Adapting for the Future:
Sustainably Leveraging Opportunity

MVV Energie Annual Report 2006/2007

06/07

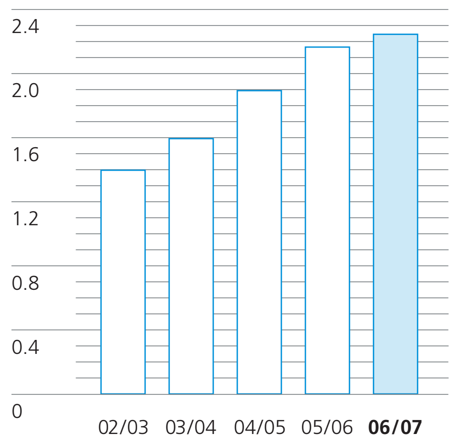
MVV Energie

to the Key Figures >>

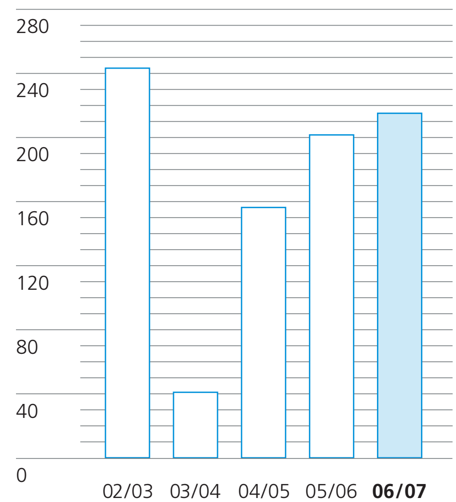
Company Profile

With an annual turnover of Euro 2.3 billion and around 6 400 employees, the MVV Energie Group is Germany's largest publicly listed municipal utility network. Our value-driven approach to company management enables us to increase the earnings power of our shareholdings – and thus the overall value of the Group. Our business model is based on the horizontal networking and integration of multidivisional municipal utility companies. In our solid core business – the supply of electricity, district heating, gas and water – we have a high degree of technical expertise, a superb knowledge of the market and traditionally close links to our customers. Within our core business we develop innovative products and customised solutions. Our high-growth businesses of environmental energy and energy-related services are making growing earnings contributions to the performance of the company. Moreover, we are also active in the nationwide sale of electricity across the whole of Germany. We have enhanced the Group's efficiency and pooled internal services at jointly-owned subsidiaries (shared service companies), thus preparing our group of companies at an early stage for the new challenges presented by regulated competition in the energy markets.

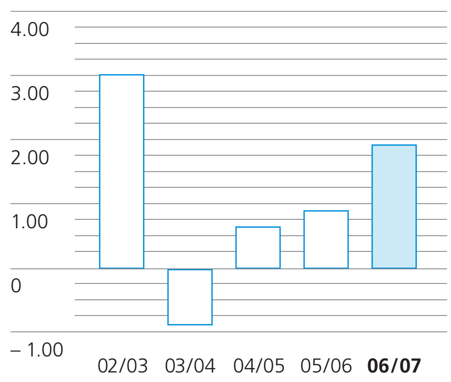
Sales **Euro 2.3 billion**
Euro billion year under report



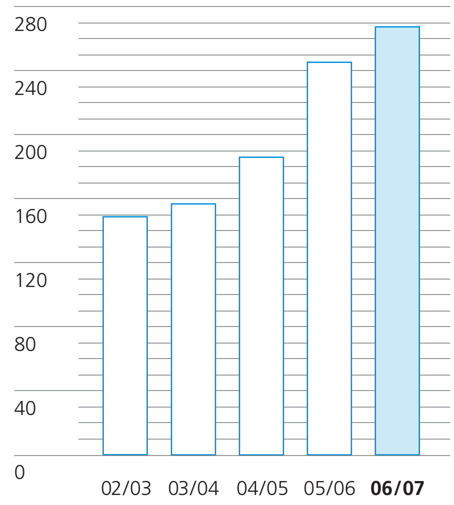
EBIT **Euro 215 million**
Euro million year under report



Earnings per Share **Euro 1.96**
Euro year under report



Cash Flow (DVFA/SG) **Euro 269 million**
Euro million year under report



Key Figures

MVV Energie Group[1] Euro million	2006/2007	2005/2006	% change
Sales[2]	2 259	2 170	+ 4
EBITDA	359	370	– 3
EBITA	216	223	– 3
EBIT	215	201	+ 7
EBIT before IAS 39[3]	199	201	– 1
EBT	139	128	+ 9
Annual net surplus	126	64	+ 97
Annual net surplus after minority interests	109	50	+ 118
Earnings[4] per share[5] in Euro	1.96	0.91	+ 115
Cash flow pursuant to DVFA/SG	269	246	+ 9
Cash flow per share[5] pursuant to DVFA/SG in Euro	4.82	4.47	+ 8
Free cash flow[6]	119	– 52	—
Total assets (as of 30. 9.)	3 278	3 153	+ 4
Equity (as of 30. 9.)	914	837	+ 9
Equity ratio[7]	27.9 %	26.5 %	+ 5
Capital employed[8]	2 396	2 293	+ 4
ROCE[9]	9.0 %	9.7 %	– 7
WACC[10]	7.5 %	7.5 %	—
Value spread[11]	1.5 %	2.2 %	– 32
Investments[12]	255	219	+ 16
Number of employees[13]	6 394	6 338	+ 1

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

[2] excluding energy taxes

[3] impact on earnings of IAS 39 (energy trading transactions) insignificant in the previous year

[4] in accordance with IAS 33

[5] number of shares (weighted annual average) 55.8 million (previous year: 55.1 million)

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

[7] equity as a proportion of total assets

[8] equity plus financial debt plus provisions for pensions and similar obligations plus cumulative goodwill amortisation (calculation based on annual average)

[9] return on capital employed (EBITA as a proportion of capital employed)

[10] weighted average cost of capital

[11] value spread (ROCE less WACC)

[12] 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

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

Adapting for the Future: Sustainably Leveraging Opportunity

move

» Regulation and increasing competition are changing the framework in which we operate. This obliges us not only to adapt our structures, but also to revisit our attitudes and habits. We have achieved a great deal in recent years and substantially improved the economic situation of the MVV Energie Group. We will continue to channel our efforts consistently and successfully in this direction. « **Dr. Rudolf Schulten, CEO of MVV Energie AG, commenting on the move programme**

The **move** programme is aimed at changing our corporate culture. The German acronym **move** stands for courage (Mut), openness (Offenheit), change (Veränderung) and success (Erfolg). **move** refers to the movement brought about by changing our corporate culture. This will also enhance our competitiveness.

We live the same values in our sponsorship activities – we **move** a great deal for people who stand for these values. In this way, we meet our responsibility towards society. The images in this Annual Report present some examples of our engagement and of our focus on promoting young people and upcoming talent.

Contents

4 To Our Shareholders

5 Letter from the CEO

9 The Executive Board of MVV Energie AG

10 move: Energising the Corporate Culture

12 Major Events in the Financial Year

14 The Share of MVV Energie AG

16 Corporate Governance Report of the Executive and Supervisory Boards
16 Compensation Report (Component of Group Management Report)

19 Report of the Supervisory Board

22 Group Management Report

23 Business Framework
23 Energy Policy
25 Market Climate
26 Corporate Strategy
28 Overview of Shareholdings and Business Activities
29 Research and Development

30 Sustainable Company Development
30 Earnings Position, Net Asset and Financial Position
42 Basic Features of the Compensation System of the Executive and Supervisory Boards
42 Employees
45 Social Commitment
46 Environmental Protection
46 Overall Summary of Business Performance
47 Powers of the Executive Board to Issue Shares

47 Events After the Balance Sheet Date

48 Risk Report

50 Outlook

54 Business Segments

55 Electricity Segment

57 District Heating Segment

59 Gas Segment

61 Water Segment

62 Value-Added Services Segment

66 Environmental Energy Segment

68 Consolidated Financial Statements

69 Balance Sheet

70 Income Statement

71 Statement of Changes in Equity

72 Segment Reporting

74 Cash Flow Statement

76 Notes to the 2006/2007 Consolidated Financial Statements

123 Directors & Officers

129 Audit Opinion

130 Multi-Year Overview

Financial Calendar

Imprint

Whenever the flat ebonite disc races towards the goal at speeds of up to 120 miles per hour, the goalkeeper is grateful for every inch of padding at his disposal. Even though the Young Eagles goalkeeper is the best-protected man on the ice, taking part in the fastest of all team sports can still lead to the odd bruise. MVV Energie admires the courage of the ice hockey players – with our sponsoring we support both the youth team and their fully fledged counterparts, the Mannheim Eagles.

To Our Shareholders

5 Letter from the CEO

9 The Executive Board of MVV Energie AG

10 move: Energising the Corporate Culture

12 Major Events in the Financial Year

14 The Share of MVV Energie AG

16 Corporate Governance Report of the Executive and Supervisory Boards

16 Compensation Report (Component of Group Management Report)

19 Report of the Supervisory Board

m = Mut (courage)

Providing constructive criticism within our company, exchanging views honestly and respectfully irrespective of hierarchical considerations, promoting ideas and standing up for our values – all these steps require courage. And it is this courage which also empowers us to achieve economic success. We relied on the market potential in our environmental energy and energy-related services businesses and invested in these high-growth fields at an early stage. In other areas we took the necessary restructuring measures at the right time and prepared our company for future market conditions and customer requirements. One example is the Electricity Fund product we developed in 2005, which has enabled us to convince and acquire numerous customers across the whole country. Our approach has paid off and we will continue to courageously tread this path.

To Our Shareholders

5 Letter from the CEO

9 The Executive Board of MVV Energie AG

10 move: Energising the Corporate Culture

12 Major Events in the Financial Year

14 The Share of MVV Energie AG

16 Corporate Governance Report of the Executive and Supervisory Boards

16 Compensation Report (Component of Group Management Report)

19 Report of the Supervisory Board

M = Mut (courage)

Providing constructive criticism within our company, exchanging views honestly and respectfully irrespective of hierarchical considerations, promoting ideas and standing up for our values – all these steps require courage. And it is this courage which also empowers us to achieve economic success. We relied on the market potential in our environmental energy and energy-related services businesses and invested in these high-growth fields at an early stage. In other areas we took the necessary restructuring measures at the right time and prepared our company for future market conditions and customer requirements. One example is the Electricity Fund product we developed in 2005, which has enabled us to convince and acquire numerous customers across the whole country. Our approach has paid off and we will continue to courageously tread this path.

Letter from the CEO

Dear Shareholders,
Ladies and Gentlemen,

The MVV Energie Group successfully maintained its course of profitable, sustainable growth in the past 2006/07 financial year in spite of highly unfavourable underlying conditions.

The climate in the energy industry was characterised by increasingly intensive competition in the electricity and gas markets and by the fall in revenues which our companies were obliged to absorb due to the reduction in grid utilisation fees by the regulatory authorities. More than anything, however, the business performance of our group of companies was held back by the extremely mild temperatures throughout the entire 2006/07 heating period. As you will be aware, the sales and earnings performance of our district heating and gas businesses depends to a very great extent on weather conditions.

I am therefore all the more pleased to report that we succeeded in compensating virtually in full for the earnings lost as a result of the unusually mild weather conditions. Not only that, during the 2006/07 financial year we also brought some important strategic and structural measures to a successful conclusion, thus laying key foundations for our stable economic performance in the long term.

Dr. Rudolf Schulten
CEO of MVV Energie AG

This Annual Report documents and provides explanations of developments in key areas in the 2006/07 financial year.

Our strategy is right and our measures are taking effect

Since its IPO, MVV Energie has pursued a strategy of horizontal growth, i. e. of combining municipal companies which have comparable portfolios on the distribution level. During the 2006/07 financial year, we successfully pressed ahead with the processes of networking our partners with each other, learning from each other and exploiting synergy and efficiency potential within the Group.

Expanding our municipal utility network is one of the two pillars of our corporate strategy, which is directed towards achieving profitable growth. The other pillar consists of our high-growth business fields of environmental energy, energy-related services and the sale of electricity on a nationwide basis. In recent years we have made massive investments in our environmental energy and energy-related services businesses, drawing on our experience and expertise to successfully develop these divisions further and increase their value. These investments in our growth are now taking effect. From an earnings perspective, our business portfolio has now proven to be far better balanced and significantly more immune to fluctuations in individual business fields than in earlier years.

We have proven our ability to cope with difficult market and weather conditions as well

All companies with activities in the district heating and natural gas businesses suffered severe downturns in turnover due to the weather factor. The sales of our group of companies nevertheless rose to Euro 2.3 billion, up 4 % on the previous year. The unforeseeable negative impact of weather conditions meant that we did not quite reach the sales of Euro 2.5 billion budgeted before the year began. We are nonetheless very satisfied with our performance. This pleasing level of year-on-year sales growth is chiefly the result of notable market successes in the nationwide sale of electricity, in the Czech district heating business and in the field of energy-related services.

We are also very satisfied with our operating earnings

We have reported operating earnings (EBIT) of Euro 215 million in our income statement for the 2006/07 financial year. This level of earnings, which exceeded our expectations, is largely due to an extraordinary item resulting from the accounting treatment of financial instruments in accordance with IAS 39 (2004). More specifically, this relates to the valuation at the reporting date of energy trading transactions requiring physical delivery (commodities futures) which are to be fulfilled by means of supplies in the coming months. Excluding this extraordinary item of Euro 16 million, which is valuation-dependent and of a non-cash nature, we generated EBIT of Euro 199 million before IAS 39 (2004) in the year under report. In the previous year, the equivalent valuation item for IAS 39 was insignificant.

Efficiency enhancements in particular, as well as the positive development of our environmental energy and value-added services businesses and the nationwide sale of electricity, enabled us to compensate for the loss of earnings of around Euro 33 million in the district heating and natural gas businesses on account of weather conditions. As already predicted upon the publication of our earnings target in February 2007, we therefore virtually matched the very pleasing earnings of Euro 201 million reported in the previous year.

We are proud that our operating earnings of Euro 199 million before IAS 39 in 2006/07 were achieved while largely maintaining tariff prices at unchanged levels for our customers. This proves that our group of companies is well positioned and now also able to cope with very difficult underlying conditions. We are now reaping the fruits of the successful expansion of our high-growth segments and the early introduction of efficiency enhancement measures at our municipal utility network.

Mainly as a result of the 2008 Corporate Taxation Reform, our annual net surplus after minority interests rose from Euro 50 million in the previous year to Euro 109 million in the 2006/07 financial year. This jump in earnings was mainly attributable to deferred tax income of Euro 46 million stated in the 2006/07 consolidated financial statements in connection with the corporate tax reform. Further details about this item can be found in the report on our earnings position on Page 32.

The positive free cash flow of Euro 119 million (previous year: Euro –52 million) provides a further indication that the earnings power and financial strength of our company are in robust shape.

Sustainably leveraging opportunity

This 2006/07 Annual Report, which we already published on the internet on 28 December 2007, provides you with an explanation of our corporate strategy and the development in earnings and other key figures. However, sustainable healthy company growth does not consist merely of these "hard facts". Our efforts to adapt the company for the future also have to account for the so-called "soft factors", such as values, guiding principles and a transformation of the corporate culture.

The years since our IPO in 1999 have witnessed a fundamental change in the tasks facing our company and in its market environment. These dynamic developments not only require structures and management instruments to be adapted – they also necessitate a revision of attitudes and habits. For this reason, during the 2006/07 financial year the Executive Board, management staff and employees of MVV Energie AG developed "move", an internal company programme intended to shape the corporate culture. Working together, we have compiled some initial proposals aimed at enhancing our corporate culture. The acronym "move" stands for the German words for courage (Mut), openness

(Offenheit), change (Veränderung), success (Erfolg). We are convinced that this programme, which will initially focus mainly on internal factors, will in the medium to long term also bear fruit on an external level, thus promoting our competitiveness.

We see climate protection as a growth market for us

Based on an integrated energy and climate programme, the German Federal Government aims to achieve ambitious climate protection targets by 2020, drastically reducing emissions of greenhouse gases harmful to the environment. The European Commission has also called for an increase in the share of renewable energies and improved energy efficiency.

The problem of pollutants is especially severe in cities and conurbations, with their concentration of industry and business, energy generation plants, high population densities and traffic volumes. Accordingly, the greatest opportunities for climate protection are also to be found here. This means that new fields of business are opening up to municipal utility companies in their local markets.

With its environmental energy and energy-related service businesses, the MVV Energie Group has built up a leading position in the German market in recent years. Our non-recyclable waste incineration plants in Mannheim, Offenbach and Leuna and the biomass power plants in Mannheim, Königs Wusterhausen and Flörsheim-Wicker near Wiesbaden mean that our group of companies has an incineration capacity of 1.6 million tonnes per year. In our energy-related services business, we currently operate 24 biomass heating plants and biomass cogeneration plants across the Group. We are building power plants at two locations which will use substitute fuels to supply energy to major industrial sites on a decentralised basis.

Climate protection, energy efficiency and the increased use of regenerative energy also represent special focal points of this 2006/07 Annual Report, most particularly in the chapters Research and Development (Page 29), Environmental Protection (Page 46) and in the segments Value-Added Services (Page 62) and Environmental Energy (Page 66). We believe that the municipal utility network of the MVV Energie Group is very well positioned in the growing markets for energy efficiency and renewable energies, particularly in view of the efforts being made by the Federal Government to protect the climate.

The municipal utility market is in transition

The implications of the new phase of regulated competition are far more serious than those of the first phase of liberalisation. We expect many municipal utility companies not to be able to withstand the further increase in regulatory pressure. Following further downturns in earnings, ever more cities and municipalities will be obliged to sell shares in their municipal utility companies or to look for cooperation partners to survive in the market. We will actively exploit the consolidation expected in the municipal utility market. Given our municipal background and our experience and success in further developing our municipal utility shareholdings on a basis of cooperation, we believe that we are well positioned to get to purchase any companies put up for sale. Having said this, we will only invest in shareholdings which meet our requirements and are profitable.

New perspectives and opportunities due to partnership with RheinEnergie AG, Cologne

On 11 October 2007, RheinEnergie AG, Cologne, acquired a 16.1 % stake in MVV Energie AG from the 66.2 % indirect shareholding previously held by the City of Mannheim. We welcome this strategic partnership with RheinEnergie AG. The future cooperation between the two companies provides MVV Energie with interesting new strategic perspectives and opportunities.

The capital market has honoured our strategic progress

At Euro 29.49, the share price of MVV Energie AG on 30 September 2007 was 27% higher than the closing price for the previous year. Unlike developments in many other cases, the successful capital increase in October 2007 did not have any negative impact on our share price. The share was listed at Euro 31 in mid-November 2007. The vast majority of our shareholders exercised their subscription rights. The rise in our share price, and the resultant increase in the market capitalisation of MVV Energie AG for the first time to more than Euro 2 billion, reflect the great confidence placed in MVV Energie's growth strategy by the capital market, as well as by our shareholders. In order to secure our profitable growth in future as well, we intend to use the proceeds from the capital increase to strengthen our equity basis, to further expand our municipal utility network and to make further targeted investments in our high-growth environmental energy and energy-related services divisions.

We intend to maintain our shareholder-friendly dividend policy

The Executive Board would like to pay the company's shareholders a further attractive dividend for the 2006/07 financial year in spite of the significant one-off burdens as a result of weather conditions. We will once again be proposing a dividend of Euro 0.80 for approval by the Annual General Meeting of MVV Energie AG for the 2006/07 financial year.

The Executive Board of MVV Energie AG would like to thank the managers, employees and employee representatives of all companies within our Group for the work performed during the year under report. Together, their great commitment and willingness to change have contributed to the successful further development of the MVV Energie Group.

We would like to take this opportunity of extending our particular thanks and acknowledgement to the former Chairman of our Supervisory Board and Lord High Mayor of the City of Mannheim, Gerhard Widder. Over the past 24 years in his role as Chairman of the Supervisory Board of MVV Energie AG, he played a key role in the successful development of our group of companies from a local municipal utility company into a nationally and internationally successful energy and service company.

We would also like to thank our shareholders for the trust they placed in us in the 2006/07 financial year. We believe that the MVV Energie Group is optimally prepared for the new phase of regulated competition. We would therefore be very pleased if you would continue to place your trust in us in the current 2007/08 financial year as well.

Yours faithfully,

Dr. Rudolf Schulten
CEO

The Executive Board of MVV Energie AG

Hans-Jürgen Farrenkopf

Dr. Werner Dub

Dr. Rudolf Schulten
CEO

Matthias Brückmann

move: Energising the corporate culture

The MVV Energie Group aims to maintain its profitable growth. However, sustainable, healthy company growth is based not only on the "hard facts" involved in profit-driven strategic and operative corporate management. A corporate strategy aiming to ensure sustainable growth and future viability also has to account for "soft factors", such as values, guiding principles and corporate culture, all of which also contribute to the company's success.

Since the IPO in 1999, the MVV Energie AG workforce has witnessed rapid and momentous change in their company. Its development from a municipal utility company into a successful energy supply group with nationwide and international activities has led not only to significant changes in employees' tasks and working environment – it has inevitably also left its mark on the corporate culture. The stock of common values and assumptions built up over time has altered, thus also leading to changes in the behaviour and expectations shown by the workforce.

Unlike corporate development, changes in corporate culture often take place more slowly and over a longer period. We aim to proactively shape this transformation in our corporate culture and to initiate processes guiding this change in a mutually desirable direction. By maintaining a balance between our values and value-driven company management, we aim to make a positive contribution towards securing our company's earnings power in the long term.

Our programme to shape our corporate culture

In summer 2006, we launched the **move** programme, which is intended to subject our shared view of ourselves to a critical review.

move is an acronym which stands for Courage (Mut), Openness (Offenheit), Change (Veränderung), Success (Erfolg):

- We demonstrate **courage** with this programme by subjecting our shared values to critical re-examination. And we enhance our courage by promoting constructive criticism within our company, thus freeing up resources for our change process.

- We show **openness** by welcoming new ideas and changes. In our dealings with each other, we aim to be honest and respectful.

- We are prepared to press ahead with **change**, because we are not just satisfied with what we have already achieved. Innovation is the key to improvement. We promote constructive change in order to be open to future opportunities, to analyze past errors and to avoid these in future.

- Our company is **successful** when we all work together on a basis of trust. By implementing **move** together, we will make a joint contribution towards turning MVV Energie AG into an even more effective company and employer.

Timeframe

We began the first phase of **move** by identifying what we would like to change and what we believe is worth retaining across all levels of the hierarchy. With this aim in mind, a total of 31 **move** workshops were held in autumn and winter 2006/07, at which our employees discussed all facets of our corporate culture.

Together, we compiled proposals for a desirable corporate culture for the future. On four weekends in April and May 2007, the Executive Board and managers analysed the results of the workshop in detail and formulated their change, avoidance and retention targets.

Process encounters resistance

We have naturally also encountered some resistance along the way. Questions were raised, especially at the beginning of the process, as to the programme's meaningfulness and chances of success. Would the action just fizzle out? Would members of the Executive Board and managers also be able to accept criticism and demonstrate their willingness to change? How would the workforce react? These and similar questions concerned our employees. But that is precisely the point – change and willingness to change arise on the basis of discussions and new perspectives. This automatically generates some headwind, as well as motivating us to put our stamina and the seriousness of our efforts to the test. We have also learned that it is difficult to reach all employees in equal measure across all of the company divisions. We will continue to make targeted efforts to do just this.

Initial measures being implemented

What insights have we gained? Our employees placed the topic "Appreciation, Respect, Recognition" at the top of their list of change targets. Our Executive Board, managers and Works Council are therefore addressing this issue with special priority. We have initiated four measures to achieve this change target:

- Regular meetings of management and employees.
- In a series of eight "**move** Dialogue" podium discussions, six to eight employees, including specialist and management staff from our shareholdings, hold discussions with one of the members of our Executive Board. A group of 50 employees in the audience has the opportunity of joining in the discussion.
- By the end of 2007 each member of the Executive Board will on at least one occasion invite ten employees to gain insights into his activities at our "Management Café".
- All management staff will introduce a fixed regular time for meetings and hold meetings for employees at least once a month.

The topic of "Management Courage and Social Competence" was accorded high priority by employees and management alike. We will be implementing the following measures in this area in the near future:

- In future, employees will also appraise their superiors. By December 2007, we had compiled a concept for this form of "upward appraisal".
- We are currently compiling joint proposals for a systematic basis for selecting management personnel.

The third priority topic we identified was "Customer Orientation". We intend to introduce suitable measures in this area, such as making specialist departments more accessible by telephone.

We will review the efficacy of the measures taken by holding employee surveys at regular intervals of around six months. In this way, we intend to find out in a targeted manner whether we have already met our initial targets and what still has to be improved. We will discuss the results of these employee surveys at the **move** steering committee and factor the insights gained along the way into subsequent measures.

Major Events in the Financial Year

October 2006

With shareholdings across its municipal utility network, MVV Energie AG pools its internal services at five joint subsidiaries with effect from 1 October 2006. These shared service companies operate under the umbrella brand "24/7" – 24/7 Netze GmbH, Mannheim, 24/7 IT-Services GmbH, Kiel, 24/7 Metering GmbH, Offenbach, 24/7 United Billing GmbH, Offenbach, and 24/7 Trading GmbH, Mannheim. A further shared service company, 24/7 Insurance Services GmbH, Mannheim, is founded on 1 July 2007.

MVV Energiedienstleistungen GmbH acquires a 100 % stake in Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS) as of 1 October 2006. At its location in Gersthofen near Augsburg, IGS provides the full range of utility supply and infrastructure services to twelve companies.

November 2006

Preparations continue at full steam for the vacation of the head office building of MVV Energie AG in Mannheim. To enable the extensive renovation work necessary on the building to be carried out, around 500 employees have to move from the 15-storey highrise building on Luisenring, now 40 years old, into another office building. The refurbishment is expected to be completed in spring 2008.

December 2006

MVV Energie AG acquires a 70 % majority shareholding in the Czech district heating company Teplárna Liberec and in three further district heating systems in neighbouring towns. This will enable our group of companies to increase its annual sales in this target market by around half.

MVV Energie AG successfully acquires a major Electricity Fund customer, namely the Metro Group. Starting in 2008, electricity will be supplied to a total of 370 of the Metro Group's locations in Germany. The supply agreement has a sales volume of approximately Euro 56 million per annum. With around 270,000 employees, the Metro Group is the world's third-largest retailer.

January 2007

The waste incineration agreements in place with the Rhine/Neckar Waste Association (ZARN), a special purpose association including the cities of Mannheim and Heidelberg, as well as the Rhine/Neckar District, are amended in line with market developments, with incineration prices being reduced from January 2007. The new waste incineration agreements are set to run until 2012.

February 2007

MVV Energiedienstleistungen GmbH acquires 51 % of the limited shares in WGB Wärme GmbH & Co. KG Berlin and 51 % of the business shares in its general partner, WGB Wärme Beteiligungs GmbH Berlin. Following the acquisition of these stakes and the previous acquisition of IVB Immobilien Versorgung GmbH Berlin (now MVV Energiedienstleistungen GmbH Berlin) in March 2006, MVV Energiedienstleistungen GmbH is now the market leader in the regional district heating contracting business in Berlin, supplying 70,000 residential units in total.

March 2007

The Annual General Meeting of MVV Energie AG held on 9 March 2007 supports the proposal made by the Executive and Supervisory Boards and resolves to increase the dividend paid for the 2005/06 financial year from Euro 0.75 to Euro 0.80 per share in view of the company's improved operating earnings power.

April 2007

On 17 April 2007, the Supervisory Board of MVV Energie AG appoints Matthias Brückmann to the Executive Board as Director of Sales. Having chaired the Executive Board of the subsidiary Energieversorgung Offenbach AG (EVO) since 2003, Matthias Brückmann assumes his new responsibilities as of 1 August 2007.

May 2007

At its location in Mannheim, MVV Umwelt GmbH takes over Biomasse Handelsgesellschaft (BHG), a biomass trading company also based in Mannheim in which MVV Umwelt GmbH has already held a stake since 2002, in full. Already established in the disposal market, BHG will provide MVV Umwelt GmbH with additional scope in the waste market and further optimise the company's materials flow management in terms of fuel quality and customer access. The company's proprietary sorting and preparation facility capacities thus rise to 270 000 tonnes per annum.

June 2007

At a special meeting held on 12 June 2007, Mannheim City Council approves the sale of a 16.1 % shareholding in MVV Energie AG to RheinEnergie AG, Cologne, for around Euro 300 million. Following the disposal of its 16.1 % stake, the City of Mannheim will participate in the capital increase at MVV Energie AG announced previously and will remain majority shareholder with a 50.1 % stake.

July 2007

Gas trading is launched on the EEX energy exchange in Leipzig on 1 July 2007. 24/7 Trading GmbH is one of the very first participants, concluding a deal for natural gas products on 2 July already.

In its largest single sponsoring measure, MVV Energie AG will be supporting the record-holding German ice hockey team, Adler Mannheim. The partnership is sealed on 17 July 2007 with the signing of a five-year agreement with these sporting heroes in the Rhine/Neckar metropolitan region.

August 2007

At its meeting on 9 August 2007, the Supervisory Board of MVV Energie AG appoints the new Lord High Mayor of Mannheim, Dr. Peter Kurz, as its Chairman and thus as successor to the outgoing Lord High Mayor, Gerhard Widder. The Articles of Association require the Lord High Mayor of the City of Mannheim to be a member of the Supervisory Board of MVV Energie AG.

September 2007

Following only 19 month of construction, MVV Umwelt GmbH, a wholly-owned subsidiary of MVV Energie AG, officially launches operations at the second line of its non-recyclable waste incineration plant at its Leuna location in Sachsen-Anhalt (Leuna II). Acceleration measures enable the building time to be cut by around three months. The launch of operations at Leuna II will raise incineration capacities at the Leuna location to almost 400 000 tonnes per annum.

The structured energy procurement concept successfully asserts itself on the energy markets. MVV Energie AG and five of its subsidiaries (Kiel, Offenbach, Ingolstadt, Köthen and Buchen) now offer their Electricity Fund on a nationwide basis. Following 64 customers in 2005, when the product was launched, 342 companies already benefit during the year under report from the advantages of our product and the expertise of our electricity fund managers. The number of field sales employees at the MVV Energie Group more than doubles to 14 by the end of the 2006/2007 financial year. With its Electricity Fund, the MVV Energie Group now provides commercial and industrial companies with annual consumption of more than 300 000 kilowatt hours with access to the wholesale market. Previously, the minimum annual electricity volume amounted to 500 000 kilowatt hours.

The Share of MVV Energie AG

New shareholder structure

The City of Mannheim still held a 66.2 % stake in MVV Energie AG on 30 September 2007. On 12 June 2007, Mannheim City Council approved the sale of part of this indirectly held stake, amounting to 16.1 % of the shares in MVV Energie AG, to RheinEnergie AG, Cologne. The German Federal Cartel Office endorsed the purchase of this shareholding on 2 August 2007. RheinEnergie AG acquired the shares on 11 October 2007.

In October 2007, MVV Energie AG executed a capital increase of Euro 25.96 million (+18.2 %) from existing authorised capital by issuing 10.1 million new shares in return for cash contributions with subscription rights for shareholders in MVV Energie AG. Further details of the capital increase can be found in the report on events after the balance sheet on Page 47.

Having exercised its subscription rights, the City of Mannheim remains the majority shareholder of MVV Energie AG, with a 50.1 % stake. RheinEnergie AG and EnBW AG also exercised their subscription rights and thus still hold unchanged shareholdings of 16.1 % and 15.1 % respectively. The remaining 18.7 % of shares continue to be in free float.

Long-term upward trend remains intact

The share of MVV Energie AG has maintained the upward trend seen since summer 2004. The closing price rose by Euro 6.26 from Euro 23.23 on 30 September 2006 to Euro 29.49 on 30 September 2007 (+27 %). Including the dividend of Euro 0.80 per share paid on 12 March 2007, the performance even amounted to 31 %. Our comparative index, the SDAX, rose by 16 % over the same period. The Prime Utilities index, which is heavily influenced by the large vertical groups E.ON and RWE, grew by 37 %. Our share thus virtually matched the development in the utility index and outperformed the SDAX by a clear margin.

In the run-up to the sale of shares by the City of Mannheim to a strategic investor being announced, our share price reached a new all-time high of Euro 34.24 in variable XETRA trading on 25 May 2007, accompanied by increasing trading volumes. The price of our share fell during the sharp overall correction seen on the stock markets in July and August 2007, but recovered once again in September 2007. During the 2006/07 financial year, the highest closing price was recorded at Euro 33.11 on 19 June 2007 and the lowest closing price at Euro 22.30 on 5 October 2006.

All in all, we believe that the rise in our share price reflects the positive assessment of our business model and the strategic perspectives offered by the company's future cooperation with RheinEnergie AG, Cologne.

Substantial rise in market capitalisation

The market capitalisation of MVV Energie AG amounted to around Euro 1 645 million as of 30 September 2007, equivalent to an increase of Euro 350 million on one year earlier. The free float of 18.7 %, which forms the basis for the company's weighting in the SDAX, was valued at around Euro 308 million at the end of the 2006/07 financial year.

Increased turnover of shares and trading volumes

A total of 8.2 million MVV Energie AG shares were traded across all German stock markets during the year under report. This represents an increase of around 13 % on the previous year. Total trading volumes reached Euro 233 million (previous year: Euro 152 million). Rising trading volumes enhance the tradability of a share and thus make it more attractive, especially to institutional investors. Around 86 % of our stock market turnover now takes place on the XETRA trading platform (previous year: 74 %).

Improved ranking in market capitalisation index

At the end of the financial year, the share of MVV Energie AG was ranked 78th in terms of its free float market capitalisation in the joint index statistics compiled for the 100 companies listed in the MDAX and SDAX indices (previous year: 83rd position). This improvement is chiefly due to the rise in the share price. The share occupied 90th position in terms of stock market trading volumes (previous year: 93rd position).

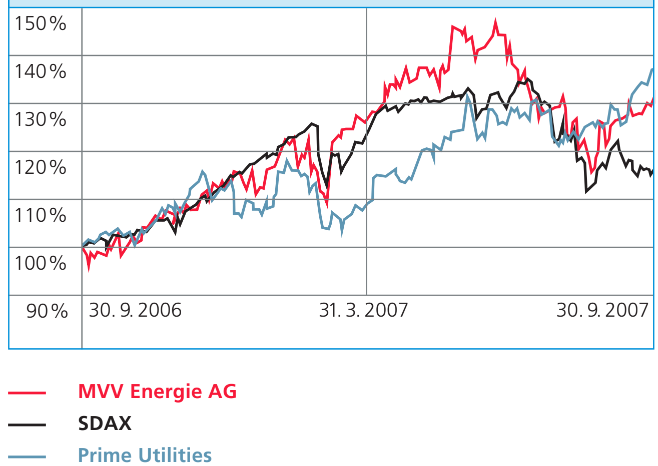
Key Figures per Share	2006/2007	2005/2006
Earnings pursuant to IAS 33 (Euro)	1.96	0.91
Price/earnings ratio (IAS 33)	15.0	25.5
Dividend (Euro)	0.80[1]	0.80
Dividend yield[2] (%)	2.7[1]	3.4
Equity[3] (Euro)	14.32	13.29

[1] pending approval by the Annual General Meeting on 14 March 2008

[2] based on closing price in XETRA trading on 30 September

[3] excluding minority interests

Share of MVV Energie AG (ISIN DE000A0H52F5)
Performance Comparison



Shareholder-friendly dividend policy

As announced, the Executive and Supervisory Boards will, as in the previous year and in spite of the rise in the number of shares due to the capital increase, be proposing the payment of a dividend of Euro 0.80 per share for approval by the 2008 Annual General Meeting. This is equivalent to a dividend yield of 2.7 % for our shareholders in terms of the share price in XETRA trading on the reporting date on 30 September 2007. We aim to pay our shareholders an attractive dividend based on our earnings performance in future as well.

Active and successful investor relations activities

We succeeded once again in the past 2006/07 financial year in further raising the level of interest shown in our company by the capital market. This is reflected by the number of national and international research institutes publishing reports about our company, which has now risen to 13, an exceptionally high figure for an SDAX company.

Moreover, we presented MVV Energie AG to large numbers of institutional investors, as well as private shareholders, at several investors' conferences and numerous one-to-one meetings. On 5 February 2007, we held our first Investors Day in Mannheim, which met with a warm reception from investors and analysts. At the fourth Mannheim Capital Market Forum in September 2007, our company was presented to large numbers of private investors. Over and above this, we held telephone and analysts' conferences to provide extensive commentaries on the latest earnings performance of our company.

One particular focus during the 2006/07 financial year was on road shows and talks with institutional investors in Germany and abroad. We visited investors in Frankfurt, as well as in Edinburgh, London, Lugano, Milan and Paris. Our homepage at *www.mvv-investor.de* provides all interest parties with up-to-date information about our share.

Accolade for our annual report

Our annual report has once again received internationally recognised awards. From among 2 539 companies participating in the "2006 Vision Awards Annual Report Competition" organised by the renowned League of American Communications Professionals (LACP) in San Diego, USA, the 2005/06 Annual Report of MVV Energie AG was singled out for the Gold Award for 2nd position in the "Utilities – Multiple/Water/Traders" category for companies with turnover of more than one billion US dollars.

The German periodical "manager magazine" organises "The Best Annual Report", an annual competition which is highly regarded on the capital market. The competition involves around 200 annual and interim reports of the most important German and European publicly listed companies being analysed and subsequently ranked. Assessed as "Good", the 2005/06 Annual Report of MVV Energie AG was ranked 7th among SDAX companies in the 2007 competition, thus reaching the top ten.

Corporate Governance Report of the Executive and Supervisory Boards

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

Transparency

In the past, MVV Energie AG always fulfilled the relevant transparency requirements in the German Commercial Code (HGB) and Securities Trading Act (WpHG) and complied in full with the Code's recommendations in this respect. We will ensure that this remains the case in future. We make particular use of our website *www.mvv-investor.de* to provide information about our company and about the latest developments at our Group.

Group accounting is based on International Financial Reporting Standards (IFRS), while the separate financial statements of MVV Energie AG are compiled in accordance with the German Commercial Code (HGB). The dates for our regular financial reporting are published in the financial calendar on our website.

Compensation Report (Component of Group Management Report)

The members of the Executive Board of MVV Energie AG also act as executive board members of the group company MVV RHE AG; the Chairman of the Executive Board is also the managing director of MVV GmbH. The compensation attributable to these functions is paid by MVV Energie AG and charged to the respective companies.

The Executive Board was paid compensation totalling Euro 1774 thousand during the year under report. This was structured as follows:

Compensation in Euro 000 s	Fixed [1]	Variable [2]	Supervisory Board compensation [3]	**Total**
Dr. Rudolf Schulten	403	305	15	723
Dr. Werner Dub	239	230	10	479
Matthias Brückmann [4]	41	39	1	81
Hans-Jürgen Farrenkopf	243	230	8	481
Karl-Heinz Trautmann [5]	10	—	—	10
Total	936	804	34	**1774**

[1] including allowances for pension insurance, health insurance, nursing care insurance, voluntary contributions to employers' mutual insurance association and non-cash benefits, as well as the CEO allowance of Euro 160 thousand and compensation of the Chairman of the Executive Board for his activity as spokesman of the management of MVV GmbH

[2] provisions

[3] supervisory board activities at shareholdings

[4] in office from 1 August 2007

[5] in office until 15 October 2006

Variable compensation is calculated on the basis of two components – the annual net surplus of the MVV Energie Group after minority interests pursuant to IFRS and the ROCE (return on capital employed). A suitable cap is in place. No compensation components of a long-term incentive nature were granted during the year under report. No further payments were either committed or made by third parties.

Upon reaching retirement age, the members of the Executive Board are entitled to receive pension benefits amounting to a certain percentage of their fixed compensation. This percentage rises by 2% for every full year of service up to a maximum value of 70% of fixed compensation. Pension payments are reduced by income earned from employment elsewhere, benefits received under the state pension scheme and any other pension benefits attributable at least in half to employers' contributions. Any premature claiming of the pension results in the benefits paid being reduced by 0.5% for every month by which the claimant falls short of the applicable retirement age.

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

Former members of the Executive Board[1] received benefits of Euro 1 027 thousand during the year under report. Provisions totalling Euro 3 468 thousand were stated for pension obligations towards former members of the Executive Board. A total of Euro 347 thousand was allocated to this item during the financial year under report.

Total compensation of Euro 3 333 thousand was paid to heads of division/authorised company representatives at MVV Energie AG during the year under report. Senior employees at MVV Energie AG receive a company pension amounting to 8.6 % of their fixed compensation. This exclusively takes the form of a defined contribution plan. Within the channels of execution offered within the Group, senior employees are able to determine which biometric risks they would like to cover. The total expenses of this scheme amounted to Euro 126 thousand during the year under report.

[1] including Karl-Heinz Trautmann

The pension obligations are structured as follows:

Pension obligations	Value of	Benefit	Benefit	Allocation to pension provision	
Euro 000s	final pension [1]	percentage [2]	percentage [3]	Service cost	Interest expenses
Dr. Rudolf Schulten	234	51 %	70 %	284	38
Dr. Werner Dub	86	54 %	66 %	102	36
Matthias Brückmann	131	48 %	70 %	—	—
Hans-Jürgen Farrenkopf	98	56 %	66 %	166	37
Total	549			552	111

[1] achievable claim to retirement pension aged 63, taking due account of amounts deducted
[2] total percentage pension rate achieved for retirement pension (in percent)
[3] benefit percentage achievable by the age of 63 years

Compensation of supervisory board members

The compensation of our Supervisory Board members is commensurate to their duties and to the responsibility they assume. The members of the Supervisory Board received annual compensation of Euro 10 thousand each in the 2006/07 financial year, with the Chairman of the Supervisory Board receiving twice and his deputy one and a half times this figure[1]. The Chairman of the Audit Committee received additional annual compensation of Euro 5 thousand and the other members of this committee each received additional annual compensation of Euro 2.5 thousand. Moreover, a meeting allowance of Euro 300 was paid per person per meeting of the full Supervisory Board and of the committees. Total compensation amounted to Euro 329 293[2]. This was distributed as follows: Gerhard Widder: Euro 22 528 (including meeting allowances[3] of Euro 5 700); Dr. Peter Kurz: Euro 4 838 (Euro 1 800); Johannes Böttcher: Euro 17 300 (Euro 4 800); Holger Buchholz: Euro 13 900 (Euro 3 900); Werner Ehret: Euro 15 400 Euro (Euro 5 400); Detlef Falk: Euro 4 233 (Euro 900); Dr. Rudolf Friedrich: Euro 13 900 Euro (Euro 3 900); Dr. Manfred Fuchs: Euro 21 000 (Euro 6 000); Dr. Stefan Fulst-Blei: Euro 8 918 (Euro 3 300); Reinhold Götz: Euro 17 900 (Euro 5 400); Dr. Karl Heidenreich: Euro 13 600 (Euro 3 600); Michael Homann: Euro 11 633 (Euro 3 300); Prof. Dr. Egon Jüttner: Euro 15 100 (Euro 5 100); Klaus Lindner: Euro 17 900 (Euro 5 400); Prof. Dr. Norbert Loos: Euro 17 900 (Euro 5 400); Manfred Lösch: Euro 25 000 (Euro 7 500); Dr. Reiner Lübke: Euro 2 267 (Euro 600); Dr. Frank Mentrup: Euro 7 109 (Euro 2 700); Manuel Mertes: Euro 9 067 (Euro 2 400); Barbara Neumann: Euro 13 900 (Euro 3 900); Wolfgang Raufelder: Euro 13 600 (Euro 3 600); Sabine Schlorke: Euro 13 300 (Euro 3 300); Uwe Spatz: Euro 15 100 (Euro 5 100) and Christian Specht: Euro 13 900 (Euro 3 900). No performance-related compensation is paid to the members of the Supervisory Board.

[1] members of the Supervisory Board joining or departing from the Supervisory Board during the financial year received prorated compensation in accordance with the duration of membership
[2] the amount stated corresponds to the compensation settled as of the reporting date for current members of the Supervisory Board, as well as for those retiring during the year under report
[3] meeting allowance in all cases in brackets

Statement of Compliance

The Executive and Supervisory Boards of MVV Energie AG hereby confirm that the company has complied with and continues to comply with the recommendations made by the Government Commission on the German Corporate Governance Code. In respect of the past, this Statement refers to the version of the German Corporate Governance Code dated 12 June 2006 and published by the Federal Ministry of Justice in the official section of the electronic Federal Official Gazette on 24 July 2006. With regard to the future, it refers to the recommendations of the new version of the Code dated 14 June 2007 and published in the official section of the electronic Federal Official Gazette on 20 July 2007. The following recommendations were not and are not complied with:

Deductible for D&O insurance – Point 3.8 (2): "If the company takes out a D&O (directors and officers' liability insurance) policy for the Management Board and Supervisory Board, a suitable deductible shall be agreed."

The D&O insurance policy concluded by MVV Energie AG, which protects the insured parties against possible claims for damages, does not provide insurance cover for intentional wrongdoing or wilful negligence on the part of members of the Executive and Supervisory Boards, neither does it cover against their knowingly committing any dereliction of duty. The Executive and Supervisory Boards are absolutely committed to performing their duties in a motivated and responsible manner and are not of the opinion that this requires underlining in the form of a deductible.

Performance-related compensation for members of the Supervisory Board – Point 5.4.7 (2) Sentence 1: "Members of the Supervisory Board shall receive fixed as well as performance-related compensation."

The Articles of Association of MVV Energie AG only provide for the fixed compensation of the Supervisory Board, plus a meeting allowance. MVV Energie AG already commented in the past that it was not convinced by models linking the compensation of Supervisory Board members to the level of the dividend or to the share price. We have therefore refrained from introducing any performance-related compensation components for members of the Supervisory Board.

This Statement of Compliance is also available at our company's website *www.mvv-investor.de*.

Report of the Supervisory Board

Ladies and Gentlemen,

As the new Lord High Mayor of the City of Mannheim, I am a member of the Supervisory Board of MVV Energie AG in line with the company's Articles of Association. At its meeting on 9 August 2007, the Supervisory Board elected me as Chairman and thus as successor to the previous Lord High Mayor, Gerhard Widder. I should like to thank the Supervisory Board for the trust it has placed in me with this election.

Dr. Peter Kurz
Chairman

On behalf of all members of the Supervisory Board, I should also like to extend my sincere thanks to Gerhard Widder for his responsible work as longstanding Chairman of the Supervisory Board of MVV Energie AG. In his 24 years as Chairman of the Supervisory Board, previously of Stadtwerke Mannheim AG (from 5 August 1983), and following the renaming of the company upon its IPO in 1999, of MVV Energie AG, Gerhard Widder contributed significantly to the company's successful development and through all these years provided constructive and critical support to the Executive Board in the implementation of its successful growth strategy. Continuing Gerhard Widder's record of good work will be a priority for me in my role as the new Chairman of the Supervisory Board of MVV Energie AG. The major changes facing the German and European energy markets represent both a challenge and an opportunity, one which MVV Energie AG intends to exploit consistently and competitively.

During the 2006/07 financial year, the Supervisory Board performed its duties in accordance with the requirements of the law and of the Articles of Association, monitoring the work of the Executive Board on an ongoing basis and assisting it in an advisory capacity. We were provided by the Executive Board with regular, prompt and comprehensive information as to all major events and developments at the company and were involved at an early stage in all decisions of significance.

We were informed on a regular basis of the business performance and development of the net asset, financial and earnings position of MVV Energie AG and the MVV Energie Group. The Executive Board also briefed us on the risk situation and risk management, as well as on its financial, investment, personnel and strategic planning. At the meetings of the Supervisory Board, we were informed extensively by the Executive Board as to all major business transactions and then discussed these jointly and in detail. In addition to the presentations and documents relating to the meetings, we were also provided with quarterly reports and further oral and written reports on events of significance and the decisions required. In the case of all decisions and actions requiring its consent, which in some cases were prepared by its committees, the Supervisory Board inspected the draft resolutions and reached the respective decisions.

The Supervisory Board met on ten occasions during the period under report and also held a two-day retreat. The Audit Committee held four meetings and the Personnel Committee met five times during the year under report. The committee established for the capital increase met three times during the year under report.

Main topics of discussion

Major topics of our discussions included the preparation of the 2007 Annual General Meeting, the expansion of the district heating supply in Berlin's real estate market and the purchase of a district heating grid and the stocking up our stake in a district heating company in the Czech Republic.

In September 2007, the Supervisory Board approved the 2007/08 business plan, acknowledged the medium-term planning for the group of companies and dealt in detail with risk management and risk analysis. We also addressed the implementation of the German Corporate Governance Code. Further information about corporate governance at the MVV Energie Group, as well as the Statement of Compliance adopted in December 2007, can be found on Pages 16 to 18 of this Annual Report and have also been made available on the internet at www.mvv-investor.de.

In the past year, the Supervisory Board also performed an efficiency review pursuant to Point 5.6 of the German Corporate Governance Code and adopted the improvements required as a result of the review, for example the conception of seminars for Supervisory Board members in cooperation with Mannheim Business School gGmbH.

Composition of the Supervisory and Executive Boards

At its meeting on 9 August 2007, the Supervisory Board of MVV Energie AG elected the new Lord High Mayor of Mannheim, Dr. Peter Kurz, a member of the Supervisory Board since 4 August 2007, as its Chairman and thus as the successor of the previous Lord High Mayor, Gerhard Widder.

Michael Homann, Dr. Frank Mentrup and Manuel Mertes retired from the Supervisory Board during the 2006/07 financial year. We should like to thank the departing members of the Supervisory Board for their constructive participation in the work of our body. The retiring employee representatives have been replaced by Detlef Falk and Dr. Reiner Lübke. Following his nomination by the principal shareholder, Dr. Stefan Fulst-Blei was elected to succeed Dr. Frank Mentrup by the Annual General Meeting of MVV Energie AG on 9 March 2007.

There were also changes in the composition of the Executive Board. Karl-Heinz Trautmann, responsible for sales, trading and environmental energy, retired from his position on the Executive Board on 15 October 2006 and left the company at his own request. The Supervisory Board complied with his request for the premature termination of his contract. Karl-Heinz Trautmann had been a member of the Executive Board of MVV Energie AG since October 2003. We thank him for his contribution to the successful development of the company.

On 17 April 2007, the Supervisory Board appointed Matthias Brückmann to the Executive Board of MVV Energie AG for the period from 1 August 2007 to 31 July 2012. Mr. Brückmann will be responsible for the sales division.

Events after the balance sheet date

On 11 October 2007, the Supervisory Board endorsed the resolution adopted by the Executive Board of MVV Energie AG to act on the authorisation provided by the Articles of Association to increase the company's share capital by around Euro 25.96 million by issuing 10 139 506 shares in return for cash contributions and granting shareholders subscription rights. By strengthening its equity base, MVV Energie AG has laid important foundations for new investments and for the further successful development of its growth strategy.

Approval of the consolidated financial statements

The auditing company Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Mannheim, audited the consolidated financial statements and group management report of the MVV Energie Group for the 2006/07 financial year pursuant to the resolution passed by the 2007 Annual General Meeting and the subsequent mandate by the Supervisory Board.

The consolidated financial statements and the group management report, both of which were compiled in accordance with International Financial Reporting Standards (IFRS) taking due account of Section 315a of the German Commercial Code (HGB), were granted an unqualified audit opinion. The annual financial statements of MVV Energie AG compiled in line with the German Commercial Code (HGB) and the accompanying management report for the 2006/07 financial year were also audited by the auditor and granted an unqualified audit opinion.

The consolidated financial statements and group management report of the MVV Energie Group, the annual financial statements and management report of MVV Energie AG, the appropriation of earnings proposed by the Executive Board and the auditor's audit reports were all submitted to the Supervisory Board in good time for its respective meeting. These documents were carefully inspected by the Audit Committee and the Supervisory Board and were discussed in detail in the presence of the auditor. The Supervisory Board raised no objections and concurred with the findings of the audit. At our meeting on 14 December 2007, we approved the consolidated financial statements and group management report of the MVV Energie Group and the annual financial statements and management report of MVV Energie AG. The annual financial statements are thus adopted. We endorse the appropriation of earnings proposed by the Executive Board.

The Executive Board further compiled a report for the 2006/07 financial year on the company's relationships with closely related companies (dependent company report). This report demonstrates that MVV Energie AG received commensurate compensation for and was not disadvantaged by the legal transactions with affiliated companies outlined therein. The dependent company report was audited by the auditor, who granted the following audit opinion: "Following the audit and assessment we have performed in accordance with our professional obligations, we confirm

- *that the factual disclosures made in the report are accurate,*
- *that the compensation of the company in the transactions listed in the report was not incommensurately high based on the circumstances known at the time of such transaction being executed."*

We were provided in good time with copies of the dependent company report and of the audit report compiled by the auditor. Following its own review, the Supervisory Board concurred with the assessment made by the auditor and thus approved this report.

Moreover, Ernst & Young, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Mannheim, also audited the early warning risk identification system at MVV Energie AG and was of the opinion that this system was suited to fulfil its legal obligations.

The Supervisory Board would like to thank the Executive Board, the management teams at the shareholdings, as well as all employees and employee representatives, for their commitment and successful work during the 2006/07 financial year.

Mannheim, December 2007
Supervisory Board

Dr. Peter Kurz, Chairman

Children and the high art form of opera? They don't go together, the sceptics would say. In spite of all these prejudices, the Nationaltheater Mannheim and MVV Energie were open to the Young Opera project. Children and young people have learned to love "their" Young Opera. The performers in the music theatre play "Sheep", Angelika Baumgartner and Uwe Topmann, can vouch that their youthful public is more than enthusiastic about listening to old music with new ears and discovering new music. We gain a great deal of pleasure from this ambitious children's music theatre, not least because we assisted in its birth.

Group Management Report

23 **Business Framework**
23 Energy Policy
25 Market Climate
26 Corporate Strategy
28 Overview of Shareholdings and Business Activities
29 Research and Development

30 **Sustainable Company Development**
30 Earnings Position, Net Asset and Financial Position
42 Basic Features of the Compensation System of the Executive and Supervisory Boards
42 Employees
45 Social Commitment
46 Environmental Protection
47 Overall Summary of Business Performance
47 Powers of the Executive Board to Issue Shares

47 **Events After the Balance Sheet Date**

48 **Risk Report**

50 **Outlook**

0 = Offenheit (openness)

It is not always easy to be open to new ways of doing things. Old methods are familiar – they provide a feeling of being on the safe side. Our hallmark is not just to react to innovations, but to play an active role in shaping the future. This is also reflected in our involvement in gas trading on the energy exchange. Trading began on 1 July 2007 – one day later, we had already undertaken our first trial transaction.

Group Management Report

23 Business Framework
23 Energy Policy
25 Market Climate
26 Corporate Strategy
28 Overview of Shareholdings and Business Activities
29 Research and Development

30 Sustainable Company Development
30 Earnings Position, Net Asset and Financial Position
42 Basic Features of the Compensation System of the Executive and Supervisory Boards
42 Employees
45 Social Commitment
46 Environmental Protection
47 Overall Summary of Business Performance
47 Powers of the Executive Board to Issue Shares

47 Events After the Balance Sheet Date

48 Risk Report

50 Outlook

O = Offenheit (openness)

It is not always easy to be open to new ways of doing things. Old methods are familiar – they provide a feeling of being on the safe side. Our hallmark is not just to react to innovations, but to play an active role in shaping the future. This is also reflected in our involvement in gas trading on the energy exchange. Trading began on 1 July 2007 – one day later, we had already undertaken our first trial transaction.

Business Framework

Energy Policy

Political framework

At the end of August 2007, the Federal Government set out the key points for an integrated energy and climate programme with which it intends to meet its challenging climate protection targets for the year 2020. Furthermore, it is planned to increase the share of renewable energies and to improve energy efficiency levels.

From the perspective of the MVV Energie Group, the package of measures includes positive approaches towards sustainable decentralised energy supply forms and increased use of contracting measures. The foundations of this package were laid at three top-level energy summits, in which the then Supervisory Board Chairman of MVV Energie AG, Gerhard Widder, also took part.

To implement the key points adopted, the ministries involved published initial draft amendments to the Cogeneration Act (KWKG) and the Renewable Energies Act (EEG) in October 2007. We welcome the fact that the Federal Government intends to maintain its promotion of cogeneration plants and to provide investment grants for the expansion of district heating grids in future. This will provide added momentum to cogeneration, an efficient technology which saves primary energy resources.

The German Federal Parliament adopted the 2012 Allocation Act (ZuG 2012) on 22 June 2007, thereby substantially raising the CO_2 reduction targets for the German energy industry for the second phase of EU-wide emissions trading. Overall, the maximum permitted limit for CO_2 emissions in Germany was restricted to 456.1 million tonnes per year. Of the CO_2 certificates available, 40 million will be sold by the state. It is positive to note that account has been taken of the role played by cogeneration plants in protecting the climate. However, the level of allocations remains uncertain, given that the allocation notices from the authorities are only expected in spring 2008. Not only that, the terms and conditions for emissions trading in the period after 2012 are as yet absolutely unclear. This presents the German energy sector with considerable planning insecurity and risks.

The EU Commission aims to strengthen competition in the European energy market and presented proposals with this in mind on 19 September 2007 (3rd EU Single Market Package). The Commission calls for consistent unbundling on the level of transmissions grids. Over and above this, the EU Commission package includes numerous measures to promote competition, some of which involve strengthening the cross-border exchange of electricity.

The MVV Energie Group endorses the analysis by the EU Commission and sees most of the proposals as being suited to achieving the shared goal of greater competition. As regional grid operators, the companies of the MVV Energie Group would not be directly affected by ownership unbundling.

Implications of grid regulation

At the end of the financial year, the MVV Energie Group had completed most of its first-round cost approval procedures for its distribution grids. At the end of the financial year, fee assessment notices were still outstanding for the gas grids at Stadtwerke Solingen and 24/7 Netze GmbH in Offenbach.

Meanwhile, the second cost approval round has already begun. Grid operators had to submit their cost applications to the Federal Networks Agency by 30 June 2007 in the case of electricity and by 30 September 2007 for gas. Following approval, the costs then form the basis for the incentive regulation due to start on 1 January 2009 and therefore represent a key factor for grid revenues in subsequent years.

The approval by the Federal Council of the corresponding draft from the Federal Government with only minor amendments on 21 September 2007 means that the structure of this incentive regulation is now largely fixed. It sets out challenging efficiency targets for grid operators. In particular, it bases such targets on the best performers in the sector. Accordingly, the majority of grid operators who fall short of the envisaged peer comparison will have to make significantly above-average efforts to improve their efficiency if they are to meet or exceed the targets set by the regulatory authority.

To absorb the rising pressure on costs in its distribution grids, the MVV Energie Group will consistently maintain the efficiency enhancement course already initiated. We meet the variety of regulatory requirements by means of active regulation management based in part upon insights gained from EU countries with longstanding experience of regulation.

Progress made in some areas

We believe that competition in the energy market can only take full effect with the assistance of suitable market rules. During the period under report, the Federal Network Agency continued its activities aimed at ensuring non-discriminatory grid access and achieving an optimal competitive framework in individual subsections of the market.

On 5 September 2007, the regulatory authority established standards for tender procedures at transmissions grid operators for secondary and primary balancing energy. As was already the case for minute reserves, these standards represent an improvement on previous practice. The new market regime, for which we have long campaigned, will allow the MVV Energie Group to participate in the balancing energy market with a pool of bidders from autumn 2007.

At the end of April 2007, the gas industry associations reached agreement on an amended version of the Cooperation Agreement (KoV II) which took effect on 1 October 2007. Gas grid access will thus be implemented on the basis of feed-in and take-off contracts.

This revision was necessary due to the prohibition by the Federal Network Agency on 17 November 2006 of the parallel single entry model previously envisaged. The MVV Energie Group was closely involved in revising the contractual requirements, which regulate gas grid access in largely practice-related terms.

However, the large number of market regions still in place, a factor which hinders the transport of gas, remains unsatisfactory. This also presents a significant obstacle to the trading of gas launched on the EEX energy exchange in Leipzig at the beginning of July 2007. We therefore welcome the efforts by the Federal Network Agency to reduce the number of market regions to a justifiable minimum.

The Federal Cartel Office championed market structures which promote competition in its merger approvals practice during the period under report (please also see Page 25). However, the German energy market is already characterised by a very high degree of horizontal and vertical concentration.

Activities to enhance competition

As a large group of municipal companies, we depend on a competitive framework which provides all market players with equal opportunities in the market. We contribute our ideas concerning fair competitive structures for the energy markets to the discussions surrounding energy policy and initiate contact with politicians, academics and authorities for this purpose.

During the period under report, our main areas of activity in the field of energy policy included participating in procedures organised by the Federal Network Agency with regard to tendering processes for balancing and loss energy (grid losses), the market-based procurement of balancing energy required due to the Renewable Energies Act (EEG), the optimisation of the nationwide renewable energies balancing process and new underlying conditions for the gas market.

At an event held in Berlin on 26 January 2007, for example, we presented an academic study commissioned by us to investigate requirements for the rapid introduction of a liquid gas exchange. The members of the podium included Matthias Kurth, President of the Federal Network Agency, and Dr. Hans-Bernd Menzel, CEO of EEX AG.

Alongside its own activities, the MVV Energie Group is also represented in Berlin by 8KU – a cooperation between eight large municipal energy companies. At the beginning of April 2007, 8KU established a joint office directly in the government quarter of the capital city. The organisation aims to supplement established industry associations by communicating its members' interests in the political realm, thus creating its own momentum for an energy supply which is sustainable, innovative and competitively structured.

Market Climate

Market position of the MVV Energie Group	
Electricity: we are the seventh-largest German electricity supplier measured in terms of turnover with end customers (VDEW Ranking 2006).	Energy-related services: with sales of Euro 263 million, we were one of the top three providers of energy-related services in Germany during the year under report. Our comprehensive portfolio focuses directly on the needs of our target groups. The expansion of our central structure across the whole of Germany enables us to be directly on location at our customers.
District heating: our district heating turnover in Germany amounted to around 4.4 billion kWh in the 2006/07 financial year, thus making us the fifth-largest supplier of district heating in Germany. Together with our Polish and Czech shareholdings, our total turnover of 6.3 billion kWh places us among the top ten suppliers of district heating in Europe.	Environmental energy: we are one of the leading operators of biomass power plants in the German market. Our waste-to-energy plants and biomass power plants make us the third-largest operator of incineration plants, with a current incineration capacity of 1.6 million tonnes per year.

Macroeconomic framework

The positive development of the German economy is set to continue, although economic experts saw indications of a slowdown in the pace of growth at the end of the financial year. Industrial production continued to rise in 2007, albeit at a less dynamic rate than in the previous year. Leading economic research institutes expect gross domestic product (GDP) to grow by 2.6 % in 2007.

The crisis in the US mortgage market, high euro exchange rate and ongoing rise in oil prices are currently viewed by experts as representing the greatest risks to the development of the overall economy. By contrast, the VAT increase at the beginning of 2007 impacted less severely on consumer prices and economic growth than previously expected.

Our foreign target markets, the Czech Republic and Poland, continued to report positive macroeconomic developments. According to a forecast compiled by Eurostat, the European statistics office, GDP growth will amount to 5.8 % in the Czech Republic and to 6.5 % in Poland in the current year.

In general, however, macroeconomic factors are of less significance for the MVV Energie Group than weather conditions.

Energy industry framework

Competition can only function properly if there are a minimum number of independent competitors. In view of the high degree of concentration in the German electricity and gas markets, the Federal Government has introduced draft legislation to tighten up antitrust legislation and extend the rights of the Federal Cartel Office to intervene in the energy sector. The cost-based price controls included in the legislation have been criticised by competition experts, as they are seen as interfering with market price-fixing mechanisms and thus potentially impairing the wholesale markets. The legislative draft is due to be adopted by the end of 2007.

During the past financial year, the Federal Cartel Office maintained its policy of strict control over any mergers involving dominant market players. On 12 March 2007, the antitrust authority barred RWE Energie from acquiring a majority shareholding in Saar Ferngas, since it feared that this would impair competition in several markets. In a verdict issued on 6 June 2007, the court of appeal in Düsseldorf lent its support to the merger policy practised by the Federal Cartel Office. In its verdict, the court upheld a previous decision by the authority barring the E.ON Group from taking over one third of the municipal utility company Stadtwerke Eschwege. At present, therefore, Germany's leading energy groups have only limited prospects of being permitted to acquire further shares in municipal utility companies.

Corporate Strategy

Energy markets

In spite of the pleasing development of the economy, the level of electricity consumption reported by the VDEW industry association fell to 279 billion kWh in the first half of 2007, a decline of 1.1 % on the same period in the previous year. Electricity consumption was held back by increasing energy efficiency and the mild winter. The unusual weather conditions also led to a reduction in private household heating gas demand, which fell by almost a quarter in the first half of 2007 compared with the previous year.

While competition for large industrial and commercial customers was already underway in the past, the intensity of competition for private customers is now also on the increase. According to the VDEW, around 47 % of households have switched tariff at their existing electricity supplier or moved to a new provider since the start of liberalisation in 1998. Since the previous year, the rate of supplier change has thus risen to 7.3 %.

Energy prices in Germany in the past financial year continued to be driven by the high price of primary energy sources on the international markets. Brent crude oil reached new record prices of more than US$ 81/barrel in September 2007. On average, the international crude oil price amounted to US$ 65.51 during the 2006/07 financial year and was thus only marginally lower than the high level in the previous year (US$ 65.64 in 2005/06). Similarly spectacular developments were seen on the coal market (hard coal), where prices peaked at almost US$ 100 per tonne. Cross-border prices for gas persisted at high levels, averaging Euro 5 645/TJ during the 2006/07 financial year.

Due to one-off factors, by contrast, the average spot market price for base loads fell by more than 36 % from Euro 54.61/MWh in the 2005/06 financial year to Euro 34.69/MWh in 2006/07. This was attributable to the drop in prices for CO_2 certificates, whose value plummeted to virtually zero upon the expiry of the first trading period at the end of 2007.

On the futures market, which was not affected by these factors, average prices for the next respective supply year rose by just over 4 % from Euro 52.56/MWh in the 2005/06 financial year to Euro 54.83/MWh in 2006/07.

The MVV Energie Group has a stable core business in the supply of electricity, district heating, gas and water, as well as attractive growth potential in business fields related to our core business, namely environmental energy (non-recyclable waste incineration and energy generation from biomass) and energy-related services. Our group of companies benefits from the successful expansion of its municipal utility network. The companies in our Group operate in Germany, Poland and the Czech Republic.

Our strategy focuses on sustainable profitable growth. We achieve this by making a mature mix of investments in our high-growth fields of environmental energy and energy-related services, by successfully integrating the companies within our municipal utility network, by consistently implementing further measures to enhance our efficiency and by expanding our sale of electricity on a nationwide basis. This means that we are only affected by the regulation of grid utilisation fees to a comparatively moderate extent; we believe that we are superbly positioned in the rapidly changing energy market. The discussions surrounding climate protection and the increasing environmental focus of energy policy affirm our longstanding commitment to an energy-efficient, decentralised and environmentally friendly energy supply.

Efficiency enhancements in our core business

Our efficiency enhancement measures continue to produce sustainable improvements in our earnings power. These measures enable us to better exploit the limited growth potential of our core electricity, district heating, gas and water business. During the year under report, we focused once again on improving business processes and on minimising our costs by exploiting synergies.

Further expansion of our municipal utility network

We are on the lookout for further possibilities of extending our municipal utility network by means of acquisitions and cooperations in economically attractive regions. Our shared service companies enable us to generate substantial cost savings in the fields of grid operation, metering, IT, invoicing and energy trading. By means of processes already established, we are optimising our procurement across the entire Group. These companies and processes enable us to integrate our municipal utility network even more effectively, also with a view to acquiring further partners for our network. The decline in profits at many municipal utility companies and the rising number of cooperations and sales proceedings reflect the increase in regulatory requirements and pressure on earnings. The principles we apply in our cooperation within our municipal utility network and with our shareholdings have proven their long-term effectiveness and are affirmed by the performance of these shareholdings. We promote the expertise and independent responsibility of local management teams. By benefiting from the efficiency of our networks and consistently applying target-based management methods, we have achieved great success together.

High-growth business fields: environmental energy, value-added services and electricity sales

We see our environmental energy business field as also harbouring great potential for the future and intend to continue our targeted expansion in this area. We took decisive steps in this direction during the year under report with the premature successful launch of operations at the second incineration line of our waste-to-energy plant in Leuna and the start of construction work on waste-fired boiler No. 6 at the Mannheim location. We also intend to further expand our market position in the high-growth field of energy-related services. Political demands for greater energy efficiency and increased use of renewable energy sources have affirmed our strategy and opened up new market opportunities. In the nationwide sale of electricity, we have acquired numerous major new customers for our innovative Electricity Fund product. We will further enhance the attractiveness of our electricity products for private customers as well. Our FUTURA tariff, which supplies CO_2-neutral green electricity, provides our customers with an opportunity to make their own contribution towards protecting the environment.

Value-driven management

Our strategy and the decisions and actions we take at the company are targeted at increasing the value of the company in the long term. We assess all such measures consistently in terms of their impact on our earnings and the value of our company. This assessment is based on the value spread, a relative performance key figure (further information on the performance of this figure during the year under report can be found on Page 34).

Overview of Shareholdings and Business Activities

Selection of direct and indirect shareholdings of MVV Energie AG

Core business: distribution of electricity, district heating, gas, water		
German shareholdings		Foreign shareholdings
Municipal utility network	Shared service companies	District heating companies
MVV RHE AG (100 %)	24/7 Netze GmbH[2] Mannheim	MVV Polska Sp. z o.o. (100 %)
Stadtwerke Kiel AG (51 %)	24/7 Trading GmbH[3] Mannheim	MVV Energie CZ s.r.o. (100 %)
Köthen Energie GmbH (100 %)	24/7 IT-Services GmbH[4] Kiel	
Stadtwerke Solingen GmbH (49.90 %)	24/7 Metering GmbH[5] Offenbach	
Energieversorgung Offenbach AG (48.67 %)[1]	24/7 United Billing GmbH[6] Offenbach	
Stadtwerke Ingolstadt Beteiligungen GmbH (48.40 %)	24/7 Insurance Services GmbH[7] Mannheim	
Stadtwerke Buchen GmbH & Co. KG (25.10 %)		
Stadtwerke Schwetzingen GmbH & Co. KG (10 %)		

High-growth fields	
Environmental energy	Energy-related services
MVV Umwelt GmbH (100 %)	MVV Energiedienstleistungen GmbH (100 %)
MVV O & M GmbH (100 %)	With 29 majority shareholdings in the target group areas of:
MVV BioPower GmbH (100 %)	Municipal solutions
MVV TREA Leuna GmbH (100 %)	
MVV BMKW Mannheim GmbH (89.80 %)	Real estate utilities
	Industrial solutions
BHG Biomasse Handelsgesellschaft mbH (100 %)	Consulting

1 majority of voting rights

2 MVV Energie AG (70 %), Energieversorgung Offenbach AG (30 %)

3 MVV Energie AG (51 %, in fiduciary capacity: 3.9 %), Stadtwerke Kiel AG (25.1 %), Energieversorgung Offenbach AG (12.5 %), Stadtwerke Solingen GmbH (5 %), Stadtwerke Ingolstadt Beteiligungen GmbH (2.5 %)

4 MVV Energie AG (50 %), Stadtwerke Kiel AG (50 %)

5 MVV Energie AG (49 %), Energieversorgung Offenbach AG (51 %)

6 Energieversorgung Offenbach AG (70 %), Stadtwerke Kiel AG (30 %)

7 MVV Energie AG (86 %), Stadtwerke Kiel AG (14 %)

Status: 1 October 2007

Research and Development

Rapid developments in information, communications and energy technology, coupled with increasing awareness of the benefits of cogeneration and the use of renewable energies, provide the MVV Energie Group with numerous new perspectives in the field of Research and Development (R&D).

The R&D expenditure calculated on the basis of a statistical survey amounted to around Euro 9 million at the MVV Energie Group in the 2006/07 financial year (please also see Multi-Year Overview on Page 131). Of this sum, process optimisation projects accounted for Euro 2 million, product developments for Euro 4 million and technical enhancements for Euro 3 million. The substantial rise in R&D expenditure compared with the equivalent figure of Euro 3 million in the previous year is attributable to increased involvement at our shareholdings in the areas of product development and process optimisation. We have considerably extended our activities in the field of renewable energies. We have initiated new projects, for example, involving the use of biomass as a source of energy, which we believe harbours significant potential for regional application. Moreover, we have also adapted our technical processes to meet the new requirements of the Federal Network Agency.

The technical enhancements achieved in the past financial year related in particular to the modernisation of our IT systems and the resultant optimisation of costs.

We have seven innovation managers working full-time in R&D. Furthermore, more than 70 other employees commit a significant portion of their working hours to current innovation projects.

Within our three strategic areas of Regional Energy, Technical Services and Transfer of Expertise, we focused in the past year on improving processes in the field of intelligent networks and on further developing our environmentally-friendly house energy plants. On the central energy generation and distribution level, we identified new cross-company potential for developing the supply of district heating based on cogeneration. These activities mean that we have laid foundations at an early stage to lead the MVV Energie Group towards greater energy efficiency and towards solutions which are sustainable in both economic and ecological terms in the rapidly changing energy market.

Environmentally-friendly house energy plants

The efficient generation of energy using decentralised cogeneration plants is gaining in significance in areas which cannot be supplied with district heating generated centrally. Environmentally-friendly house energy plants based on the principle of micro-cogeneration facilitate improvements in overall energy efficiency compared with the separate generation of electricity and heating, while at the same time contributing to a reduction in emissions harmful to the environment. In the year under report, the MVV Energie Group launched the first nationwide practical trials with a total of 20 plants of this kind. The initial results and experience gained from the trial plants installed across the Group are extraordinarily positive. They have shown that this technology can be put to everyday use and that it is suitable for operation in detached houses.

Intelligent networks

Energy efficiency is playing an ever more important role both in Germany and internationally. On 1 September 2007, the MVV Energie Group took over the management of the "Smart Metering" project promoted by the Federal Ministry of Economics and Technology for the next three years. Together with the Fraunhofer Institutes for Solar Energy Systems and for Systems and Innovation Research, as well as 24/7 Metering GmbH, SWKiel Netz GmbH and renowned meter manufacturers, we are investigating whether it is possible to increase energy efficiency among end consumers by using intelligent multidivisional meters. We are focusing our efforts on identifying what structure a bidirectional means of communication would have to have to meet this target.

District heating study for the Rhine/Neckar metropolitan region

Together with a total of eight other utility and industrial companies, we have played a leading role since the end of 2006 in the compilation of an extensive study on the primary and heating energy balance in the Rhine/Neckar metropolitan region. A detailed heat atlas revealed the heating structure of the Rhine/Neckar region for the first time down to the nearest building. This opens up promising new opportunities for expanding and increasing the density of existing district heating grid. Extending the district heating grid would enable us to put as yet unutilised heat potential to a sensible use, saving substantial volumes of primary energy and thus also of CO_2.

Sustainable Company Development

Earnings Position

Sales growth due to success in market

We increased our sales following the deduction of the electricity and gas taxes charged on to customers by 4 % to Euro 2.3 billion in the 2006/07 financial year. We thus did not quite reach the sales target of Euro 2.5 billion budgeted including energy taxes. Due to unusually mild weather conditions throughout the 2006/07 heating period, we witnessed an unexpectedly severe downturn in volumes in the district heating and gas businesses.

The year-on-year sales growth was largely due to our electricity trading business, to notable market successes in the nationwide sale of electricity and to external growth in the Czech district heating market. Pleasing levels of growth were also seen in the energy-related service business, which benefited in particular from the initial consolidation of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS), MVV Energiedienstleistungen Wohnen GmbH & Co. KG, Berlin, and our consulting subsidiary DECON GmbH.

These sales, attributable in part to new business, enabled us to more than offset the substantial decline in sales suffered due to the downturn in volumes in the highly weather-dependent district heating and gas segments.

Of the sales reported by our group of companies for the year under report, 95 %, or Euro 2.16 billion, were generated in Germany, and 5 %, or Euro 102 million, in other countries. Our foreign markets are Poland and the Czech Republic. Sales in the Czech Republic grew by 31 %, or Euro 14 million, in spite of weather-related volume downturns in the district heating business. This growth was attributable to the acquisition of a 70 % shareholding in the district heating company Teplárna Liberec and in three further district heating systems in neighbouring towns in January 2007. The decline in sales at our Polish subgroup by 15 %, or Euro 7 million, was the result of reduced turnover due to weather conditions.

Development in key items in the income statement

Capitalised own-account services (Euro 15 million), which have been reported separately for the first time, mainly relate to construction and extension measures on supply grids and power plants. The high figure for the previous year is attributable to the non-recyclable waste incineration plant in Leuna.

Other operating income rose by Euro 71 million to Euro 155 million. This item includes positive valuation effects of Euro 83 million in connection with energy trading transactions measured in accordance with IAS 39 (2004), which requires pending transactions intended to hedge market prices also to be recognised as financial instruments. The valuation-dependent income was countered by valuation-dependent expenses of Euro 67 million. The application of IAS 39 (2004) therefore generated a positive net earnings effect of Euro 16 million. Apart from this, the increase in this item was partly due to the inclusion of new companies and the release of a debit difference (badwill) in connection with the initial consolidation of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG.

The *cost of materials* rose by Euro 66 million (+ 5 %) to Euro 1.5 billion. This increase is due in part to higher electricity procurement costs on account of increased volumes. By contrast, the lower demand for heating energy from our customers in the district heating and gas segments due to mild weather conditions led to a volume-driven reduction in procurement expenses. A further reason for the increase in cost of materials was the rise in costs of supplies and third-party services largely resulting from the consolidation of new companies. Within our materials management, we are working continuously on optimising our inventories. In our procurement division, we have established a lead buyer organisation with our colleagues across the municipal utility network. This organisation pools procurement competencies from the respective locations and provides employees with access to a standardised communications and transaction platform.

Personnel expenses rose by Euro 23 million (+ 8 %) to Euro 303 million in the year under report. This increase is chiefly due to the addition of new staff from shareholdings fully consolidated for the first time. This item was also affected by increased provisions of Euro 13 million stated by our companies in Kiel, Mannheim and Solingen in connection with compensation and with future expenses for the extension of part-time early retirement (previous year: Euro 9 million).

Sales and EBIT of the MVV Energie Group by Segment

	Sales			EBIT		
Euro million	**2006/2007**	2005/2006	% change	**2006/2007**	2005/2006	% change
Electricity[1]	1 079	966	+ 12	54	20	+ 170
District heating	272	276	– 1	42	51	– 18
Gas[2]	342	447	– 23	11	31	– 65
Water	104	107	– 3	19	21	– 10
Value-added services[1,2]	263	149	+ 77	19	12	+ 58
Environmental energy	184	193	– 5	71	68	+ 4
Other/consolidation	15	32	– 53	– 1	– 2	+ 50
	2 259	2 170	+ 4	**215**	201	+ 7

[1] excluding electricity tax of Euro 108 million (previous year: Euro 102 million)

[2] excluding gas tax of Euro 35 million (previous year: Euro 2 million following legislative amendment in tax liability as of 1 August 2006)

The *number of employees* at the MVV Energie Group, including external personnel at the waste-to-energy plant in Mannheim, showed a year-on-year increase of 1 % to 6 394. More detailed information can be found on Pages 42 to 44.

Other operating expenses rose by 33 % to Euro 273 million. This increase is mainly due to the inclusion of new companies. Moreover, this item was also affected by the aforementioned expenses incurred in connection with the measurement of energy trading transactions pursuant to IAS 39 (2004). Furthermore, this item also includes a one-off charge of Euro 7 million at the Polish subgroup. This was due on the one hand to the shareholding in Bydgoszcz (KPEC), which was no longer consolidated from July 2007 and on the other to a provision for restructuring measures expected in the Polish portfolio. By analogy with external sales, other operating expenses have been stated for the first time net of electricity and gas taxes in the year under report. Corresponding adjustments have been made to the previous year's figures.

Given that MVV Energie AG intends to sell its shares in Energy Innovations Portfolio AG & Co. KGaA, Mannheim, a company which is measured at equity, this shareholding was classified pursuant to IFRS 5 as an asset held for sale in the 4th quarter of 2006/07. The income and expenses relating to this company continued to be reported under *income from shareholdings measured at equity*.

Operating earnings before interest, taxes, depreciation and goodwill amortisation (EBITDA) fell by 3 % from Euro 370 million in the previous year to Euro 359 million.

After *depreciation and goodwill amortisation*, whose development was characterised by the high figures reported in the previous year due to extraordinary depreciation and impairment losses, our group of companies posted **operating earnings before interest and taxes (EBIT)** of Euro 215 million, compared with Euro 201 million in the previous year. Excluding the positive effect of Euro 16 million resulting from the valuation of energy trading transactions pursuant to IAS 39 (2004), we generated sustainable operating earnings before interest and taxes of Euro 199 million in the 2006/07 financial year.

We were able to make up for a large part of the earnings of Euro 33 million lost on account of the weather-related downturn in turnover. Notable contributions were made in this respect by new business in the fields of environmental energy and energy-related services and the successful integration of companies fully consolidated for the first time, such as Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS) and MVV Energiedienstleistungen GmbH Berlin, (previously IVB in Berlin). These contributions were supplemented by cost savings resulting from the successful implementation of efficiency enhancement programmes at all companies, amended structures and the realisation of potential synergies in intragroup projects.

Sales Volumes of the MVV Energie Group[1]	2006/2007	2005/2006	% change
Electricity[2] in kWh million	24 443	20 484	+ 19
of which wholesale[2] in kWh million	14 152	10 566	+ 34
of which retail[2] in kWh million	10 291	9 918	+ 4
District heating in kWh million	6 265	7 343	– 15
Gas in kWh million	9 456	11 513	– 18
Water in m^3 million	56.1	57.9	– 3
Combustible waste delivered in tonnes 000s	1 409	1 229	+ 15

[1] total volume from all segments

[2] correction in previous year's figure

The operating earnings (EBIT) performance of the individual business segments shows which areas were the key earnings drivers in the year under report. Improved earnings in the electricity, value-added services and environmental energy segments offset the decline in the highly weather-dependent district heating and gas segments. The substantial earnings growth seen in the electricity segment is due partly to the measurement of energy trading transactions in accordance with IAS 39 (2004) and partly to the discontinuation of prorated charges on earnings resulting from impairment losses in the previous year.

Taken as a whole, our core business (electricity, district heating, gas and water) generated operating earnings (EBIT) of Euro 126 million in the year under report, up from Euro 123 million in the previous year.

Our high-growth fields of environmental energy and value-added services posted combined operating earnings (EBIT) of Euro 90 million for the year under report (previous year: Euro 80 million). The two high-growth segments thus accounted for 45 % of the sustainable EBIT of Euro 199 million at our group of companies (excluding valuation effects pursuant to IAS 39, 2004), compared with 40 % in the previous year. Including the district heating and water segments, 76 % of our sustainable operating earnings (EBIT) for the year under report were generated by business fields not operating in regulated markets. This well-balanced business portfolio means that we are insulated against the increasing pressure on costs expected in our regulated core business. Further information on the performance of individual segments has been provided on Pages 55 to 67.

Financing expenses rose to Euro 83 million, up by Euro 6 million on the previous year. This increase was chiefly due to higher interest expenses, which in the year under report included the distribution of annual earnings of Euro 12 million to minority shareholders in Stadtwerke Kiel AG. In the previous year, this item included a divided of Euro 5 million for the short financial year.

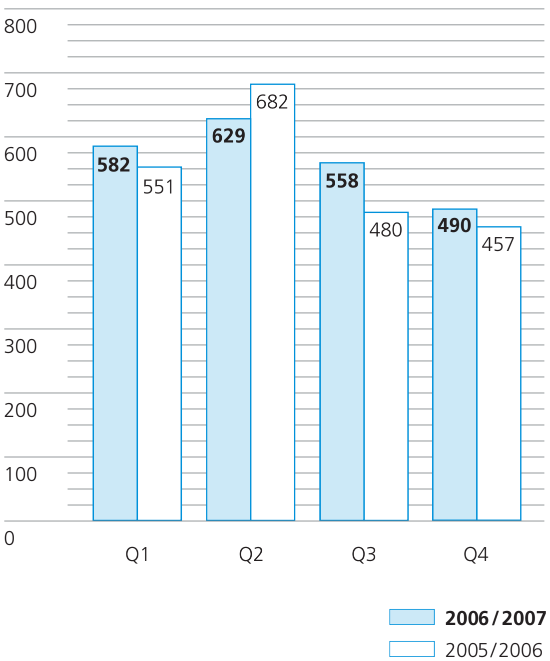
Financing income rose by Euro 3 million to Euro 7 million, mainly as a result of initial consolidation effects and the positive impact of contracting transactions, which are increasingly being based on finance lease agreements.

Earnings before taxes (EBT) amounted to Euro 139 million in the year under report and were thus substantially higher than the equivalent figure of Euro 128 million for the previous year.

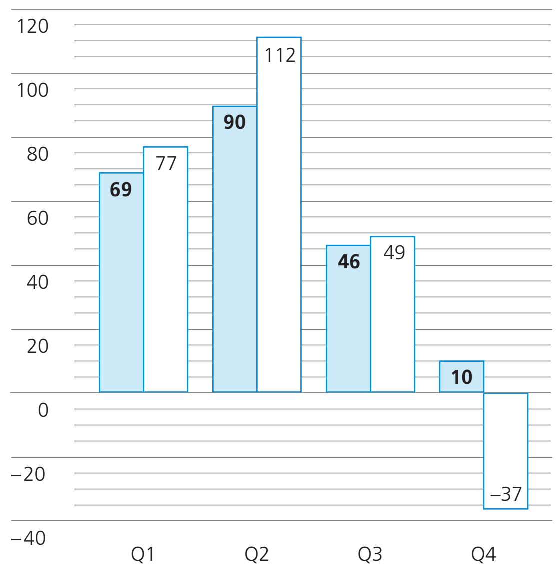
Taxes on income fell from Euro 64 million in the previous year to Euro 12 million. This sharp decline is mainly due to deferred tax income of Euro 46 million in the year under report. The reduction in corporate income and trade tax rates adopted by the Federal Council on 6 July 2007 as part of the 2008 Corporate Tax Reform Act took effect for the first time in the consolidated financial statements of the MVV Energie Group (pursuant to IFRS) as of 30 September 2007. Deferred tax assets and liabilities at our German companies were calculated for the first time using the lower tax rate of around 30 % rather than the previous figure of 39 %. Given that the German companies within the MVV Energie Group predominantly have deferred tax liabilities, the devaluation of these liabilities resulted in non-cash income.

Due to the high level of deferred tax income, the effective tax charge amounted to 9.0 % in the year under report (previous year: 50.3 %). Excluding this special item, the effective tax charge for the year under report amounted to 42 %.

Sales by Quarter
Euro million



EBIT by Quarter
Euro million



The impact of the change in tax rates on deferred taxes is also reflected in the share of the annual net surplus of the MVV Energie Group allocable to minority shareholders.

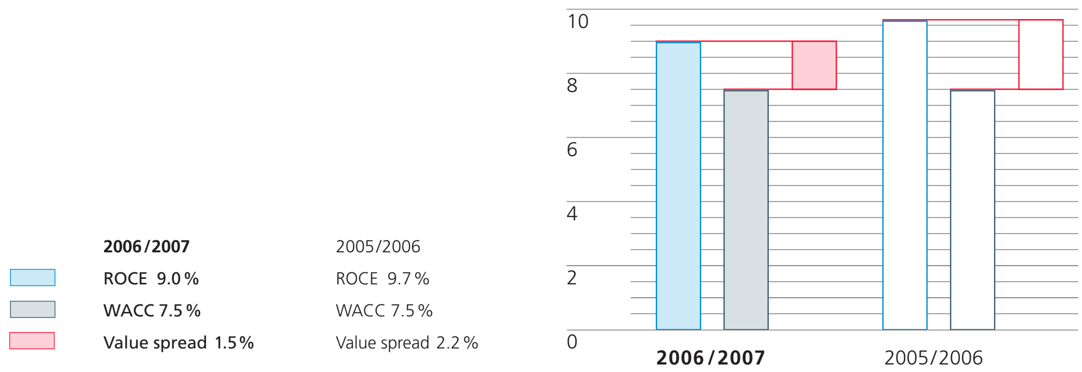
After taxes on income and increased minority interests, the MVV Energie Group posted an **annual net surplus after minority interests** of Euro 109 million for the 2006/07 financial year, compared with Euro 50 million in the previous year. The positive tax factor also impacted on **earnings per share** calculated pursuant to IAS 33. The MVV Energie Group generated earnings per share of Euro 1.96 in the year under report, up from Euro 0.91 in the previous year. This is all the more notable given that the weighted annual average number of shares rose from 55.1 million in the previous year to 55.8 million.

The multi-year overview on Pages 130 to 133 of this annual report illustrates the development in the company's key figures in recent financial years.

Quarterly performance

Our sales in the 4th quarter of 2006/07 (July to September 2007) rose by 7 % compared with the previous year to reach Euro 490 million. Operating earnings (EBIT) improved from Euro –37 million in the previous year to Euro +10 million in the year under report. The positive development in earnings in the 4th quarter of 2006/07 was primarily driven by the initial consolidation of new companies in the value-added services segment and by valuation effects pursuant to IAS 39 (2004) in the energy trading business. The launch of operations at the second line in Leuna (TREA II) also contributed the effects of a single month of operations at full capacity. The 4th quarter of the previous year was negatively affected by extraordinary depreciation, impairment losses and personnel provisions.

Key Figures
in %



Value-based company management in 2006/07

The most important key figure in our value-based company management is the value spread. This key figure is equivalent to the difference between the period-specific return on capital employed (ROCE) and the weighted average cost of capital (WACC). ROCE expresses operating earnings before interest, taxes and goodwill amortisation (EBITA) as a percentage of the capital employed to generate such earnings. The Group achieved an ROCE figure of 9.0 % in the year under report, compared with 9.7 % in the previous year. Excluding the positive impact of energy trading transactions measured pursuant to IAS 39, the ROCE amounted to 8.3 %.

The WACC figure, the second component in our key value spread figure, represents the long-term minimum economic return generated on operations. Capital costs are weighted on the basis of the shares of equity capital and debt capital in the capital employed. The calculation of these capital shares is based not on the carrying values, but rather on the market values by which potential investors measure their investment alternatives. As in the previous year, the WACC indicator has been based on a cost of capital of 5.0 % and a risk-free rate of return of 4.5 %. We have also left the other parameters used to calculate the WACC figure unchanged (ß factor: 0.7; market risk premium: 5.0 %; tax shield: 40 %; equity ratio: 30 %). As in the previous year, our weighted average costs of capital before tax thus amounted to 7.5 % in the year under report.

The subtraction of the WACC of 7.5 % (previous year: 7.5 %) from our ROCE of 9.0 % (previous year: 9.7 %) produces a positive value spread of 1.5 % for the 2006/07 financial year (previous year: 2.2 %). Notwithstanding the substantial downturn in earnings due to unfavourable weather conditions and one-off charges for provisions for personnel expenses, our group of companies nevertheless succeeded once again in reporting a positive value spread figure.

Additional disclosures

The share capital of the company amounted to a total of Euro 142.8 million on the balance sheet reporting date on 30 September 2007 and was divided into 55.8 million registered shares with a prorated amount in the share capital of Euro 2.56 per individual share. Each share entitles its holder to one vote at the Annual General Meeting of MVV Energie AG. The City of Mannheim held an indirect shareholding of 66.2 % at the reporting date, while EnBW AG, Karlsruhe, held 15.1 % of the shares. The remaining 18.7 % of the shares were in free float at this date.

In accordance with the company's Articles of Association, the Executive Board of MVV Energie AG consists of at least two members. The Supervisory Board determines the number of members, as well as their appointment and dismissal. Any amendments to the Articles of Association have to be undertaken in accordance with Sections 133 and 179 of the Stock Corporation Act (AktG). The Supervisory Board is authorised to make amendments to the Articles of Association which only affect the respective formulation.

Earnings Position of Major Shareholdings in Germany

The pooling of internal services at proprietary joint subsidiaries (shared service companies) in which the parent companies MVV Energie AG, Stadtwerke Kiel AG, Energieversorgung Offenbach AG, Stadtwerke Solingen GmbH and Stadtwerke Ingolstadt Beteiligungen GmbH hold different levels of shareholding has led to structural changes at these companies.

Our German municipal utility shareholdings and foreign district heating shareholdings generated combined sales of Euro 977 million prior to consolidation in the year under report (previous year: Euro 940 million) and combined operating earnings (EBIT) of Euro 84 million (previous year: Euro 94 million). The unusually mild weather throughout the 2006/07 heating period affected all of those companies in our Group with activities in the district heating and gas businesses.

Stadtwerke Kiel AG (51 % shareholding)

At Euro 340 million, sales at the Stadtwerke Kiel AG (SWK) subgroup were 3 % down on the previous year. Operating earnings (EBIT) fell by Euro 10 million to Euro 25 million. This downturn in sales and earnings is chiefly due to the highly weather-dependent gas and district heating segments, as well as to one-off charges for the statement of provisions for part-time early retirement as part of the socially responsible reduction in the workforce (Euro 8 million).

Major contracts were signed with high-volume customers in the electricity and gas business during the year under report. In response to the regulation of energy markets, the “SWK 2015” project has set out measures to reorganise Stadtwerke Kiel AG for the future. The company agreement between the Executive Board and the Works Council provides for reducing the workforce in a socially responsible manner from its current total of 1 138 (as of 30 September 2007) to 1 041 employees by the end of 2009.

The work begun in the previous year on the construction of a third gas cavern continues to progress on schedule. A strategic partner has been found for this, the largest investment project at Stadtwerke Kiel AG (investment volume: Euro 29 million; storage capacity: 500 000 m^3). Stadtwerke Kiel AG has set itself the target of becoming “the best municipal utility company in the North”. To meet this target, the subgroup will be strengthening and expanding its core business and consistently exploiting the growth opportunities arising from the consolidation expected in the sector.

Energieversorgung Offenbach AG (48.67 % shareholding)

Sales at the Energieversorgung Offenbach AG (EVO) subgroup rose by 18 % to Euro 345 million. At Euro 38 million, operating earnings (EBIT) improved by Euro 4 million on the previous reporting period. Weather-related downturns in the district heating and gas businesses were countered by improved earnings contributions from the environmental energy and value-added services segments. Very pleasing developments were seen in the waste business. As a result of the restructuring programme implemented in recent years, personnel expenses fell by around Euro 1 million in the year under report.

EVO is offering a special service to its electricity customers in the Rhine/Main region, with new electricity products and extra needs-based services free of additional charge. The product and service drive launched in April 2007 also includes an extensive advertising campaign with which EVO aims to boost customer retention, win over new customers and win back former customers. EVO will be expanding its generation of regenerative energy in the 2007/08 financial year. In particular, it will be launching activities in the biomass business.

Stadtwerke Solingen GmbH (49.9 % shareholding)

Mainly due to weather-related downturns in the gas and heating electricity businesses, the proportionately consolidated sales of our shareholding in Nordrhein-Westfalen, Stadtwerke Solingen GmbH (SWS), fell to Euro 94 million, down 3 % on the previous reporting period. Operating earnings (EBIT) dropped by Euro 3 million to Euro 8 million.

The gas and steam power plant built by the Trianel Group and 27 regional energy supply companies in Hamm-Uentrop in Westfalen commenced operations on 26 October 2007. Stadtwerke Solingen GmbH has secured 20 MW of electricity procurement rights in this joint power plant, which has an output of 840 MW and an efficiency level of almost 58 %.

During the year under report, the Supervisory Board of SWS approved the company's participation in the "Rheinisch/Bergisch Municipal Utility Association". Together with municipal utility companies in Remscheid and Velbert, this project will investigate whether and how it might be possible to achieve synergy effects based on cooperations or mergers. According to detailed calculations presented on 26 October 2007, the companies involved believe that cooperation could generate potential annual savings of Euro 19 million. The company valuations and specification of legal structures are to be presented in December 2007.

Customers have granted a warm reception to the increase in advisory activities as part of the energy saving campaign. Thermography analysis using infrared cameras, which provides home owners with important insights into inadequate heat insulation and resultant energy losses, for example, has been especially successful in this respect.

Stadtwerke Ingolstadt Beteiligungen GmbH (48.4 % shareholding)

The proportionately consolidated sales of Stadtwerke Ingolstadt Beteiligungen GmbH (SWI) fell from Euro 91 million to Euro 85 million in the 2006/07 financial year (– 7 %). This was chiefly due to downturns in the district heating and gas businesses, which could not be compensated for by increased sales in the electricity and value-added services businesses. Proportionate operating earnings (EBIT) fell to Euro 7 million, down by Euro 3 million on the previous financial year.

SWI concluded a long-term gas supply agreement with a major customer in the year under report. Once the gas begins to be supplied in spring 2008 (approx. 1 billion kWh/a), this customer will become SWI's largest single industrial customer. Moreover, new electricity and gas products with fixed terms have been launched for private customers, as have electricity fund products for commercial customers. Structured electricity procurement with 24/7 Trading GmbH is due to start in January 2008.

Köthen Energie GmbH (100 % shareholding)

Sales at Köthen Energie GmbH fell from Euro 15 million to Euro 11 million in the year under report (– 27 %). Operating earnings (EBIT) halved to Euro 0.8 million. The key significance of the gas business meant that this shareholding was more severely affected by weather conditions than others. Six new projects were acquired in the contracting business.

In October 2006, our shareholding launched operations with a direct and storage pipeline costing around Euro 3 million which connects it to the European long-distance gas grid. This has optimised procurement expenses and also opened up alternative gas procurement possibilities with two new gas suppliers.

Moreover, preparations were made during the year under report for the establishment of a proprietary grid company, which commenced operations in October 2007.

Stadtwerke Buchen GmbH & Co. KG (25.1 % shareholding)

In the 2006 financial year (balance sheet date: 31 December 2006), Stadtwerke Buchen (SWB) generated sales of Euro 24 million (previous year: Euro 22 million) and an annual net surplus of Euro 1.6 million (previous year: Euro 1.5 million) which we received as income from shareholdings in proportion to our level of shareholding. Accounting for 39 % of sales, gas is the largest business division at SWB, followed by electricity with a 32 % share of sales. The value-added services business now accounts for 18 % of sales, largely due to increased photovoltaic activities, and has thus overtaken the water division (11 %).

Earnings Position of Major Foreign Shareholdings

Czech Republic: MVV Energie CZ s.r.o., Prague

Sales at our Czech subgroup, which currently comprises eight district heating and one service company, rose by Euro 14 million to Euro 62 million in the year under report. District heating turnover increased year-on-year by 12 % to 0.8 billion kWh. At Euro 5 million, operating earnings (EBIT) were at the same level as in the previous year in spite of mild weather conditions. The negative impact of the weather was offset by the collection of revenues from January 2007 onwards from the new district heating company Teplárna Liberec and three further district heating systems in neighbouring towns, which were acquired via the wholly-owned subsidiary ENERGIE Holding a.s.. MVV Energie CZ has now become the fourth-largest district heating supplier in the Czech Republic.

Poland: MVV Polska Sp. z o.o., Warsaw

Our shareholdings in the municipal district heating companies in Szczecin and Skarzysko-Kamienna, as well as in two further service companies, are pooled at our Polish holding company MVV Polska Sp. z o.o., Warsaw. Since July 2007, our shareholding in Bydgoszcz has no longer been proportionately included in the consolidated financial statements, but has rather been stated as a financial investment.

A weather-related downturn in volumes led the district heating turnover at our Polish subgroup to decline year-on-year by 17 % to 1.0 billion kWh. Sales fell by 15 % to Euro 40 million. Operating earnings (EBIT) improved from Euro – 2.2 million to Euro + 1.3 million. The previous year's earnings had been negatively affected by an impairment loss at a subsidiary.

Shared Service Companies

Successful launch of shared service companies

Since its launch on 1 October 2006, 24/7 Netze GmbH, which is based in Mannheim, has positioned itself very well in the liberalised electricity and gas market. The first financial year largely involved developing and integrating the two grid regions of Mannheim and Offenbach. Virtually all positions at the company have already been filled with highly qualified personnel, in most cases from MVV Energie and EVO.

With its strategic positioning as the exclusive energy trading unit for the MVV Energie Group, 24/7 Trading GmbH, also based in Mannheim, plays a key role in our energy procurement and sales on the wholesale market. The company commenced operations in spring 2007, trading with numerous partners on the basis of standard framework agreements, as well as on the spot and futures market of the EEX electricity exchange. Trading activities with natural gas have also been successfully launched.

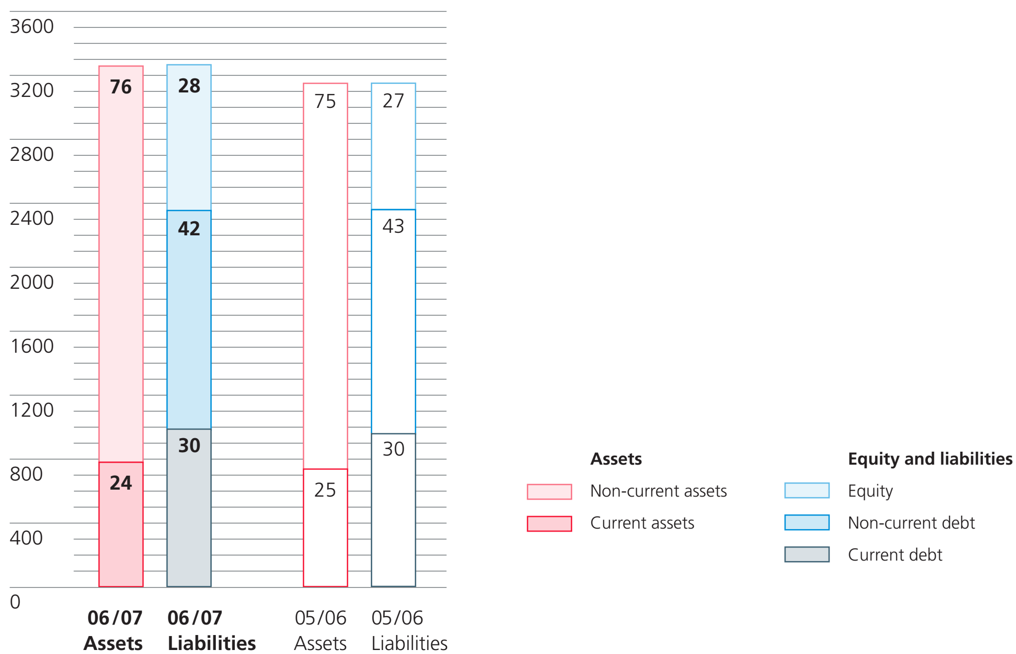
In the first financial year following its establishment, 24/7 Metering GmbH, which is based in Offenbach, mainly performed services for affiliated companies within the Group, such as 24/7 Netze GmbH, MVV Umwelt GmbH and 24/7 United Billing GmbH. The company is currently working on concepts to access external customer groups, as well as on innovative metering projects.

Based in Kiel, 24/7 IT-Services GmbH implements the IT strategy of our Group and is building up business on the external market. In the coming years it will develop into a proactive IT service centre.

24/7 United Billing GmbH, an invoicing company based in Offenbach, now manages more than 1.1 million customer agreements for companies including MVV Energie, EVO and Stadtwerke Kiel. The company holds top position among non-vertical players in this segment. Together with MVV Energiedienstleistungen GmbH, it is planning to step up its activities in the field of utility cost billing for the housing sector. The company already handles the invoicing of utility costs for around 30 000 flats.

On 1 July 2007, MVV Energie established a further shared service company, 24/7 Insurance Services GmbH, based in Mannheim, in which Stadtwerke Kiel AG acquired a 14 % stake retrospectively as of 1 October 2007. This company will initially manage the insurance portfolio of MVV Energie AG and will also be supporting other group companies from the coming 2007/08 financial year.

Balance Sheet Structure
Euro million, shares in %



Net Asset and Financial Position

Consolidated financial statements pursuant to IFRS

Apart from several new regulations requiring mandatory application in financial years starting on or after 1 January 2006, the accounting policies applied in the consolidated financial statements of the MVV Energie Group compiled in accordance with International Financial Reporting Standards (IFRS) largely correspond to those applied in the consolidated financial statements as of 30 September 2006. Further information has been provided in the extensive notes to the 2006/07 consolidated financial statements (from Page 76).

Asset and capital structure

Total assets of the MVV Energie Group rose from Euro 3.15 billion at 30 September 2006 to Euro 3.28 billion (+ 4 %).

On the asset side, *non-current assets* rose by + 5 % to Euro 2.48 billion, thus showing more marked growth than current assets, which increased by + 1 % to Euro 799 million.

Within non-current assets, *intangible assets* rose by 5 % to Euro 325 million. This increase was chiefly due to initial consolidation effects during the year under report.

The largest share of non-current assets involved property, plant and equipment, whose value showed a net increase of 4 % to Euro 1.94 billion as a result of investments, additions and depreciation. Here too, the increase was chiefly due to initial consolidation effects. At 59 %, the high share of property, plant and equipment as a proportion of total assets underlines the intensity of investment and high level of capital committed.

Given the Group's intention to sell its shareholding in Energy Innovations Portfolio AG & Co KGaA, Mannheim, which is measured at equity (Euro 15 million), this shareholding has been reclassified pursuant to IFRS 5 as a current asset under the balance sheet item "Assets held for sale". *Other financial assets* increased overall from Euro 134 million in the previous year to Euro 166 million as of 30 September 2007. Of this growth, Euro 20 million related to the amended statement of the shareholding in Bydgoszcz as a financial investment. Apart from this, this item also includes investments in non-consolidated shareholdings, as well as loans and securities. Details of changes in the scope of consolidation have been provided in the notes to the consolidated financial statements. *Other receivables and assets* were primarily affected by energy trading derivatives requiring statement pursuant to IAS 39 (2004) and the increase in the positive market values of these energy trading transactions, which have been reported broken down into non-current and current components for the first time in the year under report.

The change in *current assets* was mainly attributable to the increase in accounts receivable. This in turn was primarily due to a higher level of deferrals for energy and water sales not yet metered or invoiced at the reporting date, as well as to a substantial rise in volumes in the nationwide sale of electricity. At Euro 430 million, accounts receivable were nevertheless significantly lower than the figure of Euro 548 million reported in the interim financial statements for the 1st half of 2006/07. Tax receivables have been affected by the fact that MVV Energie AG has borne VAT liability for other companies in the MVV Energie Group since 1 October 2006.

On the liabilities side, equity showed a more substantial increase than liabilities. The equity of the MVV Energie Group rose by Euro 77 million (+ 9 %) to Euro 914 million, largely as a result of the improvement in annual earnings. The share of equity attributable to minority shareholders amounted to Euro 115 million as of 30 September 2007 (previous year: Euro 105 million). The capital increase undertaken in October 2007 will only impact on equity from the current 2007/08 financial year.

Principally as a result of increased provisions and financial liabilities, *non-current debt* rose to Euro 1.38 billion, an increase of almost 1 % compared with the reporting date in the previous year. The higher level of provisions was mainly due to initial consolidation effects and provisions for part-time early retirement as part of the socially responsible reduction in personnel and related compensation agreement.

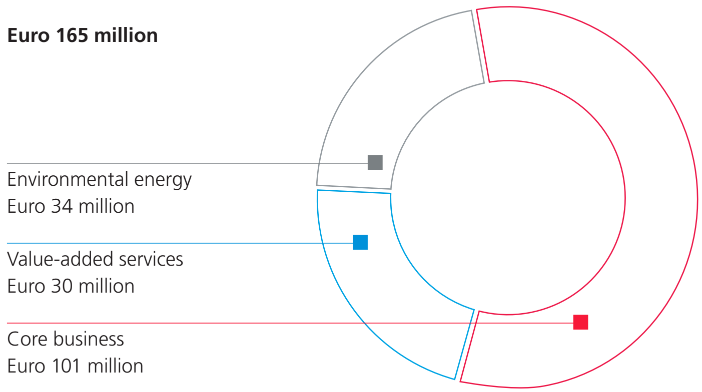
Deferred tax liabilities fell to Euro 159 million, down by Euro 45 million on the previous year. At Euro 3 million, the corresponding deferred tax assets were comparatively low (previous year: Euro 19 million). The deferred taxes of all German companies included in the 2006/07 consolidated financial statements in accordance with IFRS were valued for the first time at the lower tax rate of 30 % (previous year: 39 %) in line with the 2008 Corporate Tax Reform Act. The mandatory recognition of deferred tax assets and liabilities pursuant to IAS 12 "Income taxes" depicts the expected level of claims due from or liabilities due to the fiscal authorities. The reduced tax rate leads to expected tax savings which IFRS requires to be portrayed in the 2006/07 consolidated financial statements already.

Current debt increased year-on-year by 4 % to Euro 987 million. This rise was attributable to a higher level of other provisions and accounts payable. Current financial liabilities decreased by Euro 49 million (– 12 %) to Euro 368 million. The development in non-current and current other liabilities was affected by energy trading transactions requiring recognition pursuant to IAS 39 (2004) being stated for the first time broken down into their non-current and current components.

The MVV Energie Group reported an equity ratio of 27.9 % as of 30 September 2007 (previous year: 26.5 %), which is adequate when compared with peer-group companies. Non-current assets are covered to a total of 92 % by equity and non-current debt capital (previous year: 93 %).

Investments of the MVV Energie Group[1] in the 2006/2007 financial year

Euro 165 million



[1] investments in intangible assets, property, plant and equipment and investment property

Substantial investments in high-growth business fields

The volume of investment rose from Euro 219 million in the previous year to Euro 255 million (+ 16 %). A total of Euro 165 million was invested in intangible assets and property, plant and equipment (previous year: Euro 190 million), while Euro 90 million was invested in the acquisition of fully and proportionately consolidated companies and other financial assets (previous year: Euro 29 million). The increase in investment in intangible assets and property, plant and equipment is due in particular to investments in the high-growth environmental energy and value-added services segments.

Investments in the environmental energy segment focused on the construction of the second line at the non-recyclable waste incineration plant in Leuna (Leuna II) and on preparatory measures for the construction of waste-fired boiler No. 6 at the waste incineration plant in Mannheim. The investments made in the value-added services segment primarily related to the construction of the substitute fuel industrial power plant at Korbach, which will supply the production site of Continental AG with process steam and electricity from mid-2008.

The main focuses of investment in the core business fields involved optimising supply facilities and distribution grids. Work continued at the Kiel subgroup on the construction of a third gas cavern. Following the launch of operations with its new direct pipeline, our shareholding Köthen Energie GmbH is now able to procure natural gas from the European integrated network, thus substantially enhancing its flexibility with regard to natural gas procurement. The investments made in joint facilities relate in particular to the renovation of the office building housing the central business administration of MVV Energie AG in Mannheim.

Investments in financial assets chiefly involved the acquisition of new shareholdings in the energy-related services business, the acquisition of a 70 % shareholding in the Czech district heating company Teplárna Liberec and in three further district heating systems in neighbouring towns via the Group's wholly-owned subsidiary ENERGY Holding a.s..

Cash flow statement

The cash flow statement shows the origin and use of flows of funds in the 2006/07 and 2005/06 financial years and can be found in detailed form in the consolidated financial statements on Page 74 of this annual report.

The cash flow based on DVFA/SG rose by 23 million from Euro 246 million in the previous year to Euro 269 million. This increase is mainly due to the increased annual net surplus in 2006/07, which was offset in part by a lower level of depreciation and reduced net balance of other non-cash income and expenses.

Investments
of the MVV Energie Group[1]

Euro million	2006/2007	2005/2006	% change
Electricity	22	18	+ 22
District heating	28	19	+ 47
Gas	19	22	– 14
Water	12	12	—
Value-added services	30	18	+ 67
Environmental energy	34	81	– 58
Other	20	20	—
	165	190	– 13

[1] investments in intangible assets, property, plant and equipment and investment property

This was countered by an even more marked rise in the inflow of funds from operating activities, which rose by Euro 146 million to Euro 284 million. The low figure in the previous year was mainly attributable to a sharp increase in working capital.

The deduction of investments in intangible assets, property, plant and equipment and investment property amounting to Euro 165 million in total (previous year: Euro 190 million) results in a positive free cash flow of Euro 119 million for the year under report, compared with a negative free cash flow of Euro – 52 million in the previous year. Of the outflow of funds for investments, Euro 78 million (previous year: Euro 108 million) related to expansion or growth investments which will only result in inflows of funds in subsequent years.

The increase in the negative cash flow from investment activities from Euro – 187 million to Euro – 211 million is chiefly due to a higher outflow of funds for the acquisition of fully and proportionately consolidated shareholdings.

Financial position and financial management

MVV Energie pursues a financing policy which provides it with far-reaching financial flexibility and access at all times to short and long-term sources of financing. The principal source of financing is the inflow of funds from operating activities, which rose from Euro 146 million in the previous year to Euro 284 million. Moreover, MVV Energie AG and other companies within the Group also have bilateral credit lines at their disposal. At the reporting date on 30 September 2007, the MVV Energie Group had financial funds (cash and cash equivalents) of Euro 100 million (previous year: Euro 119 million). Our group of companies thus has sufficient resources at its disposal to cover its liquidity requirements.

Current and non-current financial debt declined from Euro 1.43 billion in the previous year to Euro 1.41 billion. At Euro 1.31 billion, the net financial liabilities of the MVV Energie Group (financial liabilities less cash and cash equivalents) at the end of the 2006/07 financial year were unchanged on the previous year.

The high outflow of funds for loan repayments and the payment of a dividend resulted in a negative cash flow from financing activities of Euro –93 million in the year under report. This contrasts with the inflow of funds of Euro 41 million in the previous year, largely as a result of the capital increase.

MVV Energie AG manages a cash pool for itself and eight further companies in the MVV Energie Group. In this function, it procures and safeguards its own liquidity, as well as the financial funds of the shareholdings included in the cash pool, including the capital required for investments.

Personnel Figures at the Reporting Date	2006/2007	2005/2006	+/– change
MVV Energie AG [1]	1 559	1 569	– 10
Fully consolidated shareholdings	3 765	3 156	+ 609
MVV Energie AG plus fully consolidated shareholdings	**5 324**	**4 725**	+ 599
Proportionately consolidated shareholdings	1 031	1 562	– 531
MVV Energie Group [2]	**6 355**	**6 287**	+ 68
External personnel at MHKW Mannheim	39	51	– 12
	6 394	**6 338**	+ 56

[1] including 55 employees of MVV RHE AG (previous year: 59)

[2] including 431 trainees (previous year: 314)

Basic Features of the Compensation System of the Executive and Supervisory Boards

We have provided a summary of the basic features of the compensation system and disclosures concerning the compensation of members of the Executive and Supervisory Boards for the 2006/07 financial year in the Compensation Report. This takes due account of the requirements of the German Commercial Code (HGB) in the version amended by the Management Board Compensation Disclosure Act (VorstOG), as well as of the recommendations of the German Corporate Governance Code. The members of the Executive Board of MVV Energie AG are simultaneously members of the Executive Board of the group company MVV RHE AG; the CEO simultaneously acts as the Managing Director of MVV GmbH. The compensation allocable to these functions is paid by MVV Energie AG and charged to the other companies.

For its activity, the Executive Board receives total compensation divided into fixed and variable components. The compensation of the Executive and Supervisory Boards has been presented in the Compensation Report, which forms part of the Corporate Governance Report on Pages 16 to 18. It also forms part of the Group Management Report. This component has therefore not been duplicated here.

Employees

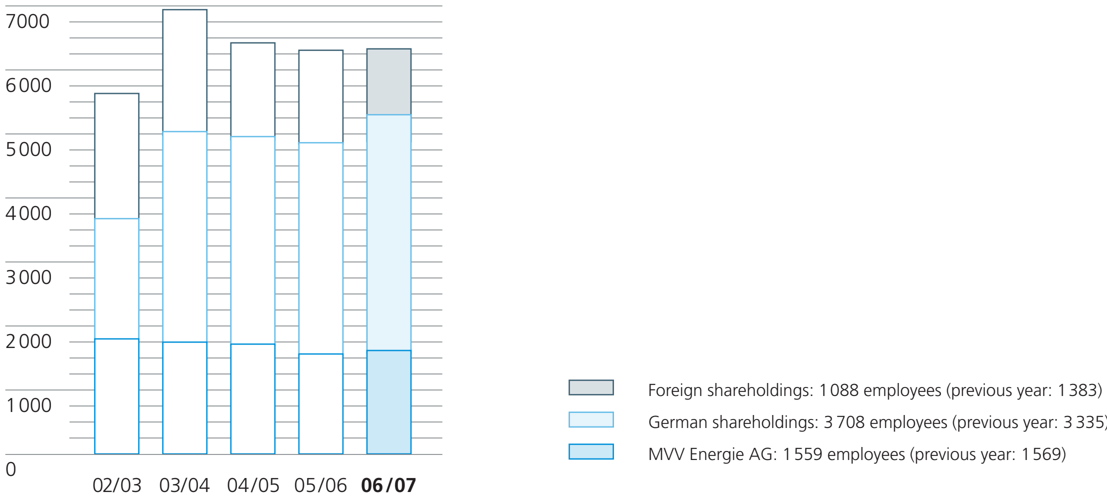
Development in employee totals

The number of employees at the MVV Energie Group rose slightly by 56 to 6 394 in the 2006/07 financial year. This increase was chiefly due to companies newly consolidated in the energy-related services business, notably Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS), DECON Deutsche Energie Consult Ingenieurgesellschaft mbH and MVV Energiedienstleistungen Wohnen GmbH & Co. KG. Further employees joined the Group as a result of the district heating companies newly acquired in the Czech Republic.

The acquisition of these new companies also compensated for the decline in personnel totals due to the change in the form of consolidation of the Polish KPEC shareholding in Bydgoszcz. This resulted in around 500 employees at the deconsolidated company no longer being included in the workforce of the MVV Energie Group.

The decline in employee totals at MVV Energie AG and the fully consolidated shareholdings in Kiel and Offenbach was attributable to the implementation of efficiency enhancement programmes.

Employees of the MVV Energie Group
as of 30. 9.



Performance-related profit sharing at MVV Energie AG

A new variable compensation system was introduced during the year under report for employees of companies at the Mannheim location (MVV Energie AG, MVV RHE AG, MVV Umwelt GmbH and MVV Energiedienstleistungen GmbH). Starting in the 2006/07 financial year, the amount to be distributed as variable compensation will also be based on earnings components (ROCE and annual net surplus after minority interests). For the first time, therefore, the same criteria will be used for employees as for members of the Executive Board and division heads. Within the framework of the collectively agreed pay round, employee compensation was retrospectively raised by 2.7 % as of 1 October 2006. At the same time, the basic wage and salary agreement was considerably streamlined. Moreover, cost-cutting measures were agreed.

Cost-saving programmes in implementation at numerous locations

We continued to implement the “FOKUS“ efficiency enhancement programme in the administrative divisions at our Mannheim location. By 30 September 2007, 159 positions had been cut in a socially responsible manner.

The “Optimisation of Operating Processes” project implemented in the technical division as of 1 January 2007 was followed in a subsequent step by the merging of the operations management and engineering departments.

Stadtwerke Kiel AG also responded to the change in the legislative framework in regulated markets by launching its “SWK 2015” project, which sets out measures required to structure the company for the future. The company agreement concluded in April 2007 provides for the workforce being reduced in a socially responsible manner to a total of 1 041 employees by 30 September 2009. It was also possible to extend employees’ protection against redundancy for a further two and a half years until mid-2013.

At Stadtwerke Solingen, the comprehensive analysis and assessment phase undertaken within the framework of the IMPULS efficiency enhancement programme resulted in the compilation of a concept setting out 145 efficiency enhancement measures, amended working processes and new work tools. Negotiations are to be initiated with the Works Council in the near future with regard to the measures to be implemented.

Personnel development

Training and development are accorded high priority at the MVV Energie Group. We continue to meet our responsibility towards society by training young, qualified specialist staff. This is reflected in the high number of trainees.

We are relaunching an enhanced Management Development Programme which includes new topics for managers at the MVV Energie Group. In this way, we also aim to promote exchange between management staff from the various companies. “Living the Network”, a programme developed in parallel, has the same goal. This exchange programme is intended to enable employees at the individual locations to get to know each other better, intensify their cooperation and optimise interfaces.

The new “E-venture” programme acts as a promotion pool for the entire MVV Energie Group. This programme is intended to retain, promote and further develop upcoming talent with management potential and suitable mobility. Our aim is to fill key positions with internal staff.

Family and health policies at the company

Employees at MVV Energie AG have made active use of our proven HR instruments, which include childcare supported by the company and the working life account. Management staff at the Mannheim location have the possibility of undergoing health checks. Moreover, we also offer our employees a newly developed health management programme covering topics such as nutrition, sport and medicine.

Social Commitment

Responsibility for tomorrow's world

As Germany's largest publicly listed municipal utility group, the MVV Energie Group is one of the leading companies in the German energy market. Our business dealings therefore also involve particular responsibility towards society, a responsibility of which all of our shareholdings at their respective locations are aware.

We view competitiveness and social responsibility as two sides of the same coin. Profitable growth, sustainability and a focus on the future constitute core components of our corporate philosophy and strategy. We see corporate social responsibility as representing a challenge and an opportunity to mobilise our economic and innovative potential fruitfully and to the benefit of the people in our regions – as a commitment to the world around us and a duty in our internal dealings.

The companies of the MVV Energie Group promote all major areas of public life. We nevertheless focus in particular on promoting projects for young people and upcoming talent – thus showing responsibility for tomorrow's world. Our obligation towards society also includes offering training positions to young people and securing the jobs of our employees.

As one of the driving business forces in the Rhine/Neckar metropolitan region, **MVV Energie AG** provided sponsorship funds of around Euro 1.5 million in the year under report, mainly in Mannheim, but also across the region as a whole.

As far as our sports sponsorship activities are concerned, we entered into a new partnership with the German ice hockey champions, the Mannheim Eagles (Adler) and are also supporting their next generation team, the Young Eagles. As principal sponsor of the European Show Jumping Championships in the MVV Equestrian Stadium in August 2007, we also generated effective publicity reaching far beyond Germany. Furthermore, we also cooperate closely with the two traditional football clubs in Mannheim, SV Waldhof and VfR Mannheim. Together with the Nationaltheater in Mannheim, we have built up "Junge Oper", an opera series for children, which has acquired a national reputation. In the field of science and education, we work closely together with Mannheim University and Mannheim Technical College. Every year, our Sponsorship Fund enables around 70 clubs and institutions to implement their exemplary projects.

Energieversorgung Offenbach AG is still the principal sponsor of the Offenbach Kickers, a traditional football club in the second division. Over and above this, EVO also acts as principal sponsor of the Seligenstadt Athletics Association, which operates the centre of excellence for sprinting and hurdles for the state of Hessen. EVO's competition for artists, with prize money of Euro 50 000, is now entering its second year.

True to its understanding of itself as a key promoter of Kiel as a business location, **Stadtwerke Kiel AG** supports social, cultural and sports initiatives. The organisation of the Camp 24sieben sailing project is particularly noteworthy in this respect, as is the promotion of research at the Leibniz Institute of Marine Sciences at the University of Kiel and at the Institute of Geosciences at Christian-Albrechts-Universität.

As well as promoting professional sport, **Stadtwerke Ingolstadt GmbH** also offers targeted support to popular sport, as well as sponsoring cultural activities, such as the Ingolstadt Jazztage music festival. Moreover, in the field of renewable energies, SWI is also promoting the development of the "Solar Technology Competence Centre" at Ingolstadt Technical College.

Among other activities, the special commitment of **Stadtwerke Solingen GmbH** to its home town was demonstrated by a gala concert given by the Bergische Symphoniker in the company's waterworks in aid of the art association Kunstverein Solingen e.V.

Köthen Energie GmbH successfully supports the work of the Business Meets Schools project in the district of Köthen.

Environmental Protection

Our contribution towards ecological sustainability

Climate protection and the careful handling of limited natural resources will play an ever greater role in future. The companies in the MVV Energie Group make a major contribution towards ecological sustainability by using and continuously enhancing energy-efficient concepts, technologies and processes which save resources and help the environment, as well as by making greater use of regenerative energy forms and offering green electricity products.

Avoidance of CO_2 emissions

With three waste incineration plants, three biomass power plants and 24 smaller-scale decentralised biomass heat plants and biomass cogeneration plants, the MVV Energie Group contributes a total reduction of 407 000 tonnes of CO_2 per year. Our waste-to-energy plants in Mannheim, Leuna and Offenbach work with state-of-the-art technology and have multistage flue gas purification facilities. We produce heat by incinerating waste and simultaneously generate process steam and electricity from the waste, in some cases using the resource-saving cogeneration process. In the field of renewable energies, the biomass plants operated in Mannheim, Königs Wusterhausen and Flörsheim-Wicker by MVV Umwelt GmbH, a market leader in the generation of electricity from biomass, also help to avoid CO_2 emissions. The three biomass power plants alone enable around 260 000 tonnes of CO_2 to be avoided per year compared with electricity generated at conventional power plants. The 17th Ordinance of the Federal Emission Control Act sets out the strictest requirements in the world with regard to the cleanness of emissions from waste incineration, standards which are met by our modern plants.

Funds committed to environmental protection measures

The MVV Umwelt GmbH business division invested around Euro 27 million in measures to protect the environment during the year under report, of which 94 % involved disposing of waste and 6 % cleaning the air. A total sum of around Euro 38 million was spent on environmental protection measures in ongoing operations in the 2006/07 financial year. Of this, 56 % related to waste disposal, 43 % to air cleaning and 1 % to water protection measures.

Climate protection increasingly important in value-added services business

Climate protection and the resultant increase in the use of regenerative energy forms and efficient technologies are also an increasingly significant topic in our energy-related services business. The operation of biomass heat plants and biomass cogeneration plants, coupled with the modernisation of older generation facilities, exploitation of existing savings potential and efficient operations management also enable us to reduce the natural resources used by conventional energy sources, thus contributing to an efficient energy supply.

As part of the decentralised generation of energy for large industrial locations, we are increasingly planning the use of substitute fuels as a suitable alternative to the primary energy sources of natural gas, coal and oil. In Gersthofen, we are building a substitute fuel power plant to supply the industrial park there with the energy it requires. A second substitute power plant supplying process steam and heating is being built for Continental AG in Korbach. This plant alone will save a total of 8 200 tonnes of CO_2 per year.

During the year under report, we installed four photovoltaic facilities with a total capacity of 66kW on houses in Mannheim on behalf of GBG Gemeinnützige Wohnungsbaugesellschaft Mannheim.

Overall Summary of Business Performance

The MVV Energie Group has maintained its course of sustainable, value-based growth. Our group of companies is well prepared for the changes and further increase in competition in the energy markets.

The municipal utility network and shared service companies enable the companies in our Group to benefit from economies of scale and to reduce their individual costs. In parallel to our measures to enhance our efficiency and profitability, we are also implementing growth projects and investing in business fields with the potential to generate positive value contributions. In this way, we are strengthening the earnings and capital strength of the MVV Energie Group. The strategic partnership with RheinEnergie AG, Cologne, also offers new perspectives and opportunities.

Powers of the Executive Board to Issue Shares

The 2005 Annual General Meeting of MVV Energie AG authorised the Executive Board to increase the company's share capital by up to Euro 39.0 million, equivalent to around 30 % of the existing share capital upon the adoption of the resolution (Authorised Capital I). Following the capital increase of just under 10 % on 15 November 2005, which involved issuing 5.0 million new shares on the capital market within the framework of an accelerated book building process, there remained authorised capital of 18.2 %.

The 2006 Annual General Meeting of MVV Energie AG authorised the Executive Board, subject to the consent of the Supervisory Board, to increase the company's share capital within the framework of an employee share programme by issuing new shares from Authorised Capital II on one or several occasions up to 9 March 2011 up to a total of Euro 3.4 million to the exclusion of shareholders' subscription rights. This was equivalent to 2.4 % of the existing share capital upon the adoption of the resolution. The Executive Board acted on this authorisation on 20 September 2006. By issuing 63 290 new shares, the company's share capital was increased by 0.11 %, or Euro 162 thousand.

Events After the Balance Sheet Date

RheinEnergie AG acquires 16.1 % stake

On 12 June 2007, the City of Mannheim, which previously held an indirect shareholding of 66.2 % in MVV Energie AG, decided to sell a 16.1 % stake to RheinEnergie AG, Cologne. The German Federal Cartel Office approved the acquisition of this shareholding on 2 August 2007. RheinEnergie AG acquired the shares on 11 October 2007. In RheinEnergie AG, we have found a strategic partner with whom we will be able to further develop the value-based, growth-driven company policy pursued by MVV Energie AG.

Capital increase successfully implemented

On 11 October 2007, the Executive Board of MVV Energie AG resolved with the approval of the Supervisory Board to act on the authorisation granted by the Articles of Association to increase the company's share capital.

In the course of the capital increase, the share capital of MVV Energie AG was increased by Euro 25.96 million to Euro 168.72 million (+ 18.2 %) by issuing 10.1 million new shares from existing authorised capital in return for cash contributions with subscription rights for shareholders. The number of individual shares rose from 55.8 million to 65.9 million as a result of the capital increase. The new shares grant their holders the same rights as existing shares and participate in profits from 1 October 2006.

The new shares were offered to shareholders for subscription at a ratio of 11:2 and a subscription price of Euro 22.50. The discount on the reference price (Euro 29.85) thus amounted to Euro 7.35, or 24.6 %. Shareholders were able to exercise their subscription rights from 16 October 2007 up to and including 30 October 2007. Subscription rights relating to the new share offering were traded on the market from 16 October up to and including 26 October. The initial listing of the new shares took place on the official market of the stock exchanges in Frankfurt am Main (Prime Standard) and Stuttgart on 31 October 2007.

MVV Energie AG intends to use the proceeds of around Euro 228 million from the capital increase to strengthen its equity base, to expand its municipal utility network and to make targeted investments in its high-growth fields of environmental energy and energy-related services in order to further maintain its profitable growth in these areas on a sustainable basis.

Risk Report

We see the continuous, reliable management of potential risks and opportunities as the basis for sustainable corporate performance. This involves identifying both potential risks and opportunities and optimising the risk/opportunity profile of our business activities. At the MVV Energie Group, we achieve this by means of a systematic and group-wide risk management system which forms an integral component of the Group's corporate management.

We have laid down guidelines for handling risks in the risk management handbook adopted by the Executive Board. These standards have been documented in a limit handbook used to determine and approve key risk figures. These handbooks provide all companies and shareholdings in Germany and abroad with binding regulations which are valid across the Group. Risk reports are usually provided to members of the Executive Board on a monthly basis and to the Supervisory Board on a quarterly basis. The Supervisory Board is informed immediately by the Executive Board in cases of particular urgency.

Our early warning risk identification system is sufficiently sensitive to enable us to identify any potential risks to the company's continued existence on the level of the Group or the individual companies at a very early stage. Detailed comparison of current risk assessments with our budget and forecast figures provides us with a great density of information, thus contributing to the efficient control of our group of companies. The assessment of the early warning risk identification system also forms part of the annual audit by both internal and external auditors.

Our risk aggregation procedures make a distinction between six principal areas of risk which could affect our business performance and our net asset, financial and earnings position. Weather conditions and legislation/regulation represent the most significant exogenous risks to the business performance of the MVV Energie Group.

Strategic risks

We define strategic risks as those factors potentially preventing us from achieving our earnings targets due to the Group being inadequately aligned to its political, economic, technological, social or ecological environment.

Our pursuit of further growth means that the MVV Energie Group could face strategic risks resulting from inaccurate strategic assessments. These include expectations with regard to municipal utility shareholdings, company takeovers, joint ventures, alliances, disinvestments, projects or the development of new markets and technologies. We have taken various precautions to minimise such risks. The Group Strategy department reviews and monitors the implementation of the strategic framework set by the Executive Board. Moreover, new investments are examined by an Investment Committee with members from various specialist departments. Investments are only made following approval by this body.

Legal risks

Legal risks include legislative and regulatory risks which could have a negative impact on the business activities of the MVV Energie Group. Legal risks potentially arising from regulatory requirements, orders from public authorities, court proceedings, disadvantageous or unenforceable contracts, supply obligations or product liability are limited on a centralised basis by the Group Legal department. This department also bears central responsibility for the correct drafting of contracts in terms of their contents and for managing any legal proceedings, as well as general responsibility for ensuring that the actions taken by the company are lawful.

Regulatory risks include the business implications of stricter grid regulation. This initially relates to the level of grid utilisation fees levied by grid operators for the use of the grids. These are subject to mandatory approval by the regulatory authorities. The assessment notices issued by the regulatory authorities to companies of the MVV Energie Group to date have led to a reduction in the grid utilisation fees submitted for approval. The incentive regulation due to enter effect in 2009 could result in a further gradual reduction in grid utilisation fees. The assessment of the future development of fee assessment notices from the Federal Network Agency, and thus of the level of fees, is therefore subject to corresponding risks.

We monitor these developments closely, while also analysing our potential courses of action. Our active participation in the energy policy opinion-forming process and our involvement on a political level in terms of the further development of the system of regulation serve to counter future regulatory risks adequately and in good time.

Financing risks

The financing risks facing the MVV Energie Group include liquidity, interest rate and foreign currency risks, although the latter only play a subordinate role for us. Information concerning foreign currency conversion has been provided in the notes to the consolidated financial statements on Pages 85 and 86.

To optimise our liquidity position and our interest rate risks, we make use of an internal group cash pooling system which we expect to enable us to positively influence our net interest expenses. We limit our credit risks by restricting our transactions to banks and trading partners of high creditworthiness and to business transactions undertaken within predefined limits.

Price risks

The prices of primary fossil fuels (e.g. coal, gas, oil) have witnessed considerable fluctuations in the past. Prices on the energy markets can also be expected to remain volatile in future. These price movements are chiefly due to changing mining/production costs, cargo rates and supply (scarcity of raw materials) and demand factors within the global market (increased energy requirements in countries with expanding economies, such as China). The development of prices may also be affected by volume risks and by regulatory and political factors.

The resultant price risks for the MVV Energie Group are limited centrally via 24/7 Trading GmbH. This company uses portfolio management to optimise our electricity, coal, gas and CO_2 positions. MVV Energie AG makes use of derivative instruments to minimise price risks which could arise on the various energy markets, such as electricity, coal, gas and CO_2. These are also used to minimise interest rate risks arising on the financial markets which could affect the financing of our business activities. These derivative transactions are undertaken exclusively with counterparties of optimal creditworthiness and for the sole purpose of hedging underlying transactions.

Volume risks

The major share of annual sales in the gas and district heating segments is traditionally generated in the first two quarters of the financial year (October to March). The volume of gas and district heating turnover is directly dependent on weather conditions during the winter months. The impact on sales of a very mild winter may severely affect the earnings of these segments for the overall year.

Moreover, volume risks may also arise on the sales side due to increased competition in liberalised markets, as well as on the procurement side as a result of supply shortages. We reduce these volume risks by deploying energy trading instruments and are also working on designing new, competitive products.

Operating risks

This risk category includes IT, operational, organisational, personnel-related and security risks. Within this category, breakdowns at the Group's generation plants or in its distribution grids as a result of operating errors, inappropriate maintenance, accidents, external factors or force majeure may be so significant that they lead to operating processes being impaired or to interruptions to operating activities.

The resultant risks are limited by means of suitable insurance cover and by paying great attention to project and quality management standards. Liability risks are covered by third-party liability insurance. Proprietary damage is covered by fire and machine insurance policies based on reinstatement values. IT risks are limited by means of high security requirements and a proprietary backup computer centre. To achieve our company's objectives, we also need qualified employees and managers. We promote our employees by offering personnel development programmes and ongoing training on all levels. We therefore see only a low risk of it not being possible to find suitable replacements in the event of the departure of key personnel.

Overall risk

The overall assessment of our current risk and opportunity situation by the Executive Board has not resulted in the identification of any risks endangering the continued existence of the company during the period under report or which could do so in future. We have outlined the opportunities available to the company in the outlook report below.

Outlook

Macroeconomic and sector developments

According to the autumn survey published by economic research institutes on 18 October 2007, the German economy is forecast to show unexpectedly stable levels of economic growth in spite of the latest turbulence on the financial markets. These institutes expect gross domestic product to grow by 2.6 % in 2007 and by 2.2 % in 2008. Economic developments in the coming year are expected to be driven by the export sector and by consumer expenditure in Germany.

The earnings performance of the MVV Energie Group, however, is less dependent on macroeconomic factors than on weather conditions.

We expect competition in the energy sector to intensify. The second cost approval round at the regulatory authorities will increase pressure on costs in the 2007/08 financial year over and above that already seen to date. The challenging efficiency targets resulting from the introduction of incentive regulation on 1 January 2009 will require grid operators and municipal utility companies to make even greater efforts in future in terms of both revenues and costs.

Alignment of the company in the next two financial years

We will consistently maintain our course of profitable growth. The further integration of our German and foreign shareholdings and the targeted further expansion of our municipal utility network are intended to exploit synergy potential. Moreover, in our core business we will continue to focus on improving business processes and structures and on achieving ongoing cost reductions. Over and above this, we aim to achieve growth, both organically and via acquisitions and new investments, in our successful business fields of environmental energy and energy-related services.

Future sales markets in core business

With the companies in its municipal utility network, the MVV Energie Group is strongly positioned in major conurbations and economic centres – Rhine/Neckar, Rhine/Main, Rhine/Ruhr, North Germany, South Germany and Greater Berlin. Under the management of our new Sales Director, we will be further sharpening the market and sales orientation of our group of companies.

In the private customer business, our strength lies in a traditionally close relationship to our customers in our local and regional sales markets. We will safeguard and extend this strong competitive position by means of attractive products and service offerings, backed up by competitive prices. We are currently working intensively at our group of companies on a national electricity product for private customers. In this way, we aim to exploit the opportunities arising as competition gains momentum in this area as well.

In the German electricity market, we see our "Electricity Fund" product as harbouring further growth potential in the nationwide business with industrial and commercial customers. Our advantage lies in our nationwide presence due to sales cooperation agreements within our municipal utility network. We will substantially increase the number of our field sales employees to exploit the opportunities in this market.

In the Czech Republic and Poland, the challenge involves investigating these foreign markets in terms of their growth potential. We will invest where opportunities arise and continually enhance our efficiency. Following the takeover of four district heating grids in the north of the country, the Czech Republic has become our most important foreign market. Now that the restructuring of MVV Energie CZ s.r.o. has been successfully completed, we aim to consistently expand our market share in this country.

Good market opportunities in the environmental energy business

In our environmental energy business, where our biomass and waste incineration activities are pooled, we continue to see good opportunities for creating value by means of sustainable growth. Following the official launch of operations at the second line at the non-recyclable waste incineration and energy generation plant (TREA) in Leuna in September 2007, the MVV Energie Group now holds a leading position in the German market for waste incineration, with a total capacity of around 1.6 million tonnes of waste per year.

We expect to be able to operate our waste incineration plants at full capacity at all locations in the 2007/08 financial year and, given long-term agreements, beyond this period. The construction of the new waste-fired boiler No. 6 at the Mannheim location, which will replace two older waste-fired boilers in future, will further enhance the economic efficiency and competitiveness of the waste-to-energy plant in Mannheim (MHKW). Operations are scheduled to begin at the end of 2009.

We intend to draw on horizontal and vertical acquisitions and cooperations to secure and, where possible, to further expand our strong market position in the environmental energy segment.

Improved market position in energy-related services business

Our strategy of supporting our customers by offering them comprehensive, sustainable energy-efficient concepts, has met with a warm reception on the market. Climate protection and the resultant increase in the use of regenerative energies and efficient technologies are considerably gaining in significance in our energy-related services business.

In the field of Municipal Solutions, where we are increasingly in demand as a partner to cities, municipalities and public sector organisations, we continue to see pleasing market opportunities for our wide-ranging portfolio of services. Our latest acquisitions and market successes in the fields of Industrial Solutions and Real Estate Utilities also provide a superb foundation for achieving further profitable growth in the value-added services segment.

Shared-service companies generate synergies

Given the numerous service relationships between each other and with their respective parent companies, the six shared service companies at the MVV Energie Group act as important links within our municipal utility network. They thus make a major contribution towards the achievement of our Group targets. Their pooling of expertise and uniform market presence create synergies which will be reflected in cost savings once the start-up phase has been completed.

Consolidation expected in municipal utility market

The intensification of competition and increasing pressure resulting from grid regulation and future incentive regulation will lead to further consolidation in the municipal utility market.

We see the structural transformation expected to result from this as harbouring more opportunities for our group of companies than risks. As the only publicly listed energy supplier with a strong municipal background, our group of companies is an interesting partner for German municipal utility companies on the lookout for an investor. Given our successful track record in further developing our municipal utility shareholdings and the antitrust restrictions on large vertical players, we believe that we are well-positioned both regionally and nationally to get to purchase any companies put up for sale.

Partnership with RheinEnergie AG, Cologne, opens up new strategic perspectives

Our future cooperation with RheinEnergie AG, Cologne, opens up interesting new strategic perspectives for our group of companies. It provides additional potential for increasing our value in the changing energy market. Energy procurement and generation can be managed better and at less expense by working together, as can other tasks where size counts. The cooperation between energy suppliers in Mannheim and Cologne will set a precedent for other municipalities and their utility companies and is open to further partners. The business concept envisages jointly building up a municipal utility network under municipal management in Germany with RheinEnergie AG and MVV Energie AG acting as an integrative platform at the top of the organisation. The contractually agreed consortium arrangements ensure that MVV Energie AG will be able to maintain its previous successful course as an autonomous, independent company with a municipal majority shareholder.

Expected development in key income and expense items

We intend to increase our sales (excluding energy taxes) from Euro 2.3 billion to Euro 2.6 billion in the 2007/08 financial year. Significant contributions to this growth will be made by the expansion of nationwide electricity sales, as well as by increased sales in the environmental energy and value-added services segments. Assuming normal weather conditions, we expect the district heating and gas segments to generate higher sales volumes from the heating energy business than in the 2006/07 financial year. This growth will be countered by a downturn in the secondary gas distribution business in Mannheim due to increased competition. New supply agreements with major customers will lead to increased electricity and gas turnover at Stadtwerke Ingolstadt and the Kiel subgroup.

In terms of procurement, we anticipate a further rise in energy costs. We do not expect to see any sustained reversal of the trend in energy prices on the international markets. We intend to use the new grid access model in force since October 2007 to diversify our natural gas procurement portfolio.

Assuming normal weather conditions during the 2007/08 heating period, we aim to achieve double-digit growth in our operating earnings before interest and taxes (EBIT) in the 2007/08 financial year compared with the sustainable EBIT figure reported for 2006/07 excluding valuation items relating to energy trading transactions (Euro 199 million). Earnings in the environmental energy segment will be positively affected by the first full year of operations at Leuna II. Moreover, our earnings forecast is also based on rising earnings contributions in the value-added services segment and the positive impact of the cost-cutting measures already initiated.

Expected financial position

With an equity ratio of 25 % and accounting for the leverage effect of debt financing, the inflow of funds of Euro 228 million from the capital increase at MVV Energie AG in October 2007 provides us with an investment volume of around Euro 1 billion.

In terms of our cash flow statement, we expect to see a continuous increase in our cash flow from operating activities in the 2007/08 and 2008/09 financial years. The cash flow from financing activities will rise due to the capital increase in the 2007/08 financial year.

Investments in property, plant and equipment are budgeted at Euro 198 million for the 2007/08 financial year and at Euro 268 million in 2008/09. In line with our growth strategy, the largest investment projects are in the environmental energy and value-added services segments. The dominant project in the environmental energy segment is the construction of waste-fired boiler No. 6 at the waste-to-energy plant in Mannheim (MHKW). The main areas of investment in the value-added service segment include the building of substitute fuel plants in Korbach and Gersthofen, as well as further acquisition and investment projects in the fields of industry parks and residential real estate.

We will be maintaining our shareholder-friendly dividend policy. The Executive Board intends to recommend to the Supervisory Board that a dividend of Euro 0.80 be proposed once again for the 2006/07 financial year for approval by the Annual General Meeting on 14 March 2008.

No change in risks and opportunities

The data on which our forecast for the coming financial year is based has been taken from the risk and opportunity reporting process at the MVV Energie Group. There were and are no indications of any risks which might have endangered the continued existence of the company during the period under report, or which might do so in future. No further risks have been added to the six risk categories listed in our Risk Report for 2006/07 on Page 48 (strategic risks, legal risks, financing risks, price risks, volume risks and operating risks).

Future research and development: enhancement of energy-efficient processes

The political demands to protect the climate and make efficient use of fossil fuels provide our group of companies with interesting perspectives for new efficient energy supply forms and innovative products and services.

We are developing resource-saving processes at our group of companies, as well as energy-efficient concepts and technologies which are increasingly being put to use in our companies' energy supply, waste incineration and energy-related service businesses.

Based on the positive experience gained from the practical trials of WhisperGen type appliances, we will be installing further house energy plants in our gas supply regions in the 2007/08 financial year. Moreover, we will be further developing the management and control of these decentralised house energy plants in order to optimise their integration within existing energy systems and further improve their energy efficiency.

The Rhine/Neckar Heating Atlas developed in cooperation with other municipal utility providers and companies in the region reveals the potential available for a highly-efficient heating supply und provides pleasing prospects for expanding the supply of heating energy based on cogeneration, an environmentally-friendly technology enabling resources to be saved.

Overall summary of expected developments at Group

All in all, the 2007/08 financial year will be characterised by a further increase in pressure on costs and intensified competition. The Executive Board will be focusing on further extending the Group's profitable growth both in its core business and in its high-growth fields of environmental energy and energy-related services. The capital increase undertaken in October 2007 has provided us with a solid foundation for this purpose. We welcome the partnership and future cooperation with RheinEnergie AG, Cologne, which opens up interesting new prospects and opportunities for our group of companies.

How can you make salt dance, or why does your hair stand on end when you rub a balloon against it? How and why things change – that is what even the youngest children learn at the “Laboratory” run by the clown Jörn Birkhahn. The children can experiment with pipettes and plastic spoons, learning how the world works by playing. MVV Energie is accompanying the kindergarten laboratory on its way – giving our next generation a hands-on experience of change, transformation and progress.

Business Segments

55 Electricity Segment
57 District Heating Segment
59 Gas Segment
61 Water Segment
62 Value-Added Services Segment
66 Environmental Energy Segment

V = Veränderung (change)

Change, transformation, progress. The energy market is moving at an enormous pace. Our aim is to be at the forefront of these developments and to be proactive in making the necessary improvements. And this applies to innovations on all levels, whether they are to be found in our corporate culture, whose transformation we are actively accompanying, or in improving our organisational structure to enable us to generate synergy effects. By establishing our shared service companies, for example, we have completely transformed our working processes, responsibility structures and habits. And the results are certainly respectable – numerous new perspectives have opened up, especially in terms of accessing external customer groups.

Business Segments

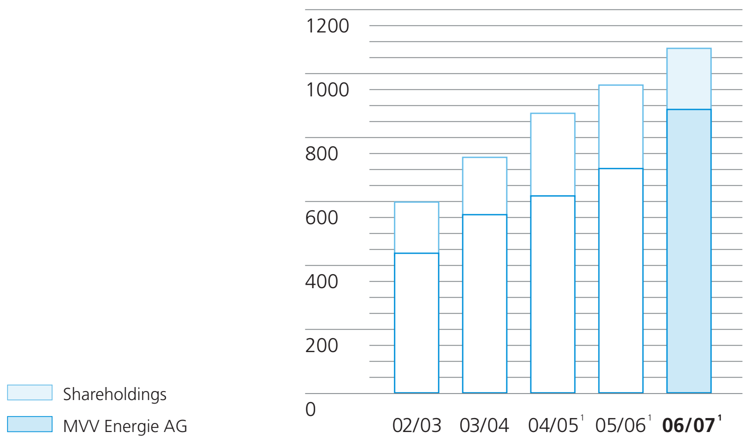
55 Electricity Segment
57 District Heating Segment
59 Gas Segment
61 Water Segment
62 Value-Added Services Segment
66 Environmental Energy Segment

V = Veränderung (change)

Change, transformation, progress. The energy market is moving at an enormous pace. Our aim is to be at the forefront of these developments and to be proactive in making the necessary improvements. And this applies to innovations on all levels, whether they are to be found in our corporate culture, whose transformation we are actively accompanying, or in improving our organisational structure to enable us to generate synergy effects. By establishing our shared service companies, for example, we have completely transformed our working processes, responsibility structures and habits. And the results are certainly respectable – numerous new perspectives have opened up, especially in terms of accessing external customer groups.

Electricity Segment

Electricity Sales
Euro million



[1] proprietary electricity trading sales reported on a net basis, i. e. only showing the gross margin generated

The MVV Energie Group successfully maintained its position in the highly competitive German electricity market.

Above-average volume growth

The electricity turnover reported in our electricity segment, i. e. excluding electricity generated at waste-to-energy plants, biomass power plants and biomass cogeneration plants, which is reported in the environmental energy and value-added services segments, grew by 19 % to 23.7 billion kWh.

This substantial volume growth is due on the one hand to our wholesale electricity trading and secondary distribution business, which accounted for 58 % of the total segment turnover. Sales volumes in this area rose by 35 %. On the other hand, we also achieved respectable volume growth in our end customer business in the highly competitive electricity market, where turnover grew by 2 %. By comparison, according to the new Federal Association of the Energy and Water Industries (BDEW), overall electricity consumption in Germany fell by 0.5 % in the period from January to July 2007 compared with the same period in the previous year.

Moderate price policies

Unlike many competitors, MVV Energie AG did not raise its electricity rates in the 2006/07 financial year compared with the rates valid at 1 October 2006, apart from passing on the VAT increase as of 1 January 2007. With our moderate price policies, we aim to boost our position in the increasingly competitive market for private customers. The price increases announced by MVV Energie AG in Mannheim, as well as by its shareholdings in Kiel, Solingen and Offenbach, in October 2007 are also well below those at other companies in the energy industry.

Pooling of trading activities

The close cooperation within our Group in the field of electricity trading was implemented in organisational terms as well in the 2006/07 financial year with the foundation of a joint trading company. 24/7 Trading GmbH, at which all of our Group's energy trading businesses have been pooled, commenced operations in full in spring 2007.

Electricity Turnover of the MVV Energie Group[1]

kWh million	2006/2007	2005/2006	% change
Wholesale electricity trading (including secondary distributors)[2]	13 864	10 274	+ 35
Business customers[2]	7 867	7 625	+ 3
Private customers[2]	1 982	2 046	– 3
	23 713	**19 945**	+ 19

[1] excluding electricity turnover in environmental energy and value-added services segments
[2] correction in previous year

Successful in nationwide sale of electricity

The volume growth in the retail or end customer market was chiefly due to the industrial and commercial customer business (business customers). Within this market segment, we achieved substantial volume growth in the nationwide sale of electricity. The concept of structured energy procurement via the CLASSIC and HORIZONT electricity fund models with the FLEX option has established itself with notable success in the energy market. Our shareholdings in Kiel, Offenbach, Ingolstadt and Köthen are now also actively marketing electricity fund products in their supply areas.

The fund volumes acquired by the Group amounted to 2.0 billion kWh for the 2007 calendar year and have reached 3.5 billion kWh for 2008.

All companies in our municipal utility network are making efforts to further enhance the attractiveness of their electricity products for private and business customers by offering additional services. The FUTURA green electricity product provides customers of MVV Energie AG with electricity from 100 % ecological energy sources at little extra cost. Furthermore, MVV Energie AG has extended its CLASSICA and FUTURA rates to include "Electricity Emergency Service" and "Help in Financial Need" services. By offering new electricity products and additional needs-based services at no extra charge, Energieversorgung Offenbach AG (EVO) is providing an outstanding service to its electricity customers. The development and marketing of products across the Group enables us to exploit synergies and to save costs.

Positive sales and earnings performance

External sales after the deduction of electricity tax charged to customers rose year-on-year by Euro 113 million to Euro 1.1 billion (+12 %). This growth was primarily due to higher trading sales and increased volumes in the nationwide sale of electricity.

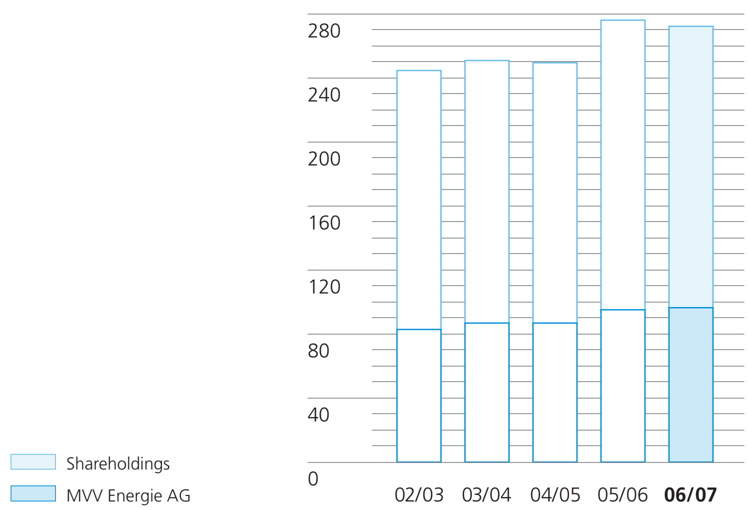
Operating earnings before interest, taxes, depreciation and goodwill amortisation (EBITDA) in the electricity segment rose year-on-year by Euro 25 million to Euro 77 million, while operating earnings before interest and taxes (EBIT) showed an even greater increase of Euro 34 million to Euro 54 million.

The more marked rise in EBIT than in EBITDA was due to the absence of prorated impairment losses, which had reduced segment earnings by Euro 9 million in the previous year. A further factor supporting the considerable improvement in earnings figures was the valuation effect of energy trading transactions measured pursuant to IAS 39 (2004). Moreover, efficiency enhancement measures also enabled us to achieve cost savings.

These positive factors contributed towards offsetting prorated charges in connection with personnel provisions at the Mannheim, Kiel and Solingen locations, as well as the reduction in margins suffered by our shareholdings in Offenbach and Solingen as a result of price increase applications having been rejected or reduced.

District Heating Segment

District Heating Sales
Euro million



District heating is our third-largest segment in terms of sales and earnings (EBIT) contributions.

Reduced volumes due to weather conditions

Sales volumes in our district heating segment (excluding heating water and steam volumes reported in the environmental energy and value-added services segments) fell to 5.2 billion kWh, down 15 % on the previous year. This substantial downturn was chiefly due to the unusually mild temperatures throughout the 2006/07 heating period, which considerably reduced demand for heating water from our customers. In terms of degree day figures, the indicator we use to measure heating energy requirements, temperatures were around 20 % milder in the 2006/07 financial year than in the previous year and than the long-term average. All of the companies within our Group with activities in the district heating business suffered reduced turnover due to weather conditions.

Segment dominated by heating water business

Of total district heating turnover, 98 % is attributable to heating water and 2 % to the steam business.

The heating water business is dominated by the end customer business with private household and business customers. The negative impact of the mild winter weather conditions on turnover was countered by increased volumes resulting from external growth in the Czech district heating market. Moreover, the changeover from steam to heating water within the City of Kiel is beginning to take effect.

Developments in the steam business were characterised by the gradual transfer of agreements with business customers from MVV Energie AG to MVV Umwelt GmbH (and thus to the environmental energy segment).

District Heating Turnover of the MVV Energie Group[1]

kWh million	2006/2007	2005/2006	% change
Heating water			
Secondary distributors	591	712	– 17
Business customers	1 511	1 595	– 5
Private customers	2 935	3 405	– 14
	5 037	5 712	– 12
Steam			
Business customers	122	362	– 66
	5 159	6 074	– 15

[1] excluding district heating turnover in environmental energy and value-added services segments

Growth in Czech market

Sales volumes at the Czech subgroup MVV Energie CZ s.r.o., Prague, rose by 12 % to 0.8 billion kWh. This positive performance was mainly due to sales volumes at newly consolidated district heating shareholdings. These new volumes more than compensated for weather-related downturns.

Sales volumes at the Polish subgroup MVV Polska Sp. z o.o., Warsaw, by contrast, suffered a weather-related decline of 17 % to 1.0 billion kWh.

District heating remains key earnings driver

District heating sales declined year-on-year by Euro 4 million (– 1 %) to Euro 272 million. Part of the weather-related reduction in sales could be compensated for by external growth at the Czech subgroup.

The foreign business accounted for 38 % (Euro 102 million) of total sales in the district heating segment. Sales at the Czech subgroup rose to Euro 62 million, up Euro 15 million on the previous year, while sales at the Polish subgroup fell by Euro 7 million to Euro 40 million.

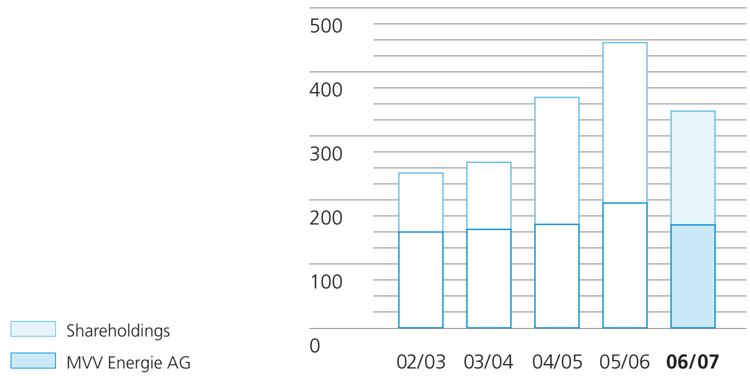
Earnings before interest, taxes, depreciation and goodwill amortisation (EBITDA) in the district heating segment fell year-on-year by Euro 9 million to Euro 72 million, while earnings before interest and taxes (EBIT) dropped by Euro 9 million to Euro 42 million. The reduction in earnings was largely due to a decline in margins reported by all companies with district heating activities as a result of the weather-related downturn in sales volumes. Moreover, district heating earnings were also affected by increased depreciation and by prorated personnel provisions at the Kiel and Mannheim locations. These were countered by the positive impact of the discontinuation of prorated impairment charges in the previous year.

Of the segment EBIT prior to consolidation, 43 % related to the MVV Energie AG parent company and 44 % to shareholdings in Germany. At the Czech subgroup, the volume-related decline in margins was offset virtually in full by positive initial consolidation effects and cost savings.

Around 59 % of our district heating volumes are generated at the large power plants in Mannheim and Kiel, in which MVV Energie AG and Stadtwerke Kiel AG hold shareholdings of 28 % and 50 % respectively. District heating is produced by means of cogeneration, a process which saves resources and reduces emissions.

Gas Segment

Gas Sales
Euro million



The unusually mild weather conditions during the 2006/07 heating period also clearly left their mark on the gas segment. The sales volumes reported by our group of companies in the gas segment (excluding contracting business volumes reported in the value-added services segment) fell to 9.0 billion kWh, down 21 % on the previous year. The gas segment is our second-largest business segment, with a 15 % share of consolidated sales. It accounted for 5 % of the total operating earnings of the MVV Energie Group before interest and taxes (EBIT).

Gas business upheld by private customer market

Sales after gas tax fell by 23 % to Euro 342 million. The mild winter weather led to substantial reductions in the turnover of natural gas for heating purposes at all companies with activities in the gas business. Of total gas sales, 49 % related to MVV Energie AG and 51 % to our shareholdings in Kiel, Offenbach, Ingolstadt, Solingen and Köthen. Of our shareholdings, the Kiel subgroup contributed the largest share of gas sales (47 %).

End customers (private and business customers) accounted for 73 % of our sales volumes in the gas business. Customer totals in this segment were only affected to a marginal extent by the rise in competition during the year under report. The downturn in gas volumes sold to private customers (– 22 %) was solely due to weather-related factors. As a result of the growth reported by our shareholding in Ingolstadt in its industrial customer business, the decline in volumes sold to business customers (– 10 %) was less marked than the downturn in the private customer business.

In the secondary distribution business (share of volumes: 27 %), our companies in some cases witnessed reduced volumes due to competition-related factors over and above the negative impact of weather conditions. In the year under report, our group of companies supplied nine other gas supply companies in its secondary distribution business.

Gas Turnover of the MVV Energie Group[1]

kWh million	2006/2007	2005/2006	% change
Secondary distributors (including gas wholesale)	2 436	3 434	– 29
Business customers	3 102	3 438	– 10
Private customers	3 418	4 406	– 22
	8 956	**11 278**	– 21

[1] excluding gas turnover in value-added service segment

Downturn in earnings due to mild weather

The negative weather factors also took their toll on the earnings performance. Operating earnings before interest, taxes, depreciation and goodwill amortisation (EBITDA) fell to Euro 25 million, down Euro 28 million on the previous year. Operating earnings before interest and taxes (EBIT) declined year-on-year by Euro 20 million to Euro 11 million. The less marked reduction in EBIT compared with EBITDA was attributable to the discontinuation of prorated one-off charges in connection with impairment losses in the 2005/06 financial year (Euro 8 million).

The sharp reduction in earnings is chiefly due to a volume-related decline in margins. Moreover, earnings were also negatively affected by prorated charges in connection with personnel provisions and by sales lost on account of regulation.

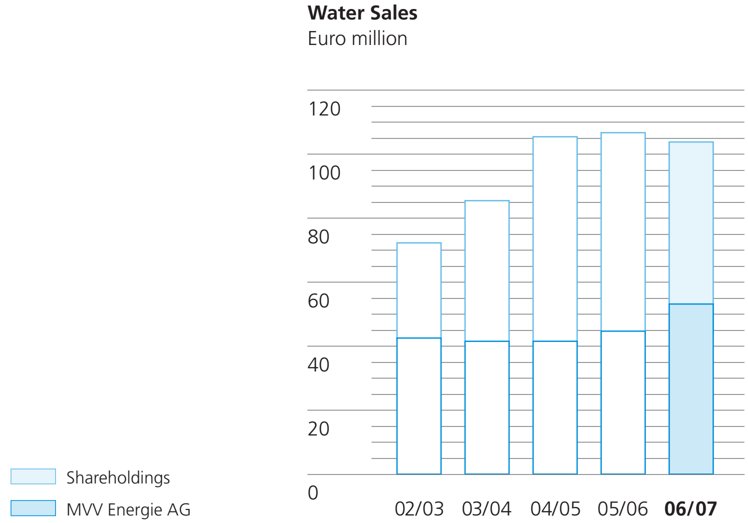
As is customary in the German gas market, our gas procurement prices are largely linked to the price of heating oil. The oil price reached new record highs in September 2007, obliging some of our companies to introduce price adjustments for the new 2007/08 financial year. The fact that we are able to absorb part of the cost increases internally means that we are able to maintain our moderate overall price policies to the benefit of our customers.

Optimisation of our procurement portfolio

Our subsidiary 24/7 Trading GmbH was one of the first players to commence market trading in natural gas on the EEX energy exchange in Leipzig. With increasing liquidity, we expect this trading on the exchange to result in a transparent market price, thus providing a fair basis for gas trading.

We are exploiting opportunities in the German gas market. Some of our companies have already concluded new gas procurement agreements involving more flexible terms with different suppliers in each case. We are currently investigating the possibility of joint natural gas procurement by all of the companies in our municipal utility network.

Water Segment



The development of turnover and sales in the water business is heavily dependent on weather conditions in the summer months. Summer 2007 witnessed frequent precipitation, especially in the high-consumption months of June and July, whereas summer 2006 had been characterised by an extended period of warm sunny weather.

As a result of these opposing weather patterns, the water turnover of our group of companies declined year-on-year by 3 % to around 55 million cubic metres. The largest share of this downturn in volumes was reported in the 4th quarter of 2006/07 (July to September 2007).

The operating earnings of the water segment before interest and taxes (EBIT) accounted for 9 % of the consolidated EBIT of the MVV Energie Group in the year under report.

High share of private customers

Around 90 % of our water turnover goes directly to end customers in 30 towns and municipalities, with the private customer business accounting for 82 % of total water turnover. Around 10 % of our water turnover relates to the secondary distribution business, in which the MVV Energie Group currently supplies ten other water supply companies.

Decline in sales and earnings performance

Mainly due to the reduction in volumes, the sales of the water segment fell by 3 % to Euro 104 million. Of the segment sales, 48 % related to the parent company MVV Energie AG and 52 % to our municipal utility shareholdings in Kiel, Offenbach and Solingen. The Kiel subgroup is the shareholding reporting the highest volumes in the water segment. Energieversorgung Offenbach AG (EVO) reduced its drinking water prices as of 1 July 2007, thus enabling its customers to benefit from the efficiency enhancements achieved. The sales of the water segment made up 5 % of the total sales of the MVV Energie Group.

The earnings before interest, taxes, depreciation and goodwill amortisation (EBITDA) of the water segment dropped from Euro 33 million to Euro 30 million. Operating earnings before interest and taxes (EBIT) showed a year-on-year decline of Euro 2 million to Euro 19 million. This reduction in earnings is due

Water Turnover of the MVV Energie Group[1]

m³ million	2006/2007	2005/2006	% change
Secondary distributors	5.4	5.5	– 2
Business customers	4.3	4.4	– 2
Private customers	45.1	46.8	– 4
	54.8	**56.7**	– 3

[1] excluding water turnover in value-added services segment

Value-Added Services Segment

on the one hand to cost structures, which are characterised at all companies by a high proportion of fixed costs. On the other hand, earnings were also affected by one-off charges for prorated personnel provisions at the Kiel and Mannheim locations, as well as by the reduction in prices at our Offenbach shareholding.

High quality of drinking water

The companies within our Group with activities in the water business guarantee high standards of quality and supply reliability for the drinking water in their respective supply areas. Most of the water we supply to our customers is produced at proprietary waterworks. Our production, processing and distribution plant meets very high technical standards. The water is carefully processed using technically sophisticated equipment, thus ensuring that it reaches our customers fresh and free of contaminants. Our group of companies has a wideranging quality measurement network and proprietary water laboratories to assist it in meeting high water quality standards. The water resources and water rights on hand, coupled with the circumspect and sustainable handling of such resources by our companies, mean that the supply of clean drinking water to the population is secure in the long term.

We made remarkable progress in the value-added services segment in the year under report. The value-added services segment of the MVV Energie Group includes the activities of the MVV Energiedienstleistungen GmbH subgroup, as well as the value-added services business of the municipal utility shareholdings in Kiel, Offenbach, Ingolstadt and Köthen.

Energy-related services on growth course

The strategy of our energy-related services business, which involves providing our customers with comprehensive, sustainable support based on efficient concepts, has been very well received by the market. Climate protection and the resultant increase in the use of regenerative energies and energy-efficient technologies and processes are becoming ever more significant factors in our value-added services business.

By successfully acquiring new companies, we have significantly improved our market position and laid important foundations for sustainable profitable growth.

Contracting: Energy and Water Turnover of the MVV Energie Group

	2006/2007	2005/2006	% change
Electricity turnover in kWh million	358	159	+ 125
Heating water turnover in kWh million	295	165	+ 79
Steam turnover in kWh million	417	271	+ 54
Gas turnover in kWh million	500	235	+ 113
Water turnover in m^3 million	1.3	1.2	+ 8

Strong sales and earnings growth

The value-added services segment met our high expectations in terms of sales and earnings in the year under report. Segment sales grew year-on-year by Euro 114 million to Euro 263 million (+ 77 %). Operating earnings before interest and taxes (EBIT) improved from Euro 12 million in the previous year to Euro 19 million.

The substantial improvement in sales and earnings is mainly attributable to external growth, and in particular to the successful integration of the companies fully consolidated for the first time, namely Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS), MVV Energiedienstleistungen Wohnen GmbH & Co. KG, Berlin, and our consulting subsidiary DECON GmbH.

Market success in all target group areas

We acquired 94 new orders with sales volumes of Euro 26 million in the field of municipal solutions and real estate utilities in the year under report. Our energy-efficient contracting models and biomass projects have met with great interest in the nationwide market. The geothermal plant built for the town of Weinheim extracts water with a temperature of 65 degrees from 1 150 metres under the ground, generating an annual total of 8 000 MWh of useful heat per year with a thermal output of 2.4 MW. This will supply a nearby leisure pool complex with heat from regenerative sources for the next 15 years. Our municipal development and planning services division also received numerous land improvement and development contracts. The largest contract involves project management for the “Blaue Adria” local recreation area, which at 130 hectares is one of the largest land improvement projects in the state of Rheinland-Pfalz.

We were especially successful in the year under report in the target group area of real estate utilities. In February 2007, MVV Energiedienstleistungen GmbH acquired 51 % of the limited shares in WGB Wärme GmbH & Co. KG Berlin, as well as 51 % of the shares in its general partner, WGB Wärme Beteiligung GmbH, Berlin. Via the renamed company MVV Energiedienstleistungen Wohnen GmbH & Co. KG, the MVV Energie Group is able to offer the housing industry new solutions for the management of technical building facilities, heating supply, meter management and utility billing for large residential portfolios.

Sales of Value-Added Services at the MVV Energie Group by Target Group Area

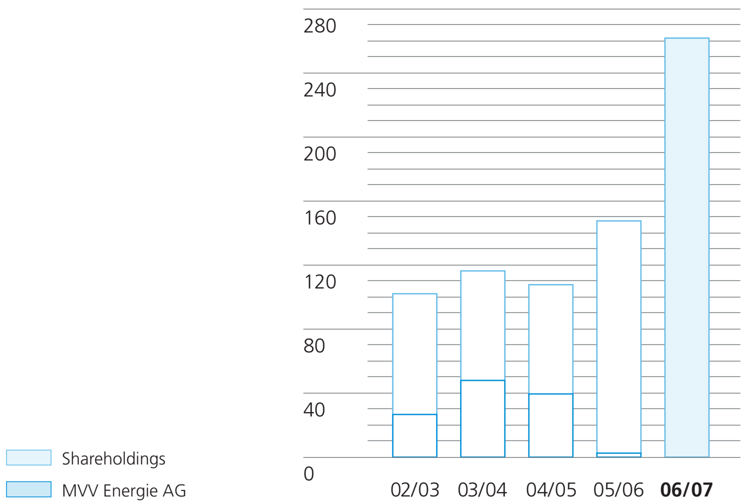
Euro million	**2006/2007**	2005/2006	% change
Municipal solutions and real estate utilities	83	58	+ 43
Industrial solutions	96	46	+ 108
Consulting	27	17	+ 59
Railway electricity/business services	2	3	– 33
MVV Energiedienstleistungen	**208**	124	+ 68
Energy-related services at municipal utility shareholdings	55	24	+ 129
Energy-related services	**263**	148	+ 78
Other value-added services/ consolidation	—	1	– 100
	263	149	+ 77

With more than 70 000 residential units supplied in Berlin and Brandenburg, our group of companies has now become the market leader in the regional heating contracting market. This successful concept is to be extended on a nationwide basis as well. Basic agreements concerning the supply of heating to a total of around 150 properties with combined living areas of 470 000 square metres have already been signed with housing management companies in Bonn and Mannheim.

The successful development of the real estate utilities field is also the result of increased sales activities at the subsidiary e:duo GmbH, Essen. This company is a product of the cooperation with ista Deutschland GmbH, a subsidiary of the world's leading company in the field of consumption-based energy and water billing.

The development of sales and earnings in the industrial solutions target group area was largely characterised by the successful integration of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS), a company acquired as of 1 October 2006. In Gersthofen we are currently building a substitute fuel power plant to supply heat to the industrial park, where twelve companies with around 1 600 employees are located. We see the use of substitute fuels to supply energy to large industrial locations on a decentralised basis as representing a suitable alternative to the use of coal, oil and gas, and as an option which is in increasing demand in the market.

Value-Added Services Sales
Euro million



Successful developments were also seen in the consulting target group area, where we surpassed the high level of sales already reported in the previous year. The individual companies within the MVV Consulting Group have further built up their strong market position both in Germany and abroad.

Since May 2007, MVV Consulting GmbH has been working on behalf of the European Union to support five central Asian states in developing mutually coordinated national energy policies (order volume: Euro 2 million). DECON Deutsche Energie-Consult Ingenieurgesellschaft mbH has been awarded a consulting order for a large-scale modernisation programme at the energy supplier AES SONEL in Cameroon (order volume: around Euro 3.5 million). In parallel to this, DECON has begun accessing the highly promising market in the Middle East and has opened an outlet with eight employees in Abu Dhabi for this purpose.

During the year under report, our subsidiary BFE Institut für Energie und Umwelt GmbH acquired several well-known major customers, thus further underlining its market leadership in the field of energy consulting and optimisation in Germany.

Sales at the value-added services businesses at our municipal utility shareholdings grew to Euro 55 million, up from Euro 24 million in the previous year. This increase is predominantly due to the shared service companies 24/7 United Billing GmbH, Offenbach, 24/7 Metering GmbH, Offenbach, and 24/7 IT-Services GmbH, Kiel, which were reported as part of the value-added services businesses of our shareholdings in Offenbach and Kiel. Prior to the establishment of these companies, these activities had formed part of the core business segments of the respective municipal utility companies.

Environmental Energy Segment

The environmental energy segment consists of the fields of non-recyclable waste incineration and energy generation from biomass. We make sustainable and efficient use of the material and energy potential available in the waste, in some cases by means of cogeneration, thus making a valuable contribution towards climate protection. Our three waste incineration plants and three biomass power plants enable around 380 000 tonnes of CO_2 to be avoided per year compared with electricity generated at conventional power plants.

Further smaller decentralised energy generation plants operated within the framework of contracting concepts have been allocated to the value-added services segment.

Our regenerative and environmentally-friendly energy generation plants position us very well to meet the requirements resulting from the climate protection efforts on the part of the Federal Government.

Second line in Leuna built in record time

Operations commenced on the second incineration line at the Leuna location in summer 2007. With a construction period of 19 months, we have set new standards for the time required to handle a project of this complexity. The start-up phase was also largely free of problems, enabling 78 000 tonnes to be incinerated before the end of the year under report.

Following the launch of operations at the second incineration line in Leuna, the waste incineration plants at our Mannheim, Offenbach and Leuna locations now have an incineration capacity of around 1.2 million tonnes per year. These plants currently dispose of the non-recyclable waste of 25 municipalities and districts in five federal states with more than 4.3 million inhabitants. Moreover, MVV Umwelt GmbH acts as a reliable waste disposal partner for around 400 industrial and commercial customers.

Further capacity of around 0.4 million tonnes per year is available at the three biomass power plants in Mannheim, Königs Wusterhausen near Berlin and Flörsheim-Wicker near Wiesbaden for the generation of electricity from old wood pursuant to the Renewable Energies Act (EEG). We work together with high-capacity partners in the waste disposal industry to secure supplies to the power plants. Some of these partners have assumed capacity guarantees. Not only that, our own active materials management, particularly at the Königs Wusterhausen location, safeguards our supply at customary market prices.

Work began at the Mannheim location on the construction of waste-fired boiler no. 6, which will replace older capacities from the end of 2009. This will lead to further substantial improvements in energy and cost efficiency levels at the Mannheim location.

Successful materials flow management

Thanks to our successful materials flow management, the incineration capacities at our non-recyclable waste incineration plants and biomass power plants were fully utilised again in the year under report. We were able to cover the increases in capacity arising at short notice at the Mannheim location, as well as the premature launch of operations at the second line in Leuna and volume growth in Offenbach.

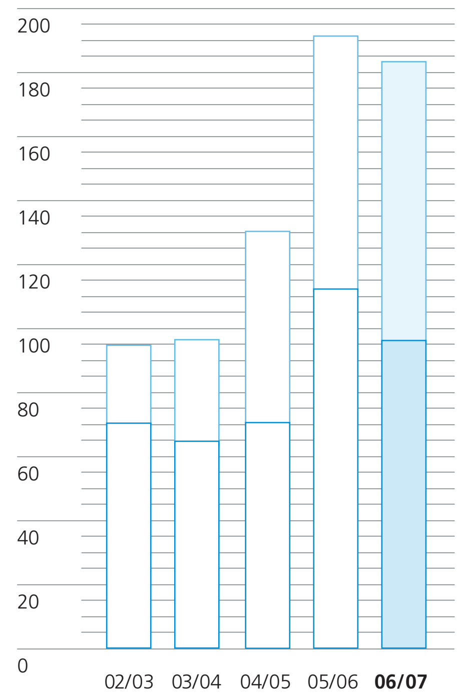
At the Mannheim location, we took over Biomasse Handelsgesellschaft (BHG) in full in May 2007. We had already held a shareholding in this company since 2002. Already established in the waste market, BHG will provide our value chain with additional scope. Our proprietary sorting and preparation capacities have thus risen to 270 000 tonnes per year.

Now that handling capacities at our rail terminal at the waste-to-energy plant in Mannheim have been expanded, further waste volumes have been transferred in logistical terms from road transport, as previously the case, to rail. This means that around 25 % of municipal waste volumes are delivered to this location in an ecologically more sensible way, thus also helping to reduce road traffic in the region.

Environmental Energy Turnover and Incineration Volume of the MVV Energie Group	**2006/2007**	2005/2006	% change
Electricity turnover (including secondary distributors) in kWh million	372	380	– 2
Steam turnover in kWh million	394	833	– 53
Combustible waste delivered in tonnes 000s	1 409	1 229	+ 15

Environmental Energy Sales

Euro million



Sales

Segment sales showed a year-on-year decline of Euro 9 million to Euro 184 million (– 5 %). This downturn was mainly due to reduced sales at the Mannheim location, which was affected in particular by the discontinuation of a steam supply agreement with a major industrial customer and by price reductions in its new waste incineration contracts. The latter were agreed with the local authorities represented by Zweckverband Abfallwirtschaft Rhein-Neckar GmbH (ZARN), a waste disposal association, in the course of structural adjustments in line with developments in the market and will apply until 2012. Of the total sales in the segment, Euro 151 million (82 %) related to the waste business, Euro 5 million (3 %) to electricity and steam supplied by the waste incineration plants and Euro 28 million (15 %) to decentralised electricity generation at biomass power plants.

Improvement in operating earnings (EBIT)

Operating earnings before interest and taxes (EBIT) rose from Euro 68 million in the previous year to Euro 71 million. This improvement was largely due to increased volumes of waste delivered to the Mannheim and Offenbach locations, as well as to initial earnings contributions from the second waste incineration line in Leuna. The waste-to-energy plant at Energieversorgung Offenbach (EVO) incinerated around 240 000 tonnes, compared with a planned total of 225 000 tonnes.

Furthermore, earnings also benefited from cost savings resulting from efficient process organisation and successful waste and energy management, as well as from a reduction in depreciation.

With a 33 % share of the total operating earnings (EBIT) of the MVV Energie Group (previous year: 34 %), the environmental energy segment is one of the major earnings drivers at our group of companies. Segment sales account for 8 % of the total sales of the MVV Energie Group.

At the age of 19, she won a gold medal in the 500 metre kayak four and a silver medal in the 500 metre kayak double at the Olympic Games in Athens in 2004. In 2005 and 2007 she was world champion in the kayak four over 200 metres. The four-time European champion Carolin Leonhardt stands for success. The top canoeist at Mannheim-Sandhofen Water Sports Club now has her sights set firmly on the Olympic Games in Peking in 2008. We are helping her on her way to China. Thanks to MVV Energie, Carolin Leonhardt can focus all of her energies on reaching her sporting targets.

Consolidated Financial Statements

69 Balance Sheet
70 Income Statement
71 Statement of Changes in Equity
72 Segment Report
74 Cash Flow Statement
76 Notes to the 2006/2007 Consolidated Financial Statements
123 Directors & Officers
129 Audit Opinion
130 Multi-Year Overview

Financial Calendar
Imprint

e = Erfolg (success)

To succeed is fantastic. Having said that, it is the success we achieve together on a basis of trust and honest cooperation which means the most to us. In the year under report we showed peak performance in Leuna by launching operations at the second line of our non-recyclable waste incineration plant following a construction period of only 19 months – three months earlier than planned.

Consolidated Financial Statements

69 Balance Sheet

70 Income Statement

71 Statement of Changes in Equity

72 Segment Report

74 Cash Flow Statement

76 Notes to the 2006/2007 Consolidated Financial Statements

123 Directors & Officers

129 Audit Opinion

130 Multi-Year Overview

Financial Calendar

Imprint

e = Erfolg (success)

To succeed is fantastic. Having said that, it is the success we achieve together on a basis of trust and honest cooperation which means the most to us. In the year under report we showed peak performance in Leuna by launching operations at the second line of our non-recyclable waste incineration plant following a construction period of only 19 months – three months earlier than planned.

Balance Sheet

as of 30. 9. 2007

Balance Sheet of the MVV Energie Group Euro 000s	**30. 9. 2007**	30. 9. 2006	Notes
Assets			
Non-current assets			
Intangible assets	325 077	308 760	1
Property, plant and equipment	1 935 903	1 870 793	2
Investment property	6 853	5 654	3
Shareholdings measured at equity	—	15 433	4
Other financial assets	165 883	134 450	5
Other receivables and assets	42 784	7 336	6
Deferred tax assets	2 529	18 948	20
	2 479 029	**2 361 374**	
Current assets			
Inventories	53 758	49 142	8
Accounts receivable	429 604	370 156	9
Other receivables and assets	155 817	228 755	6
Tax receivables	45 400	24 073	7
Securities	529	—	
Cash and cash equivalents	99 583	119 368	10
Assets held for sale	13 839	—	11
	798 530	**791 494**	
	3 277 559	**3 152 868**	
Equity and liabilities			
Equity			12
Share capital	142 764	142 764	
Capital reserve	255 523	255 523	
Retained earnings	236 604	236 537	
Net earnings	163 450	97 240	
Capital of the MVV Energie Group	**798 341**	**732 064**	
Minority interests	115 361	104 912	
	913 702	**836 976**	
Non-current debt			
Provisions	131 232	118 729	13, 14, 15
Financial liabilities	1 044 781	1 014 113	16
Other liabilities	42 164	29 125	17
Deferred tax liabilities	159 015	203 572	20
	1 377 192	**1 365 539**	
Current debt			
Other provisions	206 992	159 991	13, 15
Tax provisions [1]	40 049	49 032	13
Financial liabilities	368 332	417 400	16
Accounts payable	203 737	139 139	18
Other liabilities	143 927	169 749	17
Tax liabilities	23 628	15 042	19
	986 665	**950 353**	
	3 277 559	**3 152 868**	

[1] reported under other provisions in the previous year

Income Statement

from 1. 10. 2006 to 30. 9. 2007

Income Statement of the MVV Energie Group Euro 000s	**2006/2007**	2005/2006	Notes
Sales	2 405 219	2 276 121	
less electricity and gas taxes [1]	145 961	105 883	
Sales after electricity and gas taxes	**2 259 258**	2 170 238	23
Change in inventories [1]	– 7 568	– 3 850	
Capitalised own-account services [1]	15 162	30 389	24
Other operating income [1]	155 322	84 363	25
Cost of materials [1]	1 500 776	1 434 289	26
Personnel expenses	303 259	280 132	27
Other operating expenses [1]	272 605	204 511	28
Income from shareholdings measured at equity	– 1 594	– 6 812	29
Other income from shareholdings	15 207	14 870	30
EBITDA	**359 147**	370 266	
Depreciation	143 546	147 406	31
EBITA	**215 601**	222 860	
Goodwill amortisation [1]	542	21 901	32
EBIT	**215 059**	200 959	
Financing income	6 898	3 997	33
Financing expenses	83 282	76 984	34
EBT	**138 675**	127 972	
Taxes on income	12 441	64 372	35
Annual net surplus	**126 234**	63 600	
Minority interests	17 005	13 590	
Share of earnings allocable to shareholders in MVV Energie AG (net surplus after minority interests)	**109 229**	50 010	36
Basic and diluted earnings per share (Euro)	**1. 96**	0. 91	36

[1] explanations of changes in the previous year's figures can be found under "Changes in accounting policies"

Statement of Changes in Equity

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 translation	Retained earnings: Fair value valuation of financial instruments	Net earnings	**Capital of the MVV Energie Group**	Minority interests	**Total**
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 in equity	—	—	—	997	611	—	1 608	1 302	2 910
Annual net surplus	—	—	—	—	—	50 010	50 010	13 590	63 600
	—	—	—	997	611	50 010	**51 618**	14 892	**66 510**
Distribution of dividend	—	—	—	—	—	– 41 779	– 41 779	– 15 537	– 57 316
Capital increase	12 962	77 230	—	—	—	—	90 192	—	90 192
Change in retained earnings	—	—	– 10 805	—	—	10 805	—	—	—
Change in scope of consolidation	—	—	41	—	—	—	41	513	554
Balance at 30.9.2006	142 764	255 523	226 451	9 364	722	97 240	**732 064**	104 912	**836 976**
Earnings recognised directly in equity	—	—	—	3 806	2 765	—	6 571	996	7 567
Annual net surplus	—	—	—	—	—	109 229	109 229	17 005	126 234
	—	—	—	3 806	2 765	109 229	**115 800**	18 001	**133 801**
Distribution of dividend	—	—	—	—	—	– 44 614	– 44 614	– 11 712	– 56 326
Change in retained earnings	—	—	– 1 595	—	—	1 595	—	—	—
Change in scope of consolidation	—	—	– 4 909	—	—	—	– 4 909	4 160	– 749
Balance at 30.9.2007	142 764	255 523	219 947	13 170	3 487	163 450	**798 341**	115 361	**913 702**

Segment Report

Income Statement by Segment	External Sales excluding energy taxes [1]		Intercompany Sales excluding energy taxes		Scheduled Depreciation		Extraordinary Depreciation	
Euro 000s	**2006/2007**	2005/2006	**2006/2007**	2005/2006	**2006/2007**	2005/2006	**2006/2007**	2005/2006
Electricity	1 078 886	966 243	25 869	33 314	23 614	16 861	—	15 242
District heating	272 063	276 533	29 063	28 846	29 364	25 413	542	4 323
Gas	341 795	447 264	29 431	24 296	14 245	11 245	—	11 037
Water	103 667	106 816	3 533	6 920	10 721	10 487	—	1 638
Value-added services	262 956	148 783	71 683	41 449	10 433	5 862	250	1 214
Environmental energy	184 276	192 934	31 039	33 149	33 642	38 265	—	1 185
Other/consolidation	15 615	31 665	– 190 618	– 167 974	21 277	25 297	—	8 671
MVV Energie Group	**2 259 258**	2 170 238	**—**	—	**143 296**	133 430	**792**	43 310

Balance Sheet by Segment	Investments		Assets		Liabilities	
Euro 000s	**30. 9. 2007**	30. 9. 2006	**30. 9. 2007**	30. 9. 2006	**30. 9. 2007**	30. 9. 2006
Electricity	22 087	18 374	859 810	845 404	143 323	130 858
District heating	27 933	19 071	562 511	505 438	93 081	66 278
Gas	18 943	22 379	330 750	318 066	48 478	41 488
Water	11 526	11 667	281 693	273 037	39 218	34 571
Value-added services	29 767	18 254	285 378	158 808	78 514	37 454
Environmental energy	33 713	80 667	473 720	467 900	88 325	96 422
Other/consolidation	20 402	19 560	293 084	394 475	249 629	215 426
Unallocated (balance sheet)	—	—	190 613	189 740	1 623 289	1 693 395
MVV Energie Group	**164 371**	189 972	**3 277 559**	3 152 868	**2 363 857**	2 315 892

Further information about Segment Reporting has been provided under Note 38

EBIT		Non-Cash Expenses	
2006/2007	2005/2006	**2006/2007**	2005/2006
53 698	19 946	6 657	7 659
41 869	51 171	2 683	1 981
10 928	30 723	2 076	3 219
19 001	20 943	637	765
19 115	11 690	3 503	1 074
71 257	68 564	1 992	1 382
– 809	– 2 078	16 230	11 288
215 059	200 959	**33 778**	27 368

[1] explanations of changes in the previous year's figures can be found under "Changes in accounting policies"

Cash Flow Statement

Cash Flow Statement of the MVV Energie Group Euro 000s	2006/2007	2005/2006
Annual net surplus	126 234	63 600
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	144 088	178 583
Change in non-current provisions	335	1 302
Other non-cash income and expenses	– 2 009	2 712
Cash flow as per DVFA/SG	**268 648**	**246 197**
Change in current provisions	30 202	17 899
Result generated from disposal of intangible assets and property, plant and equipment	4 423	– 423
Result generated from disposal of financial assets	– 5 959	– 11 017
Change in other assets	– 2 185	– 200 138
Change in other liabilities	– 11 618	85 279
Cash flow from operating activities	**283 511**	**137 797**
Investments in intangible assets, property, plant and equipment and investment property	– 164 371	– 189 972
(Free cash flow)	**(119 140)**	**(– 52 175)**
Proceeds from disposal of intangible assets, property, plant and equipment and investment property	13 649	12 434
Proceeds from subsidy payments	13 481	12 519
Proceeds from sale of fully and proportionately consolidated companies	13 320	—
Proceeds from sale of other financial assets	3 519	6 288
Payments for acquisition of fully and proportionately consolidated companies	– 72 971	– 9 322
Payments for other financial assets	– 17 379	– 19 312
Cash flow from investing activities	**– 210 752**	**– 187 365**
Proceeds from taking up of loans	599 876	235 663
Payments for redemption of loans	– 636 753	– 228 014
Proceeds from capital increases	—	90 192
Dividend payment	– 56 326	– 57 316
Cash flow from financing activities	**– 93 203**	**40 525**
Cash-effective changes in cash and cash equivalents	– 20 444	– 9 043
Change in cash and cash equivalents due to currency translation	659	436
Cash and cash equivalents at 1. 10. 2006 (2005)	119 368	127 975
Cash and cash equivalents at 30. 9. 2007 (2006)	**99 583**	**119 368**

Further information about the Cash Flow Statement has been provided under Note 39

Cash flow – aggregate depiction Euro 000s	**2006/2007**	2005/2006
Cash and cash equivalents at 1.10.2006 (2005)	**119 368**	127 975
Cash flow from operating activities	283 511	137 797
Cash flow from investing activities	– 210 752	– 187 365
Cash flow from financing activities	– 93 203	40 525
Change in cash and cash equivalents due to currency translation	659	436
Cash and cash equivalents at 30.9.2007 (2006)	**99 583**	119 368

Notes to the Consolidated Financial Statements

of the MVV Energie Group for the 2006/2007 Financial Year

General principles

The consolidated financial statements of the MVV Energie Group have been compiled pursuant to Section 315a (1) of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) as applicable in the EU. Full application has been made of all of the standards of the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) requiring mandatory application as of 30 September 2007.

The consolidated financial statements have been compiled as of the reporting date for the annual financial statements of MVV Energie AG and refer to the 2006/07 financial year (1 October 2006 to 30 September 2007). MVV Energie AG has its legal domicile in Mannheim, Germany. The MVV Energie Group acts as an energy distributor and service provider in the fields of electricity, district heating, gas, water, environmental energy and value-added services. The activities in the environmental energy segment focus on the incineration of non-recyclable waste. The consolidated financial statements have been compiled in euros. Unless otherwise indicated, all amounts have been stated in thousand euros (Euro 000s).

In addition to the balance sheet and income statement, the statement of changes in equity, the segment report and the cash flow statement have been presented separately. The income statement has been compiled in accordance with the total cost method. In the interests of clarity, individual items have been presented in summarised form in the balance sheet and income statement and broken down and outlined separately in the notes.

The consolidated financial statements and group management report were compiled by the Executive Board and approved to be forwarded to the Supervisory Board for adoption and publication on 27 November 2007. They were subsequently presented to the Supervisory Board for inspection.

Changes in accounting policies

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

IAS 19:	Amendment (2004) "Actuarial gains and losses, group plans and disclosures"
IAS 21:	Amendment (2005) "Net investment in a foreign operation"
IAS 39:	Amendment (2005) "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 material implications.

Starting in this financial year, energy trading transactions recognised under IAS 39 have been broken down into non-current and current items in line with their respective maturities. In view of the data available, it was not possible to adjust the previous year's figures.

In the interests of increased transparency, the following adjustments have been made to the previous year's figures in the income statement: the release of badwill (Euro 299 thousand) included under goodwill amortisation has been included in the year under report under other operating income for the comparative period. Capitalised own-account services and changes in inventories have been reported separately for the first time in the 2006/07 financial year. Corresponding amendments have been made to the previous year's figures. Finally, in contrast to the information published in the previous year, electricity and gas taxes have been reported as separate items in the current year. Corresponding amendments have been made to the previous year's figures.

The item "Expenses from energy trading load adjustment transactions valued pursuant to IAS 39" included under other operating expenses in the previous year has been reclassified to cost of materials. This amendment was necessitated by the more precise allocation of items between trading transactions and supply transactions.

Expenses relating to grid utilisation fees have been reclassified within cost of materials from raw materials and supplies to services purchased. Corresponding amendments have been made to the previous year's figures.

Implications of new accounting standards not yet requiring application

The IASB and the IFRIC have adopted the following standards and interpretations not yet requiring mandatory application in the 2006/07 financial year and of which no voluntary premature application has been made:

IAS 1:	Amendments (2005 and 2007) "Presentation of financial statements"
IAS 23:	Amendment (2007) "Capitalisation of borrowing costs"
IFRS 7:	Financial instruments: disclosures
IFRS 8:	Operating segments
IFRIC 10:	Interim financial reporting and impairment
IFRIC 11:	IFRS 2 Group and treasury share transactions
IFRIC 12:	Service concession arrangements
IFRIC 13:	Customer loyalty programmes
IFRIC 14:	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

IFRIC 10 is applicable for the first time in financial years beginning on or after 11 November 2006. The amendments to IAS 1 (2005) and IFRS 7 are applicable for the first time in financial years beginning on or after 1 January 2007. IFRIC 11 is applicable for the first time in financial years beginning on or after 1 March 2007. IFRIC 12, IFRIC 13 and IFRIC 14 are applicable for the first time in financial years beginning on or after 1 January 2008. The amendments to IAS 23 (2007) and IFRS 8 are applicable for the first time in financial years beginning on or after 1 January 2009. IFRS 7 will lead to extended disclosures in the financial statements of MVV Energie AG as to the type and scope of risks associated with financial instruments. IFRIC 12 may affect the accounting treatment of municipal service concession agreements and the related property, plant and equipment. At present, no conclusive assessment is yet possible in this respect.

Apart from extended notes to the consolidated financial statements, the initial application of the other requirements is not expected to have any major implications for the consolidated financial statements of the MVV Energie Group.

Scope of consolidation and changes in the scope of consolidation

In addition to MVV Energie AG, 52 German and foreign subsidiaries in which MVV Energie AG directly or indirectly holds a majority of the voting rights have been fully consolidated in the consolidated financial statements of the MVV Energie Group for the 2006/07 financial year (previous year: 42). The relevant control concept requires the parent company to exercise a controlling influence in the case of fully consolidated companies. This is the case for all companies fully consolidated.

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 am Main
24/7 Netze GmbH, Mannheim
DECON Deutsche Energie-Consult Ingenieurgesellschaft mbH, Bad Homburg v. d. Höhe
ENERGIE Holding a.s., Prague, Czech Republic
Industriepark Gersthofen Servicegesellschaft mbH & Co. KG, Gersthofen
MVV Energiedienstleistungen GmbH & Co. KG IK Korbach, Korbach
MVV Energiedienstleistungen GmbH IS Südwest, Mannheim
MVV Energiedienstleistungen GmbH Südwest, Mannheim
MVV Energiedienstleistungen Wohnen GmbH & Co. KG, Berlin
POWGEN a.s., Prague, Czech Republic
Teplárna Liberec a.s., Liberec, Czech Republic

The initial inclusion of these companies in the consolidated financial statements did not result in any major changes to the cash flow statement or, apart from the recognition of a debit difference, in any notable impact on earnings within the Group.

With the exception of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG, Teplárna Liberec a. s. and MVV Energiedienstleistungen Wohnen GmbH & Co. KG, the aforementioned companies mainly involve newly established companies and companies which have previously not been operationally active. The purchase prices were settled exclusively by the transfer of cash funds.

On 1 October 2006, the MVV Energie Group acquired 100 % of the shares in Industriepark Gersthofen Servicegesellschaft mbH & Co. KG. This acquisition was accounted for using 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. A business operation involving the generation and distribution of municipal district heating was acquired for and contributed to this company. Moreover, ENERGIE Holding a.s. acquired 70 % of the shares in Teplárna Liberec based in Liberec, Czech Republic. Both acquisitions have been accounted for using the acquisition method.

Based on a contract dated 27 February 2007, 51 % of the shares in MVV Energiedienstleistungen Wohnen GmbH & Co. KG, Berlin, and in MVV Energiedienstleistungen Wohnen GmbH, Berlin, were acquired. This acquisition has been accounted for using the acquisition method. The prorated goodwill amounting to Euro 8 348 thousand includes the fair value of the synergies expected from the acquisition of these companies. Given that MVV Energiedienstleistungen Wohnen GmbH & Co. KG Berlin is a partnership under German law, the partners have legal, non-excludable rights of termination. Pursuant to IAS 32, these rights of termination require the minority interests in the company present at the Group to be recognised as a liability. The liability is to be stated at the present value of the amount of compensation expected in the event of a potential termination. This has initially been stated at Euro 4 872 thousand and has been offset directly in equity against goodwill plus the share of limited capital allocable to minority shareholders, amounting to Euro 5 526 thousand. Such liability has to be recognised irrespective of the probability of termination. Any future changes in the value of the liability will be reported along with minority interests in earnings under net financing expenses through profit and loss.

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

Identifiable Company Assets and Liabilities Euro 000s	IGS Gersthofen		Teplárna Liberec a.s.		Contribution to ENERGIE Holding a.s.		MVV Energiedienstleistungen Wohnen GmbH & Co. KG	
	Stated upon acquisition	Carrying amount	Stated upon acquisition [1]	Carrying amount	Stated upon acquisition [2]	Carrying amount	Stated upon acquisition	Carrying amount
Intangible assets	2 533	25	99	99	249	—	14 142	6
Property, plant and equipment	30 729	51 925	14 457	14 457	29 076	29 076	827	827
Deferred tax assets	586	586	—	—	—	—	165	165
Inventories, receivables, other assets	10 846	10 846	9 440	10 225	1 430	2 153	10 437	10 437
Cash and cash equivalents	17	17	32	32	1	1	5 150	5 150
Provisions	8 710	8 710	210	210	—	—	6 579	6 579
Other liabilities	6 612	6 612	7 889	7 889	1 673	1 723	8 616	8 616
Deferred tax liabilities	4 025	14 520	704	653	—	125	1 339	162
Fair value of net assets	**25 364**	**33 557**	**15 225**	**16 061**	**29 083**	**29 382**	**14 187**	**1 228**
Share acquired in the company	**25 364**	**33 557**	**10 658**	**11 243**	**29 083**	**29 382**	**7 235**	**626**
Debit difference	4 956	—	—	—	—	—	—	—
Goodwill	—	—	542	—	271	—	13 220	—
of which: goodwill meeting requirements of IAS 32	—	—	—	—	—	—	4 872	—
Earnings contribution since date of initial consolidation	2 913	—	501	—	160	—	1 141	—

[1] the purchase price allocation for Teplárna Liberec a.s. has been finalised, but there may still be some adjustments in the purchase price

[2] the purchase price allocation for the contribution of a business operation to ENERGIE Holding a.s. has been finalised, but there may still be some adjustments in the purchase price

The debit difference was recognised immediately through 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 acquisitions amounted to Euro 1 341 thousand.

The statement of pro-forma sales and earnings has been foregone in view of the fact that the company acquisitions do not have any material overall implications for MVV Energie AG.

Since 1 July 2007, KPEC Kommunalne Przedsiebiorstwo Energetyki Cieplnej Sp. z o.o., Bydgoszcz, Poland, has no longer been included in the consolidated financial statements given that joint management or substantial control no longer apply. The shares in the company have been recognised at fair value under other financial assets. A necessary value adjustment was undertaken upon the transition date.

Furthermore, SW Kiel Beteiligungsgesellschaft mbH, Mannheim, which was previously fully consolidated, was merged with MVV Energie AG in the 3rd quarter of the 2006/07 financial year. This merger had no impact on the financial, net asset and earnings position as depicted in the consolidated financial statements. Energy Innovations Portfolio AG & Co. KGaA, which was accounted for using the equity method in the previous year, is to be sold in the following financial year and has therefore been recognised as held for sale pursuant to IFRS 5 since September 2007.

Overall, the changes in the scope of consolidation have not had any material influence on the balance sheet and income statement of the MVV Energie Group.

In the previous 2005/06 financial year, the Group acquired 100 % of the shares in MVV Energiedienstleistungen GmbH Berlin, as well as shares in Biomassen-Heizkraftwerk Altenstadt GmbH and ENSERVA GmbH. These business combinations gave rise to goodwill totalling Euro 15 689 thousand.

Associated companies not meeting the extended reporting obligations under IFRS have been recognised under IAS 39 (2004) in the consolidated balance sheet rather than being consolidated using the equity method pursuant to IAS 28. Subsidiaries, joint ventures and associated companies which both on an individual basis and as an entirety are of immaterial significance to the consolidated financial statements in terms of their sales, total assets and earnings contributions, have also not been included in the scope of consolidation, but have rather been recognised under IAS 39 (2004).

All companies included in the consolidated financial statements have 30 September as their uniform reporting date. The annual financial statements of the companies included in the consolidated financial statements of the MVV Energie Group have been based on uniform accounting policies

The companies included in the consolidated financial statements of the MVV Energie Group as of 30 September 2007 have been listed in the following overview. An extensive list of holdings, which also includes the non-consolidated subsidiaries and other shareholdings reported as other financial assets, has been deposited in the Mannheim Commercial Register (HRB 1780).

Scope of Consolidation of the MVV Energie Group as of 30. 9. 2007	Shareholding in % direct[5]	Shareholding in % indirect[6]
Companies fully consolidated		
Germany		
24/7 IT-Services GmbH, Kiel (previously: 24solution GmbH, Kiel)	100.00	75.50
24/7 Metering GmbH, Offenbach am Main[2]	100.00	73.82
24/7 Netze GmbH, Mannheim[2]	100.00	84.60
24/7 Trading GmbH, Mannheim (previously: MVV Energiehandel GmbH, Mannheim)	100.00	77.49
24/7 United Billing GmbH, Offenbach am Main (previously: KSG Kommunikations-Service-Gesellschaft mbH, Offenbach)	100.00	49.37
24sieben GmbH, Kiel	100.00	51.00
ABeG Abwasserbetriebsgesellschaft mbH, Offenbach am Main	51.00	24.82
BFE Institut für Energie und Umwelt GmbH, Mühlhausen	100.00	100.00
Biomassen-Heizkraftwerk Altenstadt GmbH, Altenstadt	67.00	67.00
DECON Deutsche Energie-Consult Ingenieurgesellschaft mit beschränkter Haftung, Bad Homburg v. d. Höhe[2]	100.00	100.00
Energieversorgung Offenbach Aktiengesellschaft, Offenbach am Main[1]	48.67	48.67
ENSERVA GmbH, Solingen	74.90	62.93
eternegy GmbH, Mannheim	100.00	100.00
Gasversorgung Offenbach GmbH, Offenbach am Main	74.90	36.46
GeTeBe Gesellschaft für Technologieberatung mbH, Berlin	100.00	100.00
Industriepark Gersthofen Servicegesellschaft mbH & Co. KG, Gersthofen[2]	100.00	100.00
Köthen Energie GmbH, Köthen	100.00	100.00
MVV BioPower GmbH, Königs Wusterhausen	100.00	100.00
MVV BMKW Mannheim GmbH, Mannheim	100.00	100.00
MVV Consulting GmbH, Mannheim	100.00	100.00
MVV Energiedienstleistungen GmbH IS West, Solingen (previously: MVV Energie Industrial Solutions West GmbH, Solingen)	100.00	100.00
MVV Energiedienstleistungen GmbH Berlin, Berlin	100.00	100.00
MVV Energiedienstleistungen GmbH, Mannheim	100.00	100.00
MVV Energiedienstleistungen GmbH IS Südwest, Mannheim[2]	100.00	100.00
MVV Energiedienstleistungen GmbH Südwest, Mannheim[2]	100.00	100.00
MVV Energiedienstleistungen GmbH & Co. KG IK Korbach, Korbach[2]	100.00	100.00
MVV Energiedienstleistungen GmbH IK Ludwigshafen, Mannheim previously: MVV Industriekraftwerk Ludwigshafen GmbH, Mannheim)	100.00	100.00
MVV Energiedienstleistungen Industrial Solutions Bayern GmbH, Ingolstadt	100.00	100.00
MVV Energiedienstleistungen Wohnen GmbH & Co. KG, Berlin[2]	51.00	51.00
MVV O&M GmbH, Mannheim	100.00	100.00
MVV RHE AG, Mannheim	100.00	100.00

[1] majority of voting rights
[2] added to scope of consolidation in current financial year
[3] special purpose entity
[4] joint management on the basis of a contractual agreement
[5] the direct shareholding is calculated by adding the level of shareholdings held by all parent companies included in the Group
[6] the indirect shareholding is calculated from the perspective of MVV Energie AG and accounts for the respective levels of shareholding

Continued on Page 82

Continuation of list of fully consolidated companies in Germany:

MVV TREA Leuna GmbH, Leuna	100.00	100.00
MVV Umwelt GmbH, Mannheim	100.00	100.00
Stadtwerke Kiel Aktiengesellschaft, Kiel	51.00	51.00
SWKiel Erzeugung GmbH, Kiel	100.00	51.00
SWKiel Netz GmbH, Kiel	100.00	51.00
SWKiel Service GmbH, Kiel	100.00	51.00
ZEDER Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Grünwald [3]	0.00	0.00

Scope of Consolidation of the MVV Energie Group as of 30. 9. 2007	Shareholding in % direct [5]	Shareholding in % indirect [6]
Companies fully consolidated		
International		
CTZ s.r.o., Uherské Hradiště, Czech Republic	50.96	50.96
Energetyka Cieplna miasta Skarzysko-Kamienna Sp. z o.o., Skarzysko-Kamienna, Poland [1]	46.06	46.06
ENERGIE Holding a.s., Prague, Czech Republic [2]	100.00	100.00
Jablonecká teplárenská a realitní a.s., Jablonec nad Nisou, Czech Republic	65.78	65.78
Městské inžnýrské sitě Studénka a.s., Studénka, Czech Republic	99.92	99.92
MVV Energie CZ s.r.o., Prague, Czech Republic	100.00	100.00
MVV enservis a.s., Česká Lípá, Czech Republic	100.00	100.00
MVV EPS SA, Warsaw, Poland	100.00	100.00
MVV Polska Sp. z o.o., Warsaw, Poland	100.00	100.00
OPATHERM a.s., Opava, Czech Republic	100.00	100.00
POWGEN a.s., Prague, Czech Republic [2]	100.00	100.00
Teplárna Liberec a.s., Liberec, Czech Republic [2]	70.00	70.00
TERMO Děčín a.s., Děčín, Czech Republic	96.91	96.91
Zásobování teplem Vsetín a.s., Vsetín, Czech Republic	98.53	98.53

[1] majority of voting rights
[2] added to scope of consolidation in current financial year
[3] special purpose entity
[4] joint management on the basis of a contractual agreement
[5] the direct shareholding is calculated by adding the level of shareholdings held by all parent companies included in the Group
[6] the indirect shareholding is calculated from the perspective of MVV Energie AG and accounts for the respective levels of shareholding

Scope of Consolidation of the MVV Energie Group as of 30. 9. 2007	Shareholding in % direct[5]	Shareholding in % indirect[6]
Companies proportionately consolidated		
Germany		
reginova GmbH, Ingolstadt	100.00	48.40
Stadtwerke Ingolstadt Beteiligungen GmbH, Ingolstadt[4]	48.40	48.40
Stadtwerke Ingolstadt Energie GmbH, Ingolstadt	100.00	48.40
Stadtwerke Ingolstadt Netze GmbH, Ingolstadt	100.00	48.40
Stadtwerke Solingen GmbH, Solingen[4]	49.90	49.90
Stadtwerke Solingen Netz GmbH, Solingen	100.00	49.90
Companies proportionately consolidated		
International		
SEC Sp. z o.o., Szczecin, Poland[4]	33.18	33.18
Companies classified as held for sale		
Germany		
Energy Innovations Portfolio AG & Co. KGaA, Mannheim	99.64	99.64

[1] majority of voting rights
[2] added to scope of consolidation in current financial year
[3] special purpose entity
[4] joint management on the basis of a contractual agreement
[5] the direct shareholding is calculated by adding the level of shareholdings held by all parent companies included in the Group
[6] the indirect shareholding is calculated from the perspective of MVV Energie AG and accounts for the respective levels of shareholding

Joint ventures account for the following shares of the balance sheet and income statement of the MVV Energie Group:

Balance Sheet Euro million	**30. 9. 2007**	30. 9. 2006
Assets		
Non-current assets	153.7	290.9
Current assets	33.5	40.4
	187.2	**331.3**
Equity and liabilities		
Equity	105.1	8.6
Non-current debt	43.7	287.5
Current debt	38.4	35.2
	187.2	**331.3**

Income Statement Euro million	**2006/2007**	2005/2006
Sales	209.8	237.7
Capitalised own-account services and change in inventories	1.3	0.2
Other operating income	6.1	6.7
Cost of materials	148.0	157.2
Personnel expenses	20.9	21.8
Other operating expenses	22.1	31.5
EBITDA	**26.2**	**34.1**
Depreciation	10.6	11.1
EBITA	**15.6**	**23.0**
Goodwill amortisation	0.0	19.3
EBIT	**15.6**	**3.7**
Financing income	0.4	0.4
Financing expenses	2.0	2.0
EBT	**14.0**	**2.1**
Taxes on income	2.2	8.1
Annual net surplus/deficit	**11.8**	**– 6.0**

Since 1 July 2007, KPEC Kommunalne Przedsiebiorstwo Energetyki Cieplnej Sp. z o.o., Bydgoszcz, Poland, has no longer been proprotionatly included in the consolidated financial statements. The income statement includes the respective figures up to 30 June 2007.

Consolidation methods

The annual financial statements included in the consolidated financial statements have been compiled on the basis of uniform accounting policies as of 30 September 2007.

Subsidiaries have been fully consolidated upon acquisition, i.e. from the time at which the Group gains control. Their inclusion in the consolidated financial statements ends upon their no longer being controlled by the parent company. The consolidation of capital is basically undertaken in accordance with the acquisition method. This involves the costs of acquisition incurred by the business combination being allocated to the identifiable assets thereby acquired and the identifiable liabilities and contingent liabilities thereby assumed on the basis of their fair values at the time of acquisition. Any remaining credit difference is reported under intangible assets as goodwill. Capitalised goodwill is not subject to scheduled amortisation, but rather undergoes an impairment test undertaken once per year or upon there being any indications of impairment in value. Any goodwill remaining upon deconsolidation is accounted for in the treatment of the proceeds from the disposal. Any debit differences arising are recognised directly through profit or loss.

Receivables, provisions and liabilities have been offset against each other, as have sales, income and expenses between the consolidated companies. Any material intercompany results have also been eliminated. Tax deferrals have been undertaken.

The proportionate consolidation of joint ventures has been undertaken in accordance with the same principles. Shares in associated companies have been accounted for using the equity method in cases meeting the relevant requirements.

Currency translation

Transactions undertaken in foreign currencies have been recognised in the separate financial statements of the consolidated companies at the spot rate applicable at the time of such transaction. Monetary assets and liabilities whose value is stated in a foreign currency are translated at each reporting date at the rate valid on the reporting date. Non-monetary items valued at historic cost in a foreign currency are translated at the rate valid on the date of such transaction. Non-monetary items valued at fair value in a foreign currency are translated at the rate valid upon the fair value being determined. Any resultant exchange rate gains and losses have been recognised directly through profit or loss as other operating income or other operating expenses.

The annual financial statements of foreign group companies have been translated into euros (the functional currency of the Group) in accordance with the functional currency concept. This involves the respective national currency at all companies thereby affected in view of the fact that they conduct their business in their respective national currencies as independent foreign entities within the Group in financial, economic and organisational terms. Modified reporting date rates have been used as the method of translation for the financial statements of foreign companies. This involves assets and liabilities being translated from their respective national currencies into euros at the mean exchange rate valid on the reporting date (reporting date rates). Income and expense items have been translated using annual average exchange rates. Currency differences resulting from the translation of equity of the foreign companies in question or from the application of differing translation rates for the balance sheet and the income statement have been reported directly under equity as retained earnings (differential amount from currency translation).

The currency translation has been based on the following exchange rates:

1 Euro	Rate on reporting date		Average rate	
	30. 9. 2007	30. 9. 2006	**2006/2007**	2005/2006
Polish zlotys (PLN)	3.773	3.971	3.831	3.913
Czech crowns (CZK)	27.532	28.326	28.072	28.655

(Source: European Central Bank)

Accounting policies

Assets and liabilities have been measured at updated cost in all cases with the exception of certain financial assets and financial instruments which IAS 39 (2004) requires to be measured at fair value and where this can be reliably determined. Non-current receivables and debt have been recognised at present value.

Since 1 January 2005, the MVV Energie Group has been subject to the requirements of the European emissions trading system. Within the framework of this system, the companies thereby affected receive CO_2 emissions rights which have to be returned to the respective authority within four months of the expiry of each calendar year in line with the actual volume of CO_2 emissions in the respective year. In cases where the actual CO_2 emissions exceed the rights allocated per year, the missing rights have to be purchased. CO_2 emissions certificates acquired on the market are recognised in the consolidated financial statements at cost as current intangible assets within other assets. Rights allocated free of charge are accounted for at Euro 0.

Details on the individual measurement methods applied have been provided in the notes to the individual items.

Measurement uncertainties

Discretionary decisions have to be made when applying the accounting policies. Moreover, the compilation of consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made which could impact on the values stated for the assets and liabilities, income and expenses thereby reported, as well as on the disclosure of contingent liabilities.

Discretionary decisions in the application of accounting policies

The exercising of discretion in the application of accounting policies has not had any significant implications for the values stated for the assets and liabilities reported in the financial statements.

Uncertainties involved in estimates

The following section provides information on the most important forward-looking assumptions and major sources of uncertainty involved in estimates made at the reporting date, as a result of which there is a considerable risk that a major adjustment in the carrying amounts of assets and liabilities will be required in the coming financial year.

The fair values of assets and liabilities and the useful lives of assets have been determined on the basis of management assessment. The same applies to the calculation of any impairment of assets.

The MVV Energie Group reviews whether its goodwill is impaired at least once per year or in the event of any events or changes in circumstances indicating that there might be an impairment of carrying amounts. This requires the use value of the cash generating unit to which the goodwill is allocated to be estimated. In order to estimate the use value, the MVV Energie Group has to estimate the cash flow surpluses expected to be generated by the cash generating unit in future and furthermore to select an appropriate discount rate to calculate the present value of the cash flow. All assumptions and estimates are based on circumstances and assessments as of the reporting date. Any deviation in the development of the underlying framework could result in differences arising between such estimates and actual values. Appropriate amendments are made in such cases to the assumptions and if necessary to the carrying amount of the goodwill. Further details can be found under Note 1.

Moreover, assumptions also have to be made when calculating actual and deferred taxes. In particular, the possibility of generating corresponding taxable income plays a major role in the assessment as to whether it will be possible to use deferred tax assets.

The principal estimates involved in the measurement of provisions for pensions and similar obligations include the discount factor, biometrical probabilities and trend assumptions. Any deviation in the development of these estimates could result in differences arising between the amounts stated and the obligations actually arising in the course of time. Given that actuarial gains and losses are only recorded in cases where they exceed 10 % of the higher of either the extent of the obligation or the fair value of the plan assets, changes in the discount factor generally do not have any major implications for the carrying amount of the provisions stated at the MVV Energie Group in the next financial year.

When assessing the uncertainty involved in such measurements, reference is always made to the best information available at the reporting date. Actual amounts may differ from the estimates thereby made. The carrying amounts recorded in the financial statements which are subject to these uncertainties have been stated in the balance sheet and the accompanying information provided in the notes.

No major changes in the assumptions underlying the accounting and valuation policies were to be expected upon the compilation of these consolidated financial statements. In this respect, no noteworthy adjustments are currently to be expected in the assumptions and estimates or in the carrying amounts of the relevant assets and liabilities in the 2007/08 financial year.

Notes on the Balance Sheet

1 Intangible assets

Intangible assets have in all cases been acquired in return for payment and have been recognised at cost. With the exception of goodwill, they have been subject to scheduled straight-line amortisation on the basis of their respective useful lives. There are no intangible assets with useful lives classified as being indeterminate.

The requirements governing the capitalisation of development expenses have not been met. Like research expenses, these have therefore also been recognised as expenses in the period in which they were incurred. These expenses amounted to Euro 1731 thousand in the 2006/07 financial year (previous year: Euro 2 724 thousand). Research and development expenses principally relate to activities aimed at achieving ongoing improvements in working processes, product development and technological enhancements.

The concessions, industrial property rights and similar rights and values consist of software and of contractually agreed grants to customers and suppliers. The useful lives of such rights are based on the respective economic aspects and contractual stipulations and range from 3 to 25 years.

The intangible assets arising as a result of the initial consolidation of subsidiaries mainly involve supply and service agreements with third parties which could be recognised in the balance sheet upon the consolidation of the respective companies.

Goodwill is not subject to scheduled amortisation, but rather undergoes an impairment test once a year or in the event of there being any indication that its value is impaired. The goodwill is allocated for this purpose to cash generating units on the level of the legal entities or of subgroups consisting of legal entities belonging together in geographical terms.

The recoverable amount of a cash generating unit is the higher of its use value and its fair value less disposal-related expenses. The fair value represents a best estimate of the amount for which an independent third party would acquire the cash generating unit at the reporting date. The fair/use values of the cash generating units are determined on the basis of cash flow forecasts approved by the management and supervisory bodies. Such cash flow forecasts are based on the experience and results in previous financial years, as well as on expectations as to future market developments. Extraordinary amortisation is undertaken in cases where the recoverable amount of the asset (use value) falls short of its respective carrying amount.

The cash flow forecasts have been based on the expected development in key macroeconomic figures derived from economic and financial studies. The key assumptions used in the forecast concern the development of the price of crude oil, natural gas and coal on the global markets, the price of electricity and gas on the wholesale and end consumer markets and the development of market shares and of the relevant regulatory framework. The cash flow forecasts incorporate a detailed budgeting period of five years. The figures for subsequent financial years are based on an extrapolation of the results of the final year in the detailed budgeting period. The assumed growth rates range from 0.5 % to 1.0 %. These growth rates correspond to the average long-term growth rates on the markets in which the companies operate and are consistent with external sources of information concerning market expectations.

The recoverable amount/use value was determined by discounting the cash flows expected at the German shareholdings using discount rates (weighted cost of capital) averaging 8.5 % before taxes. The discount rates have been determined on the basis of observable market data.

The carrying amounts stated for goodwill are structured as following:

Euro 000s	**30. 9. 2007**	30. 9. 2006
Energieversorgung Offenbach subgroup	65 066	65 066
Stadtwerke Solingen subgroup	59 472	59 472
Stadtwerke Ingolstadt subgroup	53 759	53 759
MVV Energiedienstleistungen Wohnen GmbH & Co. KG, Berlin	13 220	—
MVV Energiedienstleistungen GmbH, Berlin	12 346	12 346
MVV Czech subgroup	4 747	4 368
Biomassen-Heizkraftwerk Altenstadt GmbH, Altenstadt	3 343	3 343
MVV Polish subgroup	2 102	1 781
Other	6 996	6 996
	221 051	207 131

The respective use values have been taken as the recoverable amounts for the goodwill write-downs of Euro 542 thousand undertaken during the year under report (previous year: Euro 21 901 thousand). The write-down relates to the goodwill arising at the Czech subgroup upon the acquisition of Teplárna Liberec.

The rise in the value stated for the MVV Polish subgroup is attributable to the increase in the level of shareholding held in one Polish subsidiary.

Further details concerning the goodwill newly added can be found under "Scope of consolidation and changes in scope of consolidation".

Intangible assets Euro 000s	Concessions, industrial property rights and similar rights and values	Goodwill	Advance payments	**Total**
Gross value at 1. 10. 2005	199 142	260 652	4 821	464 615
Change in scope of consolidation	– 598	12 735	—	12 137
Currency adjustments	43	– 24	1	20
Investments	10 265	—	1 173	11 438
Disposals	3 622	—	56	3 678
Reclassifications	5 575	—	– 4 240	1 335
Gross value at 30. 9. 2006	**210 805**	**273 363**	**1 699**	**485 867**
Amortisation at 1. 10. 2005	100 986	46141	3	147 130
Change in scope of consolidation	– 1 331	– 1 295	—	– 2 626
Currency adjustments	38	– 216	—	– 178
Amortisation	14 561	21 602	—	36 163
Disposals	3 382	—	—	3 382
Amortisation at 30. 9. 2006	**110 872**	**66 232**	**3**	**177 107**
Net value at 30. 9. 2006	**99 933**	**207 131**	**1 696**	**308 760**
Gross value at 1. 10. 2006	210 805	273 363	1 699	485 867
Change in scope of consolidation	17 151	14 262	3	31 416
Currency adjustments	54	359	—	413
Investments	4 610	—	1 669	6 279
Disposals	1 817	—	17	1 834
Reclassifications	– 13 873	—	– 1 138	– 15 011
Gross value at 30. 9. 2007	**216 930**	**287 984**	**2 216**	**507 130**
Amortisation at 1. 10. 2006	110 872	66 232	3	177 107
Change in scope of consolidation	363	—	—	363
Currency adjustments	46	159	—	205
Amortisation	14 241	542	—	14 783
Disposals	1 642	—	—	1 642
Reclassifications	– 8 763	—	—	– 8 763
Amortisation at 30. 9. 2007	**115 117**	**66 933**	**3**	**182 053**
Net value at 30. 9. 2007	**101 813**	**221 051**	**2 213**	**325 077**

2 Property, plant and equipment

Property, plant and equipment have been recognised at cost, less depreciation. In the case of internally generated property, plant and equipment, the costs of manufacture have been based on the allocable direct costs and a commensurate share of overhead expenses. Debt capital costs have not been capitalised.

The costs of assets have been reduced by the amount of public subsidies (investment grants) received and by the amount of customer payments for construction and house connection costs in the case of new connections or the extension of existing connections. Public subsidies have been recognised in cases where it is reasonably certain that such subsidies will be granted and the related conditions have been met. The investment grants relate exclusively to asset-based subsidies. These grants have been stated separately from investments in the overview of property, plant and equipment.

Property, plant and equipment have been subject to straight-line depreciation on the basis of their economic useful lives. For buildings, the period of depreciation amounts to 50 years. Technical equipment and machines are depreciated over a period of between 8 and 40 years, with pipe networks in most cases having useful lives of 30 to 40 years. Plant and office equipment is depreciated over a period of between 4 and 15 years.

Property, plant and equipment have been subject to extraordinary depreciation in cases where the recoverable amount of the respective asset falls short of its carrying amount. The depreciation undertaken during the year under report includes extraordinary depreciation amounting to Euro 250 thousand (previous year: Euro 15 255 thousand). This mainly related to technical equipment and machinery, and in the previous year also to land and buildings, and was due to a reduction in the earnings expected from future use.

During the financial year under report there were no major rented or leased items of property, plant and equipment in which economic ownership was attributable to the MVV Energie Group as a result of the terms of the respective contracts.

Property, plant and equipment up to an equivalent value of Euro 127 million have been provided as security for financial liabilities. This mainly involves land and buildings.

The reclassification from intangible assets to property, plant and equipment involves the takeover of district heating facilities at Stadtwerke Kiel AG from the joint venture power plant Gemeinschaftskraftwerk Kiel GmbH. These facilities had been subsidised by Stadtwerke Kiel and capitalised as rights of utilisation upon their acquisition. These facilities were purchased by Stadtwerke Kiel AG in the 2006/07 financial year, with the subsidies paid being reallocated to costs of acquisition.

Property, plant and equipment Euro 000s	Land, leasehold rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other facilities, plant and office equipment	Advance payments and construction in progress	**Total**
Gross value at 1.10.2005	610 680	2 921 923	225 046	123 378	3 881 027
Change in scope of consolidation	4 985	– 6 549	– 1 178	5 891	3 149
Currency adjustments	1 680	1 923	– 5	33	3 631
Investments	4 055	52 248	5 589	112 854	174 746
of which subsidy payments	282	11 467	1	769	12 519
Disposals	6 226	15 203	19 003	1 042	41 474
Reclassifications	3 653	94 203	1 680	– 110 462	– 10 926
Gross value at 30.9.2006	**618 545**	**3 037 078**	**212 128**	**129 883**	**3 997 634**
Depreciation at 1.10.2005	225 108	1 662 635	149 760	234	2 037 737
Change in scope of consolidation	1 420	– 2 822	– 966	—	– 2 368
Currency adjustments	438	905	– 7	9	1 345
Scheduled depreciation	16 517	89 152	11 849	—	117 518
Extraordinary depreciation	6 676	8 532	17	—	15 225
Disposals	3 859	13 865	17 263	7	34 994
Reclassifications	21	– 7 616	– 27	—	– 7 622
Depreciation at 30.9.2006	**246 321**	**1 736 921**	**143 363**	**236**	**2 126 841**
Net value at 30.9.2006	**372 224**	**1 300 157**	**68 765**	**129 647**	**1 870 793**
Gross value at 1.10.2006	618 545	3 037 078	212 128	129 883	3 997 634
Change in scope of consolidation	84 490	44 568	7 235	1667	137 960
Currency adjustments	4 105	4 141	167	117	8 530
Investments	19 589	58 151	6 872	73 286	157 898
of which subsidy payments	33	13 428	20	—	13 481
Disposals	9 340	19 609	11 895	5 248	46 092
Reclassifications	3 549	109 698	3 495	– 103 259	13 483
Gross value at 30.9.2007	**720 905**	**3 220 599**	**217 982**	**96 446**	**4 255 932**
Depreciation at 1.10.2006	246 321	1 736 921	143 363	236	2 126 841
Change in scope of consolidation	43 829	30 788	5 832	—	80 449
Currency adjustments	1 570	1 699	129	8	3 406
Scheduled depreciation	16 530	100 019	12 236	—	128 785
Extraordinary depreciation	—	241	—	9	250
Disposals	3 837	13 974	10 401	—	28 212
Reclassifications	—	8 397	113	—	8 510
Depreciation at 30.9.2007	**304 413**	**1 864 091**	**151 272**	**253**	**2 320 029**
Net value at 30.9.2007	**416 492**	**1 356 508**	**66 710**	**96 193**	**1 935 903**

3 Investment property

The investment property item includes real estate held for the purpose of generating rental income or long-term value growth and which is not used for production or administrative purposes. Such property has been measured at updated cost. Transaction costs are included in the initial measurement. The real estate thereby recognised is subject to straight-line depreciation over a period of 25 to 33 years.

The fair value of investment property has been determined on the basis of the valuation undertaken by independent surveyors as of 30 September 2007 and amounts to Euro 7 289 thousand in total. This fair value corresponds to the amount for which an asset could be exchanged between informed parties willing to reach agreement as between third parties on the reporting date. The rental income amounted to Euro 656 thousand during the financial year (previous year: Euro 170 thousand). Direct operating expenses (excluding scheduled depreciation) amounted to Euro 67 thousand (previous year: Euro 69 thousand).

Investment property Euro 000s	**2006/2007**	2005/2006
Gross value at 1.10.	5 757	—
Investments	194	3 788
Reclassifications	1 528	1 969
Gross value at 30.9.	**7 479**	5 757
Depreciation at 1.10.	103	—
Depreciation	270	103
Reclassifications	253	—
Depreciation at 30.9.	**626**	103
Net value at 30.9.	**6 853**	5 654

4 Shareholdings measured at equity

Shares held in shareholdings measured at equity are initially recognised at cost of acquisition and in subsequent periods at the updated value of the prorated net assets. Extraordinary amortisation is undertaken in cases where the recoverable amount falls short of the carrying amount. In view of the intention to sell the shareholding measured at equity, this shareholding has been reclassified to the "Assets held for sale" balance sheet item pursuant to IFRS 5. Reference is made to the information provided under Note 11.

Shareholdings measured at equity Euro 000s	**2006/2007**	2005/2006
Gross value at 1.10.	45 431	91 804
Change in scope of consolidation	—	44 510
Measurement at equity	– 1 595	921
Reclassification	– 43 836	– 91 804
Gross value at 30.9.	**—**	**45 431**
Amortisation at 1.10.	29 998	907
Change in scope of consolidation	—	22 265
Amortisation	—	7 733
Reclassification	– 29 998	– 907
Amortisation at 30.9.	**—**	**29 998**
Net value at 30.9.	**—**	**15 433**

The shareholdings measured at equity reported the following key financial figures as of 30 September 2007:

Euro 000s	**2006/2007**	2005/2006
Total assets	—	23 716
Liabilities	—	299
Overall performance	—	2 036
Annual net income	—	610

5 Other financial assets

The loans and securities reported under other financial assets have in most cases been classified as available for sale and recognised at fair value to the extent that this can be reliably determined. Non-consolidated subsidiaries and shareholdings have been measured at updated cost, adjusted where necessary to account for write-downs resulting from a decline in expected cash flows or from default risks.

Write-downs undertaken on other financial assets have been reported under "Other income from shareholdings" (Note 30) and "Financing expenses" (Note 34).

The other loans have fixed interest rates, with an average interest rate of 4.2 % (previous year: 4.9 %). The average period for which the interest remains fixed in the case of fixed-rate loans amounts to 10.5 years (previous year: 11.8 years).

Further information about financial instruments has been provided under Note 22.

Other financial assets Euro 000s	Non-consolidated subsidiaries	Other shareholdings	Loans general	Loans in connection with finance leases	Securities	**Total**
Gross value at 30. 9. 2006	10 879	103 907	19 616	13 474	1 993	149 869
of which current	—	—	2 715	669	—	3 384
Gross value at 1. 10. 2006	**10 879**	**103 907**	**16 901**	**12 805**	**1 993**	**146 485**
Change in scope of consolidation	—	15 379	—	7 946	—	23 325
Investments/additions	4 755	973	1 302	8 302	2 047	17 379
Disposals	634	103	1 350	1 016	457	3 560
Reclassifications	– 724	– 1 489	– 1 675	– 2 342	—	– 6 230
Gross value at 30. 9. 2007	**14 276**	**118 667**	**15 178**	**25 695**	**3 583**	**177 399**
Amortisation at 30. 9. 2006	4 829	1 521	6 498	—	34	12 882
of which current	—	—	847	—	—	847
Amortisation at 1. 10. 2006	**4 829**	**1 521**	**5 651**	**—**	**34**	**12 035**
Amortisation	237	58	—	—	40	335
Write-ups	—	—	—	—	26	26
Reclassifications	—	—	– 828	—	—	– 828
Amortisation at 30. 9. 2007	**5 066**	**1 579**	**4 823**	**—**	**48**	**11 516**
Net value at 30. 9. 2006	6 050	102 386	11 250	12 805	1 959	134 450
Net value at 30. 9. 2007	**9 210**	**117 088**	**10 355**	**25 695**	**3 535**	**165 883**

Other shareholdings mainly relate to the shares held in ZVO Versorgungs GmbH (carrying amount: Euro 28 138 thousand), Grosskraftwerk Mannheim AG (carrying amount: Euro 25 400 thousand), KielNet GmbH Gesellschaft für Kommunikation (carrying amount: Euro 11 570 thousand) and Gemeinschaftskraftwerk Kiel GmbH (carrying amount: Euro 9 673 thousand).

The MVV Energie Group acts as lessor in several contracting projects within the framework of finance lease agreements. In finance lease agreements, the principal opportunities and risks are assigned to the lessee. The respective assets have been recognised at the present value of the minimum leasing payments. The transition from these payments to the gross investments in leasing relationships is as follows:

Gross investments in leases Euro 000s	**30. 9. 2007**	30. 9. 2006
Present value of minimum leasing payments with maturities < 1 year	3 909	669
Present value of minimum leasing payments with maturities > 1 year		
one to five years	8 748	2 672
longer than five years	16 947	10 133
Present value of minimum leasing payments with maturities > 1 year	**25 695**	12 805
Total present value of minimum leasing payments	**29 604**	13 474
financing income not yet recognised	8 285	5 441
Gross investments in finance lease relationships	**37 889**	18 915

6 Other receivables and assets

With the exception of derivative financial instruments, other receivables and assets have been recognised at updated cost. The write-downs required, amounting to Euro 133 thousand (previous year: 6 645 thousand) have been based on the actual level of default risk. The derivative financial instruments relate to derivative interest and commodity contracts for electricity, gas and coal. Further information about financial instruments has been provided under Note 22. These have been reported broken down into their respective maturities for the first time in the current year. On account of the data available, the previous year's figures have not been adjusted. The carrying amounts of the receivables and other assets reported are basically equivalent to their respective fair values.

Other receivables and assets Euro 000s	**30. 9. 2007** **non-current**	**30. 9. 2007** **current**	30. 9. 2006 non-current	30. 9. 2006 current
Derivative financial instruments	35 580	53 797	—	109 652
Suppliers with debit balances	—	13 429	—	768
Deferred expenses and accrued income	5 642	10 700	5 814	8 120
Receivables in connection with contracting agreements	—	6 321	—	3 388
Receivables from the sale of shareholdings	—	6 024	—	14 400
Loans	—	5 919	—	2 537
Escrow accounts	—	5 797	—	7 624
Cash pool receivables	—	5 176	—	—
Land reclamation refunds	—	1 539	—	1 478
Miscellaneous other assets	1 562	47 115	1 522	80 788
	42 784	**155 817**	7 336	228 755
Other receivables and assets				
from other shareholdings	—	14 050	—	4 728
from non-consolidated subsidiaries	—	7 046	5	38 184
from third parties	42 784	134 721	7 331	185 843
	42 784	**155 817**	7 336	228 755

7 Tax receivables

This item mainly relates to refund claims in connection with corporate income tax and capital gains tax, which have been stated at their nominal values, as well as to claims relating to input and energy taxes.

8 Inventories

Inventories relate to raw materials and supplies, unfinished and finished products and services, as well as to advance payments made for these items. They have been recognised at cost of acquisition or manufacture or, if lower, at their net disposal values. The calculation of the cost of acquisition or manufacture for raw materials and supplies has been based on the average cost method. The costs of manufacture of unfinished and finished products and services include allocable direct costs and a commensurate share of the required material and production overheads based on normal capacity utilisation levels and thus include production-related full costs. The amounts stated have been reduced as appropriate to account for any impairment in their utility.

The share of inventories stated at net disposal values is of subordinate significance as a proportion of the total level of inventories reported.

Inventories Euro 000s	**30. 9. 2007**	30. 9. 2006
Raw materials and supplies	33 715	21 516
Unfinished and finished products and services	19 690	27 258
Advance payments	353	368
	53 758	**49 142**

9 Accounts receivable

Receivables from customers have been recognised at updated cost. Default risks existing at the reporting date have been covered by adequate write-downs (Euro 8 257 thousand; previous year: Euro 13 619 thousand). Receivables are derecognised immediately upon becoming uncollectible. The carrying amounts reported are basically equivalent to their respective fair values.

Accounts receivable include accruals/deferrals to cover energy and water sales not yet read or invoiced as of the reporting date. Part-payments made within the framework of annual consumption invoicing have been deducted from the receivables.

Receivables of Euro 232 thousand are due from non-consolidated subsidiaries (previous year: Euro 49 thousand) and receivables of Euro 2 794 thousand from other shareholdings (previous year: Euro 6 756 thousand).

10 Cash and cash equivalents

Cash and cash equivalents primarily consist of credit balances at banks and correspond to the financial funds reported in the cash flow statement. Joint ventures account for a total of Euro 1 264 thousand (previous year: Euro 6 827 thousand).

Within the framework of short-term liquidity management structures, credit balances are exclusively deposited at banks of impeccable creditworthiness. As in the previous year, such balances bear interest at an interbank level.

11 Assets held for sale

In September 2007, the Executive Board of MVV Energie AG resolved to grant a purchase option to a potential investor for the limited shares held by MVV Energie AG in Energy Innovations Portfolio AG & Co. KGaA, Mannheim, an associated company measured at equity. Energy Innovations Portfolio AG & Co. KGaA is a venture capital company which invests in young German and international companies operating in the energy, utilities, information technology, environment, disposal and water sectors. Given that venture capital investments do not form part of its core business, MVV Energie AG intends to terminate its involvement in Energy Innovations Portfolio AG & Co. KGaA. The purchase option may be exercised until 31 March 2008. The sale option was already subscribed by 30 September 2007.

Energy Innovations Portfolio AG & Co. KGaA was therefore classified as an asset held for sale in the fourth quarter of the 2006/07 financial year. The selling price will in all likelihood exceed the at equity valuation of the shareholding upon reclassification. The reclassification was based on the carrying amount. It is therefore not necessary to undertake any extraordinary depreciation on the value stated for the shareholding. No further measurement at equity was undertaken following reclassification. Since this time, losses of Euro 380 thousand resulting from valuation at equity have therefore not been recognised. In the previous year, losses of Euro 6 812 thousand were recognised as a result of valuation at equity. The shareholding has been allocated to the "Other" segment.

12 Equity

Share capital: The share capital of MVV Energie AG amounts to a total of Euro 142 764 thousand and, as in the previous year, is divided into 55 767 290 individual registered shares of Euro 2.56 each. The City of Mannheim indirectly owned 66.2 % of the share capital as of 30 September 2007 and EnBW Energie Baden-Württemberg AG owned 15.1 %. The remaining 18.7 % of the shares were in free float.

Authorised Capital I: The Annual General Meeting held on 4 March 2005 authorised the Executive Board, subject to the consent of the Supervisory Board, to increase the share capital by an amount of up to Euro 39 000 thousand (Authorised Capital I). The Executive Board acted on this authorisation with the consent of the Supervisory Board on 15 November 2005. As a result of the issue of 5 million new shares, the share capital increased by 9.86 %, or Euro 12 800 thousand, from Euro 129 802 thousand to Euro 142 602 thousand.

The authorisation dated 4 March 2005 was amended by the Annual General Meeting held on 10 March 2006, taking due account of the degree to which use had been made of the aforementioned authorisation, with the result that the Executive Board is authorised to increase the share capital by up to Euro 26 200 thousand (Authorised Capital I).

On 29 June 2007, the Supervisory Board approved a further capital increase involving the issue of 10.1 million new shares. This capital increase was only executed after the balance sheet reporting date. Reference is made to the information provided under Note 45.

Authorised Capital II: On the basis of a resolution adopted on 10 March 2006, the Annual General Meeting of MVV Energie AG authorised the Executive Board to increase the company's share capital on one or several occasions by a total of Euro 3 400 000 within the framework of the employee share programme. The Executive Board acted on this authorisation with the consent of the Supervisory Board on 20 September 2006. As a result of the issue of 63 290 new shares, the share capital increased by 0.11 % from Euro 142 602 thousand to Euro 142 764 thousand. Shareholders' subscription rights were excluded. An amount of Euro 3 237 977 of Authorised Capital II is therefore still available.

Conditional Capital I: No conversion into shares in MVV Energie AG has been undertaken from Conditional Capital I.

Capital reserve: The capital reserve relates to MVV Energie AG. This reserve includes external flows of funds required to be included by Section 272 of the German Commercial Code (HGB). The transaction costs (after taxes) of the capital increase undertaken on 15 November 2005, which have been recognised as a reduction in equity, amount to Euro 1 231 thousand.

Retained earnings: In addition to the prorated retained earnings of MVV Energie AG and of the other consolidated companies since the time of initial consolidation, retained earnings also include cumulative changes recognised directly in equity as a result of the measurement of financial instruments at fair value, which mainly relate to hedging relationships recognised pursuant to IAS 39 (2004), as well as currency translation differences resulting from the translation of foreign financial statements. An amount of Euro 2 765 thousand was transferred to the fair value reserve during the financial year (previous year: Euro 611 thousand).

Proposed appropriation of earnings: The Executive Board proposes appropriating the net earnings of MVV Energie AG for the 2006/07 financial year as follows:

Distribution of a dividend of Euro 0.80 per individual share for the 2006/07 financial year (total: Euro 52 725 436.80). The Annual General Meeting to be held on 14 March 2008 will decide on the payment of the dividend.

13 Provisions

The tax provisions include provisions for taxes on income, such as corporate income tax, including the solidarity surcharge, and trade tax on income.

Provisions Euro 000s	Balance at 1. 10. 2006	Change in scope of consolidation	Currency adjustments	Utilised	Released	Added	Interest share of additions	**Balance at 30. 9. 2007**
Non-current provisions								
Pensions and similar obligations	29 084	4 586	63	2 303	391	1 872	1 362	**34 273**
Other provisions								
Early retirement payments	41 032	55	—	8 894	318	14 491	1 892	48 258
Personnel expenses	27 083	1 148	—	7 889	513	1 659	718	22 206
Restructuring expenses	7 993	—	—	385	92	—	235	7 751
Miscellaneous contingencies	13 537	1 744	—	702	146	3 946	365	18 744
Total other provisions	89 645	2 947	—	17 870	1 069	20 096	3 210	**96 959**
Total non-current provisions	118 729	7 533	63	20 173	1 460	21 968	4 572	**131 232**
Current provisions								
Tax provisions	49 032	2 944	6	37 215	3 164	28 446	—	**40 049**
Other provisions								
Personnel expenses	42 266	2 795	—	38 528	3 675	41 800	—	44 658
Services not yet invoiced	65 581	—	—	53 504	6 540	83 834	—	89 371
Miscellaneous contingencies	52 144	2 045	26	32 370	8 304	59 422	—	72 963
Total other provisions	159 991	4 840	26	124 402	18 519	185 056	—	**206 992**
Total current provisions	209 023	7 784	32	161 617	21 683	213 502	—	**247 041**
Total provisions	327 752	15 317	95	181 790	23 143	235 470	4 572	**378 273**

14 Provisions for pensions and similar obligations

The company pension plans consist of defined contribution and defined benefit plans.

An amount of Euro 22 389 thousand was paid to defined contribution plans in the year under report (previous year: 19 798 thousand). These contributions have been recognised as expenses and reported under personnel expenses.

Provisions for pensions and similar obligations have been stated exclusively for defined benefit plans. Pursuant to IAS 19, these pension provisions have been calculated using the projected unit credit method. In addition to pensions and vested claims known at the reporting date, this method also takes account of salary and pension increases to be expected in future. The survey as of 30 September 2007 has been based on assumed salary and pension trends of approximately 2.00 – 2.75 % (previous year: 1.23 % – 2.75 %). Application has been made of a discount rate of 5 % (previous year: 4.5 %). The calculation has been based on the 2005 G mortality tables published by Prof. Dr. Klaus Heubeck. Given that the Group does not have any plan assets, its pension obligations have been covered in full by provisions. To the extent that they exceed 10 % of the scope of the obligation, actuarial gains and losses resulting from changes in the assumptions underlying the calculation are recognised through profit or loss over the average remaining working life of the employees thereby entitled.

The pension plan for employees of the MVV Energie Group has largely been arranged in line with collective wage and salary agreements specific to the respective companies. This has resulted in indirect pension obligations towards employees which have been covered almost exclusively by municipal supplementary pension companies (ZVK). This requires allocations to be made for retirement periods. The payments made in this respect serve to finance current pension outlays. According to IFRS, this type of pension plan is classified as a defined benefit plan, given that the individual benefits provided by the ZVK to former employees of member companies are not dependent on the level of contributions paid into the pension fund. Moreover, in view of the fact that employees of several member companies are insured by the ZVK, this type of pension plan is to be considered a multi-employer plan and therefore requires the application of special regulations.

On account of the redistribution of the benefits provided by the ZVK among its member companies and of the lack of adequate information about the age structures, personnel turnover and salaries of the employees thereby covered, information is not available on the proportion of future financial obligations (economic obligation) accruing to the MVV Energie Group. In view of this, IFRS does not permit the statement of any provisions and the obligations involved have to be treated as a defined contribution plan. Current payments to the ZVK thus represent expenses incurred within the respective financial year. These expenses amounted to Euro 13 969 thousand in the past financial year (previous year: Euro 13 189 thousand). The pension obligations of the ZVK as determined within the framework of an approximate calculation pursuant to IFRS for current and former members of the MVV Energie Group are Euro 284 million (previous year: Euro 297 million) above the proportion accruing to the MVV Energie Group from the policy reserve of the ZVK (employment law obligation).

Furthermore, there are direct pension obligations resulting from former collectively agreed provisions (measured in terms of duration of company service and remuneration of employees), as well as individual commitments made towards members of the Executive Board.

The expenses stated for pensions and similar obligations structured as defined benefit plans comprise the following items:

Expenses for pensions and similar obligations in Euro 000s	**2006/2007**	2005/2006
Service cost	1 149	1 466
Actuarial gains and losses	– 8	2
Interest expenses for vested pension claims	1 361	1 331
	2 502	2 799

The interest expenses relating to vested pension claims have been reported in the income statement under financing expenses (interest and similar expenses). Other expenses have been reported under personnel expenses.

The transition from the amount stated for claims relating to pensions and similar obligations to the present value of pension claims is structured as follows:

Amount stated for pensions and similar obligations in Euro 000s	**30. 9. 2007**	30. 9. 2006
Present value of all pension claims	35 194	32 444
Actuarial losses as yet unsettled	– 921	– 3 360
Provisions for pensions and similar obligations	**34 273**	29 084

The actuarial losses include adjustments of Euro 542 thousand due to changes in assumptions between the beginning and the end of the financial year (previous year: income of Euro 669 thousand).

15 Other provisions

Other provisions account for all legal or constructive obligations towards third parties identifiable at the reporting date which result from past events and whose amount or maturity is uncertain. The amount stated is equivalent to the amount which would be necessary to cover all payment obligations and risks of the MVV Energie Group at the reporting date (repayment amount).

The provisions for early retirement expenses mainly relate to actual obligations towards employees as a result of part-time early retirement agreements. The actuarial assumptions correspond to those used in the measurement of pensions and comparable provisions. The increase in provisions for early retirement is attributable to an extension in the part-time early retirement provisions.

The provision for personnel expenses includes provisions relating to the socially responsible reduction in personnel totals within the framework of efficiency enhancement programmes. Apart from these, this item mainly involves collectively agreed obligations, such as allowances, compensation payments, bonus payments and anniversary bonuses.

The "Services not yet invoiced" item principally involves supplies and services from third parties which have already been provided but not yet invoiced. These have been measured on the basis of appropriate estimates.

Miscellaneous contingencies include provisions for energy supplies and for disposal obligations. Furthermore, other provisions also include provisions for litigation risks. These involve several individual risks for which the level of the claim is uncertain. The valuation has been based on the most likely outcome of the litigation on the basis of the information currently available.

Non-current other provisions have been stated at their respective repayment amounts discounted as of the reporting date.

16 Financial liabilities

Financial liabilities Euro 000s	**30. 9. 2007** **non-current**	**30. 9. 2007** **current**	30. 9. 2006 non-current	30. 9. 2006 current
Liabilities				
to banks	973 904	228 645	942 879	242 132
in connection with finance leasing	4 435	1 089	383	242
to non-consolidated subsidiaries	—	564	1 182	—
to shareholdings measured at equity	—	—	—	294
to other shareholdings	—	9 966	—	11 476
Other financial liabilities	66 442	128 068	69 669	163 256
	1 044 781	**368 332**	1 014 113	417 400

Maturities in years Euro 000s	< 1 year	1 to 5 years	> 5 years
Liabilities			
to banks	228 645	484 416	489 488
in connection with finance leasing	1 089	2 232	2 203
Other financial liabilities	128 068	13 000	53 442

The fixed-rate liabilities to banks amounting to Euro 646 million (previous year: Euro 716 million) have an average interest rate of 5.0 % (previous year: 5.0 %). The floating-rate liabilities to banks amounting to Euro 557 million (previous year: Euro 469 million) have an average interest rate of 4.7 % (previous year: 3.4 %). As in the previous year, the average remaining period of the fixed rate in the case of fixed-rate liabilities amounts to seven years.

Liabilities in connection with finance leasing have been recognised at the present value of future leasing payments. The fair value of the other financial liabilities is basically equivalent to the carrying amounts reported.

The liabilities in connection with finance lease agreements involve various items of technical equipment and plant and office equipment. The agreements provide for extension options in some cases, but do not include any purchase options or price adjustment clauses.

The transition from the present value of future minimum leasing payments to the liability is as follows:

Euro 000s	**30. 9. 2007**
Present value of minimum leasing payments by maturity	
up to one year	1 089
one to five years	2 232
longer than five years	2 203
	5 524
financing income as yet unrecognised	2 236
Gross liability in connection with finance leases	**7 760**

The "Other financial liabilities" item includes the present value of the payment obligations resulting from the writer obligation on the part of MVV Energie AG in connection with the put option held by the City of Kiel for its shareholding in Stadtwerke Kiel AG. According to the provisions of IAS 32, agreements involving an 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 current or non-current debt in line with the details of the respective contract. These financial obligations have been recognised at fair value in accordance with the provisions of IAS 39 (2004). 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 put option held by the City of Kiel may be exercised at any time up to 6 November 2010.

Furthermore, this item also includes the present value of the payment obligation resulting from compensation liability of Euro 11 498 thousand due to minority shareholders in MVV Energiedienstleistungen Wohnen GmbH & Co. KG, Berlin. Further details can be found under "Scope of consolidation and changes in the scope of consolidation".

Moreover, this item also includes a liability of Euro 40 585 thousand (previous year: Euro 55 940 thousand) due to MVV GmbH, Mannheim, which charged interest at an average of 4.8 % during the year under report (previous year: 4.2 %).

Of the financial liabilities, Euro 127 million are secured by the pledging of property, plant and equipment (previous year: Euro 121 million).

Further information about financial instruments has been provided under Note 22.

17 Other liabilities

Other liabilities Euro 000s	**30. 9. 2007** **non-current**	**30. 9. 2007** **current**	30. 9. 2006 non-current	30. 9. 2006 current
Derivative financial instruments	17 551	52 302	—	99 926
Advance payments received	615	23 827	—	13 714
Concession fees	—	13 282	—	12 358
Interest liabilities	—	8 430	—	7 362
Deferred income and accrued expenses	21 891	7 557	24 493	9 140
Cash pool liabilities	—	3 038	—	625
Customer credit balances	—	2 746	—	665
Social security liabilities	—	231	—	53
Miscellaneous other liabilities	2 107	32 514	4 632	25 906
	42 164	**143 927**	**29 125**	**169 749**
Liabilities				
to third parties	42 032	140 759	29 125	169 114
to non-consolidated subsidiaries	—	3 038	—	625
to other shareholdings	132	130	—	10
	42 164	**143 927**	**29 125**	**169 749**

With the exception of derivative financial instruments, other liabilities have been recognised at updated cost, which is basically equivalent to their respective fair values. The derivative financial instruments relate to commodity and interest derivatives. Further information about financial instruments has been provided under Note 22. These have been reported broken down into their respective terms for the first time in the current year. In view of the data available, the previous year's figures have not been adjusted.

The most significant item under deferred income and accrued expenses is an advance fee amounting to Euro 16 971 thousand received for the incineration of waste in conjunction with the takeover of a waste-to-energy plant by Energieversorgung Offenbach AG (previous year: Euro 19 687 thousand).

Apart from this, other liabilities mainly involve concession fees and liabilities relating to social security payments for employees.

18 Accounts payable

Accounts payable have been measured at updated cost.

Further information about financial instruments has been provided under Note 22.

Accounts payable Euro 000s	**30. 9. 2007**	30. 9. 2006
To suppliers	186 258	123 324
To non-consolidated subsidiaries	7 310	4 926
To other shareholdings	10 169	10 889
	203 737	**139 139**

19 Tax liabilities

This item mainly relates to energy taxes and value added tax.

20 Deferred taxes

Deferred taxes are stated for temporary differences arising from the valuation of assets and liabilities for tax purposes on the one hand and for external accounting pursuant to IFRS on the other, as well for consolidation processes with an impact on earnings. Moreover, deferred tax assets have also been stated for tax reduction claims resulting from the expected utilisation in subsequent years of existing losses carried forward. Such claims are capitalised if the realisation of these losses carried forward can be assumed with adequate certainty on the basis of existing business plans. Deferred taxes have been calculated on the basis of those tax rates valid or expected in the individual countries at the time of such deferrals being realised. Account has been taken of all tax regulations valid or already adopted at the reporting date. Following the approval of the 2008 Corporate Taxation Reform Act by the German Federal Council on 6 July 2007, the deferred taxes of the German companies were calculated for the first time at an overall tax rate of 30 % as of the reporting date (previous year: 39 %). This results from the corporate income tax of 15 % (previous year: 25 %), the solidarity surcharge amounting to 5.5 % of corporate income tax and the average trade tax rate of 14 % (previous year: 13 %). Given that the German companies within the MVV Energie Group predominantly have deferred tax liabilities, the devaluation of these liabilities resulted in one-off, non-cash income of Euro 45.8 million, as well as a reduction of Euro 465 thousand in the deferred liabilities recognised directly in equity. The equivalent calculation for foreign companies has been based on the respective national tax rates.

Deferred tax assets and liabilities have been stated on a net basis for each company or fiscal unity.

The deferred taxes reported for 2006/07 relate to the following items:

Deferred taxes Euro 000s	**2006/2007** **assets**	**2006/2007** **liabilities**	2005/2006 assets	2005/2006 liabilities
Intangible assets	4 562	– 18 275	5 280	– 21 983
Property, plant and equipment, including investment property	2 160	– 136 911	1 779	– 171 942
Other financial assets	2	– 7 951	—	– 5 274
Inventories	2 476	– 118	522	– 167
Receivables and other assets	135	– 34 858	238	– 3 057
Provisions for pensions	2 187	—	1 688	—
Other non-current provisions	13 790	– 4	13 520	—
Other current provisions	1 990	– 390	2 193	– 490
Liabilities	25 061	– 11 139	2 256	– 12 232
Losses carried forward and tax credits	3 531	—	6 625	—
Consolidation	—	– 2 513	1	– 3 201
Deferred taxes (gross)	**55 894**	**– 212 159**	34 102	– 218 346
Value adjustment	– 221	—	– 380	—
Netting	– 53 144	53 144	– 14 774	14 774
Deferred taxes (net)	**2 529**	**– 159 015**	18 948	– 203 572

In addition to the aforementioned deferred tax claims relating to losses carried forward and tax credits, the company also has tax claims relating to losses carried forward which could not be stated. Of these, Euro 19.4 million related to corporate income tax (previous year: Euro 35.4 million), Euro 13.9 million to trade tax (previous year: Euro 22.3 million) and Euro 1.5 million to tax credits. Of these, Euro 0.5 million may only be used until 2008 and a further Euro 3.4 million only until 2013.

No deferred tax liabilities have been stated for temporary differences of Euro 510 thousand (previous year: Euro 902 thousand) between the value of shareholdings in subsidiaries in the tax balance sheet and those in the consolidated financial statements in view of the fact that such differences are unlikely to be reversed by means of dividend distributions or by disposal of the respective companies in the foreseeable future.

Deferred taxes amounting to Euro 856 thousand (previous year: Euro 997 thousand) were recorded directly under equity in the 2006/07 financial year. Moreover, as a result of initial consolidation processes, deferred tax liabilities increased by Euro 5.9 million during the year under report (previous year: reduction in deferred tax assets by Euro 3.3 million due to deconsolidation).

21 Contingent liabilities and financial obligations

Potential obligations towards third parties or present obligations for which an outflow of resources is unlikely or whose amount cannot be reliably determined are reported as contingent liabilities. The volume of obligations listed below corresponds to the scope of liability pertaining at the reporting date. The company has such obligations in the form of guarantees and bills of exchange amounting to Euro 3.2 million. The company has also provided security amounting to Euro 4.5 million for third-party liabilities.

The purchase commitments of the MVV Energie Group in connection with orders placed for investments in intangible assets and property, plant and equipment amounted to Euro 19.0 million.

The financial obligations relating to operating leasing primarily involve water grids, the car pool and IT equipment. The minimum leasing payments have the following maturity structure:

Minimum leasing payments for operating leasing Euro 000s	**30. 9. 2007 Nominal value**	30. 9. 2006 Nominal value
Operating Leasing		
up to one year	15 460	3 917
one to five years	22 627	4 686
longer than five years	6 948	4
	45 035	**8 607**

22 Financial instruments

Primary financial instruments: shareholdings, loans, securities, accounts receivable, other cash receivables and cash and cash equivalents are reported as financial assets on the asset side of the balance sheet. These are initially recognised at cost, with transaction expenses being included in the valuation.

Financial assets are subsequently measured at either fair value or updated cost. The subsequent measurement of financial assets in the "financial assets held for sale" category is generally based on their fair value. Pursuant to IAS 39 (2004), any changes in the fair value are recorded directly in equity, taking due account of deferred taxes. Upon their retirement, these are recognised through profit or loss. Should there be objective indications of any impairment in the value of an asset, then such asset is written down through profit or loss. Assets whose fair value cannot be reliably estimated are measured at updated cost. The subsequent measurement of financial assets in the "loans and claims granted by the company" and "financial investments held to final maturity" has been based on updated cost, with application of the effective interest rate method where appropriate. The updated cost of a financial asset is equivalent to the fair value of the counterperformance provided, adjusted to account for any value impairments, interest payments and principal repayments. Write-downs are undertaken to account for any identifiable risks, particularly those resulting from expected payment defaults or from a reduction in expected cash flows. The write-downs are directly recognised in the results for the respective period.

Purchases and sales of financial assets undertaken at customary market conditions are recognised as of the date of such transaction, i.e. as of the day on which the company assumed the liability to purchase the asset. Purchases and sales undertaken at customary market conditions are purchases or sales requiring the transfer of the assets within a period determined by market requirements or conventions.

The fair value of financial instruments traded on organised markets is calculated by reference to the bidding price listed on the stock exchange on the reporting date. The fair value of financial instruments for which there is no active market is estimated with due application of valuation methods. Such methods are based on transactions recently executed at customary market conditions or on the current market value of another instrument which largely constitutes the same instrument, or on the analysis of discounted cash flows and option price models.

Financial assets are cancelled from the books upon the expiry of contractual rights to cash flows from the asset or upon the financial asset being transferred, provided that all major risks and rewards involved in ownership of the respective asset have been transferred and the power to dispose over the asset has been ceded.

Financial liabilities, accounts payable and other liabilities are reported as financial liabilities on the liability side of the balance sheet. Financial liabilities have largely been recognised at updated cost, with application of the effective interest rate method where appropriate. In the case of financial liabilities, the costs of acquisition are equivalent to the net outlay. In the case of accounts payable and other liabilities, the costs of acquisition are equivalent to the fair value of the counterperformance received.

Financial liabilities are cancelled from the books upon the obligation underlying such liability being met, terminated or having expired.

No use has been made of the option of allocating financial asset and financial liabilities to the "measured at fair value through profit and loss" category.

Derivative financial instruments: derivative financial instruments and financial instruments held for trading purposes have been valued at fair value. In cases where the derivatives deployed constitute effective hedges of future cash flows within the framework of a hedging relationship as defined by the specific hedge accounting regulations set out in IAS 39 (2004), the effective fluctuations in the fair value of the derivatives do not impact on earnings during the term of such derivative, but are recorded in a separate reserve directly in equity.

Derivative financial instruments include derivative interest rate contracts and derivative commodities contracts for electricity, gas and coal. The commodity derivatives are in most cases fulfilled by physical performance.

Use is made of interest swaps in particular in order to limit interest rate risks. These instruments secure the cash flows from interest-bearing long-term financial liabilities by means of cash flow hedge accounting.

The initial application of IAS 39 (2004) "Financial instruments: recognition and measurement" and the resultant specification of the own use exemption resulted in amendments in the depiction of energy trading transactions from the beginning of the past 2005/06 financial year. Accordingly, pending transaction intended to secure the market price in the field of energy trading increasingly fall under the scope of IAS 39 (2004) and have to be recorded as financial instruments, while the underlying transactions thereby hedged (sales contracts) are generally not affected by IAS 39 (2004). The accounting treatment pursuant to IAS 39 (2004) relates in particular to commodity futures transactions requiring physical performance and which have to be resold in the context of adjustments to actual loads. As a result, the volatility of earnings has increased.

Since the beginning of the 2005/06 financial year, swaps also falling under the scope of cash flow hedge accounting have been used to limit fluctuations in future cash flows from the gas business resulting from variable market prices. Existing underlying transactions have been included in cash flow hedges with terms of up to ten years in the field of interest hedges as of 30 September 2007. The terms of planned underlying transactions in the commodities field amount to up to five years. Both interest rate hedging instruments and derivative commodity contracts require net settlements to be paid at contractually fixed dates. These largely correspond to the underlying transactions.

The ineffective part of cash flow hedges resulted in expenses amounting to Euro 15 thousand in the financial year under report. Earnings on the ineffective parts of cash flow hedges are recognised as other operating income or expenses. The equivalent items in the case of interest rate hedges are recognised under other interest income and expenses.

Financial risk management: the MVV Energie Group is exposed to price and financing risks within the framework of its business activities. The price risks result in particular from fluctuations in market prices on the energy markets, as well as from changes in interest rates. Exchange rate risk is of subordinate significance for the MVV Energie Group. The financing risks mainly involve credit risk. The MVV Energie Group pursues the objective of covering itself against market price and credit risks by means of its systematic risk management activities. These involve defining discretionary frameworks, responsibilities, separating functions and checks, all of which are based on internal guidelines.

In order to reduce credit risks, the creditworthiness of contractual partners for financial and energy trading transactions is systematically inspected upon the conclusion of such contracts and subsequently monitored, with trading limits also being set for the various business divisions of the MVV Energie Group. The default risk involved in energy trading transactions and new investments is already reduced in advance by means of appropriate framework agreements with the respective trading partners.

The maximum default risk on the financial assets of the Group, comprising receivables, cash and cash equivalents and financial assets held for sale, is equivalent to the carrying amount of the respective assets. All transactions are predominantly executed with business partners of impeccable creditworthiness.

Derivative financial instruments are used to cover against market price risks. Interest swaps are concluded to cover interest rate risks. Derivative commodity contracts are used in the field of energy trading and primarily serve to cover against market price risks. The use of derivative commodity contracts for proprietary energy trading purposes is only permitted within narrow limits and is restricted and monitored by separate organisational units.

The following table depicts the nominal volumes and fair values of the derivatives used:

Nominal volumes and fair values Euro 000s	**30. 9. 2007 Nominal volumes Total**	**of which with a remaining term of more than 1 year**	**30. 9. 2007 Fair values**	30. 9. 2006 Nominal volumes Total	of which with a remaining term of more than 1 year	30. 9. 2006 Fair values
Derivative interest rate contracts	165 422	151 043	5 174	167 322	126 871	9 637
Derivative commodity contracts	2 164 061	1 252 270	14 350	2 227 249	845 379	89
	2 329 483	**1 403 313**	**19 524**	**2 394 571**	**972 250**	**9 726**

The derivative interest rate contracts relate almost exclusively to interest swaps.

The derivative commodity contracts can be subdivided as follows:

Derivative commodity contracts Euro 000s	**30. 9. 2007 Nominal volumes**	**30. 9. 2007 Fair values**	30. 9. 2006 Nominal volumes	30. 9. 2006 Fair values
Electricity	2 048 146	4 433	2 179 709	– 1 424
Coal	100 627	10 137	46 412	1 575
Gas	15 288	– 220	1 128	– 62
	2 164 061	**14 350**	**2 227 249**	**89**
Futures transactions	2 048 146	9 730	2 179 709	– 1 424
Swaps	115 915	4 620	47 540	1 513
	2 164 061	**14 350**	**2 227 249**	**89**

Notes on the Income Statement

23 Sales after electricity and gas taxes

Sales include all revenues generated by the typical business activities of the Group. They are recognised upon the relevant risks and rewards being transferred to customers or upon the respective service having been performed, provided that payment can reliably be expected.

24 Capitalised own-account services

Capitalised own-account services are primarily attributable to construction and expansion measures involving distribution grids and power plants. In the previous year, this item also included changes in inventories, which have been reported as a separate item starting in the 2006/07 financial year. Appropriate adjustments have been made to the previous year's figures.

25 Other operating income

Rental income is recorded on a straight-line basis over the term of the respective rental or leasing agreement.

Other operating income includes positive valuation items relating to energy trading transactions requiring measurement under IAS 39 (2004). Valuation items relating to energy trading transactions have been reported on a gross basis for the first time in the current financial year. This valuation-dependent income is countered by other operating expenses partly offsetting such income. The data available did not allow a definitive net depiction to be compiled for the previous year.

The income from the release of debit differences (badwill) primarily involved an amount of Euro 4 956 thousand in connection with the initial consolidation of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG. Reference is made to the information provided under "Scope of consolidation and changes in the scope of consolidation". In the previous year, this item involved initial consolidations at the Czech subgroup. Of the income reported here for the previous year, an amount of Euro 299 thousand was reported as goodwill amortisation.

Other operating income Euro 000s	**2006/2007**	2005/2006
Income		
from energy trading transactions measured pursuant to IAS 39	83 114	2 265
from the release of provisions	19 979	16 310
from agency agreements and personnel supplies	5 922	12 715
from credits	4 766	2 264
from benefits to employees	2 088	2 037
from contractual penalties and the collection of outstanding receivables	1 167	1 594
from foreign currency effects	374	683
from IT services	142	8 064
Release of debit differences upon initial consolidation	4 978	299
Reimbursements from damages claims	4 386	2 464
Rental income	2 549	2 347
Profit on the sale of assets	1 212	6 412
Miscellaneous	24 645	26 909
	155 322	**84 363**

26 Cost of materials

Cost of materials Euro 000s	**2006/2007**	2005/2006
Raw materials, supplies and purchased goods	1 254 315	1 200 105
Purchased services	246 461	234 184
	1 500 776	1 434 289

The cost of materials includes write-downs on raw materials and supplies amounting to Euro 768 thousand. Write-backs of raw materials and supplies amounting to Euro 481 thousand are also included due to an increase in the net disposal price.

In the previous year, raw materials and supplies also included expenses of Euro 63 149 thousand for grid utilisation fees. These have been reclassified as purchased services.

The rise in cost of materials is primarily due to the increase in energy procurement costs.

27 Personnel expenses

Personnel expenses Euro 000s	**2006/2007**	2005/2006
Wages and salaries	243 436	221 649
Social security expenses and welfare expenses	42 526	42 733
Pension expenses	17 297	15 750
	303 259	280 132

The MVV Energie Group had a total of 6 355 employees at the reporting date on 30 September 2007 (previous year: 6 287). This figure includes 431 trainees (previous year: 314). Of the total workforce, 1 031 individuals were employed at proportionately consolidated companies (previous year: 1 562 employees). The growth in the overall workforce is chiefly due to companies newly included in the scope of consolidation in the current year. Reference is made to the information provided under the "Scope of consolidation and changes in the scope of consolidation".

Apart from the growth in personnel totals, the rise in personnel expenses by Euro 23 127 thousand to Euro 303 259 thousand is primarily due to provisions stated during the year under report for the socially responsible reduction in the workforce, notably by means of part-time early-retirement agreements.

28 Other operating expenses

Other operating expenses Euro 000s	**2006/2007**	2005/2006
Expenses for energy trading transactions measured pursuant to IAS 39	67 470	—
Concession fee	57 257	59 303
Contributions, fees and duties	20 180	17 918
Legal, consulting and surveyor expenses	15 453	10 651
Rental and leasing expenses	15 192	16 629
Public relations expenses	11 601	8 895
Personnel and welfare expenses	11 235	9 777
Maintenance, repair and IT service expenses	8 784	14 414
Additions to write-downs	8 038	16 307
Losses incurred on the sale of assets	5 635	4 489
Accounting and year-end expenses	2 722	1 284
Operating taxes (excluding energy taxes)	2 230	3 329
Expenses in connection with foreign currency items	458	4 769
Miscellaneous	46 350	36 746
	272 605	**204 511**

The energy tax reported in the previous year (electricity and gas tax) has been reported in the current year as a separate item in the income statement. Reference is also made to the information provided under "Changes in accounting policies".

Other operating expenses include negative valuation items relating to energy trading transactions requiring measurement under IAS 39 (2004). Valuation items relating to energy trading transactions have been reported on a gross basis for the first time in the current financial year. These valuation-dependent expenses are countered by other operating income partly offsetting such expenses. The data available did not allow a definitive net depiction to be compiled for the previous year. The "Expenses from load adjustment energy trading transactions valued pursuant to IAS 39" item reported in the previous year has therefore been reclassified as cost of materials.

29 Income from shareholdings measured at equity

The shareholding accounted for at equity in the previous year was classified as held for sale in accordance with the requirements of IFRS 5 in the 4^{th} quarter of 2006/07. The expenses and income relating to this shareholding continued to be reported under income from shareholdings measured at equity. Upon reclassification, an amount of Euro 1 594 thousand had been recognised as expenses in connection with shareholdings measured at equity. This has no implications in terms of taxes on income. Reference is made to the information provided under Note 11.

30 Other income from shareholdings

Other income from shareholdings Euro 000s	**2006/2007**	2005/2006
Income from shareholdings	9 381	9 501
Profit on the sale of shareholdings	5 959	8 230
Income from profit transfer agreements	176	1 313
Write-backs to financial assets	26	—
Expenses resulting from the transfer of losses	—	– 1
Write-downs of financial assets	– 335	– 4 173
	15 207	**14 870**

The income from shareholdings mainly involves distributions from non-consolidated subsidiaries.

31 Depreciation

Depreciation Euro 000s	**2006/2007**	2005/2006
Depreciation	143 546	147 406
of which extraordinary	250	15 225

The amortisation of intangible assets and depreciation of property, plant and equipment, as well as of investment property, are undertaken on a straight-line basis in accordance with the respective economic useful lives.

32 Amortisation of goodwill

Amortisation of goodwill Euro 000s	**2006/2007**	2005/2006
Czech subgroup	542	—
Stadtwerke Ingolstadt subgroup	—	10 573
Stadtwerke Solingen subgroup	—	8 766
Polish subgroup	—	2 562
	542	21 901

Goodwill amortisation includes the amortisation of the goodwill arising upon the initial consolidation of Teplárna Liberec. Reference is made to the information provided under "Scope of consolidation and changes in the scope of consolidation".

The income from the release of a debit difference of Euro 299 thousand reported here in the previous year has been reclassified as other operating income. Reference is made to the information provided under "Changes in accounting policies".

33 Financing income

Financing income Euro 000s	**2006/2007**	2005/2006
Interest income from finance leases	1 519	244
Income from loans	251	726
Other interest and similar income	5 128	3 027
	6 898	3 997

Other interest and similar income includes interest income on overnight and fixed deposits, as well as interest income generated from current account credit balances.

34 Financing expenses

Financing expenses Euro 000s	**2006/2007**	2005/2006
Kiel put option	12 740	4 966
Compounding of provisions	4 572	5 091
Interest expenses from minority ownership of commercial partnerships	1 100	—
Write-downs on current loans	541	42
Write-downs on loans and securities	—	1 680
Interest and similar expenses	64 329	65 205
	83 282	76 984

Interest and similar expenses mainly relate to interest expenses on loan obligations and ancillary loan-related expenses

35 Taxes on income

Taxes on income Euro 000s	**2006/2007**	2005/2006
Actual taxes	47 664	71 630
Deferred taxes	– 35 223	– 7 258
	12 441	64 372

Current tax expenses include the trade and corporate income tax payable, as well as foreign taxes on income.

Actual taxes include net income of Euro 2.8 million relating to previous periods (previous year: Euro 1.4 million), as well as income from a corporate income tax credit of Euro 4.7 million recognised for the first time as of 31 December 2006. Due to an amendment in tax legislation introduced in December 2006, existing claims in connection with the tax credit method are to be paid out in equal annual amounts over a period of ten years from 2008. The gross amount of credits recognised at present value amounts to Euro 5.9 million.

Of the deferred tax income, an amount of Euro 38.4 million (previous year: Euro 6.4 million) relates to the arising and/or reversal of temporary differences. The difference to overall deferred tax income is due to the recognition through profit or loss of losses carried forward.

Actual tax expenses were reduced by Euro 686 thousand by using tax losses carried forward not previously recognised. Deferred tax expenses were reduced by Euro 832 thousand as a result of the initial statement of tax losses carried forward not previously recognised.

The following table depicts the transition from the expected level of tax expenses to the tax expenses actually reported:

Transition to income tax rate Euro 000s	**2006/2007**	2005/2006
Earnings before taxes (EBT)	**138 675**	127 972
Expected tax expenses based on a tax rate of 39 %	**54 084**	49 909
Deviations resulting from the trade tax calculation base	4 731	3 155
Income from capitalisation of claims relating to corporate income tax credit	– 4 685	—
Deviations from expected tax rate	– 1 282	– 87
Change in tax rate and tax legislation	– 45 829	—
Change in write-downs for losses and losses for which no deferred taxes are recognised	1 181	4 335
Non-deductible expenses	4 312	3 777
Tax-exempt income	– 7 968	– 11 401
Earnings of shareholdings measured at equity	622	– 359
Non-deductible goodwill amortisation and other consolidation measures	2 743	10 350
Non-deductible items resulting from the application of IAS 32 (2003)	5 551	3 354
Taxes for previous years	– 2 829	– 1 429
Effect of expenses relating to equity procurement	345	787
Miscellaneous	1 465	1 981
Effective tax expenses	**12 441**	64 372
Effective tax rate in %	**9.0**	50.3

36 Share of earnings allocable to shareholders in MVV Energie AG and earnings per share

Share of earnings allocable to shareholders in MVV Energie AG and earnings per share	**2006/2007**	2005/2006
Share of earnings allocable to shareholders in MVV Energie AG	109 229	50 010
No. of shares (weighted annual average in 000s)	55 767	55 088
Earnings per share (Euro)	1.96	0.91
Dividend per share (Euro)	0.80	0.80

The dividend for the 2006/07 financial year is based on the proposal made by the Executive Board and is subject to approval by the Annual General Meeting on 14 March 2008. The appropriation of earnings proposed for the 2005/06 financial year was approved by the Annual General Meeting on 9 March 2007. Given that no option rights to shares in MVV Energie AG were effective at the reporting date, it is not necessary to account for any dilution effects.

37 Employee shares

Within the framework of the employee share programme, employees of the MVV Energie Group were able to order shares in MVV Energie AG at subsidised conditions in the period from 28 August to 19 September 2006. The programme was open to employees of MVV Energie AG and of 15 shareholdings of MVV Energie AG. Each employee was entitled to order between 20 and 300 shares.

The purchase price per share amounted to Euro 17.50 and was based on the average price of the MVV Energie AG share in XETRA trading in the period from 21 August to 25 August 2006, which amounted to Euro 22.50. The employees were granted a discount of Euro 5 per share on this price. The employee shares are subject to a lockup period running until 31 December 2008.

A total of 63 290 shares were ordered by employees. These were newly created from Authorised Capital II (please see Note 12). The capital increase of Euro 162 thousand required for this purpose was approved by the Executive Board of MVV Energie AG on 20 September 2006. The Supervisory Board provided its consent on the same day. The execution of the capital increase was entered in the Commercial Register on 28 September 2006. The new shares were subscribed by a bank at a price of Euro 22.50 on 25 September 2006 and bought back by MVV Energie AG at the beginning of the new financial year in order to be sold to employees. Based on a closing price of Euro 23.23 (XETRA trading), the shares thereby ordered had a market value of Euro 1 470 thousand on 30 September 2006. They were transferred to the employees on 11 October 2006.

The employee share programme resulted in personnel expenses of Euro 385 thousand being reported in the consolidated financial statements of MVV Energie AG for the 2005/06 financial year. The resultant personnel expenses have been calculated on the basis of the discount of Euro 5 per share and take due account of social security.

38 Segment reporting

The segmentation of the MVV Energie Group is based on the internal reporting structures to the Executive Board and the Supervisory Board. Of segment sales with external customers, 95.8 % are generated in Germany. The total carrying amount of the assets located in Germany amounts to Euro 3 071 968 thousand, or to 93.7 % of total assets. The segments have not been broken down on a geographic basis in view of the fact that the MVV Energie Group has exceeded the limits set out in IAS 14.69 in terms of its volume of sales, assets and investments.

The electricity segment includes the value creation stages involved in the generation, trading, distribution and sale of electricity. The gas and district heating segments include the value creation stages involved in the procurement, distribution and sale of gas and of heating water and steam. As well as procurement, distribution and sale, the water segment also includes the value creation stage of production (waterworks). In addition to the activities of the MVV Energiedienstleistungen subgroup, which are subdivided into industrial and municipal contracting, national and international consulting and technical services, the value-added service 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 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 carrying amount of the shareholding has also been reported in the segment earnings and segment assets of the other/consolidation section, given that this is basically not allocable to one of the business segments.

Internal 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 internal and external sales.

Extraordinary depreciation includes impairment losses recognised for intangible assets and property, plant and equipment within the framework of impairment tests undertaken in the year under report.

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.

Other non-cash expenses principally relate to additions to write-downs undertaken on receivables and to non-current provisions.

Segment assets and segment liabilities represent the gross assets and gross liabilities of the respective business segments excluding any items which cannot be allocated. The unallocable items mainly involve current and deferred income taxes, cash and cash equivalents, financial receivables and financial liabilities.

39 Cash flow statement

The cash flow statement portrays the flow of funds from operating activities, investing activities and financing activities. The cash flows from investing and financing activities have been calculated directly. The cash flow from operating activities, by contrast, has been derived indirectly.

Inflows of funds from the acquisition and disposal of consolidated companies have been included in the cash flow from investing activities. The cash and cash equivalents thereby acquired (disposed of) have been offset against payments made for the acquisition (proceeds from the disinvestment).

The inflow of funds from operating activities includes the following items:

- Interest income of Euro 7.8 million (previous year: Euro 4.7 million) and interest expenses of Euro 69.3 million (previous year: Euro 57.6 million).
- Paid income taxes of Euro 56.0 million (previous year: Euro 36.3 million) and refunded income taxes of Euro 14.5 million (previous year: Euro 8.5 million)
- Dividends received amounting to Euro 10.7 million (previous year: Euro 9.5 million).

Portions of the purchase price of companies deconsolidated in the previous year were received with cash effect in the 2006/07 financial year. Other major non-cash transactions include the valuation of derivatives measured pursuant to IAS 39 (2004), as well as income from the release of debit differences in connection with company acquisitions.

As a result of the increased net surplus for the period, the cash flow as per DVFA/SG was higher in the 2006/07 financial year than in the previous year. In the previous year, the cash flow from operating activities was characterised by a substantial increase in accounts receivable and in other assets. The increase in the volume of capital tied up in current assets was substantially lower in the current year than in the previous year. Overall, this resulted in a significantly higher level of cash flow from operating activities than in the previous year.

The negative cash flow from investing activities, by contrast, increased further due to company acquisitions. The cash flow from financing activities was negative as a result of dividend payments and loan repayments. This cash flow figure was positive in the previous year on account of the capital increase.

40 Capital management

MVV Energie AG is not subject to any statutory minimum capital requirements, but pursues its internal objective of using efficient financial management to maintain its equity ratio at a level necessary to attain a good rating on the banking market. This enables the costs of capital to be optimised.

The equity ratio represents consolidated shareholders' equity as a proportion of total assets. Shareholders' equity consists of share capital, capital reserves, retained earnings, net earnings and minority interests.

Measures to attain the targeted equity ratio initially take place within the business planning process and within the framework of investment budgeting in the case of major (unplanned) investment measures. By issuing shares, the company is able to adjust its equity basis to requirements.

41 Relationships to related companies, individuals and entities

	Goods and services provided		Receivables		Liabilities	
Euro 000s	**2006/2007**	2005/2006	**2006/2007**	2005/2006	**2006/2007**	2005/2006
Abfallwirtschaft Mannheim	645	472	34	—	—	—
ABG Abfallbeseitigungs-gesellschaft mbH	36 135	35 868	3 230	—	—	—
GBG Mannheimer Wohnungsbau-gesellschaft mbH	9 631	6 876	778	704	—	—
m:con – Mannheimer Kongress- und Touristik GmbH	2 551	– 5 398	7	—	2 846	5 346
MVV GmbH	– 2 286	– 5 058	140	6 780	41 533	57 122
MVV OEG AG	434	674	52	—	—	—
MVV Verkehr AG	2 159	2 874	1 143	198	—	—
Rhein-Neckar-Verkehr GmbH	9 016	5 753	802	490	—	—
Stadtentwässerung Mannheim	1 202	1 900	291	252	—	—
City of Mannheim	– 3 142	– 5 750	14 559	2 790	10 509	6 824
Proportionately consolidated companies	48 049	40 233	1 278	2 079	10 207	908
Other companies controlled by the City of Mannheim	5 012	3 572	309	336	—	—
	109 406	82 016	**22 623**	13 629	**65 095**	70 200

The City of Mannheim is the sole shareholder of MVV GmbH. MVV GmbH owns 99.99 % of the shares in MVV Verkehr AG, which in turn has a 66.2 % shareholding in MVV Energie AG. The City of Mannheim and the companies which it controls therefore represent related parties as defined in IFRS.

Numerous contractually agreed legal relationships are in place between companies of the MVV Energie Group and the City of Mannheim and the companies which it controls (electricity, gas, water and district heating supply agreements, rental, leasing and service agreements). Moreover, there is also a concession agreement MVV Energie AG and the City of Mannheim.

The supply and service relationships with companies affiliated to MVV Energie AG in most cases involve unilateral supply and service relationships. The supply and service relationships with the City of Mannheim have largely been depicted net of concession duties. The concession duty to the City of Mannheim amounted to Euro 19.9 million (previous year: Euro 20.3 million).

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

In the interests of greater transparency, the circle of related parties has been extended compared with the previous year. The previous year's figures have been adjusted as appropriate.

MVV Energie AG has compiled a dependent company report pursuant to Section 312 of the German Stock Corporation Act (AktG) for the financial year ending on 30 September 2007.

The members of the Executive Board of MVV Energie AG simultaneously act as executive board members of the group company MVV RHE AG; the CEO also acts as managing director of MVV GmbH. The compensation for these functions is paid by MVV Energie AG and charged to the other companies.

The Executive Board was paid total compensation amounting to Euro 1774 thousand during the year under report. This was structured as follows:

Compensation in Euro 000s	Fixed [1]	Variable [2]	Supervisory board positions [3]	**Total**
Dr. Rudolf Schulten	403	305	15	723
Dr. Werner Dub	239	230	10	479
Matthias Brückmann [4]	41	39	1	81
Hans-Jürgen Farrenkopf	243	230	8	481
Karl-Heinz Trautmann [5]	10	—	—	10
Total	**936**	**804**	**34**	**1774**

[1] including allowances for pension insurance, health insurance, nursing care insurance, voluntary contributions to employers' mutual insurance association and non-cash benefits, as well as the CEO allowance of Euro 160 thousand and compensation of the Chairman of the Executive Board for his activity as spokesman of the management of MVV GmbH

[2] provisions

[3] supervisory board activities at shareholdings

[4] in office since 1 August 2007

[5] in office until 15 October 2006

Variable compensation is calculated on the basis of two components – the annual net surplus of the MVV Energie Group after minority interests pursuant to IFRS and the ROCE (return on capital employed). A suitable cap is in place. No compensation components of a long-term incentive nature were granted during the year under report. No further payments were either committed or made by third parties.

Upon reaching retirement age, the members of the Executive Board are entitled to receive pension benefits amounting to a certain percentage of their fixed compensation. This percentage rises by 2 % for every full year of service up to a maximum value of 70 % of fixed compensation. Pension payments are reduced by income earned from employment elsewhere, benefits received under the state pension scheme and any other pension benefits attributable at least in half to employers' contributions. Any premature claiming of the pension results in the benefits paid being reduced by 0.5 % for every month by which the claimant falls short of the applicable retirement age.

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

The pension obligations are structured as follows:

Pension obligations	Value of	Benefit	Benefit	Allocation to pension provision	
Euro 000s	final pension [1]	percentage [2]	percentage [3]	Service cost	Interest expenses
Dr. Rudolf Schulten	234	51 %	70 %	284	38
Dr. Werner Dub	86	54 %	66 %	102	36
Matthias Brückmann	131	48 %	70 %	—	—
Hans-Jürgen Farrenkopf	98	56 %	66 %	166	37
Total	549			552	111

[1] achievable claim to retirement pension aged 63, taking due account of amounts deducted
[2] total pension rate achieved for retirement pension (in percent)
[3] benefit percentage achievable by the age of 63 years

Former members of the Executive Board (including Karl-Heinz Trautmann) received benefits of Euro 1 027 thousand during the year under report. Provisions totalling Euro 3 468 thousand were stated for pension obligations towards former members of the Executive Board. A total of Euro 347 thousand was allocated to this item during the financial year under report.

Under IAS 24, individuals in key management positions are also to be considered as related parties. In addition to the Executive Board, such related parties within the MVV Energie Group also include the heads of division/authorised representatives of MVV Energie AG. These individuals are compensated exclusively by MVV Energie AG. In the year under report, their compensation amounted to Euro 3 333 thousand.

Senior employees receive a company pension consisting solely of defined contribution commitments amounting to 8.6 % of their fixed compensation. Within the channels of execution available within the Group, senior employees can determine which biometric risks they would like to cover. The total expenses for this amounted to Euro 126 thousand during the year under report.

The members of the Supervisory Board each received annual compensation amounting to Euro 10 thousand in the 2006/07 financial year, with the Chairman receiving double and the deputy chairman one and a half times that amount. The Chairman of the Audit Committee received additional annual compensation of Euro 5 thousand, while the other members of the Audit Committee each received additional annual compensation of Euro 2.5 thousand. Furthermore, a meeting allowance of Euro 300 was paid per member per meeting of the full Supervisory Board and of the committees. Overall compensation amounted to Euro 329 thousand.

The members of the Supervisory Board own a total of 1 520 shares in MVV Energie AG.

42 Auditor's fee

The following fees were recognised as expenses for the services performed by the auditor of the consolidated financial statements, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, in the 2006/07 financial year:

Auditor's fee in Euro 000s	**2006/2007**	2005/2006
Audit	728	445
Other auditing services	533	18
Tax advisory services	19	16
Other services	169	30
	1449	509

43 Statement of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Executive Board and Supervisory Board of MVV Energie AG have submitted their Statement of Compliance with the recommendations of the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) and have made it available to the company's shareholders.

The complete statement has been published on the internet at *www.mvv-investor.de*.

44 Information on concessions

In addition to the concession agreement concluded between the City of Mannheim and MVV Energie AG (please see "Relationships to related companies, individuals and entities"), concession agreements have also been concluded between companies of the MVV Energie Group and local and regional authorities. The remaining terms of these agreements range from one to 20 years. In these agreements, responsibility has been assigned for operating the respective supply networks and providing for their maintenance. Should these agreements not be extended upon their expiry, the facilities for supplying the respective utility service must be taken over by the municipalities upon payment of commensurate compensation.

45 Events after the balance sheet date

On 29 June 2007, the Supervisory Board of MVV Energie AG approved a capital increase. This capital increase was executed in October 2007. The share capital was increased by around Euro 26 million by making partial use of authorised capital. A total of 10.1 million new shares already entitled to dividends upon issue were issued for this purpose at a subscription price of Euro 22.50.

Mannheim, 27 November 2007

MVV Energie AG
Executive Board

Dr. Schulten Brückmann Dr. Dub Farrenkopf

Directors & Officers

Executive Board of MVV Energie AG

Dr. Rudolf Schulten
Chief Executive Officer
Commercial Director

Matthias Brückmann
since 1 August 2007
Sales

Dr. Werner Dub
Technology, Networks and
Energy-Related Services

Hans-Jürgen Farrenkopf
Personnel, Social and Welfare Services,
IT and Real Estate Management

Supervisory Board of MVV Energie AG

Dr. Peter Kurz
since 4 August 2007
Chairman
since 9 August 2007
Lord High Mayor of the
City of Mannheim
since 4 August 2007

Gerhard Widder
Chairman
until 3 August 2007
Lord High Mayor of the
City of Mannheim
until 3 August 2007
Graduate in Engineering

Manfred Lösch[1]
Deputy Chairman
Chairman of the Works Council
of the MVV Group

Johannes Böttcher[1]
Chairman of the Works Council of
Energieversorgung Offenbach AG

Holger Buchholz[1]
Trade Union Secretary at
ver.di Kiel

Werner Ehret[1]
Works Council of MVV Energie AG

Detlef Falk[1]
since 1 June 2007
Deputy Chairman of the
Works Council of
Stadtwerke Kiel AG

Dr. Rudolf Friedrich
Retired Job Centre Director

Dr. Manfred Fuchs
Deputy Chairman of the
Supervisory Board of
Fuchs Petrolub AG, Mannheim

Dr. Stefan Fulst-Blei
since 9 March 2007
Vocational Training
College Lecturer

Reinhold Götz
Graduate in Commercial Training
2nd Authorised Representative of
IG Metall Mannheim

Dr. Karl Heidenreich
Former Member of the
Executive Board of
Landesbank Baden-Württemberg

Michael Homann[1]
until 31 July 2007
Head of Materials Management,
IT and Applied Computer Science
Division at MVV Energie AG

Prof. Dr. Egon Jüttner
University Professor

Klaus Lindner[1]
Trade Union Secretary at
ver.di Rhein-Neckar

Prof. Dr. Norbert Loos
Managing Partner of
Loos Beteiligungs-GmbH

Dr. Reiner Lübke[1]
since 1 August 2007
Head of Operations Management/
Engineering Division at
MVV Energie AG

Dr. Frank Mentrup
until 9 March 2007
Medical Doctor
Member of the State Parliament of
Baden-Württemberg

Manuel Mertes[1]
until 31 May 2007
Deputy Chairman of the
Works Council of
Stadtwerke Kiel AG

Barbara Neumann[1]
Chairman of the
Works Council of
Stadtwerke Kiel AG

Wolfgang Raufelder
Architect and Town Planner

Sabine Schlorke[1]
Trade Union Secretary at
ver.di Rhein-Neckar

Uwe Spatz[1]
Works Council of
MVV Energie AG

Christian Specht
First Mayor of the
City of Mannheim

[1] elected employee representatives

The additional positions and activities of the members of the Supervisory Board are listed in detail on the following pages.

Members of the Supervisory Board of MVV Energie AG

Name Occupation	Positions held in other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory bodies
Dr. Peter Kurz since 4 August 2007 Chairman since 9 August 2007 Lord High Mayor of the City of Mannheim since 4 August 2007	Faculty of Clinical Medicine at the University of Heidelberg Klinikum Mannheim GmbH University Hospital, Mannheim MVV GmbH, Mannheim MVV OEG AG, Mannheim MVV RHE AG, Mannheim MVV Verkehr AG, Mannheim	BBS Bau- und Betriebsservice GmbH, Mannheim GBG Mannheimer Wohnungsbaugesellschaft mbH, Mannheim MAFINEX-Technologiezentrum GmbH, Mannheim m:con – Mannheimer Kongress- und Touristik GmbH, Mannheim Rhein-Neckar Flugplatz GmbH, Mannheim Rhein-Neckar-Verkehr GmbH, Mannheim Sparkasse Rhein Neckar Nord, Mannheim Stadt Mannheim Beteiligungsgesellschaft mbH, Mannheim
Gerhard Widder Chairman until 3 August 2007 Lord High Mayor of the City of Mannheim until 3 August 2007 Graduate in Engineering	Grosskraftwerk Mannheim AG, Mannheim MVV GmbH, Mannheim MVV OEG AG, Mannheim MVV RHE AG, Mannheim MVV Verkehr AG, Mannheim	BBS Bau- und Betriebsservice GmbH, Mannheim GBG Mannheimer Wohnungsbaugesellschaft mbH, Mannheim MAFINEX-Technologiezentrum GmbH, Mannheim Rhein-Neckar Flugplatz GmbH, Mannheim Rhein-Neckar-Verkehr GmbH, Mannheim Sparkasse Rhein Neckar Nord, Mannheim Stadt Mannheim Beteiligungsgesellschaft mbH, Mannheim
Manfred Lösch Deputy Chairman Chairman of the Works Council of the MVV Group	Energieversorgung Offenbach AG, Offenbach MVV GmbH, Mannheim	
Johannes Böttcher Chairman of the Works Council of Energieversorgung Offenbach AG	Energieversorgung Offenbach AG, Offenbach MVV GmbH, Mannheim	
Holger Buchholz Trade Union Secretary at ver.di Kiel	Stadtwerke Kiel AG, Kiel	

Name Occupation	Positions held in other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory bodies
Werner Ehret Works Council of MVV Energie AG	MVV GmbH, Mannheim	
Detlef Falk since 1 June 2007 Deputy Chairman of the Works Council of Stadtwerke Kiel AG	Stadtwerke Kiel AG, Kiel	
Dr. Rudolf Friedrich Retired Job Centre Director	MVV Verkehr AG, Mannheim	BBS Bau- und Betriebsservice GmbH, Mannheim Fleischversorgungszentrum Mannheim GmbH, Mannheim
Dr. Manfred Fuchs Deputy Chairman of the Supervisory Board of Fuchs Petrolub AG	Fuchs Petrolub AG, Mannheim (Deputy Chairman)	Hilger u. Kern GmbH, Mannheim
Dr. Stefan Fulst-Blei since 9 March 2007 Vocational Training College Lecturer	MVV GmbH, Mannheim MVV OEG AG, Mannheim	m:con – Mannheimer Kongress- und Touristik GmbH, Mannheim Stadtmarketing Mannheim GmbH, Mannheim
Reinhold Götz Graduate in Commercial Training 2nd Authorised Representative of IG Metall Mannheim	Deutz AG, Köln	Rhein-Neckar Flugplatz GmbH, Mannheim Sparkasse Rhein Neckar Nord, Mannheim Stadt Mannheim Beteiligungsgesellschaft mbH, Mannheim
Dr. Karl Heidenreich Former Member of the Executive Board of Landesbank Baden-Württemberg	K+S Aktiengesellschaft, Kassel	

Name Occupation	Positions held in other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory bodies
Michael Homann until 31 July 2007 Head of Materials Management, IT and Applied Computer Science Division at MVV Energie AG	MVV GmbH, Mannheim	
Prof. Dr. Egon Jüttner University Professor	MVV GmbH, Mannheim MVV RHE AG, Mannheim	Sparkasse Rhein Neckar Nord, Mannheim
Klaus Lindner Trade Union Secretary at ver.di Rhein-Neckar	MVV GmbH, Mannheim	
Prof. Dr. Norbert Loos Managing Partner of Loos Beteiligungs-GmbH	BHS tabletop AG, Selb (Chairman) Dürr AG, Stuttgart (Deputy Chairman) Hans R. Schmidt Holding AG, Offenburg (Chairman) LTS Lohmann Therapie-Systeme AG, Andernach (Chairman) TRUMPF GmbH + Co. KG, Ditzingen	LTS Corp. West Caldwell, NJ, USA (Chairman) m:con – Mannheimer Kongress- und Touristik GmbH, Mannheim Stadt Mannheim Beteiligungsgesellschaft mbH, Mannheim
Dr. Reiner Lübke since 1 August 2007 Head of Operations Management/ Engineering Division at MVV Energie AG	MVV GmbH, Mannheim	Stadtwerke Schwetzingen GmbH & Co. KG, Schwetzingen Stadtwerke Schwetzingen Verwaltungsgesellschaft mbH, Schwetzingen
Dr. Frank Mentrup until 9 March 2007 Medical Doctor Member of the State Parliament of Baden-Württemberg	MVV GmbH, Mannheim	BBS Bau- und Betriebsservice GmbH, Mannheim GBG Mannheimer Wohnungsbaugesellschaft mbH, Mannheim

Name Occupation	Positions held in other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory bodies
Manuel Mertes until 31 May 2007 Deputy Chairman of the Works Council of Stadtwerke Kiel AG	Stadtwerke Kiel AG, Kiel	
Barbara Neumann Chairman of the Works Council of Stadtwerke Kiel AG	Stadtwerke Kiel AG, Kiel	
Wolfgang Raufelder Architect and Town Planner	MVV Verkehr AG, Mannheim	Mannheimer Parkhausbetriebe GmbH, Mannheim
Sabine Schlorke Trade Union Secretary at ver.di Rhein-Neckar	MVV GmbH, Mannheim	
Uwe Spatz Works Council of MVV Energie AG	MVV Umwelt GmbH, Mannheim	
Christian Specht First Mayor of the City of Mannheim	MVV RHE AG, Mannheim MVV Verkehr AG, Mannheim Zentralwerkstatt für Verkehrsmittel GmbH, Mannheim	BBS Bau- und Betriebsservice GmbH, Mannheim GBG Mannheimer Wohnungsbaugesellschaft mbH, Mannheim Mannheimer Stadtreklame GmbH, Mannheim MWS Bauconsult GmbH, Mannheim MWS Grundstücksverwaltungs GmbH, Mannheim

Audit Opinion

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by the MVV Energie AG, Mannheim, comprising the balance sheet, the income statement, statement of changes in equity, segment report, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from October 1, 2006 to September 30, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": "German Commercial Code") are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Mannheim, November 27, 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Appel	Herrwerth
Wirtschaftsprüfer	Wirtschaftsprüfer
Public Auditor	Public Auditor

Multi-Year Overview

Income Statement (Euro million)	2002/2003 [1]	2003/2004 [2]	2004/2005 [3]	2005/2006	**2006/2007**
Sales	1358 [4, 5]	1568 [4, 5]	1864 [4, 5]	2170 [4, 5]	2259 [4, 5]
Cost of materials	873	1041	1235	1434	1501
Personnel expenses	215	250	295	280	303
EBITDA	359	209	287	370	359
Depreciation	102	154	131	147	144
EBITA	257	55	156	223	216
Goodwill amortisation	13	14	– 2	22	1
EBIT	244	41	158	201	215
EBT	184	– 23	80	128	139
Annual net surplus	159	– 38	41	64	126
Annual net surplus after minority interests	152	– 44	28	50	109

External Sales (Euro million)					
Electricity	600 [4, 5]	744 [4, 5]	882 [4, 5]	966 [4, 5]	1079 [4, 5]
District heating	246	252	250	276	272
Gas	240	263	366	447 [4]	342 [4]
Water	73	86	106	107	104
Value-added services	103	117	107 [4, 6]	149 [4, 6]	263 [4]
Environmental energy	95	97	131	193	184
Other/consolidation	1	9	22 [6]	32 [6]	15
MVV Energie Group	**1358**	**1568**	**1864**	**2170**	**2259**

EBIT (Euro million)					
Electricity	27	32	39	20	54
District heating	38	32	40	51	42
Gas	163	17	35	31	11
Water	11	12	15	21	19
Value-added services	– 8	– 63	16 [6]	12 [6]	19
Environmental energy	13	12	27	68	71
Other/consolidation	—	– 1	– 14 [6]	– 2 [6]	– 1
MVV Energie Group	**244**	**41**	**158**	**201**	**215**

Assets (Euro million)	2002/2003 [1]	2003/2004 [2]	2004/2005 [3]	2005/2006	**2006/2007**
Electricity	581	716	734	845	860
District heating	393	601	474	505	562
Gas	379	377	331	318	331
Water	218	309	288	273	282
Value-added services	185	162	145	159	285
Environmental energy	414	438	445	468	474
Other/consolidation	178	274	230	395	293
Unallocated (balance sheet)	—	—	273	190	191
MVV Energie Group	2 348	2 877	2 920	3 153	**3 278**

Investments (Euro million)	2002/2003 [1]	2003/2004 [2]	2004/2005 [3]	2005/2006	**2006/2007**
Electricity	17	21	22	18	22
District heating	17	27	24	19	28
Gas	19	17	17	22	19
Water	10	12	13	12	12
Value-added services	22	10	8	18	30
Environmental energy	52	62	64	81	34
Other/consolidation	24	17	14	20	20
Investments in property, plant and equipment	161	166	162	190	**165**
Investments in financial assets	20	141	52	29	90
MVV Energie Group	181	307	214	219	**255**

R&D Expenditure based on Statistical Survey (Euro million)	2002/2003 [1]	2003/2004 [2]	2004/2005 [3]	2005/2006	**2006/2007**
Process optimisation	3	1	1	1	2
Product development	3	2	2	1	4
Technical enhancement	—	1	1	1	3
MVV Energie Group	6	4	4	3	**9**

Balance Sheet Figures (Euro million)	2002/2003[1]	2003/2004[2]	2004/2005[3]	2005/2006	**2006/2007**
Non-current assets	1864	2331	2339	2361	2479
Current assets	484	546	579	792	799
Share capital	130	130	130	143	143
Capital reserve	178	178	178	255	255
Retained earnings	222	197	246	237	237
Net earnings as reported in balance sheet	168	104	78	97	163
Minority interests	108	240	105	105	116
Equity	806	849	737	837	914
Non-current debt	722	1147	1397	1366	1377
Current debt	820	881	784	950	987
Total assets	**2348**	**2877**	**2918**	**3153**	**3278**

Key Balance Sheet Figures and Ratios

Cash flow pursuant to DFVA/SG[7] (Euro million)	150	158	188	246	269
Free cash flow[8] (Euro million)	– 61	– 18	53	– 52	119
Equity ratio[9] in %	34.3	29.5	25.3	26.5	27.9
Capital Employed[10] (Euro million)	1838	2055	2263	2293	2396
ROCE[11] in %	14.0	2.7	6.9	9.7	9.0
WACC[12] in %	8.8	8.0	7.5	7.5	7.5
Value spread[13] in %	5.2	– 5.3	– 0.6	2.2	1.5

Employees (at 30. 9.)

MVV Energie AG including MVV RHE AG	1821	1769	1728	1569	1559
Fully consolidated shareholdings	2122	3492	3114	3156	3765
MVV Energie AG with fully consolidated shareholdings	**3943**	**5261**	**4842**	**4725**	**5324**
Proportionately consolidated shareholdings	1711	1632	1550	1562	1031
MVV Energie Group	**5654**	**6893**	**6392**	**6287**	**6355**
External personnel at Mannheim waste-to-energy plant of MVV Energie AG	73	64	57	51	39
	5727	**6957**	**6449**	**6338**	**6394**

[1] including income from sale of GVS shares and expenses on measures to enhance competitiveness

[2] including expenses for streamlining of portfolio and restructuring measures

[3] starting in the 2005/06 financial year: initial recognition of put option at Stadtwerke Kiel AG (previous year's figure adjusted)

[4] excluding energy taxes

[5] energy trading sales reported net, i.e. only showing the gross margin actually realised

[6] starting in the 2005/06 financial year the companies MAnet GmbH and Energy Innovations Portfolio AG & Co. KGaA have been reported in the other/consolidation segment rather than in the value-added services segment, given that the business activities of these companies do not correspond to the traditional energy-related services business (previous year's figure adjusted)

Share and Dividend	2002/2003 [1]	2003/2004 [2]	2004/2005 [3]	2005/2006	2006/2007
Closing price at 30. 9. (Euro)	15.30	14.40	19.29	23.23	29.49
Annual high [14] (Euro)	15.95	17.16	19.50	25.40	34.24
Annual low [14] (Euro)	13.50	11.67	13.90	17.40	22.00
Market capitalisation at 30. 9. (Euro million)	776	730	978	1 295	1 645
No. of individual shares at 30. 9. (million)	50.702	50.702	50.704	55.767	55.767
No. of shares entitled to dividends (million)	50.702	50.702	55.704	55.767	55.767
Dividend per share (Euro)	0.75	0.75	0.75	0.80	0.80 [15]
Total dividend (Euro million)	38.0	38.0	41.8	44.6	52.7 [15,16]
Earnings per share pursuant to IAS 33 (Euro)	3.01	– 0.86	0.55	0.91	1.96 [17]
Cash flow per share pursuant to DVFA/SG (Euro)	2.96	3.11	3.71	4.47	4.82 [17]
Equity per share [18] (Euro)	13.76	12.02	12.46	13.29	14.32 [17]
Price/earnings ratio pursuant to IAS 33	5.1	—	35.1	25.5	15.0 [17,19]
Price/cash flow ratio	5.2	4.6	5.2	5.2	6.2 [17,19]
Dividend yield [19] in %	4.9	5.2	3.9	3.4	2.7 [15]
Sales Volumes [20]					
Electricity (kWh million)	10 972	14 539	18 402	20 484	24 443
of which wholesale, incl. secondary distributors (kWh million)	2 678 [21]	5 587 [21]	9 454 [21]	10 566 [21]	14 152 [21]
of which retail (kWh million)	8 294	8 952	8 948	9 918	10 291
District heating (kWh million)	7 370	7 504	7 446	7 343	6 265
Gas (kWh million)	8 422	8 906	11 096	11 513	9 456
Water (m^3 million)	42	48	58	58	56
Combustible waste delivered (tonnes 000s)	486	518	872	1 229	1 409

[7] pursuant to the German Association for Financial Analysis and Asset Management/Schmalenbach-Gesellschaft

[8] inflow of funds from operating activities, less investments in property, plant and equipment, intangible assets and investment property

[9] equity as a proportion of total assets

[10] equity plus financial liabilities plus provisions for pensions and similar obligations plus accumulated goodwill amortisation (calculated as an annual average)

[11] return on capital employed (EBITA as a percentage of capital employed)

[12] weighted average cost of capital

[13] value spread (ROCE less WACC)

[14] variable XETRA trading

[15] pending approval by the Annual General Meeting on 14 March 2008

[16] entitled to dividend from 23 October 2007: 65 906 796 individual shares

[17] weighted number of individual shares: 55 767 290

[18] excluding minority interests

[19] basis: closing price in XETRA trading on 30 September

[20] total volume for all segments

[21] reported on a net basis and excluding group-internal supplies

Financial Calendar

17. 1. 2008	Annual Financial Statements 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
16. 5. 2008	Interim Report 2nd Quarter of 2007/2008
16. 5. 2008	Press Conference and Analysts' Conference 2nd Quarter of 2007/2008
15. 8. 2008	Interim Report 3rd Quarter of 2007/2008
20. 11. 2008	Publication of Preliminary Results for the 2007/2008 Financial Year

Imprint

Editorial responsibility

MVV Energie AG
Wilfried Schwannecke
Tel: ++49 (0) 621 290-2392
Fax: ++49 (0) 621 290-3075
w.schwannecke@mvv.de

Editing and project coordination

Bettina von Rebenstock
Tel: ++49 (0) 621 290-3614
Fax: ++49 (0) 621 290-3075
b.rebenstock@mvv.de

Petra Wandernoth
Tel: ++49 (0) 621 290-3417
Fax: ++49 (0) 621 290-3075
p.wandernoth@mvv.de

Concept and design, creative direction, consulting and project management

Anja Helm
745 Agentur für Gestaltung
Düsseldorf

Translation

Daniel Clark & Associates
Business Communication Services
Berlin

Photography

Alexander Basta
Düsseldorf

Published by:

MVV Energie AG
Luisenring 49
D-68159 Mannheim

Postal address
D-68142 Mannheim

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

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

Contact

Investor Relations
Tel: ++49 (0) 621 290-3708
Fax: ++49 (0) 621 290-3075
www.mvv-investor.de
ir@mvv.de

Internet

Both the German and English editions of this Annual Report can be accessed as interactive online reports on the internet and may also be downloaded as pdf files.

www.mvv-investor.de

Contact Annual Report

Frank Nagel
Tel: ++49 (0) 621 290-2692
Fax: ++49 (0) 621 290-3075
f.nagel@mvv.de

Contact Investor Relations

Marcus Jentsch
Tel: ++49 (0) 621 290-2292
Fax: ++49 (0) 621 290-3075
m.jentsch@mvv.de