Interim Report
2nd Quarter and 1st Half of 2006/2007

1 October 2006 – 31 March 2007

06/07

MVV Energie

Key Figures

1 October 2006 – 31 March 2007

Key Figures of the MVV Energie Group[1] Euro million	2006/2007	2005/2006 adjusted[2]	2005/2006	% change adjusted[2]	% change
External sales[3]	1 211	1 233	1 233	– 2	– 2
EBITDA	229	260	260	– 12	– 12
EBITA	159	189	188	– 16	– 15
EBIT	159	189	189	– 16	– 16
EBT	118	150	157	– 21	– 25
Net surplus for the period	70	85	92	– 18	– 24
Net surplus for the period after minority interests	59	75	73	– 21	– 19
Earnings[4] per share[5] in Euro	1.05	1.38	1.34	– 24	– 22
Cash flow pursuant to DVFA/SG	150	162	167	– 7	– 10
Cash flow per share[5] pursuant to DVFA/SG in Euro	2.69	2.97	3.07	– 9	– 12
Free cash flow[6]	– 45	– 63	– 58	+ 29	+ 22
Total assets (as of 31. 3. 2007/30. 9. 2006)	3 410	3 153	—	+ 8	—
Equity (as of 31. 3. 2007/30. 9. 2006)	856	837	—	+ 2	—
Investments[7]	132	92	94	+ 43	+ 40
Number of employees[8]	6 864	6 383	6 383	+ 8	+ 8

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

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

[3] excluding energy taxes

[4] in accordance with IAS 33

[5] increase in number of shares (weighted half-year average) from 54.5 million to 55.8 million as a result of capital increase

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

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

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

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1 January 2007 – 31 March 2007

Highlights in the 2nd Quarter

- Dividend increased at Annual General Meeting
- Market leader in regional heating contracting
- Positive development in MVV Energie AG share price

Annual General Meeting approves higher dividend

The Annual General Meeting of MVV Energie AG on 9 March 2007 approved the proposal made by the Management and Supervisory Boards to increase the dividend for the 2005/06 financial year from Euro 0.75 to Euro 0.80 per share as a result of the company's improved earnings strength. Dr. Rudolf Schulten, CEO of MVV Energie AG, assured the 1 500 shareholders and guests attending the Annual General Meeting that the company would consistently maintain its orientation towards profitable growth.

Further major acquisition in energy-related services business

On the basis of a purchase and assignment agreement dated 27 February 2007, MVV Energiedienstleistungen GmbH acquired 51 % of the limited partnership interest held by WGB Wärme GmbH & Co. KG Berlin together with 51 % of the business shares in its general partner, WGB Wärme Beteiligungs GmbH Berlin. This new shareholding provides the MVV Energie Group with direct access to the heating supply, technical facility management and utility invoicing for 60 000 residential units in Berlin. The acquisition of this new shareholding, together with the previous acquisition of IVB Immobilien Versorgung GmbH Berlin (now MVV Energiedienstleistungen GmbH Berlin) in March 2006, means that MVV Energiedienstleistungen has now become the market leader in the regional heating contracting market in Berlin, supplying a total of 70 000 residential units.

This successful concept is now due to be further expanded both in Berlin and nationwide.

New waste disposal agreements for MVV Umwelt GmbH

During the quarter under report, MVV Umwelt GmbH, a wholly-owned subsidiary of MVV Energie AG, concluded an agreement with the City of Wiesbaden concerning the disposal of an annual total of 30 000 tonnes of non-recyclable waste. This waste disposal order, which was awarded following a pan-European tender process, has an initial term of twelve years. Furthermore, a three-year agreement has been concluded with the waste incineration plant in Bamberg concerning the takeover of waste volumes for the period while that plant is undergoing conversion.

The negotiations concerning the existing waste incineration agreements with the Rhine/Neckar Waste Disposal Special Purpose Association (ZARN), at which the cities of Mannheim and Heidelberg as well as the Rhine/Neckar District pool their waste disposal requirements, were concluded with a compromise in February 2007. The amended waste incineration agreements have a term running until 2012. As a result of the structural adjustment based on market developments, the incineration prices have been reduced as of January 2007. This agreement has the advantage for all partners that the cooperation within the region is now secured and can be maintained up to 2012.

Earnings negatively affected by very warm weather conditions

The unusually warm weather conditions for the winter months had a marked impact on the sales and earnings performance of our group of companies in the 2nd quarter of 2006/07. The average temperature during the quarter under report amounted to 6.7 degree Celsius and was thus around 5 degrees higher than the figure for the equivalent period in the previous year, during which the weather had been especially cold.

The MVV Energie AG Share

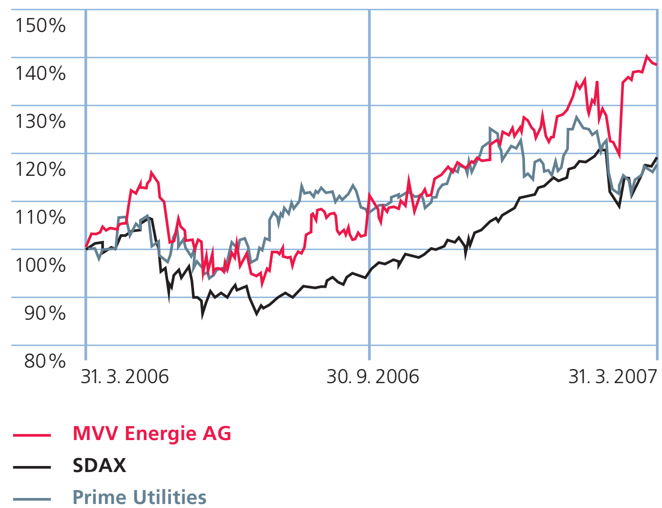
Ongoing positive performance of share price

The performance of the share price shows that the capital market is convinced by MVV Energie's strategy. Our share price witnessed a considerable increase of 35 % compared with the previous year (31 March 2006) to reach Euro 28.40. Accounting for the dividend distribution of Euro 0.80 per share, our performance over the same period even amounted to around 39 %. The ongoing positive trend seen in the performance of our share price since 2004 has thus been maintained. The market capitalisation of MVV Energie AG amounted to around Euro 1 584 million as of 31 March 2007.

The rise in the share price is principally due to the pleasing earnings performance of the MVV Energie Group in the past 2005/06 financial year and to the positive assessment of our business model. This trend can also be assumed to have been supported by the favourable overall climate on the German stock markets. Our share showed an above-average performance compared with the development of the SDAX (+ 20 %) and Prime Utilities (+ 18 %) indices over the same period. The highest closing price in the quarter under report amounted to Euro 28.75 in Xetra trading and the period low to Euro 25.25. With an equivalent volume of Euro 89 million, the volume of trades involving shares in MVV Energie AG rose by 37 % compared with the equivalent quarter in the previous year.

Following the end of the quarter under report, our share price reached a new all-time high closing price of Euro 31.00 in Xetra trading on 7 May 2007.

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



Successful Annual General Meeting

At the Annual General Meeting held on 9 March 2007, our shareholders approved all of the proposals made by the Management and Supervisory Boards in the agenda with a large majority. The dividend was thus increased by 5 cents to Euro 0.80 per share, equivalent to an attractive dividend yield of 3.4 % in terms of the closing price for the past financial year. Furthermore, the Annual General Meeting elected Dr. Stefan Fulst-Blei as a new member of the Supervisory Board. His predecessor, Dr. Frank Mentrup, retired from his position upon the conclusion of the 2007 Annual General Meeting. Around 1 400 shareholders, representing around 88 % of the company's share capital, accepted the invitation to attend the Annual General Meeting.

Increased share coverage

A total of 13 analysts' companies now monitor our share and provide regular recommendations. At the beginning of this year, Dexia Bank, Brussels/Belgium took up its research on the MVV Energie share and compiled an extensive study. We had the opportunity of presenting MVV Energie at two investors' conferences organised by Dexia Bank in Brussels and Paris. Moreover, we also participated in an investors' conference in Zurich, focusing our presentation on our environmental energy activities.

Business Performance and Outlook

Economic framework

Energy industry

The substantial economic growth seen in the past year was also maintained in the first quarter of 2007. In view of this stable economic climate, the leading economic research institutes have forecast GDP growth of 2.4 % in their Spring Survey for 2007.

However, the business performance of the MVV Energie Group is less dependent on macroeconomic developments than on weather conditions in the winter months and the resultant heating energy requirements. The unusually mild temperatures for the time of year already recorded in the 1st quarter of 2006/07 continued during the quarter under report. The degree days figure, an indicator of heating energy requirements, was 24 % lower than the equivalent figure for the previous year at the Mannheim location in the 1st half of 2006/07 and 19 % below the long-term average.

The international Brent crude oil price averaged $ 58.46 per barrel during the quarter and was around 6.5 % lower than the equivalent figure for the previous year. Geopolitical tension led the oil price to increase to $ 66.70 per barrel at the end of the quarter, its highest value since autumn 2006. This increase also affected trading prices at the Zeebrugge hub for gas to be supplied in 2008, which were listed at Euro 21.31/MWh at the end of the quarter.

Electricity prices on the EEX German electricity exchange were notably affected during the quarter under report by the fall in prices for CO_2 certificates for 2007, the final year of the first emissions trading period. Average spot market prices for base loads dropped on average to Euro 29.74/MWh due to developments in CO_2 certificate prices and as a result of high wind energy input levels. At the end of the quarter, forward market prices for base load electricity amounted to Euro 54.50/MWh for supplies in the 2008 calendar year and to Euro 54.54 for supplies in 2009.

Energy policy

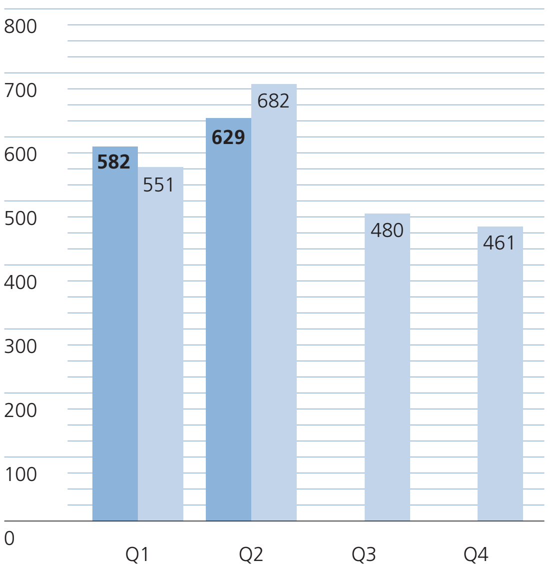
The Federal Networks Agency reduced the gas grid utilisation fees submitted by 24/7 Netze GmbH in the Mannheim grid district by around 17 % during the quarter under report, while the electricity grid cost base of 24/7 Netze GmbH was reduced by 17.8 % in Mannheim and by 17 % in Offenbach.

The electricity grid utilisation fees submitted by Stadtwerke Solingen Netz GmbH were cut by the Federal Networks Agency by around 16 % as of 1 March 2007. With effect from 1 April 2007, the cost base applied for by Stadtwerke Kiel for gas utilisation fees was curtailed by 11.5 %. This means that only the assessment notices for the gas grids in Solingen and Offenbach are still outstanding.

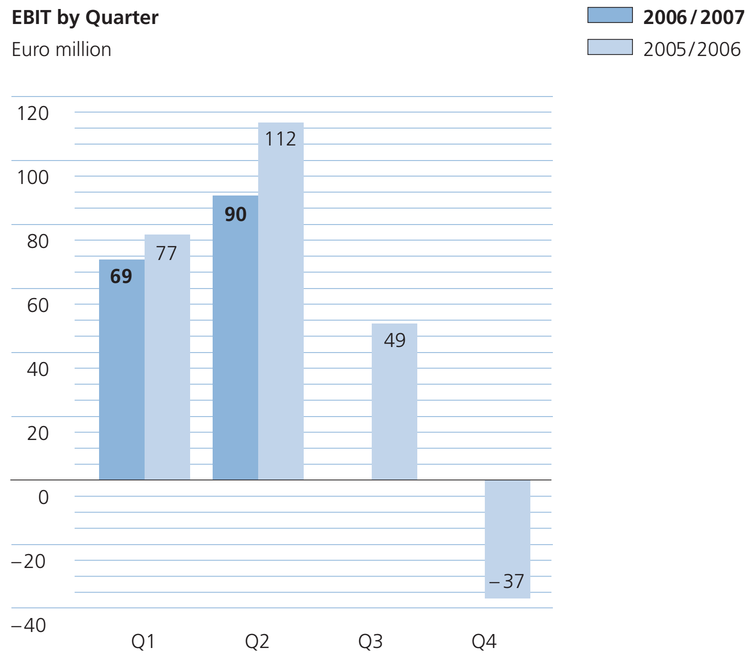
On 9 February 2007, the Federal Government approved the stricter climate protection regulations required by the EU Commission for the second phase of EU-wide emissions trading. The maximum permitted level of CO_2 output in Germany was limited to 456.1 million tonnes per year. The total number CO_2 certificates available to the German energy industry for the years 2008 to 2012 is therefore significantly lower than originally planned.

In view of the delays in the National Allocation Plan (NAPII) and the corresponding legislation, it is currently not possible to foresee the level of CO_2 certificates to be allocated to individual plants from 2008. This has resulted in considerable uncertainty for the German energy industry. MVV Energie AG is monitoring developments in the legislative framework very closely and is actively participating in and contributing its own proposals to the discussions surrounding energy policy.

External Sales by Quarter (excluding energy taxes)
Euro million



EBIT by Quarter
Euro million



Earnings performance of the MVV Energie Group

In terms of the degree day figures we use as an indicator of weather conditions, the 2nd quarter of 2006/07 (January to March 2007) was 29 % warmer than the equivalent period in the previous year. The exceptionally warm winter weather in the current 2006/07 financial year led to a decline in volumes, and thus in sales, in our district heating and gas businesses, both of which are heavily weather-dependent. Given the comparatively cold winter in the previous year, this factor has disproportionately affected the year-on-year comparison of our sales and earnings performance in the 2nd quarter and 1st half of 2006/07.

Following the deduction of the electricity and gas taxes charged on to customers, the **external sales** of the MVV Energie Group amounted to Euro 629 million in the 2nd quarter of 2006/07, equivalent to a decline of 8 % on the same period in the previous year. Excluding energy taxes, our group of companies generated external sales of Euro 1.21 billion in the 1st half of 2006/07, compared with Euro 1.23 billion in the first half of the previous year.

The decline in sales by 2 % compared with the first half of the previous year is mainly due to the district heating and gas segments. Sales in the electricity and value-added services segments, which are less affected by the weather, and in the water segment, were higher in the 1st half of 2006/07 than in the previous year. The highest rate of external sales growth compared with the 1st half of 2005/06 was reported by the value-added services segment, where sales rose by 84 %, mainly as a result of the initial consolidation of new companies. Sales in the environmental energy segment dropped by 4 % compared with the high level of sales reported in the previous year, in which the positive market development following the entry into force of the Technical Guidelines for the Disposal of Municipal Solid Waste (TASi) and initial sales at the Leuna I non-recyclable waste incineration plant had already taken full effect. Our foreign companies accounted for around 6 % of total sales in the 1st half of 2006/07.

In the interests of comparability, the previous year's figures reported in the income statement for the 1st half of 2006/07 have been adjusted retrospectively in accordance with the amendments and revisions in some IFRS standards outlined in the supplementary information to the consolidated interim financial statements for the 1st half of 2006/07 (Page 25 onwards).

Capitalised own-account services fell by Euro 8 million compared with the first half of the previous year. This decline is chiefly due to a higher level of changes in inventories in the first half of the previous year in connection with the completion and settlement of the Leuna I non-recyclable waste incineration plant. Mainly as a result of items requiring valuation due to the initial application of IAS 39 (2004), *other operating income* decreased by Euro 5 million in the 1st half of 2006/07.

Costs of materials declined by Euro 40 million compared with the first half of the previous year (– 5 %). This reduction is principally due to lower energy procurement costs for district heating and gas. The weather-related decline in heating energy requirements on the part of our customers led to a corresponding reduction in procurement volumes. The lower level of procurement costs was partially negated by an increase in costs for materials and third-party services. The strong performance of the overall economy is frustrating our efforts to achieve cost savings in the procurement of materials and third-party services. As well as pooling further requirements in our established lead buyer net-work, we have also initiated talks with selected suppliers aimed at improving the overall value chain. Moreover, we have also begun to extend our supplier basis on an international basis in order to substantially offset the tangible rise in costs.

Personnel expenses showed a year-on-year increase of Euro 20 million to Euro 159 million. This increase is mainly due to provisions stated at the Kiel, Mannheim and Solingen locations (Euro 13 million) in connection with the socially responsible reduction in personnel totals, as well as to additions resulting from the initial full consolidation of shareholdings.

Other operating expenses rose by Euro 20 million compared with the 1st half of 2005/06. This is due in part to the inclusion of new companies. Moreover, this item has also been affected by valuation factors. IAS 39 (2004) requires expenses incurred on energy trading load adjustment transactions to be reported under this item of the income statement. By analogy with the treatment of external sales, we have reported other operating expenses net of energy taxes for the first time. The previous year's figure has been adjusted accordingly.

Earnings before interest, tax, depreciation and goodwill amortisation (EBITDA) showed a year-on-year decline of 17 % to Euro 125 million in the quarter under report and of 12 % to Euro 229 million for the first half. After depreciation, our companies generated **operating earnings before interest and tax (EBIT)** of Euro 90 million in the 2nd quarter of 2006/07 (previous year: Euro 112 million) and of Euro 159 million in the 1st half of 2006/07 (previous year: Euro 189 million).

The decline in operating earnings (EBIT) by Euro 22 million (– 20 %) on a quarterly basis and by Euro 30 million (– 16 %) for the first half is chiefly due to the prolonged unusually warm weather conditions and the resultant reduction in district heating and gas sales. Over and above weather-related factors, our operating earnings were also affected by one-off items in connection with the statement of personnel provisions by our companies in Kiel, Mannheim and Solingen amounting to Euro 5 million in the quarter under report and to Euro 13 million for the 1st half of 2006/07. These will generate tangible cost savings at our group of companies in the coming years. The expansion of the value-added services business, which is not affected by weather conditions, and in particular the successful integration of MVV Energiedienstleistungen GmbH, Berlin (previously IVB in Berlin), which has been fully consolidated for the first time, enabled us to offset part of the weather-related downturn in earnings.

Financing expenses rose by Euro 4 million compared with the first half of the previous year. This increase is primarily due to expenses of Euro 13 million (previous year: Euro 6 million) incurred in connection with changes in the present value of the payment obligation for the put options held by the City of Kiel, as well as to annual results distributed to minority shareholders in Stadtwerke Kiel AG. The retrospective application of the revised version of IAS 32 (2003) has resulted in an adjustment in the financing expenses reported in the half-year financial statements for 2005/06. This led to amendments in all subsequent earnings figures compared with those reported in the previous year.

At Euro 75 million, the **earnings before tax (EBT)** for the 2nd quarter of 2006/07 were Euro 19 million down on the adjusted figure for the previous year. Similarly, the EBT of Euro 118 million for the 1st half of 2006/07 were Euro 32 million lower than the adjusted figure for the previous year. Taxes on income fell by Euro 7 million compared with the second quarter of the previous year and by Euro 17 million on a half-yearly basis. This reduction is chiefly due to the lower level of earnings and to the one-off collection of corporate income tax credits as of 31 December 2006.

After income taxes and the share of the net surplus allocable to minority shareholders, the MVV Energie Group reported a **net surplus for the period** (share of net income allocable to shareholders in MVV Energie AG) of Euro 38 million for the 2nd quarter of 2006/07 (previous year following adjustment: Euro 49 million) and of Euro 59 million for the 1st half of 2006/07 (previous year following adjustment: Euro 75 million).

On this basis, the MVV Energie Group generated **earnings per share** pursuant to IAS 33 of Euro 0.67 in the 2nd quarter of 2006/07 (previous year following adjustment: Euro 0.90) and of Euro 1.05 for the 1st half of 2006/07 (previous year following adjustment: Euro 1.38). It should be noted in this respect that, mainly as a result of the capital increase in November 2005, the number of shares increased in the 1st half of 2006/07 from 54.5 million to 55.8 million (weighted half-yearly average). In the 2nd quarter of 2006/07, the number of shares rose as a result of the issuing of employee shares in September 2006 from 55.7 million in the previous year to 55.8 million (weighted quarterly average).

Earnings performance of major shareholdings

Prior to consolidation, our German municipal utility and foreign district heating shareholdings generated sales of Euro 614 million (previous year: Euro 606 million) and operating earnings (EBIT) of Euro 84 million (previous year: Euro 100 million) in the 1st half of 2006/07.

All companies with operations in the district heating and gas businesses suffered volume downturns due to weather conditions. The initial full consolidation of 24/7 Netze GmbH, Mannheim, and 24/7 Metering GmbH, Offenbach, led to structural changes at MVV Energie AG and at the municipal utility shareholdings thereby affected. However, these did not as yet have any notable impact on the earnings of the MVV Energie Group during the period under report.

Sales at **Stadtwerke Kiel AG** declined by 5 % compared with the first half of the previous year to Euro 216 million. Operating earnings (EBIT) dropped by Euro 10 million to Euro 28 million. Stadtwerke Kiel AG has continued with its restructuring process aimed at achieving sustainable cost savings. Part-time early retirement provisions amounting to Euro 10 million were stated in the 1st half of 2006/07 for the reduction in personnel required to remain competitive. Stadtwerke Kiel continues to exploit its growth opportunities in the liberalised energy market, the results of which include the reacquisition of a major large-scale customer in Kiel. The construction of the new gas cavern is progressing on schedule.

Sales at **Energieversorgung Offenbach AG (EVO)** rose by 14 % to Euro 202 million. Operating earnings (EBIT) improved year-on-year by Euro 3 million to Euro 29 million. This growth is chiefly due to the value-added service and waste businesses, as well as to the ongoing success of restructuring measures.

The unusually mild weather conditions impacted in particular on gas and heating electricity turnover at the proportionately consolidated shareholding in **Stadtwerke Solingen GmbH (SWS)**. The overall sales of SWS declined year-on-year by 3 % to Euro 60 million. Operating earnings (EBIT) fell by Euro 3 million compared with the first half of the previous year to Euro 6 million. SWS's half-year earnings were negatively affected by Euro 1 million as a result of provisions stated for the continuation of early-retirement regulations aimed at reducing personnel within the frame-work of the shareholding's efficiency enhancement project. The cost saving measures are taking effect, but were insufficient to compensate for the weather-related downturn.

Sales at **Stadtwerke Ingolstadt Beteiligungen GmbH (SWI)** showed year-on-year growth of 2 % to Euro 58 million. This increase was mainly due to higher sales in the electricity and value-added services business. The new "Electricity Fund" product is now also being successfully marketed by SWI. Higher sales volumes with two large industrial customers meant that the weather-related downturn in volumes in the district heating and gas businesses was less severe at SWI than at the other companies. SWI's operating earnings (EBIT) fell by almost Euro 3 million compared with the first half of the previous year to Euro 6 million.

Given the dominance of the gas business, which accounts for 73 % of the company's sales, the weather-related downturn in volumes had a particularly marked impact at **Köthen Energie GmbH**. Sales fell by 22 % to Euro 9 million in the 1st half of 2006/07. The mild weather conditions also affected the value-added services business at Köthen Energie GmbH, which in spite of new contracting projects reported a year-on-year decline in sales of Euro 0.2 million to Euro 1.2 million. At Euro 1.4 million, operating earnings (EBIT) were 44 % down on the first half of the previous year.

Sales at our **Czech subgroup** showed a year-on-year increase of 23 % to reach Euro 42 million. This substantial growth against the overall trend is mainly attributable to initial revenues from the newly acquired district heating company Teplárna Liberec and from three further district heating systems in neighbouring towns. The impact of this initial consolidation more than compensated for the weather-related downturn. As a result, operating earnings (EBIT) rose from Euro 10.5 million in the first half of the previous year to Euro 11.5 million.

Primarily as a result of a weather-related downturn in turnover in the district heating business, sales at our **Polish subgroup** fell to Euro 27 million, a decline of Euro 8 million (– 24 %) on the first half of the previous year. Operating earnings fell by Euro 1 million (– 39 %) over the same period to around Euro 3 million. Underlying conditions remain difficult in the Polish district heating market.

Balance sheet

Apart from some new regulations requiring mandatory application in financial years starting on or after 1 January 2006, the accounting and valuation methods applied in the interim financial statements of the MVV Energie Group as of 31 March 2007 largely correspond to those applied in the consolidated financial statements as of 30 September 2006. The amendments compared with the previous year's interim financial statements as of 31 March 2006 primarily relate to the initial statement of the Kiel put option and the statement of CO_2 emissions certificates. In the interests of comparability, corresponding retrospective amendments have been made to the previous year's figures. Further information has been provided in the notes to the interim financial statements for the 1st half of 2006/07 (Page 25 onwards).

The *total assets* of the MVV Energie Group rose by Euro 257 million compared with the balance sheet reporting date (30 September 2006) to Euro 3.41 billion. The value of *long-term assets*, which make up 71 % of total assets, increased by Euro 51 million to Euro 2.41 billion. Of this total, Euro 1.94 billion related to property, plant and equipment, which showed a net increase of Euro 67 million following investments, additions and depreciation. This increase is partly due to the impact of initial consolidation.

Short-term assets rose by Euro 206 million compared with the balance sheet reporting date on 30 September 2006 to reach Euro 1.00 billion. This increase is chiefly due to a higher level of accounts receivable and to increased tax receivables. The rise in accounts receivable is principally attributable to seasonal factors, a substantial expansion in energy trading transactions, to delays in electricity invoicing as a result of the conversion to the new dual contract model (from January 2007) and to the impact of initial consolidation. Tax receivables have been affected by the fact that MVV Energie AG has been the fiscal parent of the MVV Energie Group for VAT purposes since 1 October 2006.

Shareholders' equity increased by Euro 20 million compared with 30 September 2006 to reach Euro 856 million. *Long-term debt* rose by Euro 12 million to Euro 1.38 billion. *Short-term debt* rose more substantially by Euro 225 million to Euro 1.18 billion. The main reasons for this development were the increase in provisions, financial debt and accounts payable. The equity ratio declined from 26.5 % as of 30 September 2006 to 25.1 %.

Cash flow

Mainly as a result of the earnings performance, the cash flow based on DVFA/SG declined from Euro 162 million (adjusted) in the first half of the previous year to Euro 150 million. This decline was countered by a year-on-year increase in the cash flow from operating activities from Euro 14 million (adjusted) to Euro 52 million. The comparatively low level of cash flow from operating activities compared with the cash flow as per DVFA/SG is largely due to changes in other assets and other liabilities, which had a negative impact of Euro –151 million on the cash flow from operating activities during the half year under report. There has been a reduction in this negative factor compared with the previous year (Euro –196 million). The cash flow during the period under report was negatively affected in particular by the fact that accounts receivable showed more marked growth than accounts payable.

The deduction of investments in intangible assets, property, plant and equipment and investment property, which totalled Euro 97 million (previous year: Euro 77 million), led to a negative free cash flow of Euro – 45 million during the half year under report, which was thus lower than in the previous year (Euro – 63 million following adjustment). Of the cash flow for investing activities, Euro 66 million (previous year: Euro 50 million) related to investments in expansion and growth, which only generate inflows of funds in subsequent years.

The taking up of loans and the outflow of funds for loan repayments and dividend payments resulted in a cash flow from financing activities of Euro 11 million during the half year under report (previous year: Euro 17 million). The detailed cash flow statement can be found on Page 24 of this interim report.

Investments

The MVV Energie Group invested Euro 132 million in the 1st half of 2006/07 (previous year following adjustment: Euro 92 million). Of this sum, Euro 97 million was invested in intangible assets, property, plant and equipment and investment property (previous year: Euro 77 million) and Euro 35 million in the acquisition of fully and proportionately consolidated companies and of other financial assets (previous year: Euro 15 million).

The investments made in intangible assets, property, plant and equipment and investment property mainly involved optimising supply facilities and distribution grids at MVV Energie AG, its shareholdings in Kiel, Offenbach, Solingen, Ingolstadt, and Köthen and its district heating companies in Poland and the Czech Republic. Work continued at the Kiel subgroup on the construction of a third gas cavern and in Köthen on the direct and storage pipe link to the European long-distance grid. Investments in our high-growth environmental energy segment focused on the construction of the second incineration line at the Leuna II waste-to-energy plant and on preparatory measures for the construction of the new waste-fired boiler No. 6 at the waste-incineration plant in Mannheim. Furthermore, work continued on the revitalisation of the head office building of MVV Energie AG in Mannheim.

Investments in financial assets chiefly involved the acquisition of new shareholdings in the energy-related services business and the acquisition of a 70 % shareholding in the district heating company Teplárna Liberec aimed at extending the company's market position in its Czech district heating business.

Financial position

Long-term and *short-term financial liabilities* rose to Euro 1.50 billion, an increase of Euro 68 million (+ 5 %) compared with the balance sheet reporting date for the previous year (30 September 2006). The net financial liabilities (financial liabilities less cash and cash equivalents) of the MVV Energie Group increased by 8 % to Euro 1.41 billion during the half year under report.

Accounts payable rose by Euro 55 million compared with 30 September 2006 to reach Euro 194 million. This increase is mainly attributable to seasonal factors.

The rise in *other liabilities* is due to the valuation of energy trading transactions pursuant to IAS 39 (2004). This was largely due to the considerable increase in trading volumes during the period under report.

Tax liabilities rose from Euro 15 million at 30 September 2006 to Euro 23 million. This item contains VAT liabilities for the first time as of 31 March 2007, given that MVV Energie AG has acted as the fiscal parent of other companies in the MVV Energie Group for VAT purposes since 1 October 2006.

Personnel Totals	**2006/2007 31.3.2007**	2006/2007 31.12.2006	2005/2006 31.3.2006	Change on 31.3.2006
MVV Energie AG[1]	1 539	1 555	1 616	– 77
Fully consolidated shareholdings	3 722	3 560	3 138	+ 584
MVV Energie AG with fully consolidated shareholdings	**5 261**	**5 115**	**4 754**	**+ 507**
Proportionately consolidated shareholdings	1 557	1 563	1 576	– 19
MVV Energie Group[2]	**6 818**	**6 678**	**6 330**	**+ 488**
External personnel at Mannheim waste-to-energy plant	46	50	53	– 7
	6 864	**6 728**	**6 383**	**+ 481**

[1] including 56 employees of MVV RHE AG (previous year: 60)

[2] including 373 trainees (previous year: 264)

Employees

The total workforce of our group of companies rose to 6 864, an increase of 481 compared with 31 March 2006. The largest share of this increase is attributable to Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS), which was fully consolidated as of 1 October 2006, as well as to DECON Deutsche Energie-Consult Ingenieurgesellschaft mbH and the companies acquired in the Czech Republic in December 2006. The reduction in personnel totals at MVV Energie AG (including MVV RHE AG) is mainly due to the hiving off of MVV Energiedienstleistungen GmbH in May 2006. The employees in the technical facility management division at MVV Energie AG were reallocated as of 1 January 2007 within the framework of the “Optimisation of operating processes” project. The reduction in personnel thereby initiated is being undertaken in a socially responsible manner, mainly by means of early retirement. There was also a decline in personnel totals at the shareholdings in Offenbach (– 23) and Kiel (– 76).

Collective labour agreements concluded

Following intensive negotiations, the collective labour agreements for employees at the Mannheim location were signed on 30 March 2007, with employees’ pay being raised retrospectively by 2.7 % as of 1 October 2006. A new variable remuneration system called “Performance-related Profit Participation” (PrPP) was introduced during the quarter under report. Starting in the 2006/07 financial year, the overall variable remuneration paid at MVV Energie AG, MVV RHE AG, MVV Umwelt GmbH and MVV Energiedienstleistungen GmbH will be measured in part by reference to specific earnings components, namely ROCE and the net surplus after minority interests. This means that the assessment of employees governed by collective labour agreements and the executive boards of these companies will be based on the same components of variable remuneration.

Presentation of results of “move” programme

MVV Energie AG launched its “move – Courage, Openness, Change and Success” programme in May 2006. This aims to help the company to face its increasingly tough competitive environment by adapting the corporate culture. The results of 31 workshops held within the “move” programme were presented to the Executive Board, managers and employees on 27 March 2007. The next step involves the Executive Board proposing specific measures to implement the planned changes.

Research and Development

Pilot trial with environmentally-friendly house energy plant

Based on the motto of "Heat your own electricity", MVV Energie is at the cutting edge in the innovative field of decentralised energy. Since the end of 2006, 20 households have had house energy plants installed in their cellars, supplying them with both heating energy and electricity in a very environmentally-friendly manner. Three municipal utility companies within the MVV Energie Group, namely Mannheim, Solingen and Kiel, are taking part in the first nationwide field test. The gas-driven appliances provided by Whisper-Gen, a manufacturer based in New Zealand, have efficiency levels of around 90 %. Each appliance saves around one tonne of CO_2 per year compared with a gas condensing boiler. The results of the pilot project are extremely positive following the conclusion of the first heating period.

Study on structural optimisation in the district heating supply

A further focus of our R&D activities involves strengthening and expanding the supply of climate-friendly and energy-efficient district heating. One project at companies across the Group involves investigating possibilities of integrating the heat emissions potential resulting from the incineration of waste and biomass.

Innovative communications systems

In its electricity segment, MVV Energie is working on innovative communications systems which not only stand to enhance meter and information processes by using revolutionary metering and control models, but will also provide energy suppliers and end users with financial benefits. Major target factors in this area of research include achieving greater transparency as to consumption levels for the customer, as well as benefits for the overall economy by increasing energy efficiency.

Events after the balance sheet date

On 17 April 2007, the Supervisory Board appointed Matthias Brückmann to the Executive Board as Sales Director. Brückmann, who has been CEO of the shareholding Energieversorgung Offenbach AG (EVO) since 2003, will assume his new responsibilities on 1 August 2007.

Outlook

Future economic framework

Leading economic research institutes have forecast continued substantial GDP growth of 2.4 % for 2007. In view of the increasingly weak link between energy consumption and economic output, however, German electricity demand cannot be expected to rise at the same rate as industrial production. It has to be assumed that procurement costs will remain at relatively high levels in 2007, even if certain corrective movements are possible in this respect. Having declined since the second half of 2006, the prices of crude oil and gas have recently witnessed substantial increases once again.

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

Planned reform of corporate taxation in 2008

The Federal Government is currently planning a reform of corporate taxation for 2008. This could already have a positive impact on the earnings after tax of the MVV Energie Group in the coming 2007/08 financial year. The legislative draft presented in March 2007 foresees cutting the corporate tax charge on German corporations from its current average level of 39 % to just below 30 % in 2008, largely by reducing the corporate income tax and trade tax rates. The overall impact will ultimately also depend on the extent to which companies are affected by the countermeasures introduced by the Federal Government to limit the loss of tax revenues resulting from the reduction in tax rates.

Strategic alignment

The MVV Energie Group intends to position itself within the increasingly competitive energy market by focusing on its own strengths and by consistently maintaining its course of profitable growth. We see good prospects in the private customer business in our core segment of energy and water supply on account of high awareness levels, our strong regional roots and the major significance of our brands in the various local markets and grid regions of our municipal utility companies. However, there are only limited opportunities for generating growth in our core business by acquiring market share on the basis of product differentiation. To remain competitive and maintain our market share, we will consistently press ahead with the restructuring measures introduced. We are watching very closely to see whether the new product offerings launched on a nationwide basis by some energy supply companies in the private household customer segment are sustainable and are currently investigating the possibility of offering proprietary products on a nationwide basis.

In terms of our interregional industrial and commercial customer business, our advantages lie in our nationwide presence across all customer segments as a result of sales cooperation agreements within our municipal utility network and our company field sales employees across seven sales regions.

The market continues to develop positively in the environmental energy segment. By acquiring new volumes, we have secured the operation of our non-recyclable waste incineration plants at full capacity in the 2006/07 financial year, notwithstanding the expansion in their overall capacity. Great progress is being made on the construction of second Leuna II non-recyclable waste incineration plant. We have accelerated the pace of the project, thus enabling the plant to commence operations in May 2007 already. The commencement of operations had originally been envisaged for July/August. In Mannheim, we are planning to replace older waste-fired boilers by building a new waste-fired boiler no. 6. We expect this to enhance the economic efficiency and competitiveness of the waste-to-energy plant there. The tender process is on schedule and we will shortly be awarding the contract. The boiler is planned to start operations in autumn 2009.

We also intend to grow more rapidly than the market and enhance our profitability in our energy-related services business. We see particularly good market opportunities in the real estate and housing industry, as well as in the national and international consulting business. Our success in acquiring projects and the acquisition of new shareholdings and founding of new companies have enabled us to substantially improve our market position in these areas.

The markets for environmental energy and for energy-related services are both currently undergoing consolidation, a process which we believe will harbour opportunities for growth.

Regulation

On 5 April 2007, the Federal Ministry of Economics and Technology presented an initial draft version of an ordinance governing incentive regulation for energy supply grids. This places challenging requirements in the efficiency of grid operators. Its entry into force, which is expected at the beginning of 2009, will presumably increase the pressure on grid utilisation fees. Future incentive regulation will lead to indirect competition between grid operators. We view this development as harbouring not only risks, but also opportunities for companies which are well positioned.

The business results of grid operators will be affected at an earlier point by the second approval round for electricity and gas grid utilisation fees scheduled to take place in 2007. The curtailing of the fees submitted by our companies represents a tough cutback for our group of companies. We introduced consistent cost-cutting measures at an early stage in order to compensate on the cost side for falling revenues from the grid division. At our Mannheim location, we are currently channelling great efforts into reorganisation and efficiency enhancement programmes in the technical and commercial divisions. These will be maintained in coming years. Within the framework of strict cost management, our Kiel shareholding already reached agreements with employees concerning part-time early retirement prior to the changes in the legal framework.

Expected earnings position

We are on budget in the current 2006/07 financial year in those business areas not affected by weather conditions. This is particularly true of our environmental energy and value-added services segments. The unusually mild weather conditions in the 1st half of 2006/07, which also continued in April 2007, will lead to a downturn in volumes and thus in sales in our district heating and gas businesses. This will also be reflected in the overall earnings of our group of companies for 2006/07. We already announced in February 2007 that we will not achieve the sales and operating earnings targets published in November 2006 for the 2006/07 financial year as a whole. Overall, we therefore expect that in the 2006/07 financial year the MVV Energie Group will not quite succeed in matching the operating earnings (EBIT) of Euro 201 million reported for the previous year.

Expected financial position

As already announced, in the interests of maintaining our course of profitable growth we intend to obtain fresh capital amounting to a nominal total of Euro 26.2 million by undertaking a further capital increase of 18.2 % from the authorised capital still available. The capital increase will be undertaken with subscription rights.

The decision as to the date, which will be taken in liaison with the Supervisory Board of MVV Energie AG, will naturally also take due account of the consequences of the moves currently underway on the part of the City of Mannheim to sell part of its shareholding. The City of Mannheim is on the lookout for a strategic partner for part of its current shareholding of 66.2 % with whom it will be possible to jointly exploit the growth opportunities arising in the changing energy market. The City of Mannheim will also retain more than 50 % of the shares in MVV Energie AG following the capital increase. The sale of shares announced by the City of Mannheim has met with great interest on the market. The City of Mannheim will maintain the previous successful strategy for MVV Energie AG as an autonomous, independent company with a municipal majority shareholder. This step provides our company with new and interesting strategic perspectives for its further development.

Future research and development

We will be focusing in our R&D division on the areas of energy efficiency and renewable energies. We intend to facilitate further value creation by proactively observing the market and the relevant technology, by evaluating and developing new products and services and by successfully integrating these into our core and high-growth businesses, as well as by strengthening the links within our Group. These measures will support the profitable growth efficient supply of heating and cooling energy, decentralised and regenerative energy supply structures and the intelligent integration of decentralised energy input sources into the grid.

Future risks

There were and still are no indications of any risks which could have endangered the continued existence of the company during the period under report or which could do so in future. No further risks have been added to the six areas of risk listed in the 2005/06 annual report (strategic risks, legal risks, financing risks, price risks, volume risks and operating risks).

Further expansion of municipal utility network planned

The expansion of our municipal utility network represents one of the cornerstones of our growth-driven strategy. We aim to achieve further organic growth in our core business by exploiting synergy potential and to make use of planned acquisitions to access additional growth opportunities.

We expect the increased pressure on municipal utility companies resulting from the cutting of grid utilisation fees, the envisaged incentive regulation and the first signs of increasing competition in the end customer business to lead to greater privatisation in the municipal utility market in the coming years. We will follow up our interest in acquiring a shareholding in Stadtwerke Leipzig AG and will participate in the bidding process for the sale of 49.9 % of the shares in Stadtwerke Leipzig, the first stage of which was opened on 23 April 2007. In spite of the tough competition expected, we believe that we have very good prospects in view of our high level of technical expertise, our longstanding experience in the municipal utility business and our proven track record of success in the further development of our municipal utility shareholdings and not least in view of the antitrust restrictions on large vertical players.

In addition, we are also on the lookout for further opportunities for acquisitions and cooperation on a regional level and are examining every interesting possibility of expanding our municipal utility network in economically attractive regions. When making our planned acquisitions, however, we will not allow ourselves to be hurried and will only base our decisions on reasonable economic grounds.

Opportunities provided by shared service companies

Together with the shareholdings within its municipal utility network, MVV Energie pooled internal services, namely grid operations, information technology, invoicing, metering and energy trading, at five shared service companies as of 1 October 2006. The respective companies, 24/7 Netze GmbH, 24/7 IT-Services GmbH, 24/7 United Billing GmbH, 24/7 Metering GmbH and 24/7 Trading GmbH, which operate under the 24/7 umbrella brand, have taken up work and are in the process of consistently implementing their objectives. They are focusing on exploiting synergy potential and thus on strengthening the competitive position of the MVV Energie Group. The shared service companies offer their services to private end customers, internal group customers and other municipal utility companies.

Improve competitive framework by means of 8KU cooperation

Within the framework of a community of interests, the energy supply companies in eight German cities (8KU) intend to pool forces and to speak up more strongly in future on behalf of their political objectives as independent competitors. By cooperating in this area, the energy supply companies enercity (Hanover), HEAG Südhessische Energie AG (Darmstadt), Mainova AG (Frankfurt am Main), MVV Energie AG (Mannheim), N-ERGIE AG (Nuremberg), RheinEnergie AG (Cologne), Stadtwerke Leipzig GmbH and Stadtwerke München Versorgungs GmbH, which have combined sales of Euro 14 billion (2005) and which represent a 10 % share of the end customer market, intend to have their common needs heard more clearly and to campaign for fair competitive conditions. The companies opened their own lobby office in Berlin in April 2007.

Securing the future by means of sustainable action

The companies in the MVV Energie Group will maintain their commitment towards society, their measures to protect the environment and to promote their employees, including training and development, at their respective locations in future as well. The same applies to modern HR instruments aimed at assisting employees in combining their professional and family commitments. The companies' sponsoring activities focus on supporting welfare and charitable projects, as well as on promoting science, education, culture and professional and popular sport, with a particular focus on initiatives aimed at supporting upcoming talent.

Business Segments

Developments in the Segments

The companies included in the municipal utility network of the MVV Energie Group pooled their internal services relating to grid operation, information technology, invoicing, metering and energy trading at a total of five shared service companies with effect from 1 October 2006. The pooling of previously separate internal services at proprietary subsidiaries in which the parent companies hold differing levels of shareholding has led to structural changes at individual companies and, within the companies, in individual items in their income statements. This has limited comparability with the previous year on the level of the individual companies, but not in terms of the half-year comparisons for the MVV Energie Group as a whole.

Electricity segment – position well maintained in spite of intense competition

The turnover reported in the electricity segment (excluding electricity turnover in the environmental energy and value-added services segments) rose by 2.0 billion kWh (+ 21 %) compared with the first half of the previous year to 11.7 billion kWh. This substantial growth is principally due to the wholesale electricity and secondary distribution businesses. However, growth was also achieved in the volume of electricity sold by our group of companies in the retail business with private, industrial and commercial customers, which rose by 7 % to 5.1 billion kWh.

The increase in the end customer business is mainly attributable to considerable volume growth achieved by MVV Energie AG in the nationwide sale of electricity. Our "Electricity Fund" product continued to develop positively, with sales volumes of 649 million kWh sold to 195 medium-sized industrial and commercial customers. Electricity Fund volumes of 1.9 billion kWh (195 customers) and even 3.1 billion kWh (268 customers) have already been acquired for the 2007 and 2008 calendar years respectively.

Following the deduction of the electricity tax charged on to customers, external sales rose by Euro 26 million (+ 5 %) to Euro 514 million in the first half of 2006/07. Alongside increased volumes, this sales growth is also due to price adjustments in the nationwide sale of electricity and to a rise in trading volumes.

Operating earnings (EBIT) in the electricity segment fell by Euro 6 million compared with the first half of the previous year to Euro 19 million. This decline is principally due to prorated charges in connection with the statement of provisions for restructuring measures at the Mannheim, Kiel and Solingen locations. Moreover, the downturn in margins resulting from the rejection or reduction of the level of prices submitted for approval (e. g. at EVO) was largely compensated for by the growth in the nationwide sale of electricity from Mannheim.

External Sales of the MVV Energie Group by segment

1st Half, 1. 10. – 31. 3.

Euro million	**2006/2007**	2005/2006	% change
Electricity[1]	514	488	+ 5
District heating	184	196	– 6
Gas[2]	245	323	– 24
Water	51	51	—
Value-added services	123	67	+ 84
Environmental energy	93	97	– 4
Other/consolidation	1	11	– 91
	1 211	1 233	– 2

[1] excluding electricity tax

[2] year under report: excluding gas tax (Euro 23 million); previous year: including gas tax (Euro 46 million) prior to legislative amendment of tax liability attribution on 1 August 2006 (arithmetic calculation)

District heating segment – sales at new companies mitigate weather-related downturn

The unusually warm weather in the 2nd quarter of 2006/07 led to a sharp reduction in district heating sales compared with the comparatively cold equivalent period in the previous year. This downturn was mitigated by the new sales volumes at the district heating shareholdings consolidated for the first time at the Czech subgroup (from January 2007). Overall, sales volumes in the district heating segment – excluding the volumes reported in the environmental energy and value-added services segments – fell by 20 % compared with the first half of the previous year to 3.97 billlion kWh. Of these sales volumes, 35 % was attributable to our foreign markets in the Czech Republic and Poland.

District heating sales decreased year-on-year by 6 % to Euro 184 million. The significantly weaker decline compared with the drop in sales volumes is attributable on the one hand to price adjustments as of 1 October 2006 (due to the development of oil and coal prices) and on the other hand to the initial consolidation of sales at the new district heating shareholding in the Czech Republic. Operating earnings (EBIT) in the district heating segment showed a comparatively moderate decline of Euro 2 million to Euro 62 million in the 1st half of 2006/07 (– 3 %). The decrease in operating earnings (EBIT) was positively affected by opposing items, such as the initial consolidation of Liberec, non-period income in Kiel and an improvement in the earnings contribution from the district heating plant in Offenbach.

Gas segment – affected by weather and one-off factor at the Kiel subgroup

In addition to the impact of unusually mild temperatures, the gas segment was also affected by the clearly noticeable competition in the secondary distribution business. Overall, sales volumes in the gas segment – excluding the volumes reported in the value-added services segment – were 24 % down on the first half of the previous year. Opposing weather conditions meant that the decline in volumes in the 2nd quarter (January – March 2007) by – 27 % was more severe than the downturn of – 20 % reported for the 1st quarter of 2006/07 (October – December 2006).

External sales showed a year-on-year decrease of 24 % to Euro 245 million in the first half of the year. This decline is chiefly due to the weather-related downturn in volumes, as well as to the impact of the legislative amendment in respect of the attribution of liability for gas tax. The price adjustments made by our companies as of 1 October 2006 were only sufficient to pass on part of the rise in procurement prices resulting from the development of the oil price and high levels of demand on the international energy markets.

The marked year-on-year reduction in operation earnings (EBIT) by Euro 27 million to Euro 22 million in the first half of 2006/07 is the result of weather-related downturns in volumes and lower margins, as well as to a prorated share of one-off special charges in connection with restructuring measures in Mannheim, Kiel and Solingen (Euro 3 million).

Sales Volumes
of the MVV Energie Group[1]

1st Half, 1.10. – 31. 3.	2006/2007	2005/2006	% change
Electricity[2] in kWh million	12 040	9 937	+ 21
of which wholesale in kWh million	6 801	5 100	+ 33
of which retail[2] in kWh million	5 239	4 837	+ 8
District heating in kWh million	4 529	5 659	– 20
Gas[2] in kWh million	6 492	8 332	– 22
Water in m^3 million	27.5	27.5	—
Combustible waste delivered in tonnes 000s	676	583	+ 16

[1] total volumes of all segments

[2] correction in previous year's figure

Water segment – seasonal factors

At Euro 51 million, sales in the water segment in the 1st half of 2006/07 were at the same level as in the previous year. The first half is traditionally a period of low consumption on account of the seasons involved. Sales volumes were also at the same level as in the first half of the previous year.

Segment operating earnings (EBIT) fell by Euro 2 million compared with the first half of the previous year to Euro 7 million. This decline is chiefly due to prorated one-off special charges in connection with personnel expenses provisions. This latter item had a disproportionate impact in the 1st half of 2006/07 given the lower level of sales as a result of seasonal factors. Water consumption increased by around 10 % in April 2007 as a result of the unusually warm weather and low volume of precipitation in this month.

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

Environmental energy segment – decline in sales and earnings

Sales in the environmental energy segment fell by Euro 4 million compared with the first half of the previous year to Euro 93 million (– 4 %). This decline is principally due to the discontinuation of a major steam supply agreement and to scheduled inspection measures in the 1st half of 2006/07, which had only been undertaken at a later date in the previous year. The increase in sales resulting from the further rise in waste volumes was insufficient to offset this postponement of sales.

Operating earnings (EBIT) decreased by Euro 3 million compared with the high figure reported for the previous year. At Euro 38 million, they nevertheless continue to represent a major pillar of our Group's overall earnings. The cost savings achieved, particularly in the area of procurement expenses and input materials costs, were insufficient to compensate for the negative factors and postponements affecting sales in the 1st half of 2006/07. We currently expect the Leuna II non-recyclable waste incineration plant to commence operations in May 2007 already (originally scheduled for July/August 2007). The launch of operations at an earlier date will have a positive impact on our ongoing earnings performance and will offset the developments in the 1st half of 2006/07.

EBIT of the MVV Energie Group by segment

1st Half, 1.10. – 31.3.

Euro million	**2006/2007**	2005/2006	% change
Electricity	19	25	– 24
District heating	62	64	– 3
Gas	22	49	– 55
Water	7	9	– 22
Value-added services	12	4	+ 200
Environmental energy	38	41	– 7
Other/consolidation	– 1	– 3	+ 67
	159	**189**	**– 16**

Value-added services segment

Sales in the value-added services segment showed a year-on-year increase of Euro 56 million (+ 84 %) to Euro 123 million. This growth is mainly attributable to the MVV Energiedienstleistungen subgroup, where sales rose from Euro 54 million in the first half of the previous year to Euro 85 million. This was chiefly due to substantial growth in the municipal and industrial contracting business, as well as to the subgroup's national and international consulting activities. The companies fully consolidated for the first time, namely IVB Immobilien Versorgung GmbH Berlin, Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS) and the consulting subsidiary DECON GmbH, made a major contribution to the sales growth in the 1st half of 2006/07.

Sales at the value-added services businesses of the municipal utility shareholdings in Kiel, Offenbach, Ingolstadt and Köthen rose by Euro 25 million compared with the first half of the previous year to reach Euro 38 million. This growth is due to new business and to the shared service companies 24/7 IT Services GmbH and 24/7 Metering GmbH, whose sales are reported in the value-added services segment. 24/7 United Billing GmbH was already included in this segment in previous years.

Operating earnings (EBIT) in the value-added services segment showed year-on-year growth from Euro 4 million to Euro 12 million. Half of this considerable improvement in the half-year earnings for 2006/07 is attributable to the MVV Energiedienstleistungen subgroup. The inclusion of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG had an especially positive impact in this respect. The earnings contribution of the value-added services business at the municipal utility shareholdings rose by Euro 2 million to Euro 6 million. This increase is principally due to the shared service companies reported under the value-added service business at EVO. The earnings contributions of 24/7 IT Services GmbH and 24/7 Metering GmbH already formed part of the core business segments of the respective municipal utility companies prior to the establishment of the shared service companies.

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

Balance Sheet

as of 31.03.2007

Balance Sheet of the MVV Energie Group Euro 000s	31.3.2007	30.9.2006	Notes
Assets			
Long-term assets			
Intangible assets	307 462	308 760	
Property, plant and equipment	1 937 580	1 870 793	
Investment property	5 543	5 654	
Shareholdings valued at equity	14 726	15 433	
Other financial assets	134 316	134 450	
Receivables and other assets	7 672	7 336	
Deferred tax assets	5 577	18 948	
	2 412 876	2 361 374	
Short-term assets			
Inventories	54 406	49 142	
Accounts receivable	548 396	370 156	1
Other assets	237 839	228 755	2
Tax receivables	74 041	24 073	3
Securities	534	—	
Cash and cash equivalents	81 962	119 368	
	997 178	791 494	
	3 410 054	3 152 868	
Equity and liabilities			
Equity			
Share capital	142 764	142 764	
Capital reserve	255 523	255 523	
Retained earnings	236 478	236 537	
Net earnings	111 988	97 240	4
Capital of the MVV Energie Group	**746 753**	732 064	
Minority interests	109 744	104 912	
	856 497	836 976	
Long-term debt			
Provisions	133 868	118 729	
Financial liabilities	1 028 345	1 014 113	
Other liabilities	24 957	29 125	
Deferred tax liabilities	190 824	203 572	
	1 377 994	1 365 539	
Short-term debt			
Provisions [1]	267 874	209 023	
Financial liabilities	471 361	417 400	6
Accounts payable	193 786	139 139	5
Other liabilities	219 886	169 749	7
Tax liabilities	22 656	15 042	8
	1 175 563	950 353	
	3 410 054	3 152 868	

[1] of which tax provisions of Euro 60 119 thousand (previous year: Euro 49 032 thousand)

Income Statement*

for the period 1. 10. 2006 – 31. 3. 2007

* 1st half of 2005/2006 adjusted

Income Statement of the MVV Energie Group Euro 000s	2nd Quarter **1. 1. 2007 to 31. 3. 2007**	 1. 1. 2006 to 31. 3. 2006	1st Half cumulative **1. 10. 2006 to 31. 3. 2007**	 1. 10. 2005 to 31. 3. 2006	Notes
Sales	667 289	711 631	1 286 713	1 290 211	
less electricity and gas taxes	38 596	29 662	75 656	57 197	
Sales after electricity and gas taxes	628 693	681 969	1 211 057	1 233 014	10
Capitalised own-account services	6 609	8 778	10 571	18 699	
Other operating income	15 635	25 102	42 433	44 009	
Cost of materials	375 339	430 506	739 492	779 956	
Personnel expenses	77 251	68 881	158 518	138 540	11
Other operating expenses	73 420	62 071	137 513	113 884	12
Income from shareholdings valued at equity	– 307	—	– 707	—	
Other income from shareholdings	545	– 3 757	1 160	– 3 260	
EBITDA	**125 165**	**150 634**	**228 991**	**260 082**	
Depreciation	35 187	38 949	69 763	71 490	
EBITA	**89 978**	**111 685**	**159 228**	**188 592**	
Goodwill amortisation	—	—	—	—	
EBIT	**89 978**	**111 685**	**159 228**	**188 592**	
Financing income	2 038	1 126	3 380	1 873	
Financing expenses	17 353	18 116	44 743	40 245	13
EBT	**74 663**	**94 695**	**117 865**	**150 220**	
Taxes on income	31 420	38 494	48 182	65 110	14
Net surplus for the period	**43 243**	**56 201**	**69 683**	**85 110**	
Minority interests	5 637	6 364	11 029	9 751	
Share of earnings allocable to shareholders in MVV Energie AG (Net surplus for the period after minority interests)	**37 606**	**49 837**	**58 654**	**75 359**	
Basic and diluted earnings per share (Euro)	0.67	0.90	1.05	1.38	

Statement of Changes in Equity*

for the period 1. 10. 2006 – 31. 3. 2007

* 1st half of 2005/2006 adjusted

Statement of Changes in Equity Euro 000s	Share capital of MVV Energie AG	Capital reserve of MVV Energie AG	Retained earnings: Statutory reserve and other retained earnings / consolidation	Retained earnings: Differential amount from currency conversion	Retained earnings: Fair value valuation of financial instruments	Net earnings	**Capital of the MVV Energie Group**	Minority interests	**Total**
Balance at 1. 10. 2005 as reported in financial statements in previous year	129 802	178 293	237 215	8 367	111	68 976	622 764	230 839	853 603
Retrospective application of IAS 32 (2003)	—	—	—	—	—	9 228	9 228	– 125 795	– 116 567
Balance at 1. 10. 2005	**129 802**	**178 293**	**237 215**	**8 367**	**111**	**78 204**	**631 992**	**105 044**	**737 036**
Earnings recognised directly under equity	—	—	—	1 296	2 426	—	3 722	1 827	5 549
Net surplus for the period	—	—	—	—	—	75 359	75 359	9 751	85 110
	—	**—**	**—**	**1 296**	**2 426**	**75 359**	**79 081**	**11 578**	**90 659**
Distribution of dividend	—	—	—	—	—	– 41 778	– 41 778	– 18 389	– 60 167
Capital increase	12 800	75 969	—	—	—	—	88 769	—	88 769
Change in revenue reserves	—	—	– 20 961	—	—	20 961	—	—	—
Change in reporting entity	—	—	—	—	—	—	—	31	31
Balance at 31. 3. 2006	**142 602**	**254 262**	**216 254**	**9 663**	**2 537**	**132 764**	**758 064**	**98 264**	**856 328**
Balance at 1. 10. 2006	**142 764**	**255 523**	**226 451**	**9 364**	**722**	**97 240**	**732 064**	**104 912**	**836 976**
Earnings recognised directly under equity	—	—	—	1 490	604	—	2 094	558	2 652
Net surplus for the period	—	—	—	—	—	58 654	58 654	11 029	69 683
	—	**—**	**—**	**1 490**	**604**	**58 654**	**60 748**	**11 587**	**72 335**
Distribution of dividend	—	—	—	—	—	– 44 614	– 44 614	– 11 547	– 56 161
Change in revenue reserves	—	—	– 708	—	—	708	—	—	—
Change in reporting entity			– 1 445				– 1 445	4 792	3 347
Balance at 31. 3. 2007	**142 764**	**255 523**	**224 298**	**10 854**	**1 326**	**111 988**	**746 753**	**109 744**	**856 497**

Segment Reporting*

* 1st half of 2005/2006 adjusted

for the period 1. 10. 2006 – 31. 3. 2007

Income Statement by segment Euro 000s	External Sales		Intercompany Sales		EBIT	
	1. 10. 2006 to 31. 3. 2007	1. 10. 2005 to 31. 3. 2006	**1. 10. 2006 to 31. 3. 2007**	1. 10. 2005 to 31. 3. 2006	**1. 10. 2006 to 31. 3. 2007**	1. 10. 2005 to 31. 3. 2006
Electricity	513 839	488 253	20 902	26 950	18 526	24 758
District heating	183 747	195 843	18 940	13 198	61 992	64 286
Gas	245 379	322 674	15 504	15 078	21 712	49 270
Water	51 029	50 776	5 120	1 071	7 518	9 331
Value-added services	123 174	67 634	21 833	22 588	11 838	3 871
Environmental energy	92 720	97 334	14 665	18 630	38 295	40 738
Other/consolidation	1 169	10 500	– 96 964	– 97 515	– 653	– 3 662
MVV Energie Group	**1 211 057**	1 233 014	—	—	**159 228**	188 592

Further information about Segment Reporting under Note 16

Cash Flow Statement*

for the period 1. 10. 2006 – 31. 3. 2007

* 1st half of 2005/2006 adjusted

Further information about the Cash Flow Statement under Note 17

Cash Flow Statement of the MVV Energie Group Euro 000s	**1. 10. 2006 to 31. 3. 2007**	1. 10. 2005 to 31. 3. 2006
Net surplus for the period	69 683	85 110
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	69 763	76 894
Change in long-term provisions	8 390	– 1 796
Other non-cash income and expenses	1 967	1 824
Cash flow as per DVFA/SG	**149 803**	**162 032**
Change in short-term provisions	55 503	49 366
Result generated from disposal of intangible assets and property, plant and equipment	– 1 681	850
Result generated on disposal of financial assets	—	– 2 181
Change in other assets	– 211 683	– 472 825
Change in other liabilities	60 205	277 011
Cash flow from operating activities	**52 147**	**14 253**
Investments in intangible assets, property, plant and equipment and investment property	– 96 666	– 77 183
(Free cash flow)	**(– 44 519)**	**(– 62 930)**
Proceeds from disposal of intangible assets, property, plant and equipment and investment property	9 820	2 188
Proceeds from subsidy payments	4 675	4 286
Proceeds from disposal of fully and proportionately consolidated companies	14 400	—
Proceeds from disposal of other financial assets	2 154	6 030
Payments for acquisition of fully and proportionately consolidated companies	– 31 484	– 14 373
Payments for other financial assets	– 3 994	—
Cash flow from investing activities	**– 101 095**	**– 79 052**
Proceeds from taking up of loans	194 939	240 204
Payments for redemption of loans	– 128 257	– 259 127
Change in financial liabilities from cash pooling	—	2 267
Proceeds from capital increases	—	88 769
Dividend payment	– 56 161	– 55 201
Cash flow from financing activities	**10 521**	**16 912**
Cash-effective change in cash and cash equivalents	– 38 427	– 47 887
Change in cash and cash equivalents due to currency conversion	1 020	387
Cash and cash equivalents as of 1. 10. 2006 (2005)	127 975	127 975
Cash and cash equivalents as of 31. 3. 2007 (2006)	**90 568**	**80 475**

Cash flow – aggregate depiction Euro 000s	**1. 10. 2006 to 31. 3. 2007**	1. 10. 2005 to 31. 3. 2006
Cash and cash equivalents at 1. 10. 2006 (2005)	**127 975**	**127 975**
Cash flow from operating activities	52 147	14 253
Cash flow from investing activities	– 101 095	– 79 052
Cash flow from financing activities	10 521	16 912
Change in cash and cash equivalents due to currency conversion	1 020	387
Cash and cash equivalents at 31. 3. 2007 (2006)	**90 568**	**80 475**

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

Disclosures concerning the company

MVV Energie AG has its legal domicile in Mannheim, Germany. The MVV Energie Group acts as an energy distribution company and service provider in the fields of electricity, district heating, gas, water, environmental energy and value-added service. Its activities in the field of environmental energy are focused on the incineration of non-recyclable waste.

These abridged consolidated interim financial statements were compiled by the Executive Board and approved on 9 May 2007.

Accounting and valuation methods

The abridged consolidated interim financial statements for the period 1 October 2006 – 31 March 2007 have been compiled in accordance with IFRS accounting requirements as applicable in the EU, and in particular with IAS 34 "Interim Financial Reporting". The interim report does not include all notes and disclosures required of a complete set of annual financial statements and should therefore be read in conjunction with the consolidated financial statements as of 30 September 2006. No application has been made of published standards and interpretations not yet requiring mandatory application.

With the exception of the new provisions outlined below, the accounting and valuation methods applied in the interim financial statements as of 31 March 2007 correspond to those applied in the consolidated financial statements as of 30 September 2006.

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

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

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

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

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

Income statement Change in Euro 000s	2nd Quarter 1. 1. 2006 to 31. 3. 2006	1st Half cumulative 1. 10. 2005 to 31. 3. 2006
Financing expenses	908	– 6 783
Share of earnings allocable to other shareholders	—	– 9 332
Share of earnings allocable to shareholders in MVV Energie AG	– 908	2 549
Earnings per share (Euro)	– 0.02	0.04

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

The method of accounting for CO_2 emissions certificates has also changed since the abridged interim report for the 1st half of 2005/06. This voluntary change is due to the circumstance that the net method of accounting for the obligation to submit CO_2 emissions certificates pursuant to Section 6 (1) of the German Greenhouse Gas Trading Act (TEHG) has proven to be suitable and widespread within the sector. Accordingly, CO_2 emissions certificates allocated free of charge are valued at Euro 0. Emissions certificates acquired in return for payment are measured at cost. A provision is stated for the obligation to submit CO_2 emissions certificates and is basically measured on the basis of the carrying amounts of the certificates available at the balance sheet reporting date. In the event of the emissions caused not being covered in full by available CO_2 emissions certificates, the fair value of the CO_2 emissions certificates still required is included in the measurement of the provision. In the income statement, this change in accounting method led other operating income and other operating expenses to be reduced in each case by Euro 3 343 thousand.

Moreover, sales have been reported net of energy taxes for the first time in the abridged interim report. This resulted in a reduction in sales amounting to Euro 75 656 thousand in the 1st half of 2006/07 (previous year: Euro 57 197 thousand). Other operating expenses have been reduced by the same amount. Please see Note 16 for a depiction of the implications for segment reporting.

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

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

Changes in the reporting entity

In addition to MVV Energie AG, 51 German and foreign subsidiaries in which MVV Energie AG directly or indirectly holds a majority of the voting rights are fully consolidated in the interim financial statements of the MVV Energie Group (30 September 2006: 42). The relevant control concept requires the parent company to exercise a controlling influence for a company to be fully consolidated. This is the case for all fully consolidated companies.

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

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

With the exception of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG and Teplárna Liberec, the aforementioned companies mainly involve newly established companies and companies which have previously not been operationally active.

The initial inclusion of these companies in the Group did not result in any major changes to the cash flow statement or in any notable impact on earnings within the Group.

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

On 4 January 2007, Energie Holding a.s. based in Prague/Czech Republic was founded as a wholly-owned subsidiary of MVV Energie CZ s.r.o. Assets relating to the generation and distribution of municipal district heating were acquired from outside the Group and deposited at this company. Moreover, Energie Holding a.s. acquired 70 % of the shares in Teplárna Liberec, based in Liberec / Czech Republic. This acquisition has been accounted for using the acquisition method.

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

Euro 000s	IGS Gersthofen[1] Stated upon acquisition	IGS Gersthofen[1] Carrying amount	Teplárna Liberec Stated upon acquisition[3]	Teplárna Liberec Carrying amount
Intangible assets	2 533	25	99	99
Property, plant and equipment	30 729	50 317	14 457	14 457
Deferred tax assets	586	586	—	—
Receivables, other assets	10 546	10 546	10 225	10 225
Cash and cash equivalents	17	17	32	32
Provisions	8 559	9 737	210	210
Other liabilities	4 965	3 815	7 889	7 889
Deferred tax liabilities	4 652	14 520	653	653
Fair value of net assets	26 235	33 419	16 056	16 056
Share acquired in Teplárna Liberec (70 %)			11 239	11 239
Earnings contribution for the period 1. 10. 2006 – 31. 3. 2007	1 071	—	—	637
Debit difference[2]	– 5 908	—	—	– 122

[1] Adjustment in assets and liabilities due to amendments in purchase price allocation

[2] Adjustment due to subsequent payment obligation

[3] The purchase price allocation for Teplárna Liberec has not yet been finalised

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

The statement of pro-forma sales and earnings has been foregone in view of the fact that the company acquisition does not have any major implications for MVV Energie AG.

Currency conversion

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

1 Euro	Rate on reporting date		Average rate	
	31. 3. 2007	30. 9. 2006	**1. 10. 2006 to 31. 3. 2007**	1. 10. 2005 to 31. 3. 2006
Polish zlotys (PLN)	3.867	3.971	3.867	3.875
Czech crowns (CZK)	28.010	28.326	28.041	28.949

(Source: European Central Bank)

Seasonal influences on business activities

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

Notes on the Balance Sheet

1 Accounts receivable

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

2 Other assets

The rise in other assets is principally due to the increase in market prices of energy trading transactions. The higher prices lead to an increase in the positive fair values of energy derivatives.

3 Tax receivables

The increase in tax receivables is mainly due to the fact that the previous fiscal unity with MVV GmbH was dissolved as of 1 October 2006 and that MVV Energie AG is now the new fiscal parent. MVV Energie AG has accordingly reported the liabilities resulting from this fiscal parenthood for the first time. Apart from this, the rise in tax receivables is due to initial consolidations not integrated within the fiscal unity.

4 Distribution of earnings

The Annual General Meeting held on 9 March 2007 approved the distribution of a dividend of Euro 0.80 per share (total: Euro 44 613 832.00) for the 2005/06 financial year (please also see Statement of Changes in Equity/Net earnings).

5 Accounts payable

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

6 Short-term financial liabilities

The rise in short-term financial liabilities is mainly due to an increase in short-term liabilities to banks at MVV Energie AG arising on account of the distribution of the dividend and the granting of loans to shareholdings.

7 Other short-term liabilities

The rise in other short-term liabilities is principally due to considerably higher market prices of energy trading transactions. The higher prices lead to an increase in the negative fair values of energy derivatives.

8 Tax liabilities

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

9 Contingent liabilities

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

Notes on the Income Statement

10 Sales

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

11 Personnel expenses

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

12 Other operating expenses

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

13 Financing expenses

Financing expenses include expenses amounting to Euro 13 115 thousand (previous year: Euro 6 783 thousand) in connection with changes in the present value of the payment obligation resulting from the Kiel put option, as well as the share of annual net earnings distributed to minority shareholders in Stadtwerke Kiel AG, Kiel. In view of the distribution resolution adopted during the period under report, the annual net earnings distributed were due for immediate payment and thus recorded in full under profit and loss during the period under report.

14 Taxes on income

Taxes on income Euro 000s	**1. 10. 2006 to 31. 3. 2007**	1. 10. 2005 to 31. 3. 2006
Current taxes	53 506	67 304
Deferred taxes	– 5 324	– 2 192
	48 182	65 112
Effective tax rate in %	**38.8**	47.9

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

15 Earnings per share

Earnings per share	2nd Quarter 1. 1. 2007 to 31. 3. 2007	2nd Quarter 1. 1. 2006 to 31. 3. 2006	1st Half cumulative 1. 10. 2006 to 31. 3. 2007	1st Half cumulative 1. 10. 2005 to 31. 3. 2006
Share of earnings allocable to shareholders in MVV Energie AG (Euro 000s)	37 606	49 837	58 654	75 359
No. of shares in 000s (weighted average)	55 767	55 704	55 767	54 468
Earnings per share (Euro)	0.67	0.90	1.05	1.38

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

16 Segment reporting

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

In addition to the activities of the MVV Energiedienstleistungen subgroup, which are subdivided into industrial and municipal contracting, national and international consulting, industrial and railway electricity services, the value-added services segment also includes the value-added services business at the municipal utility companies, which is in turn subdivided into technical services, telecommunications and contracting services. The newly founded shared service company 24/7 Metering GmbH and 24 IT-Services GmbH are also reported in the value-added services segment.

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

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

The segment revenues reported in the abridged interim report have been adjusted for the first time to eliminate energy taxes. This resulted in a correction of Euro 52 280 thousand in the level of external sales reported for the electricity segment in the 1st half of the 2006/07 financial year (previous year: Euro 57 197 thousand). The intracompany sales reported for the electricity segment fell by Euro 2 127 thousand in the 1st half of 2006/07 (previous year: Euro 3 157 thousand). In the gas segment, the amended reporting method resulted in a correction of Euro 23 376 thousand in the level of external sales reported in the 1st half of 2006/07 (previous year: Euro 0) and to a correction of Euro 1 477 thousand in the level of intracompany sales (previous year: Euro 0). The separate statement of gas tax has only been possible since 1 August 2006, given that the legal liability for gas tax passed to distribution companies at this time in accordance with the German Energy Tax Act and by analogy with the regulations governing electricity tax.

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

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

17 Cash flow statement

In contrast to the depiction in the 1st half of the 2005/06 financial year, grants received have been reported in the cash flow from investing activities and no longer in the cash flow from financing activities. Furthermore, the changes in cash and cash equivalents resulting from changes in the reporting entity in the previous year have been offset against purchase price payments in accordance with the relevant IFRS regulations.

Shares of the purchase price of companies removed from the reporting entity in the previous financial year have been received with due cash effect in the 1st half of the current financial year.

The cash flow as per DVFA/SG for the current financial year is lower than in the previous year as a result of the reduced net surplus for the period. In the previous year, the cash flow from operating activities was affected by a substantial rise in accounts receivable and other assets. In addition to seasonal factors, this effect was also attributable to the rise in energy prices in the past year and the initial statement of energy trading transactions in accordance with IAS 39 (2003). The increase in the total level of capital employed in short-term assets in the current financial year is significantly lower than in the equivalent period in the previous year. Overall, this has therefore led to a considerably higher level of cash flow from operating activities than in the equivalent period in the previous year.

18 Relationships to related companies, individuals and entities

Relationships to related companies, individuals and entities	Goods and services provided		Receivables		Liabilities	
Euro 000s	**1. 10. 2006 to 31. 3. 2007**	1. 10. 2005 to 31. 3. 2006	**31. 3. 2007**	30. 9. 2006	**31. 3. 2007**	30. 9. 2006
City of Mannheim	10 965	16 956	9 941	5 023	43 031	63 946
Proportionately consolidated companies	26 323	22 867	591	1 236	4 432	2 071

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

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

19 Events after the balance sheet date

MVV Energiedienstleistungen GmbH, based in Mannheim, acquired a 51 % shareholding in each case in WGB Wärme GmbH & Co. KG Berlin and WGB Wärme Beteiligungs GmbH Berlin, based in Berlin, on the basis of an agreement concluded on 27 February 2007. The initial consolidation will take place in the 3rd quarter. From a current perspective, the newly acquired company will not have any major impact on the net asset, financial and earnings position of the MVV Energie Group.

Mannheim, 9 May 2007
MVV Energie AG
Executive Board

Dr. Schulten Dr. Dub Farrenkopf

Financial Calendar

14. 8. 2007	Interim Report 3rd Quarter of 2006/2007
20. 11. 2007	Publication of preliminary results for the 2006/2007 financial year
17. 1. 2008	Annual Results Press Conference and Analysts' Conference
14. 2. 2008	Interim Report 1st Quarter of 2007/2008
14. 3. 2008	Annual General Meeting
17. 3. 2008	Payment of dividend

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