Interim Report
1st Quarter of 2004/2005

1 October 2004 – 31 December 2004

MVV Energie

Key Figures 1 October 2004 – 31 December 2004

Key Figures of the MVV Energie Group[1] Euro million	2004/2005	2003/2004	% change
Sales[2]	524	407	+ 29
EBITDA[2]	101	76	+ 33
EBITA	68	51	+ 33
EBIT	68	47	+ 45
EBT	53	34	+ 56
Net surplus for the period	33	19	+ 74
Net surplus for the period after minority interests	25	16	+ 56
Earnings[3] per share (Euro)	0.50	0.31	+ 61
Cash flow based on DVFA/SG	67	50	+ 34
Total assets (as of 31.12.)	2 827	2 366	+ 19
Equity capital (as of 31.12.)	887	821	+ 8
Investments	68	33	+ 106
Employees[4] (as of 31.12.)	6 583	5 682	+ 16

[1] based on *International Financial Reporting Standards (IFRS)*

[2] in previous year release of income subsidies reclassified as depreciation

[3] pursuant to IAS 33

[4] including external personnel at Mannheim energy from waste plant (MHKW) of MVV Energie AG

Overview of Developments at the Company

Highlights of the First Quarter

- Restructuring completed
- Sales rise by 29 % due to Kiel
- Improvements in all key earnings figures

Events of Significance in the 1st Quarter of 2004/2005 1 October 2004 – 31 December 2004

Restructuring completed at the beginning of the reporting period—greater cooperation planned within network

The past 2003/04 financial year was dominated by the strategic realignment and reorganisation of the Group. We made a clear break with the past and streamlined our portfolio of shareholdings to remove significant loss-making operations. We thus laid the foundations for greater profitability and for increasing the value of our company on an ongoing basis.

Following a phase of strong, broad-based growth, the priority is now on increasing our earnings power. The MVV Energie Group is channelling all of its energies into its solid and profitable core business, i.e. the distribution of electricity, district heating, gas and water. At the same time, we aim to take advantage of market opportunities in the promising growth areas of energy-related services and environmental energy, in which we are already well positioned.

The horizontal integration and networking of multidivisional municipal utility companies constitutes the core of our growth strategy. During the current 2004/05 financial year, we aim to link our network of municipal utility companies even more closely together and to raise the level of cooperation between its constituent companies. If suitable opportunities arise, we intend to acquire shareholdings in further municipal utility companies whose core business is compatible with ours and which are profitable. In addition to acquiring further shareholdings, we also see the establishment of alliances with municipal and regional energy companies as harbouring considerable opportunities.

Energy services business hove off into separate company

As of 1 October 2004, MVV Energie AG hove off its value-added services business into a separate company, MVV Energiedienstleistungen GmbH. Together with its integrated companies, this wholly-owned subsidiary aims to become one of the three largest national providers in the market for energy-related services within the next five years. In Germany, this market has reported double-digit growth each year. In addition to its main location in Mannheim, this subsidiary has offices and regional companies in Berlin, Solingen and Ingolstadt.

City of Brno purchases shares

In October 2004, the City of Brno purchased the shares acquired by MVV Energie AG in the municipal district heating company Teplárny Brno in 2001. The receipts from the disposal of its shares and the income generated by the shareholding in previous financial years mean that Brno was a profitable investment for MVV Energie AG. Following this disposal, MVV Energie AG still has shareholdings in seven district heating companies in the Czech Republic. MVV Energie AG will maintain its focus on the Czech and Polish district heating markets.

MVV Energie AG awarded contract for non-recyclable waste disposal

Having requested bids from across Europe and awarded the contract during the quarter under report, starting in June 2005 the district of Karlsruhe, and probably also the city of Karlsruhe, will dispose of around 166 000 tonnes of household waste at the Mannheim energy from waste plant (MHKW) operated by MVV Energie AG.

Business Performance

Economic framework

The six leading economic research institutes in Germany have forecast slight GDP growth of 1.8 % for 2004 (2005: 1.5 %).

In our industry, there has been a continuation in the intense competition surrounding large customers in the electricity and gas markets.

German energy policy continues to be determined by the implementation of European requirements in the form of an amended *Energy Act (EnWG).* Neither the legal requirements governing the so-called unbundling process and the regulatory authority nor the related legal ordinances have yet been established. This legislation will have significant implications for energy distribution companies. These will very much depend on the specific stipulations contained in the respective laws and legal ordinances.

Since the beginning of 2005, the CO_2 emissions resulting from the generation of electricity and district heating have to be covered by emission rights. The pan-European trading of such rights officially began on 1 January 2005. In Germany, 1 849 facilities operated by around 1 200 companies in the energy sector or in energy-intensive industries had been recorded. During the period under report, the Federal Government began allocating emissions certificates to all participants, including the MVV Energie Group. MVV Energie AG has undertaken intense preparation for emissions trading and has already concluded its first transactions.

Earnings performance of the MVV Energie Group

In spite of the mildness of the weather compared with the previous year, the **external sales** of our group of companies rose by 29% to Euro 524 million during the 1st quarter of 2004/05. With the exception of district heating, all business segments generated higher sales than in the previous year.

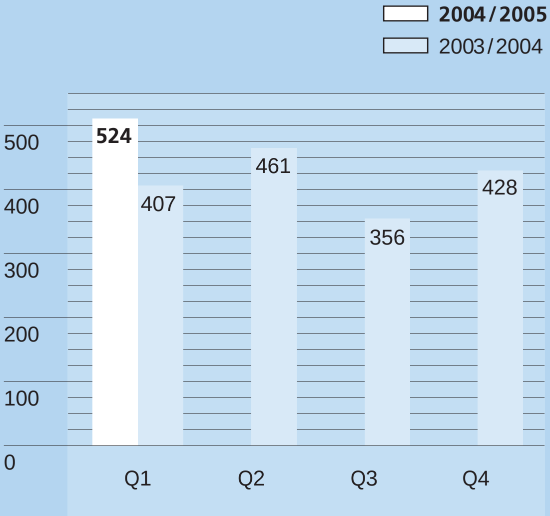
The positive sales performance is principally attributable to the consolidation of Stadtwerke Kiel, which was acquired in May 2004 and was therefore not consolidated in the previous year. This shareholding generated sales of Euro 97 million in the 1st quarter of 2004/05. The positive impact resulting from the initial consolidation of Stadtwerke Kiel was counterbalanced by a decline in sales resulting from the disposal of our Czech shareholding in Brno. This resulted in the sales of our Czech group of companies falling from Euro 32 million in the equivalent quarter in the previous year to Euro 13 million. Overall, the sales of our foreign shareholdings in the 1st quarter of 2004/05 amounted to Euro 30 million prior to consolidation, compared with Euro 44 million in the previous year.

Sales volumes rose across virtually all of our business segments during the year under report. Developments in this respect were also chiefly affected by the initial inclusion of Stadtwerke Kiel. In the district heating segment, the impact of this initial consolidation was insufficient to compensate for the loss of sales volumes relating to the district heating company in Brno, and for the decline in volumes resulting from mild weather conditions. As a result of temperatures having been higher than in the first quarter of the previous year, this weather-induced decline affected all group companies with district heating and gas activities.

Rise in procurement expenses and in prices

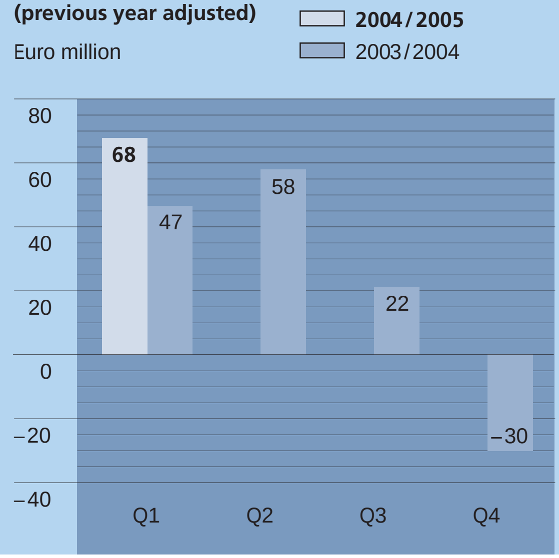
The increase in fuel prices (particularly for coal and oil) and in prices on the electricity exchange has resulted in rising purchase expenses in our procurement markets. The increasing oil prices have also led to a rise in our gas purchase prices, given that these are linked by long-term contracts to heating oil prices.

Sales by quarter[1]
Euro million



[1] in the previous year: release of income subsidies reclassified as depreciation

EBIT by quarter (previous year adjusted)
Euro million



Our companies have not been able to avoid the rise across the board in energy prices. MVV Energie AG therefore raised its gas and district heating rates with effect from 1 November 2004. Electricity rates were adjusted accordingly as of 1 January 2005. Our shareholdings in Ingolstadt, Kiel, Offenbach and Solingen likewise raised their electricity rates with effect from 1 January 2005.

Improvement in earnings figures at all levels of income statement

The consistent implementation of our focusing strategy and of the new group organisation in the past financial year enabled us to strengthen our foundations for growth in the current 2004/05 financial year. The measures taken are already having an impact, but will only gradually achieve their full effect.

Improvements have been reported in all key earnings figures for the 1st quarter of 2004/05 compared with those for the previous year, which did not yet contain any special charges relating to the strategic realignment resolved in March 2004.

- Earnings before interest, tax, depreciation and goodwill amortisation (EBITDA) improved by 33 % on the previous year to reach Euro 101 million.
- Operating earnings before interest and tax (EBIT) rose by 45% from Euro 47 million in the previous year to Euro 68 million.
- Earnings per share pursuant to IAS 33 improved from Euro 0.31 in the previous year to Euro 0.50.

The improvement in earnings is also reflected in the performance of the sales returns figures. The EBITA margin, which depicts the company's performance before accounting for the special item relating to goodwill amortisation, increased from 12 % in the equivalent quarter in the previous year to 13 %.

The positive earnings performance is attributable to improved earnings at the MVV Energie AG parent company and at Energieversorgung Offenbach AG (EVO) and to the restructured MAnet GmbH subsidiary, as well as to the impact of the initial consolidation of Stadtwerke Kiel and the discontinuation of goodwill amortisation. These factors have enabled us to absorb the loss of the earnings contributions previously received from our shareholding in Brno.

Earnings performance of major shareholdings

Prior to consolidation, our German and foreign shareholdings generated sales of Euro 275 million (previous year: Euro 186 million) and operating earnings (EBIT) of Euro 34 million (previous year: Euro 23 million) during the 1st quarter of 2004/05. The initial consolidation of Stadtwerke Kiel AG contributed sales of Euro 97 million and operating earnings (EBIT) of Euro 13 million to these figures. These contributions more than compensated for the downturn in sales and earnings resulting from the disposal of the Czech shareholding in Brno.

During the quarter under report **Stadtwerke Kiel AG** acquired a 49.9 % shareholding in the newly established ZVO Versorgungs GmbH (ZV.VG) of the Ostholstein special-purpose association. This shareholding, effective as of 1 January 2005, will in future be the market leader in the Ostholstein district in the business segments of district heating, gas and water. Moreover, the subsidiary responsible for selling and trading in electricity and gas, 24sieben GmbH, has concluded an electricity supply agreement with enwor—energie&wasser vor ort GmbH, which encompasses an annual supply volume of 257 million kWh and an annual sales volume of Euro 9.5 million. This means that, with effect from 2006, around 50 000 customers in the Aachen area will be purchasing their electricity via our shareholding in Kiel. This order was awarded in spite of bids also being made by renowned competitors.

Energieversorgung Offenbach AG (EVO), our second-largest shareholding in terms of its sales and earnings contributions, increased its sales by 6 % to Euro 76 million and its operating earnings (EBIT) by 13 % to Euro 9 million during the quarter under report. Within the framework of an invitation to tender issued by the State of Hessen and the Federal Government, EVO was awarded a large order with a supply volume of 70 million kWh during the quarter under report. This order, which is initially limited to two years, entails more than 100 properties being supplied with electricity with effect from January 2005.

The Group's shareholding in **Stadtwerke Solingen GmbH (SWS)** means that it has an important location in Nordrhein-Westfalen. In the 1st quarter of 2004/05, SWS improved its sales by 9 % to Euro 24 million and its operating earnings (EBIT) by Euro 0.3 million (+ 5 %) to around Euro 4 million. SWS was also able to conclude an important contract during the quarter under report. An electricity supply agreement for 2005 was signed with Stadtwerke Hilden GmbH, with which SWS has been cooperating in the water segment for several years. The town of Hilden has around 57 000 inhabitants.

Sales at **Stadtwerke Ingolstadt Beteiligungen GmbH (SWI)** fell to Euro 21 million, a reduction of 13 % compared with the equivalent quarter. This decline was principally attributable the loss of an industrial customer which had still been supplied with electricity in the 1st quarter of the previous year. The company is not expected to report any year-on-year downturn in sales in the coming quarters. Increased sales were reported, by contrast, in the district heating segment on account of the acquisition of several industrial customers in the previous year. However, these newly acquired sales were virtually offset by the downturn in sales due to weather conditions. As in the previous year, SWI generated operating earnings (EBIT) of around Euro 4 million.

At around Euro 4 million, **Köthen Energie GmbH** was able to maintain the sales generated by its gas business at the same level as in the previous year in spite of the downturn resulting from weather conditions. Its operating earnings (EBIT) improved by Euro 0.2 million to around Euro 1 million.

Our **Czech shareholdings** saw their sales fall from Euro 32 million to Euro 13 million and their operating earnings (EBIT) from Euro 8 million to Euro 1 million due to the disposal of the shareholding in Brno. As a result of an increase in prices, sales at our **Polish companies** rose by 16 % to Euro 13 million, with operating earnings (EBIT) rising from Euro 0.2 million to Euro 0.4 million.

Balance sheet

The total assets of the MVV Energie Group rose by 11 % on the previous year (31 December 2003) to reach Euro 2.8 billion. This increase is chiefly attributable to the initial consolidation of Stadtwerke Kiel AG. Total assets fell by 2 % compared with 30 September 2004. This decline is a result of the reduction in tangible assets mainly due to the deconsolidation following the disposal of the Group's shareholding in Brno. The proceeds from this sale, as well as a portion of our liquid funds, were used for the repayment of financial liabilities. These declined by 6 % to Euro 1.3 billion. Liquid funds fell by Euro 29 million.

The capital of the MVV Energie Group fell by 9 % compared with the equivalent quarter in the previous year. This reduction is principally due to the one-off expenses relating to the restructuring of the Group undertaken in the past financial year. The Group's capital rose by 6 % compared with 30 September 2004, which is mainly attributable to the net surplus generated during the quarter under report.

The equity ratio rose from just under 30 % as of 30 September 2004 to around 31 % as of 31 December 2004. At 31 December 2003, the equity ratio had amounted to 35%.

Receivables increased by 12 % compared with 30 September 2004. This development is mainly attributable to seasonal factors. A higher level of sales is generated in the first quarter as a result of weather conditions, leading in turn to a higher level of receivables due from our customers.

Cash flow

The cash flow based on DVFA/SG rose by 34 % compared with the equivalent quarter in the previous year to reach Euro 67 million. This increase reflects the higher net surplus for the period, as well as the rise in depreciation resulting from the initial inclusion of Stadtwerke Kiel. The inflow of funds from operating activities increased by Euro 11 million to reach Euro 15 million.

The inflow of funds from investment activities, which amounted to Euro 7 million, is attributable to the disposal of our shareholdings in Brno and in Kraftwerke Mainz-Wiesbaden. This is offset by an outflow of funds relating to the payment for the shareholding acquired by Stadtwerke Kiel in ZVO Versorgungs GmbH (ZV.VG) of the Ostholstein special-purpose association.

The outflow of funds from financing activities primarily relates to the repayment of financial liabilities.

A detailed cash flow statement can be found on Page 17 of this interim report.

Investments

The MVV Energie Group invested a total of Euro 68 million in the 1st quarter of 2004/2005 (previous year: Euro 33 million). Of this figure, Euro 36 million was invested in tangible assets (previous year: Euro 32 million) and Euro 32 million in financial assets (previous year: Euro 1 million).

The investments made in tangible assets primarily related to the expansion and streamlining of the supply facilities and distribution grids at MVV Energie AG and its shareholdings in Ingolstadt, Kiel, Offenbach and in Poland. Further investment focuses included the construction of the non-recyclable waste incineration facility in Leuna and the energy-related services division at MVV Energie AG.

The largest share of the investments made in financial assets involved the acquisition by Stadtwerke Kiel of a 49.9 % shareholding in the newly established ZVO Versorgungs GmbH (ZV.VG) of the Ostholstein special-purpose association.

Financing

The net financial liabilities of the MVV Energie Group (financial liabilities less cash and cash equivalents) fell by 4 % to Euro 1.3 billion during the quarter under report. This decline was primarily attributable to the proceeds from the disposal of our shareholding in Brno on the one hand and to the net surplus generated for the period on the other. Overall, there was virtually no change in other liabilities and provisions.

Net financial liabilities rose by 27 % on the previous year. This is principally due to the initial consolidation of Stadtwerke Kiel and to the financing of the corresponding purchase price. By contrast, net interest expenses rose by only 10 % over the same period. As a result of our financing structure, we are benefiting to a significant extent from low interest rates with short financing terms. In the event of this trend being maintained, net interest expenses for the current financial year could turn out lower than in the previous year.

Further information on liabilities can be found in the balance sheet on Page 15 of this interim report.

Sales of the MVV Energie Group by segment

1st Quarter, 1.10. – 31.12.

Euro million	**2004/2005**	2003/2004	% change
Electricity[1, 2]	244	171	+ 43
District heating [2]	78	79	– 1
Gas[3]	112	84	+ 33
Water	26	17	+ 53
Value-added services	27	26	+ 4
Environmental energy	30	25	+ 20
Other/consolidation	7	5	+ 40
	524	407	+ 29

[1] including electricity tax of Euro 27 million (previous year: Euro 21 million)

[2] in previous year release of income subsidies reclassified as depreciation

[3] including gas tax of Euro 20 million (previous year: Euro 16 million)

Segmental Reporting

Electricity segment—improvement in sales and EBIT in spite of increased competitive pressure

We managed to increase our sales in the highly competitive electricity segment by Euro 73 million (+ 43 %) in the 1st quarter of 2004/05 to Euro 244 million. Of this figure, Euro 43 million related to the initial consolidation of the electricity sales of Stadtwerke Kiel. Excluding the effect of this initial consolidation, the increase in sales amounted to 19 %. This by no means inconsiderable growth was principally due to higher sales at MVV Energie AG and its shareholdings in Offenbach and Solingen. The sales growth at the MVV Energie AG parent company was primarily attributable to wholesale electricity trading and the interregional electricity business. Moreover, MVV Energie AG generated slight growth in sales with business and private customers in its own catchment area.

Compared with the equivalent quarter in the previous year, the Group's electricity turnover rose by 1.5 billion (+ 56 %) to 4.3 billion kWh. Sales volumes in the wholesale electricity business increased by 1.2 billion kWh to 2.0 billion kWh. Of this growth, 1.0 billion kWh related to the initial inclusion of trading volumes generated at Stadtwerke Kiel, which, like MVV Energie AG, is highly successful in the wholesale electricity trading business.

Our turnover of electricity in the retail or sales business with end customers (private, industrial and commercial customers), which represents 53 % of our overall electricity business, rose by 0.3 billion kWh (+ 17 %) in the 1st quarter of 2004/05. Apart from the initial consolidation of Kiel, this rise was attributable to increased volumes resulting from acquisitions in the national electricity business and to a slight increase in volumes in Mannheim and Offenbach.

Operating earnings (EBIT) in the electricity segment improved by Euro 8 million compared with the equivalent quarter in the previous year to reach Euro 17 million. This growth was principally due to the initial consolidation of Kiel and to an improvement in earnings at the MVV Energie AG parent company.

Sales Volumes of the MVV Energie Group[1] by segment

1st Quarter, 1.10. – 31.12.	2004/2005	2003/2004	% change
Electricity (kWh million)	4 349	2 789	+ 56
of which wholesale[2] (kWh million)	2 029	809	+ 151
of which retail (kWh million)	2 320	1 980	+ 17
District heating (kWh million)	2 472	2 596	– 5
Gas (kWh million)	3 667	2 854	+ 29
Water (m^3 million)	14.0	9.7	+ 44
Waste incinerated (tonnes 000s)	115	131	– 12

[1] total sales volumes of all segments
[2] retrospective volume correction for previous year

District heating segment—performance influenced by disposal of shareholding and by weather conditions

Sales volumes in our district heating business fell to 2.5 billion kWh, a decline of 0.1 billion kWh (– 5 %) compared with the equivalent quarter in the previous year. The volume increase resulting from the initial consolidation of Kiel (0.4 billion kWh) and from the acquisition of new industrial customers by our shareholding in Ingolstadt was insufficient to compensate for the loss of sales volumes relating to the district heating company in Brno and for the downturn in volumes at all companies with district heating activities as a result of weather conditions. The district heating turnover in our foreign markets of the Czech Republic and Poland declined from 1.1 billion kWh in the previous year to 0.7 billion kWh. In terms of daily temperature statistics, the quarter under report was 2 % milder in Mannheim than the equivalent quarter in the previous year.

In spite of the additional sales relating to the district heating business in Kiel (Euro 16 million), sales in the district heating segment fell by 1% to Euro 78 million. In this case too, the decline is principally due to the disposal of the shareholding in Brno. Price adjustments enabled the downturn in sales resulting from reduced volumes to be compensated for in part.

Operating earnings (EBIT) in the district heating segment fell by Euro 1 million to Euro 21 million. The positive impact of the initial consolidation of Kiel (Euro 4 million) and the improvement in earnings at the MVV Energie AG parent company were overshadowed by a sharper decline in earnings resulting from the disposal of Brno.

Gas segment—improvement in earnings due to consolidation of Kiel and to cost savings

The sales of our gas business rose by Euro 28 million (+ 33 %) on the previous year to reach Euro 112 million. The initial consolidation of Kiel contributed Euro 30 million to this figure. Offenbach and Solingen were able to increase their gas sales by a total of around Euro 1 million. By contrast, sales declined at MVV Energie AG and its shareholdings in Ingolstadt and Köthen, in part as a result of weather conditions and due to the competition. The large rise of 0.8 billion kWh (+ 29 %) in sales volumes was also almost exclusively attributable to the new shareholding in Kiel.

Operating earnings (EBIT) in the gas segment improved by Euro 7 million to reach Euro 17 million in the 1st quarter of 2004/05. Apart from the initial earnings contribution received from Stadtwerke Kiel (around Euro 4 million), this growth was due to cost savings and to improvements in earnings at all companies.

During the quarter under report, Stadtwerke Kiel decided to build a large new underground gas reservoir. The construction of this gas store at a depth of 1600 metres is expected to be commenced in 2005. The new underground reservoir will have a capacity of 500 000 m^3. The purchase of larger volumes of gas at favourable conditions in the low-consumption summer months is intended to optimise procurement expenses.

EBIT of the MVV Energie Group by segment

1st Quarter, 1.10. – 31.12.

Euro million	2004/2005	2003/2004	% change
Electricity	17	9	+ 89
District heating	21	22	– 5
Gas	17	10	+ 70
Water	4	4	—
Value-added services	2	– 5	+ 140
Environmental energy	7	7	—
	68	47	+ 45

Water segment—performance influenced by Kiel

Sales volumes in the water segment rose by 44 % in comparison with the equivalent quarter of the previous year to reach 14 million m³. Sales increased by 53 % to Euro 26 million. This strong growth is primarily attributable in both cases to the initial consolidation of Stadtwerke Kiel, which contributed water turnover of 4.5 million m³ and sales of around Euro 9 million to the positive performance reported for the 1st quarter of 2004/05.

In spite of the earnings contributions generated by Kiel (Euro 2 million), operating earnings (EBIT) remained at Euro 4 million, the same level as in the previous year. It should be noted in this respect that the figure for the previous year included the proceeds from the disposal of the shareholding in Meissen, which was proportionately allocated to the water segment.

Value-added services segment

We also sharpened the strategic focus of our energy services business in the past financial year. As of the beginning of the 2004/05 financial year, we hove off all shareholdings with activities in this area into a separate company, MVV Energiedienstleistungen GmbH, whose results are reported in the value-added services segment.

Sales in the value-added services segment rose by around Euro 1 million (+ 4 %) compared with the previous year to reach Euro 27 million. This growth was primarily attributable to an increase in energy-related services, which rose by Euro 3 million on the equivalent quarter in the previous year to reach Euro 22 million. Of the sales generated by energy-related services, Euro 10 million were generated by the "Municipal Solutions" product group, which includes in particular the supply of district heating to residential and commercial buildings, as well as to municipal buildings within the framework of contracting solutions, and an increasing number of land improvement and development projects. Our contracting projects relating to the decentralised supply of services to industrial customers ("Industrial Solutions"), together with those of our shareholdings, generated quarterly sales of Euro 7 million. The sales of our consulting companies, which have activities both in Germany and in other countries, rose by Euro 3 million on the equivalent quarter in the previous year to reach Euro 5 million. Telecommunications services provided to business customers generated sales of around Euro 4 million.

Following the restructuring measures undertaken in the previous year, operating earnings (EBIT) in the value-added services segment have improved significantly. At Euro 2 million, operating earnings (EBIT) in the 1st quarter of 2004/05 were positive for the first time, following a loss of Euro –5 million in the previous year. This improvement in earnings was primarily attributable to the "Municipal Solutions" product group and to the positive results generated by the telecommunications company MAnet GmbH, Mannheim, which, following its restructuring, reported marginally positive operating earnings (EBIT) for the first time during the quarter under report.

Environmental energy segment

Our non-recyclable waste incineration and renewable energy activities, particularly the utilisation of biomass, were combined within the framework of our strategic realignment to form our new business field of "Environmental Energy", which is being reported as a standalone segment starting in the 2004/05 financial year.

The sales of this new segment rose by Euro 5 million (+ 20 %) compared with the previous year to reach Euro 30 million. The growth is chiefly due to the biomass business. The biomass power plants in Mannheim (20 MW) and Königs Wusterhausen (20 MW), which commenced operations at the end of 2003, generated sales of Euro 6 million in the 1st quarter of 2004/05 (previous year: Euro 2 million). The non-recyclable waste incineration activities in Mannheim and Offenbach, including the operating company MVV O&M GmbH, produced sales of Euro 21 million (previous year: Euro 20 million). At around Euro 3 million, the sales of the energy business of the energy from waste plant in Mannheim (MHKW) were at the same level as in the previous year.

The operating earnings (EBIT) of the environmental energy segment amounted to Euro 7 million, and were thus at the same level as in the previous year. The biomass business included in this figure has now achieved breakeven, with positive operating earnings (EBIT) of Euro 2 million in the quarter under report (previous year: Euro –1 million).

The awarding of the contract for non-recyclable waste disposal for the district of Karlsruhe (max. 95 000 tonnes per annum) and probably also the city of Karlsruhe (max. 71 000 tonnes per annum), for which tenders had been invited from across Europe, will result in improved capacity utilisation rates at the energy from waste plants operated by the MVV Energie Group starting in June 2005.

MVV Energie/RHE AG, the operator and owner of the energy from waste plant in Mannheim, and MVV O&M GmbH, the facility management company, have executed a certification procedure based on the *Disposal Company Ordinance (EfbV)* and the performance guidelines of the top state authorities together with the *Technical Supervisory Association TÜV Süd.* This confirmation of the professional treatment of waste materials in compliance with all legal requirements and with documentary proof of the reliability and suitable qualifications of the facility owner, management and personnel will further increase our competitiveness as the third-largest operator in Germany of waste incineration facilities.

Personnel Totals	2004/2005 31.12.2004	2003/2004 30.9.2004	2003/2004 31.12.2003	Change on 30.9.2004
MVV Energie AG[1,2]	1 754	1 769	1 792	– 15
Fully consolidated shareholdings	3 134	3 492	2 142	– 358
MVV Energie AG plus fully consolidated shareholdings	**4 888**	5 261	3 934	– 373
Proportionately consolidated shareholdings	1 631	1 632	1 678	– 1
MVV Energie Group	**6 519**	6 893	5 612	– 374
External personnel at MHKW Mannheim	64	64	70	—
	6 583	6 957	5 682	– 374

[1] including 93 employees of MVV RHE AG (previous year: 96)

[2] including 306 trainees (previous year: 208)

Employees

The total number of personnel employed at the MVV Energie Group, including external personnel at MHKW Mannheim, fell by 374 employees compared with 30 September 2004. This decline is primarily attributable to the disposal of the Czech company Teplárny Brno, which most recently had 314 employees.

The number of personnel employed at MVV Energie AG fell by 15 employees. Compared with the end of the 1st quarter of 2003/2004 (31 December 2004), the number of employees fell by 38, given that the vacant positions arising in the course of the reorganisation of the company undertaken in the past 2003/2004 financial year were primarily filled with available personnel via the internal job market rather than with external personnel.

Reductions have also been seen since 30 September 2004 in the personnel totals at the Group’s domestic shareholdings in Kiel, Offenbach and Solingen, as well as at the proportionately consolidated Polish shareholding SEC Szczecin Sp. z o.o.

The first stage of the “Introduction of SAP HR” project initiated at Offenbach was completed during the quarter under report. In January 2005, the employees of EVO and its KSG Kommunikations-Service-Gesellschaft mbH and 3T Telekommunikationsgesellschaft mbH subsidiaries were accounted for using SAP HR for the first time.

Research and Development

MVV Energie AG pools its IPR protection

The increase in the practical relevance of patents in recent years is by no means restricted to the world of high technology. The protection of intellectual property rights (IPR) has increasingly become a strategic competitive and success factor. For this reason, MVV Energie AG has now pooled its IPR management at the group department “Technology and Innovation” as one component of its innovations strategy and innovations process.

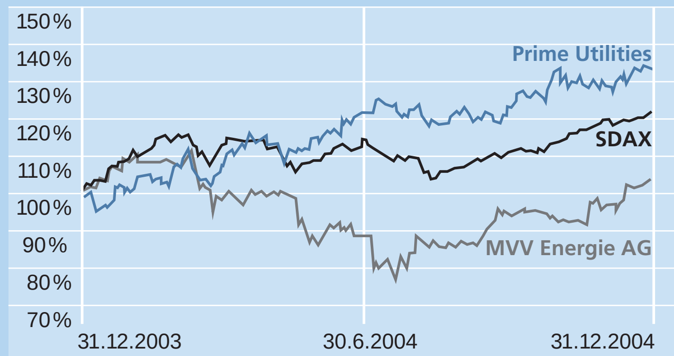
New EU project started

The new *PV-MIPS* project sponsored by the EU was launched during the period under report. The project aims to develop inexpensive photo-voltaic technology. Within the framework of the project, MVV Energie AG will investigate certain aspects of network integration in distribution networks and undertake a pilot installation of the components thereby developed.

Decentralised energy supply event

Within the framework of the *IRED* European research coordination body, MVV Energie AG hosted a Parliamentary Evening on “Renewable Energy Sources and Future Electricity Grids”, which was held in Brussels in November 2004 and sponsored by the *European Commission*. This event served to intensify the dialogue with the members of the *European Parliament* and the *European Commission* on the subject of decentralised energy supply.

The MVV Energie AG Share (ISIN DE0007255903)



The MVV Energie AG Share

Satisfactory development of share price

Our share price showed a slight improvement of 4% since the previous year (31 December 2003) and rose to Euro 15.68. The share has thus shown a significant recovery since the reduction in its value in the past summer.

We attribute this development to the successful completion of the restructuring of the MVV Energie Group, which had involved a high level of one-off expenses, and to the low level of write-downs required on the net book values of our shareholdings in municipal utility companies. Moreover, the share price was certainly also boosted by our statement that we would once again be proposing the distribution of a dividend of Euro 0.75 per share for approval by the Annual General Meeting. Compared with the performance reported by the *SDAX* (+ 25%) and *Prime Utilities* (+ 34%) indices over the same period, our share has shown a below-average performance. In view of the significant challenges faced by our company in the past financial year, however, this should not come as a surprise. The share price showed an almost continuous recovery during the quarter under report and reached a period high of Euro 15.79 in variable-price trading (low: Euro 13.80). The further rise in the volume of MVV Energie AG shares traded on the stock exchange is particularly pleasing. The volume traded rose by 39% compared with the comparable quarter in the previous year, equivalent to Euro 2.2 million in absolute terms.

Our share price continued to rise further following the end of the quarter under report, reaching Euro 16.20 by 31 January 2005. As in previous years, this increase could be attributable in part to the great interest shown by investors in the dividend payment following our Annual General Meeting. Furthermore, we see the rise in our share price as evidence of the capital market honouring our strategic realignment.

Acquisition of shares by EnBW

In December 2004, Thüga AG announced the sale of its 15% holding in the share capital of MVV Energie AG. EnBW AG announced that it had acquired this holding. In view of the fact that EnBW AG has declared that it considers the shares to be a financial investment and does not aim to acquire a seat in the Supervisory Board or to increase its shareholding any further, the Federal Monopolies Commission has not raised any objections to the transaction. We in no way expect our strategy or operating business to be affected by this change in ownership.

Planned capital increase of 30%

The creation of authorised capital amounting to 30% of the company's share capital proposed for approval by the Annual General Meeting to be held on 4 March 2005 means that the Executive and Supervisory Boards have taken a significant step towards executing a capital increase. A corresponding resolution by the Annual General Meeting will thus enable MVV Energie AG to obtain fresh equity capital at short notice in the event of any large-scale acquisition opportunity arising.

Outlook

Market and regulation

The development of the German economy remains subdued and for this reason we do not expect any significant impulses for our energy distribution business to come from this quarter.

In the market for energy-related services, by contrast, we expect to see strong growth, from which we intend to benefit. In the environmental energy segment, the coming into force of the *Technical Guidelines* for the *Disposal of Municipal Solid Waste (TASi)* on 1 June 2005 is expected to have a positive impact on capacity utilisation rates at our waste incineration facilities, given that it will no longer be permitted to dispose of solid waste without prior thermal or biological treatment.

The regulatory authority for the electricity and gas markets is not expected to commence operations until the summer of this year. It can therefore be assumed that this will not yet have any significant impact on our results for the current financial year. In the medium term, the regulatory authority can be expected to exert pressure on grid utilisation fees. Based on the prices currently quoted on wholesale markets, we expect to see a further increase in electricity prices. Given that the legal framework has yet to be established definitively, it is currently not possible to predict the overall impact of these developments on our earnings.

"Focus" efficiency enhancement programme in planning

Following the focusing of the MVV Energie Group on its core business and the enlargement of its network of municipal utility companies in the past 2003/04 financial year, our energies are now being primarily channelled into increasing our profitability. With this in mind, we are initiating an efficiency enhancement programme aimed at achieving material and personnel cost savings. We see our procurement activities, IT, the standardisation of technology and our administrative divisions as harbouring potential in this respect.

Further company growth

During the current financial year we aim to expand our network of municipal distribution companies further in the event of favourable entry opportunities arising. In view of our successful track record in this business, we believe that we have good chances of prevailing over any co-bidders in this respect. As well as acquiring new shareholdings, we also aim to establish alliances and cooperations with other large distribution companies.

We also intend to expand our energy-related services business, which following the strong growth and resultant start-up losses incurred in recent years is for the first time not expected to generate any significant losses in the current financial year.

The environmental energy business field will benefit in particular from the fact that we will also be incinerating considerable volumes of waste from the Karlsruhe region for the first time in the course of the year. Moreover, our biomass power plants will all be generating electricity throughout the whole year in line with the *Renewable Energy Act (EEG).*

Preparations underway for capital increase

The forthcoming Annual General Meeting on 4 March 2005 will vote on the proposal made by the Executive and Supervisory Boards in respect of increasing the authorised capital from its current level of 20 % to 30 %. In the likely event of this resolution being approved, this would mark the first step towards MVV Energie AG obtaining further equity capital by means of a capital increase. The specific implementation of this measure will depend on whether and when a profitable investment opportunity for using the fresh equity capital arises, for example in the form of a shareholding in a municipal utility company.

Executive and Supervisory Boards propose high dividend once more

In spite of the annual net deficit reported for the past 2003/04 financial year on account of the restructuring expenses, in the interests of dividend continuity the Executive and Supervisory Boards will be proposing an unchanged dividend for approval by the Annual General Meeting. The large profit reported for the previous year, which for reasons of precaution was only partly distributed at the time, enables the company to maintain a constant level of distribution to its shareholders in spite of the one-off expenses incurred during the 2003/04 financial year.

At 5.2 %, the dividend yield based on the closing price of Euro 14.50 reported as of 30 September 2004 remains attractive.

Expected earnings performance

We expect our sales for the current 2004/05 financial year to rise to around Euro 2 billion. Operating earnings (EBIT) are expected to increase to Euro 150 million. Apart from the measures introduced to enhance our efficiency, the main reason for the rise expected in both key figures is the first full-year consolidation of our shareholding in Stadtwerke Kiel. A further positive impact on earnings will result from the streamlining of our portfolio undertaken in the past financial year, in the course of which several loss-making shareholdings were relinquished. On the basis of the information currently available, the rise in earnings will enable us to distribute an attractive dividend for the current 2004/05 financial year on the basis of the net surplus thereby generated.

We intend to achieve further double-digit growth in our operating earnings figures once again in the coming 2005/06 financial year. The cost-saving measures initiated during the current financial year are expected to make a significant contribution in this respect.

Interim Financial Statements
1st Quarter of 2004/2005 (IFRS)

Balance Sheet as of 31.12.2004

Balance Sheet of the MVV Energie Group Euro 000s	**31.12.2004**	30.9.2004
Assets		
Fixed assets		
Intangible assets	326 770	315 858
Tangible assets	1 827 034	1 901 916
Financial assets	109 827	109 159
	2 263 631	2 326 933
Current assets		
Inventories	38 128	41 976
Receivables and other assets	429 857	383 316
Cash and cash equivalents	95 809	125 167
	563 794	550 459
	2 827 425	2 877 392
Liabilities		
Equity		
Share capital of MVV Energie AG	129 797	129 797
Capital reserve of MVV Energie AG	178 270	178 270
Retained earnings	211 035	197 571
Net earnings of the MVV Energie Group for the period	129 185	104 034
Capital of the MVV Energie Group	**648 287**	609 672
Minority interests	239 100	239 788
	887 387	849 460
Provisions		
Provisions for pensions and similar obligations	31 253	30 749
Tax provisions	17 876	4 147
Other provisions	183 293	199 590
	232 422	234 486
Liabilities		
Financial liabilities	1 299 233	1 379 469
Trade payables	120 352	116 584
Advance payments for orders	3 466	4 480
Other liabilities	94 359	98 794
	1 517 410	1 599 327
Deferred taxes	**190 206**	194 119
	2 827 425	2 877 392

Income Statement from 1.10.2004 to 31.12.2004

Income Statement of the MVV Energie Group Euro 000s	**2004/2005**	2003/2004
Sales	523 732	407 365
Capitalised own-account services/change in inventories	13 825	7 859
Other operating income	14 961	16 197
Cost of materials	311 644	245 552
Personnel expenses	70 559	54 873
Other operating expenses	67 766	54 698
Income from shareholdings in associated companies	100	– 3
Other income from shareholdings	– 1 838	– 65
EBITDA	**100 811**	76 230
Depreciation	33 054	25 255
EBITA	**67 757**	50 975
Amortisation of goodwill	—	3 535
EBIT	**67 757**	47 440
Net interest expenses	– 14 523	– 13 203
EBT	**53 234**	34 237
Taxes on income	20 456	15 306
Net surplus for the period	**32 778**	18 931
Minority interests	7 627	3 008
Net surplus after minority interests	**25 151**	15 923

Cash Flow Statement from 1.10.2004 to 31.12.2004

Cash Flow Statement of the MVV Energie Group Euro 000s	**2004/2005**	2003/2004 [1]
Net surplus for the period	32 778	18 931
Depreciation of fixed assets	33 054	28 790
Change in long-term provisions	916	1 776
Other changes in income and expenses not affecting payments	—	3
Subtotal for cash flow in accordance with DVFA/SG	**66 748**	49 500
Change in short-term provisions	– 1 674	– 1 796
Profit (previous year: loss) on disposal of tangible assets	– 758	47
Loss (previous year: profit) on disposal of financial assets	1 843	– 5 136
Change in other assets	– 63 839	– 23 403
Change in other liabilitiess	13 120	– 15 296
Inflow of funds from operating activities	**15 440**	3 916
Proceeds from disposal of tangible assets	2 690	1 206
Proceeds from disposal of financial assets	72 360	7 734
Investments in tangible assets/intangible assets	– 35 688	– 31 675
Investments in acquisitions, shareholdings and loans	– 31 971	– 1 668
Inflow of funds (previous year: outflow) from investment activities	**7 391**	– 24 403
Proceeds from subsidy payments	3 813	2 780
Proceeds from the taking up of loans and leasing obligations	74 512	171 515
Payments for the redemption of loans	– 63 956	– 23 197
Change in financial liabilities from cash pooling	– 52 210	– 134 931
Dividend payment	– 860	– 523
Outflow of funds (previous year: inflow) from financing activities	**– 38 701**	15 644
Changes in cash and cash equivalents affecting payments	– 15 870	– 4 843
Change in cash and cash equivalents due to changes in reporting entity	– 15 303	25
Change in cash and cash equivalents due to currency conversion	1 815	– 693
Cash and cash equivalents as of 1.10.2004 (and/or 2003)	125 167	64 076
Cash and cash equivalents as of 31.12.2004 (and/or 2003)	**95 809**	58 565

[1] the figures for the previous year have been adjusted in line with the netting of income subsidies

Statement of Changes in Equity

Statement of Changes in Equity of the MVV Energie Group, including minority interests Euro 000s	Share capital of MVV Energie AG	Capital reserve of MVV Energie AG	Mandatory reserve and other retained earnings/ consolidation	Differential amount from currency conversion	Market valuation of financial instruments	Net earnings of the MVV Energie Group	**Capital of the MVV Energie Group**	Minority interests	**Total**
Balance at 1.10.2003	129 797	178 270	222 486	– 1 394	1 006	167 604	**697 769**	107 997	**805 766**
Distribution of dividend	—	—	—	—	—	—	—	– 523	– 523
Net surplus for the period	—	—	—	—	—	15 923	15 923	3 008	18 931
Change in retained earnings	—	—	– 3	—	—	3	—	—	—
Currency adjustments	—	—	—	– 3 009	—	—	– 3 009	– 208	– 3 217
Adjustments not affecting earnings	—	—	—	—	169	—	169	182	351
Balance at 31.12.2003	129 797	178 270	222 483	– 4 403	1 175	183 530	**710 852**	110 456	**821 308**
Balance at 1.10.2004	129 797	178 270	201 831	– 3 390	– 870	104 034	**609 672**	239 788	**849 460**
Distribution of dividend	—	—	—	—	—	—	—	– 860	– 860
Net surplus for the period	—	—	—	—	—	25 151	25 151	7 627	32 778
Currency adjustments	—	—	—	9 116	—	—	9 116	993	10 109
Change in reporting entity	—	—	—	—	—	—	—	– 8 002	– 8 002
Adjustments not affecting earnings	—	—	4 795	—	– 447	—	4 348	– 446	3 902
Balance at 31.12.2004	129 797	178 270	206 626	5 726	– 1 317	129 185	**648 287**	239 100	**887 387**

Supplementary Information 1st Quarter of 2004/2005

Principles and methods

The interim financial statements of the MVV Energie Group compiled in accordance with *International Financial Reporting Standards (IFRS)* take account of all standards of the *International Accounting Standards Board (IASB)* valid as of 31 December 2004.

The financial statements of the companies fully or proportionately consolidated in the interim financial statements of the MVV Energie Group have been compiled on the basis of uniform accounting and valuation methods.

In addition to the balance sheet, the income statement and the statement of changes in equity pursuant to IAS 1, the financial statements also include a cash flow statement pursuant to IAS 7 and segmental reporting pursuant to IAS 14. In order to improve the presentation of the net asset and earnings position of the company, the income subsidies relating to construction and house connection expenses have been reported on a net basis with effect from the consolidated financial statements as of 30 September 2004. The income subsidies formerly stated as liabilities have been deducted from the tangible fixed assets in the consolidated balance sheet. In the income statement, the release of income subsidies, which was previously reported as sales, has been adjusted accordingly. In this respect, the income subsidies thereby released reduce the level of depreciation undertaken on the underlying assets. The equal reduction in sales and depreciation means that this change in reporting procedures has not impacted on earnings. The comparative figures for the previous year have been adjusted accordingly.

Furthermore, in the interests of increased transparency, only those energy trading sales which are directly related to the basic business of the generation and supply of electricity to secondary distributors and to end customers have been reported on a gross basis. For reasons of comparison, the figures for the previous year have been adjusted accordingly.

Reporting entity

In addition to MVV Energie AG, 42 German and foreign subsidiaries in which MVV Energie AG directly or indirectly holds a majority of the voting rights have been fully consolidated in the interim financial statements of the MVV Energie Group. The relevant control concept set out in IAS 27 requires the parent company to exercise a controlling influence in the case of fully consolidated companies. Six companies have been proportionately consolidated.

Ten associated companies have been valued using the equity method. During the current financial year the company Teplárny Brno a.s. in Brno, Czech Republic, has been sold and accordingly removed from the reporting entity. There has been no change in the number of companies valued using the equity method or in the number of proportionately consolidated companies.

The quarterly financial statements as of 31 December 2004 incorporate interim financial statements compiled as of the same reporting date by those companies which are fully and proportionately included in the consolidated financial statements.

Moreover, those subsidiaries which, when considered both on an individual basis and as an entirety, are of minor significance to the consolidated financial statements in terms of their sales, total assets and earnings contributions have not been included in the reporting entity, but have instead been reported as financial assets in the consolidated balance sheet.

Consolidation methods

The financial statements included in the consolidation have been converted into commercial balance sheets pursuant to IFRS on the basis of uniform standards.

The capital consolidation has been undertaken pursuant to IFRS 3 using the acquisition method based on the values assigned at the time of acquisition. Any resultant credit difference has been reported under fixed assets as goodwill, with its ongoing value being reviewed in line with IAS 36. Any remaining debit difference has been recorded in the income statement.

In line with the regulations governing the transition to IFRS 3, the scheduled amortisation of positive goodwill items resulting from company acquisitions undertaken prior to 31 March 2004 was discontinued with effect from the beginning of the financial year. Pursuant to IAS 36, the ongoing value of the remaining positive goodwill items was reviewed. The negative goodwill items remaining as of 1 October 2004 were removed from the financial statements, with retained earnings being adjusted accordingly without any impact on earnings.

Intercompany receivables and liabilities, as well as intercompany sales, income and expenses have been offset against each other pursuant to IAS 27.

Major joint ventures have been proportionately included in the consolidated financial statements in line with IAS 31. Such joint ventures have been consolidated on the basis of the principles outlined above.

Key shareholdings in associated companies have been valued at equity pursuant to IAS 28.

Currency conversion

The interim financial statements of foreign group companies have been

Accounting and valuation principles

Assets have generally been stated at their cost of acquisition or manufacture, less scheduled depreciation. Liabilities have been stated at their respective repayment values. Long-term liabilities have been reported at current value.

One exception in this respect relates to certain financial instruments, which have been stated at current value pursuant to IAS 39.

Earnings per share have been calculated as follows:

The calculation of earnings per share for the quarter under report pursuant to IAS 33 did not involve any dilution effects.

Financial Calendar

4. 3. 2005	Annual General Meeting
7. 3. 2005	Payment of dividend
17. 5. 2005	Interim report 2nd quarter 2004/2005
17. 5. 2005	Press conference and analysts' conference 2nd quarter 2004/2005
15. 8. 2005	Interim report 3rd quarter 2004/2005
8. 11. 2005	Publication of preliminary results for the 2004/2005 financial year

Editorial responsibility

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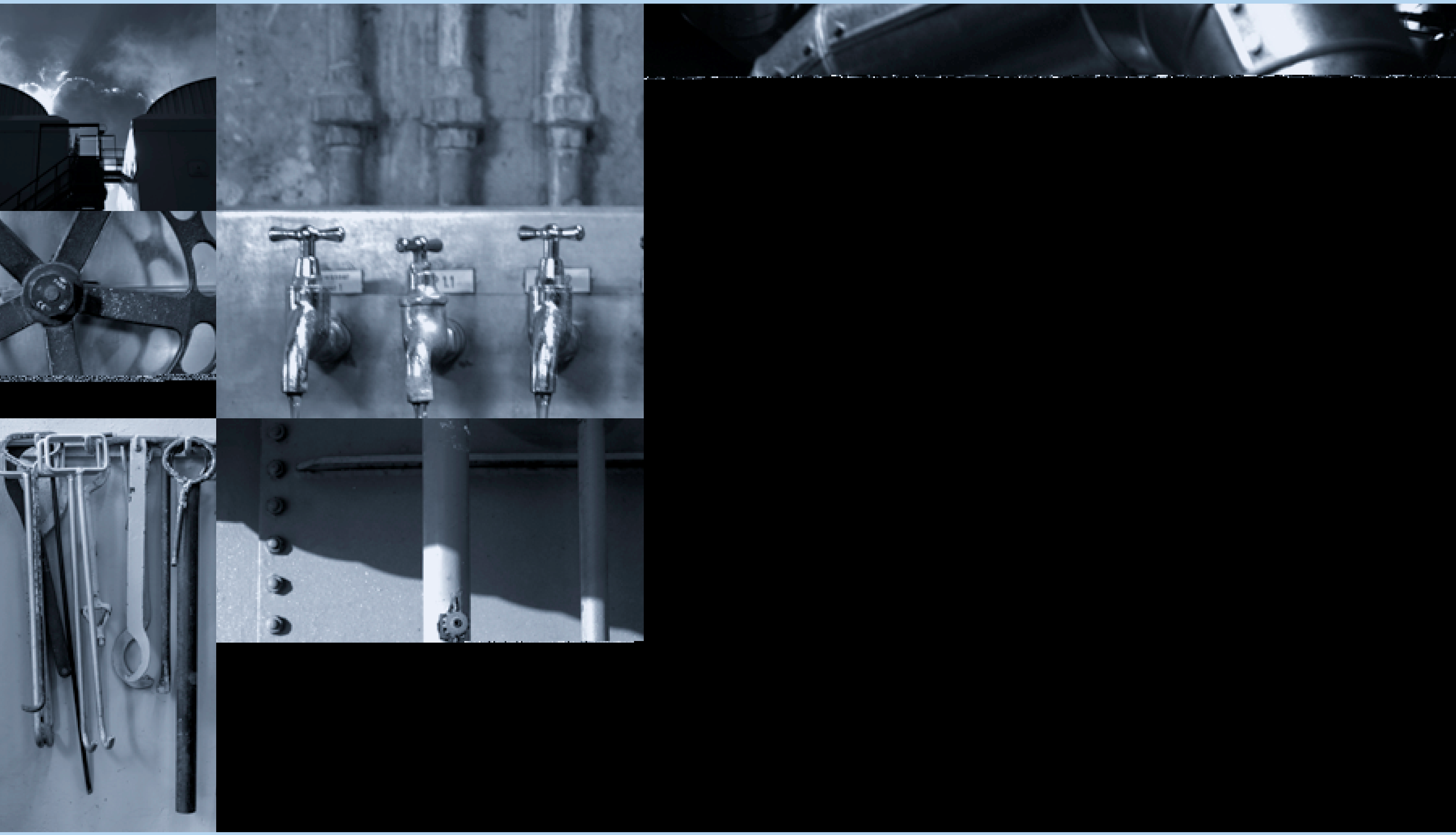

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