supervisory Board at meetings of the full Supervisory Board.

— **Performance-related compensation for members of the Supervisory Board – Point 5.4.7 (2) Sentence 1:** “Members of the Supervisory Board shall receive fixed as well as performance-related compensation”. The Articles of Incorporation of MVV Energie AG only provide for the fixed compensation of the Supervisory Board, plus a meeting allowance. MVV Energie AG already commented in the past that it was not convinced by models linking the compensation of Supervisory Board members to the level of the dividend or to the share price. We have therefore refrained from introducing any performance-related compensation components for members of the Supervisory Board.

— **Publication of consolidated financial statements – Point 7.1.2 Sentence 3:** “The consolidated financial statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period.” Due to the arrival of our new CEO, Dr. Georg Müller, the Annual Report of MVV Energie AG for the 2007/08 financial year will only be published on 2 January 2009 and thus three days later than recommended by the Code. Dr. Müller assumed his position on the Executive Board as of 1 January 2009.

This Declaration of Conformity is also available at our company’s website at www.mvv-investor.de.