**October 1, 2003 – March 31, 2004**

# Quarterly Financial Report
# 2nd Quarter and 1st & 2nd Quarters 2003/2004

MVV Energie

# Key Economic Indicators for the 1st & 2nd Quarters of 2003/2004

**October 1, 2003 – March 31, 2004**

| **MVV Energie Group**[1] In Euro Mill. | **Unadjusted 2003/2004** | Unadjusted 2002/2003 | **Adjusted**[2] **2003/2004** | Adjusted[3] 2002/2003 | Adjusted In % |
|---|---|---|---|---|---|
| Sales[4] | 885 | 808 | 885 | 808 | + 10 |
| EBITDA | 163 | 294 | 166 | 166 | — |
| EBITA | 92 | 239 | 111 | 111 | — |
| EBIT | 85 | 232 | 105 | 105 | — |
| EBT | 58 | 205 | 78 | 77 | + 1 |
| Net earnings after taxes for the period | 27 | 174 | 43 | 43 | — |
| Net earnings after taxes after deducting minority interests for the period | 20 | 169 | 36 | 37 | – 3 |
| Earnings[5] per share in Euro | 0.39 | 3.33 | 0.71 | 0.74 | – 4 |
| Cash flow in acc. with DVFA/SG | 110 | 105 | 116 | 116 | — |
| Total assets (as of 31/3) | 2 550 | 2 580 | | | – 1 |
| Equity (as of 31/3) | 784 | 821 | | | – 5 |
| Investments | 60 | 97 | | | – 38 |
| No. of employees[6] | 5 646 | 5 733 | | | – 2 |

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

[2] Without expenditures for portfolio adjustments and restructuring measures in 2003/04

[3] Without profits from sale of our GVS shares, the remaining income from GVS as a participation and the expenditures for measures to strengthen our competitiveness

[4] Net sales from energy trading, i.e., only showing the margin actually realised (last year's sales were updated accordingly)

[5] In accordance with IAS 33

[6] Including non-MVV personnel at MVV Energie's energy from waste plant (MHKW) in Mannheim

# Business Developments

**January 1, 2004 – March 31, 2004**

**Highlights of the 1st & 2nd Quarters**

- Shareholders resolve high dividend
- Restructuring measures implemented
- Adjusted EBIT at last year's level despite difficult market framework

## Important Occurrences in the 2nd Quarter 2003/2004

### High dividend once again resolved

At MVV Energie's ordinary General Meeting on March 12, 2004, the shareholders approved the proposal of the Executive and Supervisory Boards on utilising earnings. Owing to the excellent developments in results, the sharholders resolved to pay a dividend of Euro 0.75 per share. Moreover, the Executive Board was authorised to purchase MVV Energie's own stock by up to 10% of share capital in order to be able to use it for acquisitions. Finally, the Executive Board was authorised to increase share capital by up to 20%.

### New Strategic Initiative Focusing on Our Core Business

In March 2004, MVV Energie AG's Supervisory Board approved the measures for a new strategic initiative and for restructuring the enterprise proposed by the Executive Board. MVV Energie is increasingly aiming at improving efficiency in its core business as well as additional growth through participations in distribution utilities in order to continue to be in a position to take action successfully in the face of competition on the energy markets.

We are striving for additional expansion of our participations in German municipal utilities based on the sound foundation formed by our organically growing energy and value-added services business in Mannheim. Within the framework of our platform strategy, we intend to expand marketing of our energy services via participations. Decentralised power-plant projects in the biomass and energy from waste sectors will be incorporated into their own business division to be known as "MVV Environment" in the next fiscal year.

We will drop some activities not directly related to our core business within the framework of focusing on our core sectors, including electric power, district heating, gas and water as well as environment-friendly energy from waste incineration, biomass utilisation and energy service. This applies, for example, to our subsidiaries in Spain, Portugal and Croatia as well as for our AWATECH participation, which is engaged in building wastewater-treatment plants. Naturally, we will continue work on projects already begun or contractually settled—in the wind-energy sector, as well. However, neither new investments nor new projects will be developed outside of our core business. Our Powerline business will be hived off and tightened up.

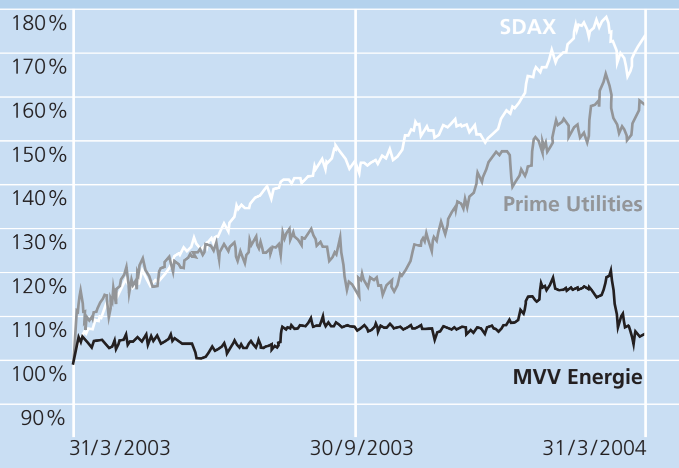
Within this focusing process, as announced, value adjustments of up to Euro 52 million in our fixed assets, write-offs in the book value of some of our participations and partial decreases in debt at the subsidiaries affected will be carried as expenditures in our year-end results. However, these expenditures can be covered by profits carried forward from last year from the sale of our shares in Gasversorgung Süddeutschland (GVS). In the 2nd quarter and thus in the first two quarters of 2003/04, Euro 20 million thereof have already accrued, which we have had to take into account for write-offs and restructuring expenses in our Powerline business (Euro 18 million) and for value adjustments in the book value of our Spanish participation (Euro 2 million) in accordance with International Financial Reporting Standards (IFRS).

## MVV Energie's Stock

### Light Gain in Share Price

Compared to last year (March 31, 2003), our share price rose 5.3% to Euro 15.00. This proportional increase in share price, however, could not keep up with the rise in comparable indices (SDAX: + 72.6%, Prime Utilities: + 57.8%). On the one hand, MVV Energie's stock survived the prior, severe drop in share price substantially better than comparable indices and thus has less potential for recovery. On the other hand, developments in our share price have been characterised by an unmistakable downward trend that we have attributed to the usual drop following payment of the dividend and the announcement of one-off restructuring measures. In addition to the remaining gain in share price, however, our shareholders have also realised a comparatively high dividend yield with relatively moderate fluctuations in the price range and thus lower risk. The rise in the number of MVV Energie's shares traded on the stock market has also been very gratifying. Compared to the same two quarters last year, the volume traded in terms of value has nearly tripled at approx. Euro 23 million. We consider this a sign of increased interest in our stock after the change in our Executive Board and the proposed focusing strategy accompanying it.

**MVV Energies' Stock** (ISIN DE0007255903)




### Successful General Shareholders' Meeting

Over 2000 shareholders and guests attended this year's general shareholders' meeting on March 12, 2004, thereby contributing once again to a presence of almost 94%. In his first report to MVV Energie's general shareholders' meeting, CEO Dr. Rudolf Schulten presented the figures for the last fiscal year as well as the new strategic initiatives and the opportunities for MVV Energie concomitant to them. He then discussed the restructuring measures already implemented and the accompanying one-off expenditures to be incurred through them.

By raising the authorised capital, the way has also been paved for the planned capital increase. In cases of larger acquisitions, MVV Energie will now have the possibility of quickly raising new equity on the capital market. In this way, the relatively limited free float of MVV Energie's stock could also be increased. This would then fulfil a condition for admittance to the MDAX, by which we could expect greater interest in our stock.

### Substantial Presence on the Capital Market

During the period reported here, financial analysts from five banks published commentaries on our stock. Moreover, several investor-based publications have recommended MVV Energie's stock. We have informed our shareholders about the consistent focus of our strategy in personal discussions, at conferences and at the general shareholders' meeting as well as via email and indirectly by means of broad-based media reporting. Finally, we have increased our efforts to make our company known on the debt-capital market.

# Corporate Situation

## Market Climate and Conditions

In their spring forecast, the leading German economic research institutes have lowered their prognosis for economic growth in Germany in 2004 from 1.7% to 1.5%. Growth in Germany would thus be significantly weaker than in the world economy. Compared to 2003, the *International Monetary Fund (IMF)* is expecting a 4.6% expansion there for 2004 to be fuelled by the US market. A key factor for the lower growth in the German economy has been domestic consumer demand, which has been weaker than expected.

In February 2004, the German Federal Ministry of the Economy submitted a draft for new legislation to govern the energy industry (EnWG), by which a new framework will establish the conditions for network access and the methods for calculating access fees for the electric power and gas markets. In general, the stipulations of the EU's Acceleration Directives have been implemented. The previous system of negotiated network access within the framework of agreements of associations will be replaced by regulated access. An essential element will be the role of the future regulatory agency that will take up its work with comprehensive competencies as of July 1, 2004. The effects on energy utilities will largely depend on the concrete drafting of the EnWG and the accompanying provisions thereof. It cannot be ruled out that the regulatory agency will exert pressure on access fees.

At the end of March 2004, the German Government submitted a draft of the German national allocation plan for emissions trading as demanded by the EU. Within the framework of European emissions trading, this will allocate gratis certificates to approx. 2400 industrial works and power-plants while stipulating mandatory reductions. In this way, a Europe-wide market for tradable emissions permits (TEP) will be created at the beginning of next year. Moreover, amendments to the Renewable Energy Act (REA) are about to be put to a vote. Indications are strong that the framework for bioenergy will develop positively thanks to the new legislation.

## Earnings of the MVV Energie Group 1st & 2nd Quarters of Fiscal Year 2003/2004

**Total sales** of the MVV Energie Group rose 10% to Euro 885 million during the 1st and 2nd quarters of 2003/04. This increase primarily stemmed from higher sales in our electric power, gas and value-added services business. We achieved sales of Euro 820 million (Euro 752 million last year) in our strong core business in electric power, district heating, gas, water and energy from waste incineration during the 2 quarters reported here. This amounts to a 93-percent share of total sales at the MVV Energie Group. The remaining 7% primarily stemmed from our business in value-added services and renewable energy.

On the domestic market, we were able to raise our sales before consolidation by 14% to Euro 831 million (Euro 726 last year) in the 1st and 2nd quarters of 2003/04. MVV Energie AG accounted for Euro 545 million (Euro 464 million last year) thereof, while our participations in Offenbach (Euro 154 million), Solingen (Euro 48 million), Ingolstadt (Euro 46 million), Köthen (Euro 9 million) and other domestic participations (Euro 29 million) accounted for Euro 286 million (Euro 262 million last year).

Compared to last year (March 31, 2003), our foreign sales before consolidation decreased by Euro 10 million to Euro 96 million (– 9%). This decrease mainly stemmed from weather-related drops in volume and from currency factors. Of our foreign sales, our corporate group in the Czech Republic accounted for Euro 70 million (Euro 73 million last year), MVV Polska Sp.z o.o. for Euro 24 million (Euro 30 million last year) and our consulting activities and our business in Portugal for Euro 2 million.

## Comparison of Results Affected by One-off Factors

Implementation of MVV Energie's focusing process began immediately after the resolution of the Supervisory Board in mid-March 2004. This led to a one-off charge of Euro 20 million in the 2nd quarter and hence in the 1st and 2nd quarters of fiscal year 2003/04. This one-off factor from the measures mentioned above in the 1st and 2nd quarters of 2003/04 was offset by a one-off factor from the sale of our GVS shares last year, which led to a one-off profit of Euro 141 million after deducting the book value and transaction costs as well as the last dividend. Part of the proceeds secured from the GVS sale in the 1st quarter of 2002/03 were utilised for measures to strengthen our competitiveness in the 2nd quarter of last year, which led to an expense of Euro 14 million.

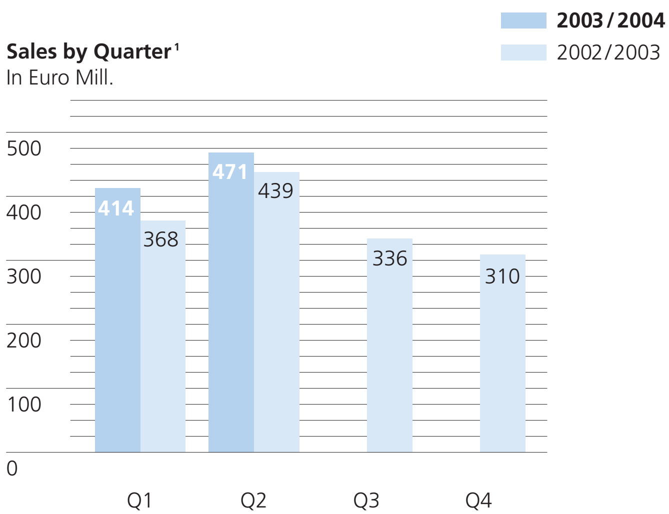
In order to be able to compare the actual economic developments of the last four quarters, we have adjusted the indicators for the above-mentioned one-off factors.

- Adjusted **earnings before interest, taxes, depreciation and goodwill amortisation (EBITDA)** remained at last year's level at Euro 166 million in the first two quarters of 2003/04.
- After deducting depreciation and goodwill amortisation, the MVV Energie Group had adjusted **earnings before interest and taxes (EBIT)** of Euro 105 million for the 1st and 2nd quarters of 2003/04. We have achieved the same EBIT as last year despite weather-related drops in sales in our district-heating business abroad and continued negative contributions to earnings in our value-added services and renewable energy segments.
- Adjusted **net earnings after taxes for this period** were also at last year's level at Euro 43 million.
- **After taking mathematical tax factors into account** from the adjusted items in 2003/04 and 2002/03 **as well as deducting higher minority interests,** we have reported adjusted **net earnings after taxes for this period** of Euro 36 million compared to Euro 37 million last year.
- **Adjusted earnings per share** in accordance with IAS 33 determined according to this adjusted indicator decreased in the first two quarters of 2003/04 from Euro 0.74 to Euro 0.71 compared to last year's results.

## 2nd Quarter 2003/2004

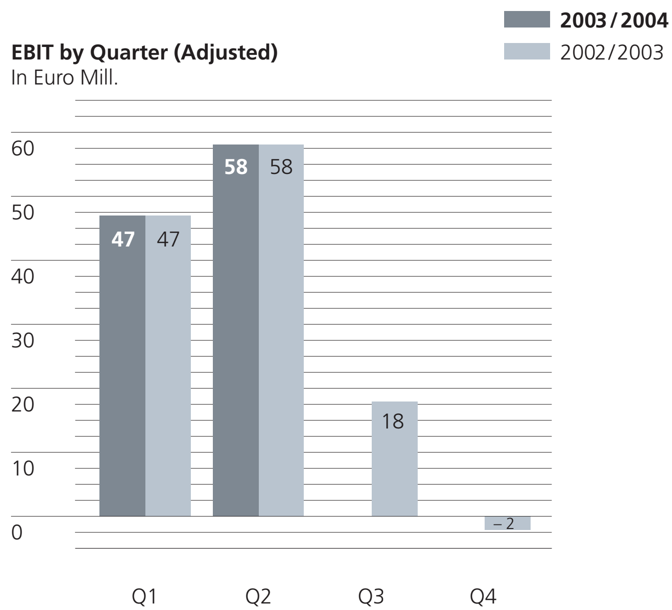
In the 2nd quarter of 2003/04, developments in results were also significantly shaped by the one-off factors both in 2003/04 and 2002/03, which had to be adjusted to permit a proper comparison. In the 2nd quarter of 2003/04, adjusted EBIT was at last year's level at Euro 58 million—despite drops in our district-heating business, which we experienced in our foreign and domestic markets due to substantially milder weather in comparison to the 2nd quarter of 2002/03.

**Sales by Quarter**[1]
In Euro Mill.




[1] Net sales from energy trading, i.e., only showing the margin actually realised (last year's sales were adjusted accordingly)

**EBIT by Quarter (Adjusted)**
In Euro Mill.



| **Sales of the MVV Energie Group by Segment**<br>**1st & 2nd Quarters, 1/10 – 31/3**<br>In Euro Mill. | **2003/2004** | 2002/2003 | In % |
|---|---|---|---|
| Electric power [1] | 393 | 329 | + 19 |
| District heating | 170 | 177 | – 4 |
| Gas [2] | 177 | 165 | + 7 |
| Water | 35 | 35 | — |
| Energy from waste (MHKW) [3] | 45 | 46 | – 2 |
| Value-added services [3] | 58 | 50 | + 16 |
| Renewable energy | 2 | — | — |
| Other/Consolidation | 5 | 6 | – 17 |
| | **885** | **808** | + 10 |

[1] Energy-trading sales shown as net figure, i.e., only with the margin actually realised (last year's figures updated accordingly) and including Euro 44 million for the electricity tax (Euro 36 million last year)

[2] Including Euro 33 million for the natural gas tax (Euro 28 million last year)

[3] Last year without sales from project business/transfer of the biomass powerplants still under construction in Mannheim, Flörsheim-Wicker (MHKW segment) and Königs Wusterhausen (value-added services segment) to the respective project companies, which were taken into account accordingly under *Consolidation*

## Segment Reporting

### Electric Power Segment—Sales and EBIT Improve despite Mounting Competition

Total sales in our electric power segment rose by Euro 64 million (19%) during the 1st and 2nd quarters of 2003/04. This healthy growth resulted from higher volume (+ 11%) and from rate hikes. Of total power sales, MVV Energie AG accounted for Euro 300 million (76%), which increased its electricity sales by Euro 64 million. Our participations, Energieversorgung Offenbach AG (EVO) and Stadtwerke Solingen GmbH, also succeeded in raising their electricity sales.

As in the 1st quarter of 2003/04, we have carried the sales from our proprietary—i.e. straight—trading business only with the difference between purchase and sale prices—that is, the margin actually realised—as sales in order to present business developments clearly. For purposes of comparison, the figure for last year's sales was updated accordingly. This change has had no impact on results.

On this basis, the power volume of the MVV Energie Group increased by 0.7 billion kWh (+ 11%) to 6.4 billion kWh in the first two quarters of 2003/04. This growth primarily stemmed from our power wholesaling in our business witch secondary contributors. Unlike last year's presentation, here we have also only carried net power-trading volume. Compared to last year's gross figures, a power-trading volume of 2.3 billion kWh was adjusted without affecting earnings.

Our retailing business with small business and household as well as industrial and commercial customers accounts for 63% of our total power volume. In this market segment, our power volume was 4 billion MWh and was thus slightly below last year's figure in the first two quarters of 2003/04. This decrease mainly resulted from lowered deliveries in Ingolstadt, Solingen and Mannheim. However, this decrease was partially offset by MVV Energie AG's increases in volume in Offenbach and in its interregional electric power business.

[1] Total volume from all segments
[2] Only net power-trading volume carried as well as without intercompany deliveries (last year's figures updated accordingly)
[3] Subsequent corrections in volume last year

**Volume of the MVV Energie Group by Segment**

| 1st & 2nd Quarters, 1/10 – 31/3 | 2003/2004 | 2002/2003 | In % |
|---|---|---|---|
| Electric power[1] in Mill. kWh | 6450 | 5789 | + 11 |
| Thereof wholesaling[2] in Mill. kWh | 2408 | 1717 | + 40 |
| Thereof retailing in Mill. kWh | 4042 | 4072 | – 1 |
| District heating[1,3] in Mill. kWh | 5461 | 5619 | – 3 |
| Gas[1] in Mill. kWh | 6048 | 5983 | + 1 |
| Water[1] in Mill. $m^3$ | 19.1 | 19.5 | – 2 |
| Incinerated waste in 1000 tonnes | 246 | 234 | + 5 |

## EBIT Improves

Adjusted EBIT for electric power went up Euro 4 million to Euro 17 million in the first two quarters of 2003/04 compared to last year's EBIT adjusted for proportional restructuring measures. This growth stemmed primarily from improvements in results at our EVO and Ingolstadt participations. These were offset by charges caused by higher purchase prices, which we were not completely able to counterbalance on the sales side in the period reported here.

## District-Heating Segment—Weather-Related Drops in Sales in the 2nd Quarter

The volume in our district-heating segment, which had 5% growth in the 1st quarter of 2003/04, was 3% below last year's level at the end of the first two quarters of 2003/04. A key factor in this development was a 9% drop in volume in the 2nd quarter of 2003/04 (from January to March 2004), which we had due to the comparatively mild temperatures on our foreign and domestic markets.

Compared to last year, sales in the first two quarters of 2003/04 decreased by Euro 7 million (– 4%) to Euro 170 million. This decrease came mainly from our Czech and Polish participations; compared to last year, sales went down by Euro 10 million to Euro 95 million. The main reason for this was a weather- and exchange rate-related drop in sales. The present strength of the Euro has meant that revenues earned in Polish or Czech currency have turned out to be less than in 2002/03 after conversion to Euros. In a comparison of the first two quarters of 2002/03 and 2003/04, the average exchange rates of the Polish zloty to the Euro and of the Czech crown to the Euro decreased in value by 14% and 4%, respectively. In our district-heating segment, foreign sales accounted for 56% of total district-heating sales for the MVV Energie Group. Conversely, on the domestic district-heating market, our sales rose Euro 3 million (+ 4%) to Euro 76 million by means of rate hikes and a higher volume.

EBIT at our district-heating segment rose 2% compared to last year's adjusted EBIT to Euro 48 million during the 1st and 2nd quarters of 2003/04. The main reason for this was a drop in sales on the foreign heating market. EBIT obtained from our district-heating business during the winter quarters of 2003/04 accounted for 56% of the MVV Energie Group's total operative earnings in the first two quarters of 2003/04.

## Gas Segment—Sales and EBIT Rise

Weather conditions had less of an impact on our gas business than on our district-heating business due to the high percentage of gas deliveries that are not dependent on temperature in our industrial customer business. As a consequence, we were able to increase our volume despite unfavourable weather conditions in the 2nd quarter by a total of 1% in the first two quarters of 2003/04. The increase in volume is attributable to MVV Energie AG's secondary distributor business as well as the end-consumer business of our participations in Offenbach and Solingen.

Sales in our gas segment rose by Euro 12 million (+ 7%) compared to last year to Euro 177 million. All of the enterprises in the MVV Energie Group succeeded in raising their sales compared to the same quarter last year. The gas segment's adjusted EBIT increased by Euro 1 million to Euro 27 million in comparison to last year's adjusted results (without the one-off GVS factor).

| EBIT of the MVV Energie Group by Segment | | | | | |
|---|---|---|---|---|---|
| **1st & 2nd Quarters, 1/10 – 31/3** In Euro Mill. | **Unadjusted 2003/2004** | Unadjusted 2002/2003 | **Adjusted 2003/2004** | Adjusted 2002/2003 | Adjusted In % |
| Electric power | 17 | 11 | 17 | 13 | + 31 |
| District heating | 48 | 48 | 48 | 49 | – 2 |
| Gas | 27 | 166 | 27 | 26 | + 4 |
| Water | 5 | 4 | 5 | 5 | — |
| Energy from waste (MHKW) | 12 | 9 | 12 | 17 | – 29 |
| Value-added services | – 21 | – 3 | – 3 | – 2 | – 50 |
| Renewable energy | – 1 | – 4 | – 1 | – 4 | + 75 |
| Other/Consolidation | – 2 | 1 | — | 1 | – 100 |
| | **85** | 232 | **105** | 105 | — |

## Water Segment—Sales and EBIT at Last Year’s Level

In our water segment, sales remained at last year’s level despite a slight drop in volume. At Euro 5 million, adjusted EBIT was at the same level as last year’s EBIT, which had been adjusted for the proportional restructuring costs at EVO. In our water business, year-end results will be largely determined by developments in the last two quarters of 2003/04.

## Energy from Waste Plants (MHKW)

Sales from our refuse disposal and energy from waste business was slightly below last year’s level at Euro 45 million. Without the sales from last year’s project business for new biomass-powerplants, total sales would have increased by 2%. Developments in EBIT were primarily affected by last year’s expenditures for obligations within the framework of taking over facility management at the MHKW in Mannheim from the Mannheim central powerplant (GKW) and for proportional restructuring expenses at EVO. When adjusted for these one-off factors, EBIT decreased by Euro 5 million. This decrease mainly resulted from lower profits from our project business and changes in re-allocating our steam business for organisational purposes from our district-heating segment to our MHKW segment as the energy generated there with environment-friendly cogeneration (CHP) is primarily used to supply industrial steam service.

## Value-Added Services Segment

In our value-added services segment, sales revenues rose by Euro 8 million (16%) compared to last year to Euro 58 million. This growth largely stemmed from increased energy services provided by MVV Energie AG and EVO as well as from the contracting business of our participations MVV Industriekraftwerk Ludwigshafen GmbH and MVV Dezentrale Industrielle Energieversorgung Rhein-Ruhr GmbH (D.I.E.) in Solingen. Developments in EBIT have been shaped by charges resulting from tightening and restructuring our Powerline business in 2003/04. When adjusted for this one-off factor (Euro 18 million) and proportional restructuring expenditures at EVO (Euro 1 million) last year, the negative EBIT from our value-added services business increased by Euro 1 million compared to last year. For all of fiscal year 2003/04, we are expecting a slightly negative EBIT—without one-off charges for adjusting our portfolio.

## Renewable Energy Segment

In our renewable energy segment, the negative EBIT improved from – Euro 4 million to – Euro 1 million, mainly because of first-time sales from our new biomass powerplants. Here we are expecting positive developments in the form of +/– zero earnings throughout the course of this fiscal year.

## Investments & Financing

In the 1st and 2nd Quarters of fiscal year 2003/04, the MVV Energie Group invested Euro 60 Mill (Euro 97 Mill last year). A total of Euro 55 million was invested in fixed assets (Euro 81 million last year), while an additional Euro 5 million went for financial assets (Euro 16 million last year).

MVV Energie AG accounted for Euro 25 million of total investments in fixed assets and the participations for Euro 30 million. At MVV Energie AG, investments were primarily earmarked for replacement measures in the distribution grids used to supply energy and water service as well as to build a replacement CHP incinerator at MVV Energie's energy from waste plant (MHKW) in Mannheim. In our renewable energy division, investments went mainly for construction of the new biomass powerplants in Königs Wusterhausen and Mannheim.

Developments in the capital-flow statement last year were largely marked by the high cash flow from the sale of our GVS shares. This sale led to a major cash flow from disposal of financial assets. Without this one-off factor, the cash-flow statement has once again indicated cash flow used in investment activities for the quarter reported here.

Cash flow in accordance with DVFA/SG, which does not contain the profits from the sale of our GVS shares last year, increased by 5% compared to the same period in both fiscal years to Euro 110 million. This increase primarily stemmed from elimination of last year's charges for measures to strengthen our competitiveness. Depreciation and value adjustments from cleaning up our portfolio that were taken into account in the results of the first two quarters of 2003/04 have had no impact on the amount of cash flow. Conversely, long-term provisions were lower in the first two quarters of 2003/04. Including the changes in the other items under assets and liabilities, cash flow provided by operating activities showed a change of Euro 20 million compared to last year to Euro 50 million. A comprehensive capital-flow statement can be found on p. 13 of this financial report.

## Research & Development

### New Members Reinforcing the *Fuel Cell Initiative (IBZ)*

Since the beginning of 2004, the *Fuel Cell Initiative,* in which MVV Energie is one of the founding members, has been substantially reinforced by eight new partners. The IBZ develops and promotes fuel cells as a technology of the future that can generate electric power and heating simultaneously as a decentralised energy-supply unit. With the aid of fuel-cell technology, consumption of primary energy can be reduced while relieving the environment.

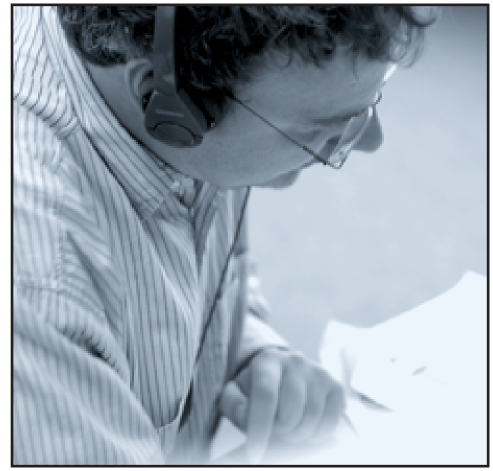
Among the new partners, there are leading equipment manufacturers and the *German Energy Agency (DENA)* as well as a number of major energy suppliers. In this way, the basis has been broadened for successful introduction of fuel-cell heating units that will be able to supply homes and businesses with electric power and heating using natural gas.

### Workforce Management Mobile GIS in Action

The MVV Energie Group's strategic project, Workforce Management (WFM), was started in November 2003 with the objective of working out a concept for network operation by July 2004. In so doing, process efficiency (travel and set-up times, disposition of materials, media discontinuity, compiling data on operations and status) should be improved, the use of resources (resource planning, contract/utilisation controlling) optimised and transparency (documentation, data as a basis for analyses and evaluations) should be increased.

Within the framework of WFM, a project segment entitled "Mobile Geographic Information System Pilot Project" has been successfully conducted. For this purpose, we equipped 15 technicians with laptops and GISmobil software and checked to see to what extent the use of mobile GIS plans would be feasible and if any benefit could be generated by it.

The pilot project achieved both qualitatively and quantitatively positive results. Consequently, an additional 35 technical employees will be successively equipped with mobile GIS systems in the next few months.



## Employees

Compared to last year, the number of employees in the MVV Energie Group decreased by 67 (– 1%) to 5581 as of March 31, 2004. Including non-MVV personnel employed at our energy from waste plant (MHKW) in Mannheim, the MVV Energie Group had 5646 employees by the end of the 2nd quarter of 2003/04.

The decrease in employees largely stemmed from downsizing in conjunction with restructuring measures at our proportionately consolidated participations in Szczecin and Solingen.

Any increases at our fully consolidated enterprises mainly resulted from higher personnel figures at KSG Kommunikations-Service-Gesellschaft mbH in Offenbach, a subsidiary of Energieversorgung Offenbach AG. Due to restructuring measures, employees at EVO and at MVV Energie AG have transferred to this company, which particularly serves as a call centre and as a billing centre for customers in Mannheim and Offenbach.

Beyond this, there were only minor personnel changes at the MVV Energie Group.

| **Personnel Figures at the End of 2nd Quarter, as of March, 31** | **2003/2004** | 2002/2003 | +/– |
|---|---|---|---|
| MVV Energie AG [1, 2] | 1770 | 1775 | – 5 |
| Fully consolidated participations | 2140 | 2100 | + 40 |
| **MVV Energie AG with fully consolidated participations** | **3910** | **3875** | **+ 35** |
| Proportionately consolidated participations | 1671 | 1773 | – 102 |
| **MVV Energie Group** | **5581** | **5648** | **– 67** |
| Non-MVV personnel at MHKW in Mannheim | 65 | 85 | – 20 |
| | **5646** | **5733** | **– 87** |

[1] Including 93 employees of MVV RHE AG (96 last year)

[2] Thereof 170 trainees (161 last year)

# Outlook

## Market Climate and Regulation

Due to the increased costs for primary energy, we are also expecting high wholesale prices for electric power in the coming months. As construction of additional thermal powerplants is not to be expected any time soon, we do not anticipate mounting competition on wholesale markets in light of the present market situation. Conversely, competition will presumably persist especially in the business with industrial customers.

In accordance with the EU's Acceleration Directive, the new regulatory authority will take up its work as of July 1, 2004. It will intervene in determining network access fees both in the end-distributor business as well as in transmission. Moreover, we are expecting measures to strengthen competition as well as the functionality of the power and gas markets. The effects on MVV Energie's profitability will largely depend on concrete resolutions and will harbour both opportunities and risks.

The current resolutions on trading with $CO_2$ certificates will create a European $CO_2$ trading market as of 2005. We also intend to utilise our extensive trading know-how in this sector after the regulatory framework has been made sufficiently concrete.

## New Strategic Initiative

Within the framework of the above-mentioned focusing on our core business as an energy distributor and value-added services provider, we will part with some of our marginal activities and will thus improve our cost structures, as well. The resolutions will be successively implemented and for the most part be completed in fiscal year 2003/04. The substantial one-off costs to be incurred will be covered by the retained earnings from last year's sale of our shares in Gasversorgung Süddeutschland (GVS). As an additional step in improving efficiency, we will adapt the MVV Energie Group's organisation to match its growing scale. We are also expecting additional potential for future cost cutting by means of the planned Group-wide restructuring of our procurement activities.

Owing to MMC restrictions, major German interregional utilities will hardly be able to acquire participations in additional municipal utilities. At the same time, many former customers from abroad have taken their business out of Germany. Consequently, we see excellent opportunities for MVV Energie to benefit from the falling prices for municipal utilities and to acquire participations in profitable enterprises at reasonable prices. We intend to take advantage of this opportunity in order to expand our network of municipal utilities and to strengthen our market position via the multiplication of successful business plans. In addition, we intend to invest further in our windows of opportunity, such as the environment (waste incineration and biomass powerplants) and energy services.

In case of additional acquisitions or major investments, we are considering a second public offering, which will increase both our equity and our stock market liquidity.

## Sales and Earnings Forecast

Compared to last year, we are not expecting any significant changes in sales for the current fiscal year. With EBIT for 2003/04, we are expecting a single-digit decrease compared to last year's figure (Euro 121 million) due to the increasing pressure on margins in our electric power business as well as from discounts and rising fuel costs in our waste-management business without taking the one-off restructuring expenditures for the focusing process into account. Should this pressure on margins in our power business continue to increase, we will also not be able to get around raising our power rates, which other utilities have already done.

## Significant Occurrences after the End of the Quarter

On April 30, 2004, MVV Energie was given the nod to purchase a 51% participation in the Kiel public utility (Stadtwerke Kiel). With this profitable new participation, we will be continuing our value-based growth strategy and will secure new marketing and optimising potential. This new majority participation has not been taken into account in the above-mentioned sales and earnings forecast.

# Balance Sheet as of 31/3/2004

| **Balance Sheet of the MVV Energie Group** in Euro 1000<br>**Assets** | **31/3/2004** | 30/9/2003 |
|---|---|---|
| Fixed Assets | | |
| Intangible assets | 239 515 | 247 840 |
| Tangible assets | 1 631 503 | 1 655 102 |
| Financial assets | 136 960 | 139 460 |
| | **2 007 978** | **2 042 402** |
| Current Assets | | |
| Inventories | 61 841 | 50 291 |
| Receivables and other assets [1] | 418 681 | 373 685 |
| Cash and cash equivalents | 61 587 | 64 076 |
| | **542 109** | **488 052** |
| | **2 550 087** | **2 530 454** |
| **Liabilities** | | |
| Equity | | |
| Share capital of MVV Energie AG | 129 797 | 129 797 |
| Capital reserves of MVV Energie AG | 178 270 | 178 270 |
| Retained earnings | 200 911 | 222 098 |
| Total net earnings of the MVV Energie Group for the period | 167 864 | 167 604 |
| Capital of the MVV Energie Group | **676 842** | **697 769** |
| Minority interests | 107 190 | 107 997 |
| | **784 032** | **805 766** |
| Customers' Contributions | **182 833** | 182 832 |
| Provisions | | |
| Provisions for pensions and other obligations | 22 457 | 21 380 |
| Provisions for taxes | 8 901 | 11 086 |
| Other provisions | 118 799 | 122 701 |
| | **150 157** | **155 167** |
| Liabilities | | |
| Corporate debt | 1 036 278 | 995 920 |
| Trade payables | 117 456 | 134 517 |
| Advance payments for orders [1] | 7 454 | 11 293 |
| Other liabilities | 130 211 | 107 289 |
| | **1 291 399** | **1 249 019** |
| Deferred Taxes | **141 666** | **137 670** |
| | **2 550 087** | **2 530 454** |

[1] Last year's figures were updated accordingly

# Income Statement

**From 1/1/2004 until 31/3/2004**
**and from 1/10/2003 until 31/3/2004 (Cumulative)**

| Income Statement of the MVV Energie Group | 2nd Quarter 1/1 – 31/3 | | 1st & 2nd Quarters 1/10 – 31/3 (Cumulative) | |
|---|---|---|---|---|
| In Euro 1000 | **2003/2004** | 2002/2003 | **2003/2004** | 2002/2003 |
| Sales [1] | 471 084 | 439 328 | 885 225 | 807 617 |
| Capitalised assets for internal services rendered/ Fluctuations in inventories | 6 875 | 5 335 | 14 734 | 22 764 |
| Other operating income | 11 076 | 10 765 | 27 273 | 161 492 |
| Cost of materials [1] | 289 129 | 267 502 | 539 127 | 488 865 |
| Personnel costs | 54 500 | 55 989 | 109 373 | 106 656 |
| Other operating expenses | 58 781 | 57 104 | 113 479 | 105 175 |
| Net income from subsidiaries | — | 480 | – 3 | 2 623 |
| Other participations' earnings | – 2 041 | – 213 | – 2 106 | 110 |
| **EBITDA** | **84 584** | **75 100** | **163 144** | **293 910** |
| Depreciation | 43 595 | 27 116 | 71 260 | 54 770 |
| **EBITA** | **40 989** | **47 984** | **91 884** | **239 140** |
| Goodwill-amortisation | 3 493 | 3 564 | 6 948 | 6 781 |
| **EBIT** | **37 496** | **44 420** | **84 936** | **232 359** |
| Net interest expenses | – 13 449 | – 12 817 | - 26 652 | – 27 577 |
| **EBT** | **24 047** | **31 603** | **58 284** | **204 782** |
| Income taxes | 15 156 | 17 806 | 31 226 | 30 412 |
| **Net earnings after taxes for the period** | **8 891** | **13 797** | **27 058** | **174 370** |
| Minority interests | 4 312 | 1 730 | 7 529 | 5 553 |
| **Net earnings after taxes after deducting minority interests for the period** | **4 579** | **12 067** | **19 529** | **168 817** |

[1] Last year's figures were updated accordingly

# Cash-Flow Statement

**From 1/10 until 31/3**

| Cash-Flow Statement of the MVV Energie Group[1] 1/10 – 31/3<br>In Euro 1000 | 2003/2004 | 2002/2003 |
|---|---|---|
| Net earnings after taxes for the period | 27058 | 174370 |
| Depreciation/write backs of fixed assets | 80981 | 63317 |
| Changes in long-term provisions and customers' contributions | 2244 | 7149 |
| Other changes in cash flow | 3 | — |
| Profit from the sale of participations | — | – 139687 |
| **Subtotal for cash flow in accordance with DVFA/SG** | **110286** | **105149** |
| Changes in short-term provisions | – 5314 | 15566 |
| Profits from disposals of tangible assets | – 198 | – 1379 |
| Profits from disposals of financial assets | – 5136 | — |
| Changes in other assets[1] | – 48110 | – 94378 |
| Changes in other liabilities[1] | – 1954 | 4684 |
| **Cash flow from operating activities** | **49574** | **29642** |
| Proceeds from disposals of tangible assets | 4281 | 22661 |
| Proceeds from disposals of financial assets | 9479 | 210310 |
| Investments in tangible assets/intangible assets | – 55326 | – 81126 |
| Investments in acquisitions, participations and loans | – 4754 | – 16095 |
| **Cash flow used in/provided by investment activities** | **– 46320** | 135750 |
| Proceeds from subsidy payments | 20 | 1242 |
| Proceeds from new corporate loans | 215342 | 77688 |
| Expenditures to retire corporate debt | – 39212 | – 71781 |
| Changes in financial debt from cash-pooling | – 135772 | – 162479 |
| Dividend payments | – 45063 | – 46275 |
| **Cash flow used in financing activities** | **– 4685** | **– 201605** |
| Changes in cash and cash equivalents | – 1431 | – 36213 |
| Changes in cash and cash equivalents from changes in the scope of consolidation | 40 | 4703 |
| Changes in cash and cash equivalents from foreign currency translation | – 1098 | – 2844 |
| Cash and cash equivalents as of 1/10/2003 (and/or 2002) | 64076 | 92930 |
| **Cash and cash equivalents as of 31/3/2004 (and/or 2003)** | **61587** | **58576** |

[1] Last year's figures were updated accordingly

# Statement of Changes in Equity

## Including Minority Interests

| **Statement of Changes in Equity of the MVV Energie Group Including Minority Interests**<br>In Euro 1000 | Share Capital MVV Energie AG | Capital Reserves MVV Energie AG | Legal and other Retained Earnings/ Consoli-dation | Difference in Amounts from Currency Translation | Market Valuation from Financial Instru-ments | Net Earn-ings for the Period of the MVV Energie Group | Capital of the MVV Energie Group | Minority Interests | **Totals** |
|---|---|---|---|---|---|---|---|---|---|
| **Status as of 1/10/2003** | **129 797** | **178 270** | **222 486** | **– 1 394** | **1 006** | **167 604** | **697 769** | **107 997** | **805 766** |
| Dividend yield | — | — | — | — | — | – 38 027 | – 38 027 | – 7 036 | – 45 063 |
| Net earnings after taxes for the period | — | — | — | — | — | 19 529 | 19 529 | 7 529 | 27 058 |
| Changes in retained earnings | — | — | – 18 758 | — | — | 18 758 | — | — | — |
| Currency adjustments | — | — | — | – 4 310 | — | — | – 4 310 | – 706 | – 5 016 |
| Changes in the scope of consolidation | — | — | 1 913 | — | — | — | 1 913 | – 576 | 1 337 |
| Adjustments not affecting earnings (IAS 39) | — | — | — | — | – 32 | — | – 32 | – 18 | – 50 |
| **Status as of 31/3/2004** | **129 797** | **178 270** | **205 641** | **– 5 704** | **974** | **167 864** | **676 842** | **107 190** | **784 032** |

**Supplementary Information**
**2nd Quarter and 1st & 2nd Quarters of 2003/2004**

## Principles and Methods

The standards of the International Accounting Standards Board (IASB) that were in effect on March 31, 2004, have been used for these quarterly financial statements of the MVV Energie Group in accordance with International Financial Reporting Standards (IFRS).

The financial statements of the subsidiaries included in the financial statements of the MVV Energie Group are subject to uniform principles for accounting and valuation.

In addition to the balance sheet, the income statement as well as the statement of changes in equity according to IAS 1, the financial statements include the cash-flow statement according to IAS 7 and reporting financial information by segment according to IAS 14 as well as notes to clarify said statements.

To be better able to show the assets and financial situation, advance payments made by customers within the framework of their annual bills were netted against receivables for the first time. Last year's figures were adjusted accordingly. As of March 31, 2004, this netted figure amounted to Euro 219 527 000; as of September 30, 2003, it was Euro 220 671 000.

Moreover, in order to enhance the transparency of the earnings situation, we have carried power-trading sales from our proprietary trading business as net sales. This means that only the profit margin actually realised from the sum total of our proprietary power-trading business will be shown—in positive cases as net sales and in negative cases as cost of materials. For purposes of comparison, last year's figures were adjusted accordingly. These figures, which have been reduced by sales revenues as well as by the cost of materials amounted to Euro 65 094 000 as of March 31, 2004, and Euro 168 257 000 as of March 31, 2003, respectively. However, these changes in the way things are carried have had no effect on earnings.

## Scope of Consolidation

In addition to MVV Energie AG, 36 subsidiaries, in which MVV Energie AG has a majority of the voting rights either directly or indirectly, have been fully consolidated in the financial statements of the MVV Energie Group. The determining control concept for such full consolidation in accordance with IAS 27 calls for the parent company to exercise the power to govern financial and operating policies. Six enterprises have been proportionately consolidated. Seven additional associates have been assessed according to the equity method.

In the current fiscal year, one enterprise was fully consolidated for the first time. Two enterprises were merged with one another within the framework of a partial corporate reorganisation. There were no changes in the number of enterprises to be assessed according to the equity method as well as of those to be proportionately consolidated.

Fully and proportionately consolidated subsidiaries included in the consolidated financial statements have prepared quarterly financial statements as of the balance sheet date.

Moreover, subsidiaries that are of negligible importance as a whole and when individually considered from the standpoint of the Group with respect to sales, total assets and contributions to net earnings are not consolidated but are instead carried as financial assets on the consolidated balance sheet.

## Consolidation Methods

The financial statements integrated in the consolidation have been translated from HGB to IAS in accordance with IFRS based on uniform accounting rules.

Capital consolidation has been performed according to IAS 22 in accordance with the proportional re-evaluation method for participations based on the values assigned at the time of acquisition. A positive balance is carried as goodwill under Fixed assets and amortised in accordance with IAS 22; conversely, a negative balance with regard to the acquisition price is carried as commensurate potential losses forecast for the future.

Intercompany receivables and payables as well as sales, earnings and expenses have been set off against each other according to IAS 27.

Major joint ventures have been proportionately included in the consolidated financial statements according to IAS 31. Consolidation of joint ventures is performed according to the above-mentioned principles.

Key participations in associates have been valuated at equity in accordance with IAS 28.

## Foreign Currency Translation

The financial statements of the MVV Energie Group's foreign participations have been translated into Euros according to the concept of functional currency in accordance with IAS 21. This means the respective national currency of the companies involved as they do business in their own currency as financially, economically and organisationally autonomous foreign entities.

The following exchange rates were used in translating the financial statements of individual foreign companies from their national currencies into Euros:

Assets and debt items on balance sheets are translated from the respective currency to Euro at the mean exchange rate in effect on the balance sheet date. Expenditures and earnings of consolidated foreign companies are translated at average annual exchange rates.

Differences from translating currencies with respect to the equity of the foreign participations involved as well as to deviating conversion rates between the balance sheet and the income statement are set off against equity without affecting earnings.

| **1 Euro** | Closing Rates | | Average Rates 1/10 – 31/3 | |
|---|---|---|---|---|
| | **31/3/2004** | 31/3/2003 | **2003/2004** | 2002/2003 |
| Polish zloty (PLN) | 4.734 | 4.623 | 4.700 | 4.057 |
| Czech crowns (CZK) | 32.833 | 31.844 | 32.478 | 31.182 |

## Accounting and Valuation Methods

In general, assets are valued at their acquisition and/or manufacturing costs, decreased by regularly scheduled depreciation. Corporate debt is set at its repayment value. Long-term debt is carried at present value.

Exceptions to this principle are certain financial instruments in accordance with IAS 39, which have been set at market values.

## Earnings per share are calculated as follows:

| **Earnings per Share 1/10 – 31/3** | **2003/2004** | 2002/2003 |
|---|---|---|
| Net earnings after taxes after deducting minority interests for the period in 1000 Euro | 19529 | 168817 |
| Adjusted net earnings after taxes after deducting minority interests for the period in 1000 Euro | 35935 | 37330 |
| No. of shares in 1000 (weighted 1st & 2nd quarter average) | 50702 | 50702 |
| Earnings per share in Euro in accordance with IAS 33 | 0.39 | 3.33 |
| Adjusted earnings per share in Euro in accordance with IAS 33 | 0.71 | 0.74 |

# Events and Dates

| | |
|---|---|
| 16/8/2004 | Financial report<br>3rd Quarter 2003/2004 |
| 1/12/2004 | Financial statements for 2003/2004 |
| 26/1/2005 | Financial results conference and<br>financial analysts' conference |
| 14/2/2005 | Financial report<br>1st Quarter 2004/2005 |
| 4/3/2005 | General Shareholders' Meeting |
| 7/3/2005 | Dividend payments |

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2nd Quarter and 1st & 2nd Quarters

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