MVV ENERGIE – ENERGISING THE FUTURE

ANNUAL REPORT 2009/10

We Do Energy

MVV Energie

MVV Energie at a Glance

MVV Energie is a successful energy supplier with horizontally networked shareholdings and has been publicly listed since 1999. In the 2009/10 financial year, our Group had around 6 000 employees and generated sales of Euro 3.4 billion. To energise the future, we are building on sustainability, efficiency and regionalism. We have thus created a basis to achieve further growth.

Electricity

Sales:
Euro 2 010 million (60 %)
Adjusted EBIT:
Euro 54 million (23 %)

Environmental energy

Sales:
Euro 187 million (5 %)
Adjusted EBIT:
Euro 62 million (26 %)

District heating

Sales:
Euro 307 million (9 %)
Adjusted EBIT:
Euro 48 million (20 %)

Value-added services

Sales:
Euro 307 million (9 %)
Adjusted EBIT:
Euro 4 million (2 %)

Gas

Sales:
Euro 429 million (13 %)
Adjusted EBIT:
Euro 58 million (24 %)

Water

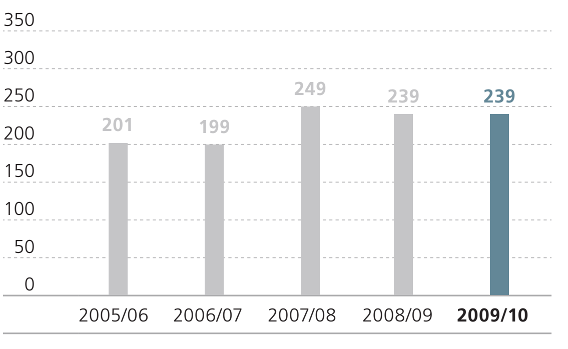
Sales:
Euro 100 million (3 %)
Adjusted EBIT:
Euro 13 million (5 %)

Figures in brackets: Share of total sales/total adjusted EBIT

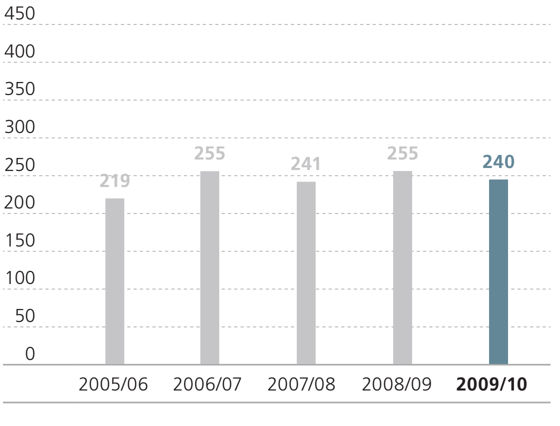
External sales[1] in Euro billion

1 excluding electricity and natural gas taxes

Adjusted EBIT in Euro million

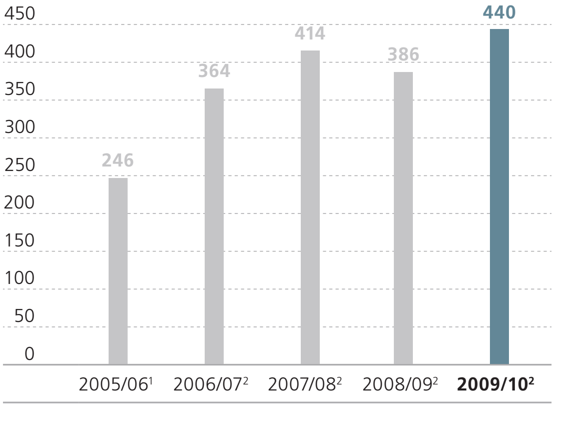


Investments[1] in Euro million



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

Cash flow in Euro million



1 as per DVFA/SG
2 before working capital and taxes

Key Figures

MVV Energie Group

Euro million	2009/10	2008/09	% change
Sales excluding electricity and natural gas taxes	3 359	3 161	+ 6
Adjusted EBITDA [1]	402	385	+ 4
Adjusted EBITA [1]	243	239	+ 2
Adjusted EBIT [2]	239	239	0
Adjusted EBT [2]	165	165	0
Adjusted annual net surplus [2]	105	112	– 6
Adjusted annual net surplus after minority interests [2]	95	98	– 3
Adjusted earnings per share in Euro [2]	1.44	1.48	– 3
Cash flow before working capital and taxes	440	386	+ 14
Cash flow before working capital and taxes per share in Euro	6.68	5.86	+ 14
Free cash flow	154	20	+ 670
Adjusted total assets (as of 30.9.) [2]	3 457	3 566	– 3
Adjusted equity (as of 30.9.) [2]	1 233	1 208	+ 2
Adjusted equity ratio (as of 30.9.) [2]	35.7 %	33.9 %	+ 5
Capital employed [3]	2 729	2 649	+ 3
ROCE	8.9 %	9.0 %	– 1
WACC	8.5 %	8.5 %	0
Value spread	0.4 %	0.5 %	– 20
Investments	240	255	– 6
Number of employees (as of 30.9.)	6 068	6 053	0

1 excluding non-operating IAS 39 measurement items in connection with energy trading derivatives

2 excluding non-operating IAS 39 measurement items in connection with energy trading derivatives and one-off restructuring expenses at MVV Energiedienstleistungen GmbH subgroup in previous year

3 adjusted equity plus financial debt plus provisions for pensions and similar obligations plus accumulated goodwill amortisation (calculated as an annual average)

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We Do Energy

ANNUAL REPORT 2009/10

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The 2009/10 Financial Year at a Glance

October 2009 to September 2010

December 2009

Launch of operations with Boiler 6 at Mannheim Cogeneration Plant

February 2010

MVV Energie joins Business Sustainability Initiative (WIN) in Baden-Württemberg

April 2010

Ground-breaking ceremony for district heating network in Ingolstadt – Bavaria's largest waste heat and district heating project

April 2010

Launch of joint electro-mobility project in Mannheim

June 2010

MVV Energie acquires wind farm in Mecklenburg-Vorpommern

July 2010

Launch of operations with fourth biogas plant at MVV Energiedienstleistungen

September 2010

Technical commissioning of district heating transport pipeline to Speyer

DR. GEORG MÜLLER

CEO of MVV Energie AG

Dear Shareholders,
Dear Ladies and Gentlemen,

Thank you for your interest in our 2009/10 Annual Report. We can present you with a positive overall summary of a special year at MVV Energie, one in which we made some important changes and faced growing challenges in our market.

The environment in which our company operates has been and continues to be shaped by a process of profound transformation – measures to protect the climate and to spare limited energy resources will impact decisively on future energy supply systems. Put simply, we are heading for a new energy age.

We are actively exploiting this transformation. In our Annual Report, we inform you about the strategic focuses and operative measures with which we intend to seize the opportunities presented by these changes. Our objective is clear – we aim to achieve further profitable growth and to remain one of Germany's leading energy companies in 2020 and beyond.

Our 2009/10 consolidated financial statements document our Group's sustainable earnings strength, its financial resources and its economic potential. We boosted our external sales year-on-year by 6 % to almost Euro 3.4 billion, clearly exceeding the sales target formulated at the beginning of 2010. At Euro 239 million, the adjusted operating earnings before interest and taxes (adjusted EBIT) of the MVV Energie Group matched the previous year's figure. We thus met our budget target, even though we were obliged to post extraordinary one-off charges in the year under report at our MVV Energiedienstleistungen subgroup. We restructured this subgroup in terms of its strategy, organisational structure and personnel in the year under report, focusing its investment and project portfolio on promising markets. We can also report pleasing developments in our net asset and financial position. Here, we managed to reduce our current and non-current liabilities, while significantly improving our free cash flow compared with the previous year.

Particularly positive from my point of view is the fact that earnings contributions from our most important business segments, namely electricity, district heating, gas and environmental energy, were more or less on a par with each other. By building on this well-balanced business portfolio, drawing on our close ties with customers in our local and regional markets, and networking our group of companies, we will be able to generate stable earnings in future as well.

Our employees constitute a key factor in the successful development of our group of companies. Their dedication and support was especially called for in this year's "Once Together" group project. I would therefore like to thank all managers, employees and employee representatives for their commitment and for working together on a basis of trust. We reviewed all relevant structures and processes at our companies in Mannheim, Kiel and Offenbach, as well as at our MVV Energiedienstleistungen and MVV Umwelt subgroups and identified potential cost savings. By introducing a uniform organisational structure and enhancing our processes we aim to cut our costs and reach faster and better decisions. One component of this concept for the future involves cutting around 450 full-time positions at our Mannheim, Kiel and Offenbach locations by 2020. By making these far-reaching changes, we are acting early to prepare for tougher competition and the new challenges presented by energy and climate policy. We will implement this unavoidable reduction in our workforce in a socially responsible manner.

Within our strategic and organisational restructuring, we have also developed a new planning and control approach. Starting in the 2010/11 financial year, our planning and control activities will be based on a uniform value creation stage model for the whole Group. This will enable us to provide the right momentum along the various stages of the value chain. Working together with our municipal partners, we have thus provided MVV Energie AG, Stadtwerke Kiel AG and Energieversorgung Offenbach AG with a sustainable and robust understanding of the autonomous course our Group is pursuing.

With this concept for the future, we have laid foundations for the MVV Energie Group to maintain its profitable development in the coming years, and thus to enable our shareholders as well to benefit from our stable long-term performance. For the 2009/10 financial year, the Executive and Supervisory Boards can once again propose an unchanged dividend of Euro 0.90 per share for approval by the Annual General Meeting of MVV Energie AG on 18 March 2011.

On behalf of the Executive Board, I would like to thank you for the trust you placed in us in the 2009/10 financial year. I would be delighted if you would uphold your support for MVV Energie and its Executive Board in future as well.

With kind regards.

Yours faithfully,

Georg Müller

Dr. Georg Müller
CEO

Mannheim, December 2010

We Do Energy

It all began with fire. It gave off heat and helped in preparing food. This marked the beginning of sensible energy use. More than a million years ago.

Today, expectations as to the best ways to generate, distribute and use energy are significantly higher: energy systems should simultaneously be reliable, affordable and environmentally-friendly!

MVV Energie has accepted this challenge. As an energiser of the future and consistent with our motto "Think and act in the long term", we have placed our strategic focuses on sustainability, efficiency and regionalism. Our objective is clear – we aim to be one of Germany's leading energy companies in 2020 as well and beyond.

After all: We Do Energy.

In the following pages, we will introduce you to six forward-looking projects at MVV Energie.

MUSCLE POWER / CONVENTIONAL POWER PLANTS / RENEWABLE ENERGIES / WIND FARMS / ENERGISING THE FUTURE

The challenge

Climate protection targets and increased environmental awareness make the "ecologisation" of the energy industry inevitable. Expanding renewable energies remains on the agenda despite longer operating lifetimes for nuclear power plants. It is nevertheless important not to lose sight of cost-benefit aspects.

Our strategy: entering the wind energy business

All signals are on green at MVV Energie. We aim to raise the share of renewable energies in our energy generation to 30 % by 2020. As well as generating energy from biomass and the biogenic share of waste, we are also relying on onshore wind energy plants. We took our first step here by acquiring Plauerhagen Wind Farm. No longer an ecological niche activity, wind energy is for us an economically attractive future energy form. Its revenues are calculable and the plants themselves are reliable and profitable.

The project

The eight plants at Plauerhagen Wind Farm have a capacity of 16 MWh and produce around 35 GWh hours a year. That's enough to supply 10 000 households with environmentally-friendly electricity.

The project manager

Bernd Spannowsky has been manager of Mergers & Acquisitions at MVV Energie since 2008. The qualified economist accompanied the acquisition of the wind park from the outset as project manager. He managed the acquisition process, coordinated the due diligence audit and, together with lawyers and external consultants, led the successful acquisition talks.


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SUPPLY MONOPOLY / LIBERALISATION OF ELECTRICITY MARKET / TRADING ON ENERGY EXCHANGES / PORTFOLIO MANAGEMENT / ENERGISING THE FUTURE

The challenge

Since liberalisation, the electricity market has acquired great dynamism. This has also affected the gas market, which is currently marked by the merging of market regions and a growing share of liquid natural gas in Europe. These developments are being accompanied by the rapid expansion in renewable energies in Germany, a factor that in turn is further accelerating the transformation in supply and generation structures.

Our strategy: professional portfolio and risk management system

This is the complex market environment in which MVV Energie's central trading unit, 24/7 Trading GmbH, has positioned itself. Here, all of the Group's procurement and generation portfolios are pooled, structured and also optimised in terms of their profitability. By drawing on proactive portfolio and risk management with interfaces all along the value chain, we are also exploiting the opportunities presented by the transformation in the gas market. Professional market analyses compiled by our research teams enable us to act quickly and flexibly on the markets, thus boosting the value contributed by our energy trading business.

The project

As a central expert platform, 24/7 Trading GmbH enhances the value of MVV Energie's energy and asset portfolio for the Group as a whole while simultaneously managing the associated risks.

The project manager

Adolf Plentz joined MVV Energie's energy trading business as a risk manager in 2002. Since 2009, he has been head of the electricity front office department at 24/7 Trading GmbH. His main tasks involve market surveillance and analysis, marketing and optimising generation capacities and advising and supporting the sales department in energy trading matters.

WASTE DUMPING / WASTE INCINERATION / GENERATING ENERGY FROM WASTE / COGENERATION / ENERGISING THE FUTURE

The challenge

The German waste mountain peaked in 2005. The Technical Guidelines for the Disposal of Municipal Solid Waste (TASi) then put an end to untreated waste dumping. Rightly so, as the environmental damage caused by the massive growth in waste volumes at dumping sites was already apparent. The search for new disposal concepts first led to increased incineration capacities and then the idea of using waste to generate energy gained the upper hand.

Our strategy: using waste as a valuable energy resource

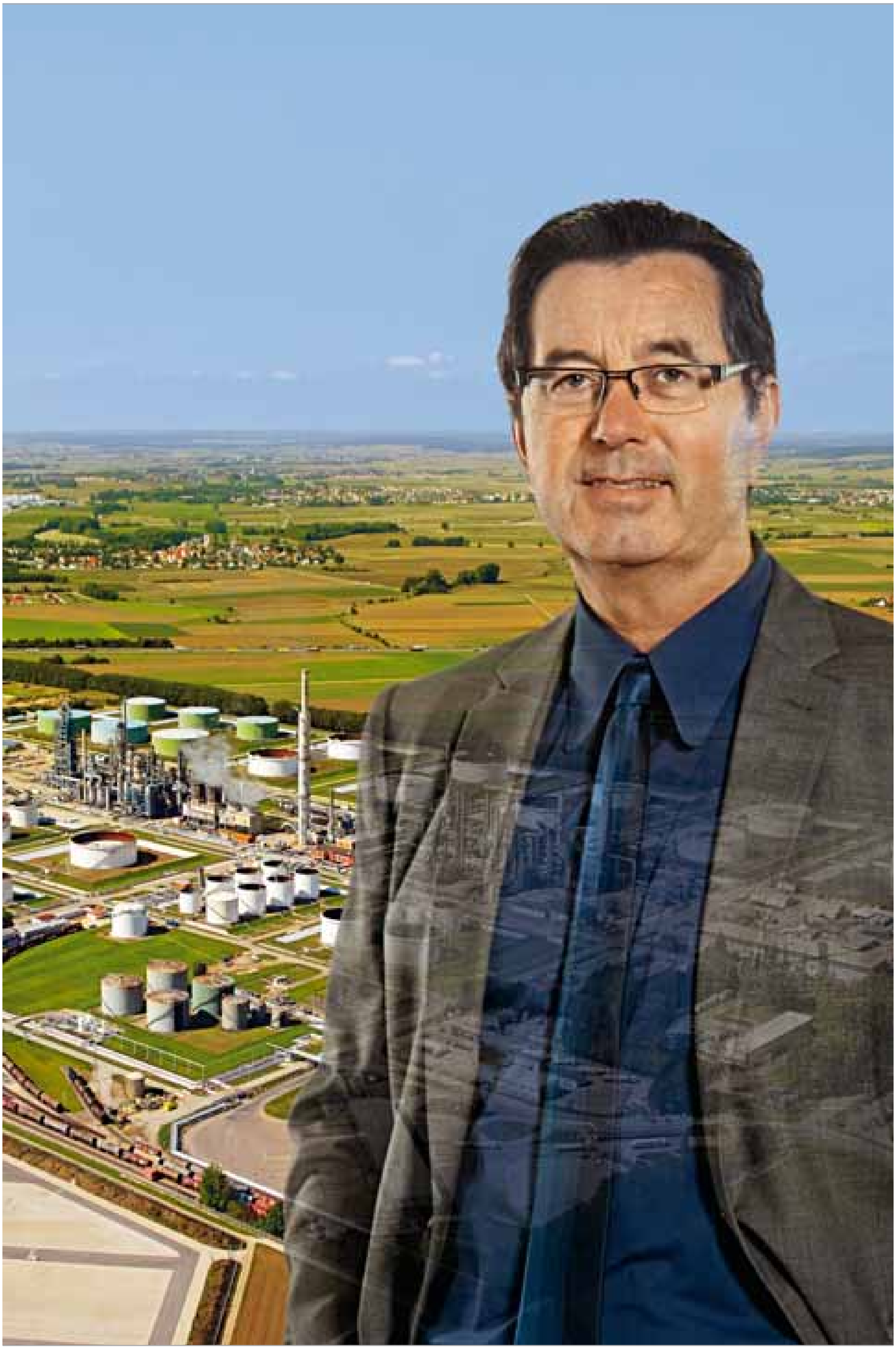
Solving major future challenges – we dispose of the waste generated by industry, business and municipalities. At the same time, we exploit the energy potential offered by the waste to produce high-quality steam. Working with efficient, environmentally-friendly cogeneration, we use this to generate electricity, district steam and district heating. This enables us to reduce our fossil fuel consumption and cut our CO_2 emissions. We operate waste-fired power plants and biomass power plants at seven locations across Germany with an annual capacity of around 1.7 million tonnes. We are one of the technology leaders in Germany and aim to establish our competence in international markets as well in the long term.

The project

Mannheim Cogeneration Plant is now a modern energy from waste and disposal centre. Its new Boiler 6 (investment volume: Euro 117 million) has replaced two older boilers and stands out on account of its high availability, exceptional energy efficiency and great flexibility in terms of energy use. Each year, between 200 000 and 230 000 tonnes of waste can be incinerated in Boiler 6.

The project manager

Generating energy from waste was already an important topic for Dr. Folke Wolff during her training. Having gained initial experience in environmental research, this graduate in chemical and process engineering found the right employer at MVV Umwelt in 2003. Under her project management, Boiler 6 was completed on schedule.



COAL-FIRED OVEN / CENTRAL HEATING / USING WASTE HEAT / DISTRICT HEATING NETWORK / ENERGISING THE FUTURE

The challenge

Fossil energy resources are finite and importing them makes us dependent on others. Using fossil fuels to generate energy produces CO_2 emissions harmful to the climate. Careful, efficient deployment of fossil fuels is therefore the order of the day.

Our strategy: expanding the district heating supply

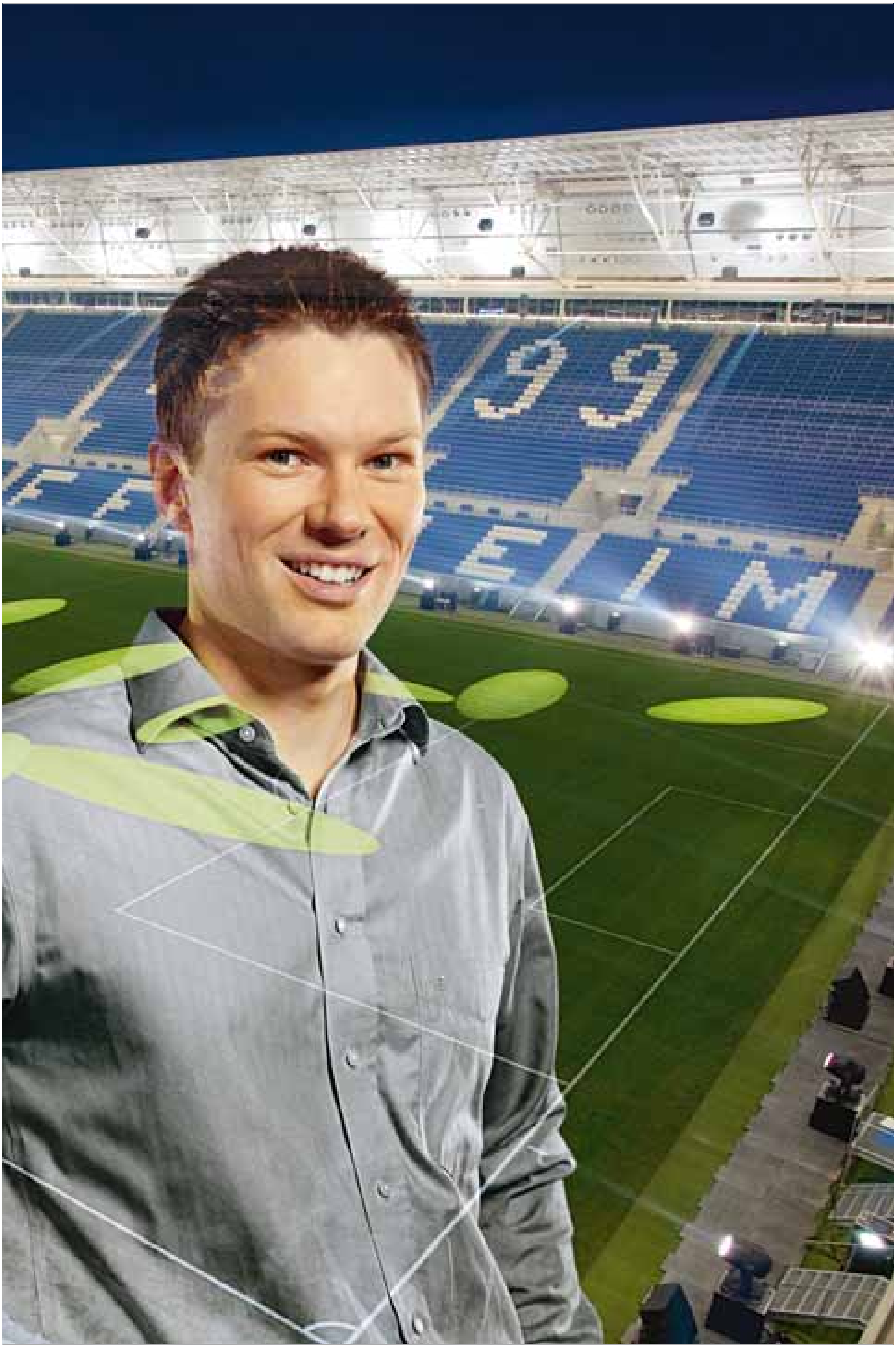
The simultaneous generation of electricity and heating energy using cogeneration significantly reduces the volume of primary fuels used and thus also the volume of CO_2 compared with separate generation. District and local heating systems therefore make both economic and ecological sense, and MVV Energie is committed to expanding these at all of its locations. One major forward-looking project currently in implementation is the district heating network in Ingolstadt. In this, Bavaria's largest waste heat and district heating project, Stadtwerke Ingolstadt Energie GmbH is supplying numerous large local customers, including Audi AG, with resource-efficient, environmentally-friendly heating energy derived from waste industrial heat at the Petroplus refinery and from the waste incineration unit of the City of Ingolstadt. At the same time, this project has also created a basis for connecting additional private district heating customers in Ingolstadt.

The project

Stadtwerke Ingolstadt is investing around Euro 23 million in expanding its district heating grid. From spring 2011, the district heating network should significantly raise the volume of district heating supplied – from 190 GWh to around 300 GWh a year by 2013.

The project manager

Karl Händel is something of an institution at Stadtwerke Ingolstadt. The mechanical engineer has been handling energy there since 1983 already. Given his process coordination skills, the authorised company representative and head of the generation division was just the right man, virtually a catalyst, for the difficult negotiations to establish the district heating network.



REGIONAL ELECTRICITY SUPPLIER / COMPETITION DUE TO LIBERALISATION / STRUCTURED PROCUREMENT / ELECTRICITY AND GAS ENERGY FUND / ENERGISING THE FUTURE

The challenge

Since liberalisation, the energy sector has witnessed a dynamic process of transformation. Regulatory and competitive pressure, coupled with stagnating energy demand, have led to structural changes. Private customers are ever more likely to switch supplier. Industrial and commercial customers are exposed to substantial price fluctuations.

Our strategy: expanding our nationwide Energy Fund

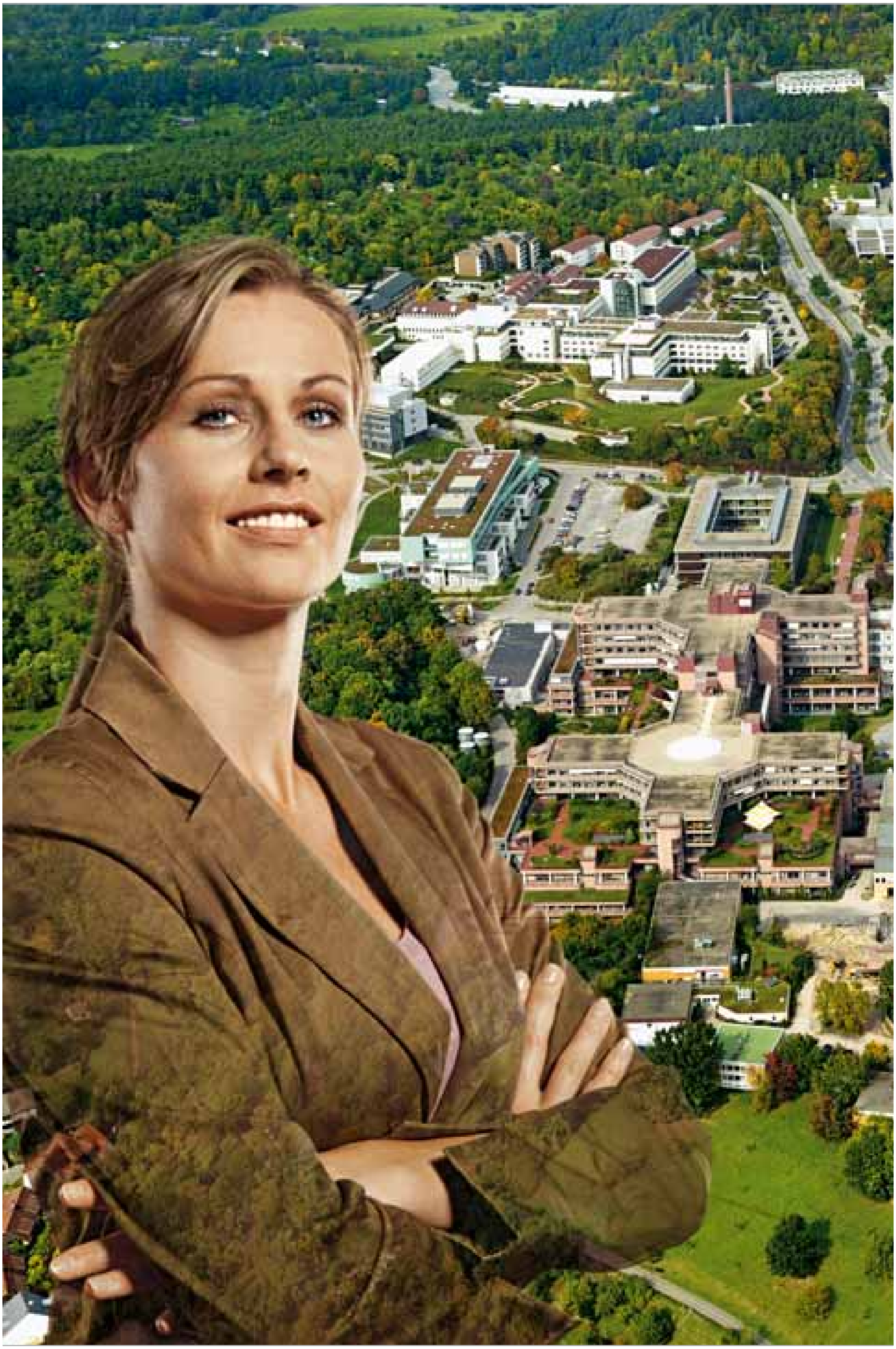
For MVV Energie, it is no longer enough simply to act as a reliable supplier in its own region. Nationwide sales with the innovative Electricity Fund product were launched in 2005. This structured procurement product has since been consistently enhanced, with advance procurement terms being extended from twelve to 36 months. This way, we can guarantee longer price and budgeting reliability for our customers. We have mapped the electricity fund success story onto the gas market and launched our new Electricity / Gas Energy Fund product. More than 1 000 satisfied customers by the end of the 2009/10 financial year show that our efforts were worthwhile. Our innovative electricity products have contributed towards the sixfold rise in total turnover volumes at MVV Energie to 12 TWh over the past ten years.

The project

MVV Energie is supplying 3 GWh of electricity and 2.3 GWh of heating energy a year to the Rhein-Neckar-Arena. Moreover, a compression cooling energy machine will produce around 1 GWh of cooling energy a year.

The project manager

Christian Buske developed the Electricity Fund for MVV Energie. As team leader, the industrial engineer was responsible for building up the sales force to market the Electricity Fund across Germany. The Electricity / Gas Energy Fund also bears his signature. At present, he is currently hatching new product ideas for the energy market in his dissertation.



COMPANIES AS SELF-SUPPLIERS / EXTERNAL SERVICE PROVIDERS / USE OF RENEWABLE ENERGIES / ENERGY EFFICIENCY VIA CONTRACTING / ENERGISING THE FUTURE

The challenge

Political climate protection targets mean that industrial companies, commercial businesses, municipalities and local and regional authorities are coming under increasing pressure to reduce their energy costs and CO_2 emissions. Ever more companies and municipalities are focusing on their core tasks and outsourcing their energy management and investments in modernising their energy plants to external specialists. Energy efficiency is thus one of the energy market segments forecast to show growth.

Our strategy: exploiting market potential in contracting business

MVV Energie aims to generate profitable, focused growth in its energy-related services business in the coming years. Its strategic focuses are to be found in contracting and energy efficiency, industrial parks and consulting. With our extensive technical expertise and based on individual offers we are operating 2 270 plants for 1 900 customers in our contracting business. We see the healthcare sector as harbouring great market potential and now count 68 hospitals, old people's homes and rehabilitation centres among our customers.

The project

One example is the University Hospital in Tübingen, which we have been supplying with heating energy since 1 July 2010. Here, we will enhance the hospital's energy efficiency and cut its CO_2 emissions by up to 20 000 tonnes a year by using timber, a regenerative fuel. Not only that, our energy concept will reduce the university hospital's heating costs by around 20 percent.

The project managers

The Tübingen University Hospital project largely bears the signature of Dr. Volkmar Groß, who as project manager has since been responsible for its implementation. Susanne Egger – a graduate in business administration who has been at the company for eleven years – is heading the newly founded project management unit, in which MVV Energiedienstleistungen GmbH implements major projects.

To Our Shareholders

Dr. Georg Müller

SINCE 1 JANUARY 2009

CEO
of MVV Energie AG

Commercial Director

Matthias Brückmann

SINCE 1 AUGUST 2007

Member of Executive Board
of MVV Energie AG

Sales Director

The Executive Board of MVV Energie AG

Dr. Werner Dub

SINCE 1 JANUARY 2000

Member of Executive Board
of MVV Energie AG

Technology Director

Hans-Jürgen Farrenkopf

SINCE 1 JANUARY 2003

Member of Executive Board
of MVV Energie AG

Personnel Director

Report of the Supervisory Board

DR. PETER KURZ

Chairman of the Supervisory Board
of the MVV Energie AG

Ladies and Gentlemen,

The Supervisory Board diligently performed the duties incumbent on it by law and under the Articles of Incorporation in the 2009/10 financial year. We advised the Executive Board in its management of the company and monitored its business activities on an ongoing basis.

In this, we were provided by the Executive Board with regular, prompt and comprehensive information about the performance and position of the company, as well as about all business transactions of particular significance. The regular reports from the Executive Board included presentations of the company's business, sales and earnings performance, its net asset and financial position and its risk situation and risk management. The Executive Board also reported on all relevant matters of business policy and corporate planning. Any variances between the actual business performance and previous budgets and targets were reported and explained in detail to the Supervisory Board. The Supervisory Board was informed by the Executive Board without delay of any unexpected occurrences.

Furthermore, the Supervisory Board Chairman was in regular contact with the Executive Board, and especially the CEO, to exchange views on current matters and developments.

Main topics of discussion in full Supervisory Board

The Supervisory Board held a total of eight meetings in the year under report, at which it carefully examined and held in-depth discussions, prepared where appropriate by the relevant committees, on the reports and draft resolutions submitted by the Executive Board. The Supervisory Board reached its decisions on the basis of this information.

The continuing implications of the global financial and economic crisis for the MVV Energie Group remained a focus of discussion in the Supervisory Board in the past financial year. The Executive Board kept us informed of the impact of the crisis on energy supply and waste incineration markets and of the resultant developments in commodity, energy and waste prices. Furthermore, the Executive Board notified us regularly of changes arising in the policy framework for the energy industry, such as the energy policies set out in the coalition agreement and the Federal Government's energy concept, as well as about the third energy package adopted on EU level.

The Supervisory Board dealt particularly closely with the implementation of the new MVV 2020 corporate strategy, with which the MVV Energie Group aims to proactively tackle the challenges presented by the energy market and consistently exploit its own growth opportunities. The Supervisory Board concurs with the Executive Board that the envisaged optimisation of the existing business represents a key precondition for implementing planned investments in further growth. The Supervisory Board supports the Executive Board in developing a partnership model for its association of municipal utility companies, enabling the Group to maintain its successful development in an increasingly tough competitive and market climate.

One focus of the strategy adopted with MVV 2020 involves raising the share of proprietary electricity generation using renewable energies and expanding the district heating supply at all of the Group's locations. At its meeting on 18 June 2010, the Supervisory Board approved the acquisition of Plauerhagen Wind Farm in Mecklenburg-Vorpommern with a total installed capacity of 16 megawatts. The Supervisory Board sees this as marking the Group's successful entry into the wind energy market. With regard to the expansion and concentration of district heating grids, the Executive Board kept the Supervisory Board regularly informed of projects underway at the Mannheim, Kiel, Offenbach and Ingolstadt locations, and in particular of the construction on schedule of the district heating pipeline from Mannheim to Speyer.

The Executive Board also informed the Supervisory Board on an ongoing basis as to the status of the "Once Together" project, which is intended to further enhance the efficiency of the MVV Energie Group and its companies by making targeted improvements to structures and processes. Here, the Executive Board reported that this not only involved consistent material cost savings, but also meant that job cuts would be unavoidable at the Group's locations in Kiel, Mannheim and Offenbach. The Supervisory Board accords priority to ensuring that any unavoidable job cuts be implemented in a socially responsible manner and in close liaison with employee representatives.

A further topic addressed by the Supervisory Board was the restructuring of the MVV Energie Group's energy-related services business, which should further improve the profitability of this high-growth segment. The Executive Board reported to the Supervisory Board on the progress made with reducing the number of legal entities and targeting available resources on attractive market segments.

Furthermore, the Supervisory Board dealt extensively with MVV Umwelt's activities in the UK in the year under report. That company's subsidiary MVV Environment Ltd. has closely analysed the British waste market and made various bids for contracts to develop energy from waste capacities. The Supervisory Board held detailed discussions on the projects presented and adopted the resolutions required in this regard.

Moreover, the Supervisory Board addressed the reorganisation of its formal approval requirements aimed at adapting the allocation of tasks between it and the Executive Board to the increase in complexity and considerably greater scope of business since the IPO of MVV Energie AG. The Supervisory Board compiled proposals and adopted these at its meeting on 18 June 2010.

In June 2010, the Supervisory Board commissioned PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart, to audit MVV Energie's separate and consolidated financial statements for the 2009/10 financial year. The Annual General Meeting had previously adopted a resolution to appoint PricewaterhouseCoopers as auditors and group auditors for the 2009/10 financial year.

At its meeting on 24 September 2010, the Supervisory Board decided to establish a Nomination Committee that should make proposals to the full Supervisory Board concerning suitable candidates for election as Supervisory Board members pursuant to Point 5.3.3 of the German Corporate Governance Code. The term in office of the Supervisory Board expires at the end of the 2011 Annual General Meeting.

The Supervisory Board dealt in detail in the past financial year with the German Management Board Compensation Act (VorstAG) and commissioned an external compensation expert to review the Executive Board compensation system. This review concluded that the overall compensation of Executive Board members was appropriate. The basic features of the current compensation system will be maintained in future. One material change is that the key ROCE profitability figure, on which part of the variable compensation is based, will in future be calculated over three years. This ensures compliance with the new legal requirement that variable compensation should focus on sustainable company management and be based on multiyear targets. Moreover, the existing overall pension scheme is to be replaced by a defined contribution pension commitment. Further information about Executive Board compensation can be found in the Compensation Report on Page 31.

Committee meetings

Including the newly established Nomination Committee, the Supervisory Board has formed four committees to prepare topics and resolutions for the full Supervisory Board. The Supervisory Board was informed extensively of the work of the committees by their respective chairmen, namely Dr. Manfred Fuchs (Audit Committee) and Dr. Peter Kurz (Personnel Committee; Mediation Committee; Nomination Committee).

The Audit Committee met five times in the year under report. At its meetings, the Committee discussed the annual financial statements, consolidated financial statements and quarterly financial statements prepared by the Executive Board in great detail. Furthermore, the Committee also dealt with the company's risk situation and risk management system, examined the internal control system, took receipt of the compliance report and agreed the internal audit plan with the group internal auditors. Further key topics included the financing of the company and the Group, and energy trading systems and processes. The Committee dealt extensively with the 2010/11 business plan and the company's medium-term planning. Moreover, the Committee agreed the audit focuses with the external auditors, reviewed the fee arrangements, and submitted a corresponding recommendation to the Supervisory Board.

The Personnel Committee met on five occasions. Great attention was accorded to the impact of the German Management Board Compensation Act (VorstAG) on the compensation system for Executive Board members at MVV Energie AG.

The Mediation Committee pursuant to § 27 (3) of the German Codetermination Act (MitbestG) did not require convening. The Nomination Committee met for the first time on 18 October 2010, and thus after the end of the year under report, to compile a requirements profile for the composition of the Supervisory Board of MVV Energie AG.

Corporate governance

In the past financial year, the Supervisory Board subjected its activities to an in-depth efficiency review pursuant to Point 5.6 of the German Corporate Governance Code and with assistance from an external expert and subsequently discussed the review findings in detail. At its meeting on 18 June 2010 the Supervisory Board then adopted a series of formal and organisational measures to strengthen the Board in performing its extensive range of activities.

During the year under report the Supervisory Board also reviewed the independence of its members in line with Point 5.4.2 of the Code. This review concluded that no member of the Supervisory Board had any business or personal dealings with the company or its Executive Board, or performed any D&O or consulting function at a significant competitor which could provide grounds for any conflict of interest. This is also unrestrictedly the case for Dr. Dieter Steinkamp in respect of his activity as CEO of RheinEnergie AG. As strategic partners, RheinEnergie AG and MVV Energie AG aim to establish close cooperation. The two companies do not compete with each other on the individual stages of the value chain either geographically or in terms of their activities. Reference is made to the internet site **www.mvv-investor.de** for details of corporate governance at the MVV Energie Group and the Declaration of Conformity adopted for the past financial year. This Declaration of Conformity can also be found on Page 35 and 36 of this Annual Report.

Changes in the composition of the Supervisory Board

Prof. Dr. Norbert Loos, Managing Director of Loos Beteiligungs-GmbH, retired from his position on the Supervisory Board upon the conclusion of the Annual General Meeting on 12 March 2010. Dr. Rudolf Friedrich, a retired Job Centre Director, had already retired from the Board at the beginning of the financial year. The Annual General Meeting elected Carsten Südmersen, a graduate in business administration, and Heinz-Werner Ufer, formerly CEO of RWE Energy AG, to the Supervisory Board to succeed the two retiring members. Furthermore, Dr. Dieter Steinkamp, CEO of RheinEnergie AG, was confirmed as a member of the Supervisory Board, having already been appointed by court order in July 2009.

Among employee representatives, Manfred Lösch, member of the Works Council at MVV Energie AG, retired from the Supervisory Board as of 31 March 2010. His successor, Hans-Peter Herbel, commercial employee at MVV Energie AG , joined the Supervisory Board on 1 April 2010. Bodo Moray, trade union secretary at ver.di Rhine/Neckar, retired from his position on the Supervisory Board as of 24 July 2010 due to a change of job. Uwe Spatz, member of the Works Council of MVV Energie AG, was appointed by court order to succeed him. Dr. Reiner Lübke, Head of the Infrastructure Service division at MVV Energie AG, retired from his position on the Supervisory Board as of 31 December 2009 having been appointed Managing Director of MVV Energiedienstleistungen GmbH. Gunter Kühn, Head of the Personnel, Social and Welfare Services division at MVV Energie AG, was appointed by court order to succeed him as of 8 February 2010.

We would like to thank all retiring members of the Supervisory Board for their commitment and constructive contributions to the work of our Board.

Audit and approval of the consolidated financial statements

The consolidated financial statements and group management report of the MVV Energie Group for 2009/10 were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart, and granted an unqualified audit opinion. Both the consolidated financial statements and the group management report were prepared in accordance with International Financial Reporting Standards (IFRS), taking due account of § 315a of the German Commercial Code (HGB). The annual financial statements of MVV Energie AG prepared in line with HGB and the accompanying management report for the 2009/10 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 profits 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 endorses the findings of the audit performed by the auditor. At its meeting on 17 December 2010, the Supervisory Board 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. The Supervisory Board endorses the appropriation of profits proposed by the Executive Board.

The Executive Board further compiled a report for the 2009/10 financial year on the company's relationships with closely related companies (dependent company report). According to the report, MVV Energie AG was not disadvantaged by the legal transactions performed with associated companies outlined therein. The dependent company report was audited by the auditor, who granted the following audit opinion:

"Following our audit and assessment performed in accordance with 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."

Both the dependent company report and the audit report compiled by the auditor were provided to the Supervisory Board in good time. Following its own review, the Supervisory Board concurred with the auditor's assessment and approved the report. The auditor also audited the early warning risk identification system established at MVV Energie AG by the Executive Board pursuant to § 91 (2) of the German Stock Corporation Act (AktG). Based on the auditor's assessment, this system is suited to fulfil its legal obligations.

The Supervisory Board would like to thank the Executive Board, the executive boards and management teams at the shareholdings, as well as all employees, members of works councils and employee representatives for their active contributions to the success of our company in the 2009/10 financial year.

Mannheim, December 2010

Supervisory Board

Dr. Peter Kurz
Chairman

Corporate Governance

Report of the Executive and Supervisory Boards

Corporate governance stands for responsible corporate management and supervision focusing on sustainable value creation. For MVV Energie, corporate governance is both the basis for and the standard by which we measure our actions. We aim to retain the trust of our shareholders, customers and employees, as well as of the general public, on a permanent basis. Good corporate governance is therefore a matter of priority for the Executive and Supervisory Boards of the MVV Energie Group. We explicitly endorse the appeal contained in the German Corporate Governance Code to manage our company in such a way as to secure its continued existence and sustainably increase its value in line with the principles of the social market economy.

The German Corporate Governance Code sets out nationally and internationally recognised standards of high-quality, transparent and responsible corporate management. Publicly listed companies are recommended to adopt these standards. The Executive and Supervisory Boards of MVV Energie AG comply with the overwhelming majority of the Code's recommendations. In our Declaration of Conformity with the German Corporate Governance Code from Page 35 onwards we explain why we have deviated from its recommendations in a few cases.

The latest version of the German Corporate Governance Code with the amendments adopted by the German Corporate Governance Code Government Commission on 26 May 2010 was published in the official section of the electronic Federal Official Gazette on 2 July 2010. The diversity recommendations previously already included in the Code have been specified in greater detail. Here, the Code now accords even greater priority than before to diversity in Supervisory Boards, and especially to the election of female candidates. Not only that, women should also be appropriately accounted for in executive board and other management positions.

MVV Energie deems it desirable and appropriate to enable women to hold positions on all levels of the company's hierarchy. That is why we have called for and are systematically and comprehensively promoting talented female employees with challenging tasks on all levels and with numerous accompanying development measures. We are planning to offer targeted support to the internal and external network of female managers within MVV Energie. We are upholding our measures to enable employees to combine family and professional commitments.

In the wake of the Code's latest recommendations concerning the composition of the Supervisory Board, the Supervisory Board has decided to establish a nomination committee. This should propose suitable candidates to the Supervisory Board for its election proposals to the Annual General Meeting, taking due account of legal requirements and the recommendations and suggestions of the German Corporate Governance Code. To this end, it should compile specific targets for the composition of the Supervisory Board that also account for the company's specific situation. The Nomination Committee established by resolution of the Supervisory Board on 24 September 2010 reached agreement on a requirements profile for future Supervisory Board members. This lays down specific requirements for the specialist knowledge, ability and experience, as well as for the personality of future Supervisory Board members. Among other factors, these requirements include a good understanding of the energy industry, and especially of the business fields in which MVV Energie operates. Furthermore, an ability to assess complex economic and technical matters is also important. Specialist knowledge of select areas of MVV Energie's activities is equally advantageous. Personal integrity also forms part of the requirements profile. It is acknowledged that not every Supervisory Board member can meet the whole spectrum of specialist requirements. The members of the Supervisory Board should rather complement one another to ensure that the whole range of targeted expertise, abilities and experience are represented within the Supervisory Board. The election proposals to be made by the Supervisory Board to the Annual General Meeting on 18 March 2011 take due account of this requirements profile. The Nomination Committee addressed the recommendation made by the German Corporate Governance Code in respect of the adequate participation of women, as did the Supervisory Board in its subsequent deliberations. The Supervisory Board has set itself the target of ensuring that women account for 20 % of its members by the beginning of the term in office of the Supervisory Board succeeding the Supervisory Board currently due for election.

Compensation Report (Component of Group Management Report)

Compensation of Executive Board members

The Executive Board was paid compensation totalling Euro 2 217 thousand in the year under report. This was structured as follows:

Compensation

Euro 000s	**Fixed**[1]	**Variable**[2]	**Supervisory Board compensation**[3]	**Total**
Dr. Georg Müller	449	274	17	740
Matthias Brückmann	273	213	10	496
Dr. Werner Dub	265	213	14	492
Hans-Jürgen Farrenkopf	267	213	9	489
Total	**1 254**	**913**	**50**	**2 217**

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

2 amounts correspond to provisions recognised as of 30 September 2010

3 supervisory board activities at shareholdings (entitlement in year under report)

The members of the Executive Board of MVV Energie AG also act as managing directors of MVV RHE GmbH. The costs of the work performed in these functions were charged on to MVV RHE GmbH.

Variable compensation is calculated on the basis of two components – the consolidated net surplus of the MVV Energie Group after minority interests pursuant to IFRS and adjusted for extraordinary items under IAS 39, and the ROCE (Return on Capital Employed). A suitable cap is in place. No compensation components of a long-term incentive nature were granted in the year under report. No further payments were either committed or made by third parties.

Upon reaching retirement age, Executive Board members are entitled to receive pension benefits amounting to a certain percentage of their fixed compensation. This rises by 2 % for every full year of service up to a maximum value of 70 % of fixed compensation. Pension payments are reduced by income earned elsewhere, benefits received under the state pension scheme and any other pension benefits attributable at least in half to employers' contributions. If the pension benefits are claimed prematurely, then the monthly pension paid is reduced by 0.5 % for every month by which the claimant falls short of the applicable retirement age. In the event of any partial reduction in the employee's working capacity, partial reduction in working capacity due to occupational disability or total inability to work, the pension benefit amounts to 55 % of the employee's fixed compensation and rises by 1 % for every full year of service up to a maximum of 70 %. One component of the pension scheme involves a claim to provision for surviving dependents.

The pension obligations were structured as follows:

Pension obligations

Euro 000s	Value of final pension[1]	Benefit percentage[2]	Benefit percentage[3]	Allocation to pension provision	
				Service cost	Interest expenses
Dr. Georg Müller	192	36 %	68 %	156	8
Matthias Brückmann	144	54 %	70 %	118	19
Dr. Werner Dub	98	60 %	66 %	111	60
Hans-Jürgen Farrenkopf	111	62 %	66 %	173	65
Total	**545**			**558**	**152**

1 achievable claim to retirement pension aged 63, taking due account of amounts deducted (status: 30 September 2010)
2 total percentage pension rate achieved for retirement pension (status: 30 September 2010)
3 benefit percentage achievable by the age of 63 (status: 30 September 2010)

Former members of the Executive Board received benefits of Euro 214 thousand in the year under report. Provisions totalling Euro 5 732 thousand have been stated for pension obligations towards former members of the Executive Board. A total of Euro 291 thousand was allocated to this item in the financial year.

Pursuant to IAS 24, related parties also include management staff performing key functions. Alongside the Executive Board, this group of persons at the MVV Energie Group also includes active heads of division and authorised company representatives of MVV Energie AG. This group receives its compensation exclusively from MVV Energie AG. Compensation totalling Euro 1 919 thousand was paid to this group in the year under report, with the predominant share (Euro 1 836 thousand) involving payments with current maturities. Senior employees receive a company pension amounting to up to 8.6 % of their fixed compensation. This exclusively takes the form of a defined contribution plan. Within the channels of execution offered within the Group, senior employees can determine which biometric risks they would like to cover. Total expenses incurred for the aforementioned compensation scheme amounted to Euro 83 thousand in the year under report.

The Supervisory Board commissioned a review of the Executive Board compensation system by an external compensation expert in the 2009/10 financial year. This review concluded that the overall compensation of Executive Board members is appropriate. The compensation system will be adjusted in the 2010/11 financial year to meet the new legal requirement for variable compensation to be focused on the company's sustainable development and based on multiyear targets. Moreover, the existing overall pension scheme is to be replaced in future by a defined contribution pension commitment.

Compensation of Supervisory Board members

The compensation of our Supervisory Board members is commensurate to their duties and to the responsibilities they assume. Supervisory Board members received annual compensation of Euro 10 000 each in the 2009/10 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 5 000 and the other members of this committee received additional annual compensation of Euro 2 500. Moreover, a meeting allowance of Euro 1 000 was paid per person per meeting of the full Supervisory Board and of the committees. The Supervisory Board Chairman receives double the meeting allowance for meetings of the Supervisory Board, as does the Audit Committee Chairman for meetings of the Audit Committee.

Total compensation paid to Supervisory Board members amounted to Euro 457 993[2] and was distributed as follows:

Euro	Supervisory Board compensation	Meeting allowance		Supervisory Board compensation	Meeting allowance
Dr. Peter Kurz	20 000	25 000	Prof. Dr. Norbert Loos	5 625	8 000
Johannes Böttcher	12 500	13 000	Manfred Lösch	6 250	10 000
Holger Buchholz	10 000	9 000	Dr. Reiner Lübke	2 500	2 000
Peter Dinges	16 250	17 000	Bodo Moray	10 208	12 000
Werner Ehret	10 000	14 000	Barbara Neumann	10 000	9 000
Detlef Falk	10 000	9 000	Wolfgang Raufelder	10 000	8 000
Dr. Manfred Fuchs	15 000	18 000	Sabine Schlorke	10 000	6 000
Dr. Stefan Fulst-Blei	10 000	14 000	Uwe Spatz	1 806	4 000
Reinhold Götz	10 562	9 000	Christian Specht	10 000	9 000
Hans-Peter Herbel	5 000	2 000	Dr. Dieter Steinkamp	10 000	8 000
Prof. Dr. Egon Jüttner	10 000	10 000	Carsten Südmersen	6 910	4 000
Gunter Kühn	6 472	6 000	Heinz-Werner Ufer	6 910	6 000

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

2 The amount reported corresponds to the precise settlement of compensation for current Supervisory Board members and for those members who retired in the year under report.

Shareholders and Annual General Meeting

The shareholders of MVV Energie AG exercise their rights at the Annual General Meeting. Each share basically entitles its holder to one vote. Our shareholders have the possibility of exercising their voting rights at the Annual General Meeting in person, or to be represented by a proxy of their choice, a voting proxy appointed by the company to act in line with shareholders' instructions, a bank or a shareholders' association. Each shareholder is entitled to participate in the Annual General Meeting, to comment on agenda items and to submit relevant questions and motions.

The invitation to the Annual General Meeting and the proposals, reports and information relevant to resolutions are published in line with the regulations governing stock corporations and made available in German and English on our internet site at **www.mvv-investor.de**. During the Annual General Meeting, the introductory words by the chairman of the meeting and the presentation by the CEO can be followed live and in full on our internet site at **www.mvv-investor.de**, where the CEO's presentation and the voting results are also available following the meeting.

Transparency

The Executive and Supervisory Boards of MVV Energie AG accord high priority to transparent corporate management. By providing prompt and comprehensive information to our shareholders, financial analysts, fund managers, customers, employees and the media and general public, we aim to gain and retain their trust on an permanent basis.

In the past, we have always met the relevant transparency requirements in the German Commercial Code (HGB) and the German Securities Trading Act (WpHG) and also complied in full with the Code's recommendations in this respect. In future, we will continue to ensure that all of our stakeholders have access to the same information at the same time. To this end, we publish our interim and annual reports, voting right notifications pursuant to § 21 (1) WpHG and further information about our company and the latest developments at our Group on our website at **www.mvv-investor.de**, where we also publish a financial calendar with the dates for our continuous financial reporting. Any developments at MVV Energie outside the regular reporting framework that are likely to influence the company's share price significantly are published in ad-hoc announcements in line with legal requirements.

Reporting and Audit of the Annual Financial Statements

The separate financial statements of MVV Energie AG are prepared in accordance with the German Commercial Code (HGB). Shareholders and third parties are primarily informed about the results of the Group in the consolidated financial statements of MVV Energie AG. During the financial year we communicate our results to our shareholders and third parties in our half-year financial report and in the quarterly financial reports published in the 1st and 2nd half respectively. The consolidated financial statements are prepared in line with International Financial Reporting Standards (IFRS) in the form requiring application in the European Union, as are the abridged consolidated financial statements published in the half-year and quarterly financial reports. The consolidated financial statements are prepared by the Executive Board, audited by the auditors and subsequently approved by the Supervisory Board. Quarterly and half-year financial reports are discussed by the Executive Board with the Audit Committee prior to publication.

The HGB annual financial statements and IFRS consolidated financial statements of MVV Energie AG have been audited by PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, the auditing company elected by the 2010 Annual General Meeting. The audits also covered the early warning risk identification system.

Corporate Governance Declaration

pursuant to § 289a HGB with Declaration of Conformity with the German Corporate Governance Code

Listed companies are obliged pursuant to § 289a of the German Commercial Code (HGB) to include a Corporate Governance Declaration in the management report in the separate financial statements. Here, they report on their Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (AktG) and on corporate governance practices over and above legal requirements. Furthermore, they report on the mode of operation of the Executive and Supervisory Boards and on the composition and mode of operation of their committees. In the management report of its separate financial statements, MVV Energie AG refers to the Corporate Governance Declaration published on the internet.

In the interests of maximum transparency, in the Annual Report of the MVV Energie Group we are publishing the Corporate Governance Declaration as part of the Corporate Governance Report.

Wording of the Declaration of Conformity with the German Corporate Governance Code (§ 161 AktG)

The Executive and Supervisory Boards of MVV Energie hereby confirm that the company has complied with and continues to comply with the recommendations made by the German Corporate Governance Code Government Commission. In respect of the past, this Declaration refers to the version of the German Corporate Governance Code dated 18 June 2009 and published by the Federal Ministry of Justice in the official section of the electronic Federal Official Gazette on 5 August 2009. With regard to the future, it refers to the recommendations of the new version of the Code dated 26 May 2010 and published in the official section of the electronic Federal Gazette on 2 July 2010.

The following recommendations were not complied with:

Deductible for D&O insurance – Point 3.8 (3): "A suitable deductible shall be agreed in any D&O insurance policy taken out for the Supervisory Board."

The Executive and Supervisory Boards saw themselves as being committed without qualification to the motivation and responsibility with which they performed their duties in the past as well, and did not believe that this required clarification in the form of a deductible. In line with the relevant legislation, MVV Energie has complied with the legal requirements governing deductibles in D&O insurance policies taken out for Executive Board members since 1 July 2010. Since that date, a deductible has also been agreed for members of the Supervisory Board.

Nomination committee – Point 5.3.3: "The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting."

The Supervisory Board previously saw no need to forego its previous procedure of nominating candidates for the Supervisory Board at meetings of the full Supervisory Board. Given the latest recommendations of the Code concerning the composition of the Supervisory Board, the Supervisory Board now deems it appropriate to form a nomination committee. By resolution dated 24 September 2010, the Supervisory Board formed a nomination committee and will thus comply with this recommendation in future.

The following recommendation is still not complied with:

Performance-related compensation for members of the Supervisory Board – Point 5.4.6 (2) Sentence 1: "Members of the Supervisory Board shall receive fixed as well as performance-related compensation."

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

This Declaration of Conformity is available at our website **www.mvv-investor.de**.

Disclosures on corporate governance practice

Our **Management Guidelines** provide a mandatory framework for the management of employees at the company, thus safeguarding the quality of personnel management. They form the basis for successful cooperation between managers and their employees.

We have a proprietary **MVV Energie Compliance System** to ensure compliance with legal requirements, guidelines and ethical standards by the company's directors and officers, as well as by all managers and employees in their business activities. Compliance serves to uphold and secure the legal conformity of business processes across the whole of our company. To this end, we work with internal management and control systems. An extensive Compliance Handbook sets out the necessary organisational structures, processes and responsibilities, as well as the material contents. This has been made available to all employees as part of the MVV Energie Management Handbook on the intranet. The Compliance Handbook is binding for all MVV Energie group companies and requires mandatory application by all of these companies' employees. The head of the group legal department is the Group Compliance Officer. Our employees with contact to customers in the sales, energy-related services and environmental energy businesses have received in-depth training as to how corruption is to be combated. They are aware of the correct forms of behaviour when offered non-monetary gifts and invitations. All management staff have been briefed and receive ongoing training on the MVV Energie Compliance System.

We have laid down specific business processes for the compliance system. Gratuities and invitations are recorded without exception and all business fields, divisions, group departments and subsidiaries are systematically and regularly inspected. Employees wishing to provide tip-offs can use the "whistle-blower hotline" we have set up. At the end of the financial year, all management staff must submit the MVV Energie Compliance Management Declaration, in which they confirm that specifically stipulated legal requirements have been complied with and that their employees have been briefed, trained and monitored. The declaration is provided using a prescribed questionnaire tailored to specific requirements and circumstances at the business unit. Over and above the training already in place for newly appointed managers, systematic training is also provided to upcoming management staff in all areas of responsibility. To this end, the personnel development, group organisation, technical and group legal/compliance divisions have jointly prepared a suitable seminar to inform participants extensively on basic features of management responsibility at the MVV Energie Group. This seminar has been obligatory for all levels from section managers upwards since April 2010.

Composition and mode of operation of the Executive and Supervisory Boards and their committees

MVV Energie is governed by the so-called dual management system required by law for German stock corporations, which is characterised by a strict separation in terms of personnel between the Executive Board as the management body and the Supervisory Board as the supervisory body. The Executive and Supervisory Boards, each furnished with their own distinct competencies, cooperate closely and on a basis of trust to the benefit of the company.

The **Executive Board** manages the company independently and in the interests of the company with the objective of sustainable value creation. In this, it takes due account of the interests of shareholders, employees and other stakeholders. It develops the company's strategy and business policies, coordinates these with the Supervisory Board and ensures their implementation.

The Executive Board of MVV Energie AG consists of four members and has a Chairman (CEO). The Supervisory Board has imposed a Code of Procedure governing the activities of Executive Board. Executive Board members enjoy equal rights and bear joint responsibility for managing the company. The Executive Board as a whole and each individual Executive Board member manage the company's business in accordance with the requirements of the law, the Articles of Incorporation and the Code of Procedure. They work together with the company's other bodies and employee representatives on a basis of trust. The CEO coordinates the work of the Executive Board members and represents the Executive Board externally unless otherwise resolved by the Executive Board. Notwithstanding the collective responsibility of the Executive Board, each of its members manages the divisions assigned to him in the business allocation plan under his own responsibility. Executive Board members are nevertheless required to subordinate the specific interests of their divisions to the overriding interests of the company as a whole. Alongside divisional responsibilities, the Code of Procedure also sets out the duties and decisions incumbent on the overall Executive Board, the duties of the Chief Executive Officer, and the resolutions and transactions requiring Supervisory Board approval.

The Executive Board informs the Supervisory Board regularly, without delay and comprehensively of intended business policy and all fundamental matters of corporate planning (especially financial, investment and personnel planning). It also reports on the company's profitability, its business performance and situation, as well as on its risk situation and risk management.

The Executive Board is appointed by the Supervisory Board of MVV Energie AG, which advises and monitors the Executive Board in its management of the company and in decisions of fundamental significance for the company. The Executive Board is required to obtain Supervisory Board approval for those cases set out in law. Furthermore, the Code of Procedure for the Executive Board includes a catalogue of transactions for which the Executive Board requires Supervisory Board approval. The Supervisory Board Chairman coordinates the work of the Supervisory Board. The Supervisory Board has a self-imposed Code of Procedure governing its activities. In the past financial year, the Supervisory Board subjected the efficiency of its activities to an in-depth review pursuant to Point 5.6 of the German Corporate Governance Code and with assistance from an external expert. As a result, at its meeting on 18 June 2010 the Supervisory Board adopted a series of formal and organisational measures to strengthen the Board in performing its extensive range of activities.

The **Supervisory Board** of MVV Energie AG comprises 20 members, of which ten shareholder representatives and ten employee representatives. Their terms in office are identical. Shareholder representatives are individually elected by the Annual General Meeting. The City of Mannheim delegates the Lord Chief Mayor and the relevant head of department to the Supervisory Board, with such members being imputed to the ten Supervisory Board members to be elected by the Annual General Meeting, to the extent that MVV GmbH directly or indirectly holds more than half of the share capital. When selecting candidates for election as Supervisory Board members, due account is taken of the knowledge, ability and expert experience necessary to perform the duties involved, as well as of diversity considerations. Ten members are elected by employees pursuant to the German 1976 Codetermination Act (MitbestG). MVV Energie complies with the recommendation made by the German Corporate Governance Code to set an age limit for Supervisory Board members. According to the Code of Procedure of the Supervisory Board, members are subject to an upper age limit of 70. Dr. Manfred Fuchs, who exceeds this limit, is an independent financial expert and has a particular wealth of knowledge and experience due to his long professional career, also reflected in his longstanding role as Audit Committee Chairman. Dr. Fuchs will no longer be a member of the Supervisory Board following the expiry of his current term in office upon the conclusion of the Annual General Meeting on 18 March 2011. Further details of the specific activities of the Supervisory Board and its committees in the 2009/10 financial year can be found in the Report of the Supervisory Board (please see from Page 24 onwards).

The Supervisory Board of MVV Energie has formed four permanent **committees**:

The **Audit Committee** consists of six members, with three shareholder and three employee representatives. This Committee is chaired by Dr. Manfred Fuchs, while the Supervisory Board Chairman is a permanent guest. Among other duties, the Audit Committee is responsible for preparing the selection of the auditor. Furthermore, it deals with fundamental financial reporting issues, the annual and consolidated financial statements and the quarterly reports. Moreover, it monitors the effectiveness of the internal control system, internal audit, and organisational precautions to ensure compliance with legal requirements and with internal company guidelines (compliance) and of the risk management system.

The **Personnel Committee** also consists of six members, in this case the Supervisory Board Chairman, his deputy, and four Supervisory Board members, of which two shareholder and two employee representatives. The duties of the Personnel Committee relate in particular to preparing Supervisory Board resolutions concerning the conclusion, amendment and rescission of employment contracts with Executive Board members. In the year under report, it dealt closely with the German Management Board Compensation Act (VorstAG). The compensation system was reviewed by an external compensation expert. Further information can be found on Page 26.

The **Nomination Committee** established on 24 September 2010 by resolution of the Supervisory Board consists of six members in total, with the Supervisory Board Chairman as Committee Chairman and five further shareholder representative Supervisory Board members. It proposes suitable candidates to the Supervisory Board for its election proposals to the Annual General Meeting, accounting as appropriate for legal requirements and the recommendations and suggestions made in the German Corporate Governance Code. To this end, the Nomination Committee compiles specific targets for the composition of the Supervisory Board, taking due account of the company's specific situation.

Furthermore, there is a **Mediation Committee** pursuant to § 27 (3) of the German Codetermination Act (MitbestG). This Committee submits personnel proposals to the Supervisory Board in cases where the two-thirds majority required to appoint and dismiss Executive Board members is not achieved in the 1st ballot.

The Audit and Personnel Committees meet several times a year. The Mediation Committee would be convened if necessary.

The complete Corporate Governance Declaration can be found on the internet at **www.mvv-investor.de**.

The Share of MVV Energie AG

Positive trend on the capital markets in 2010

Following the turbulence on the capital markets in the wake of the global economic and financial crisis, stock markets increasingly stabilised in the first nine months of 2010. Having bottomed out at 3 666 points in March 2009, the DAX, Germany's lead index, showed a gradual recovery enabling it to return to 6 229 points once again at the end of September 2010 (+ 69.9%).

Share price: long sideways movement followed by a slight decline

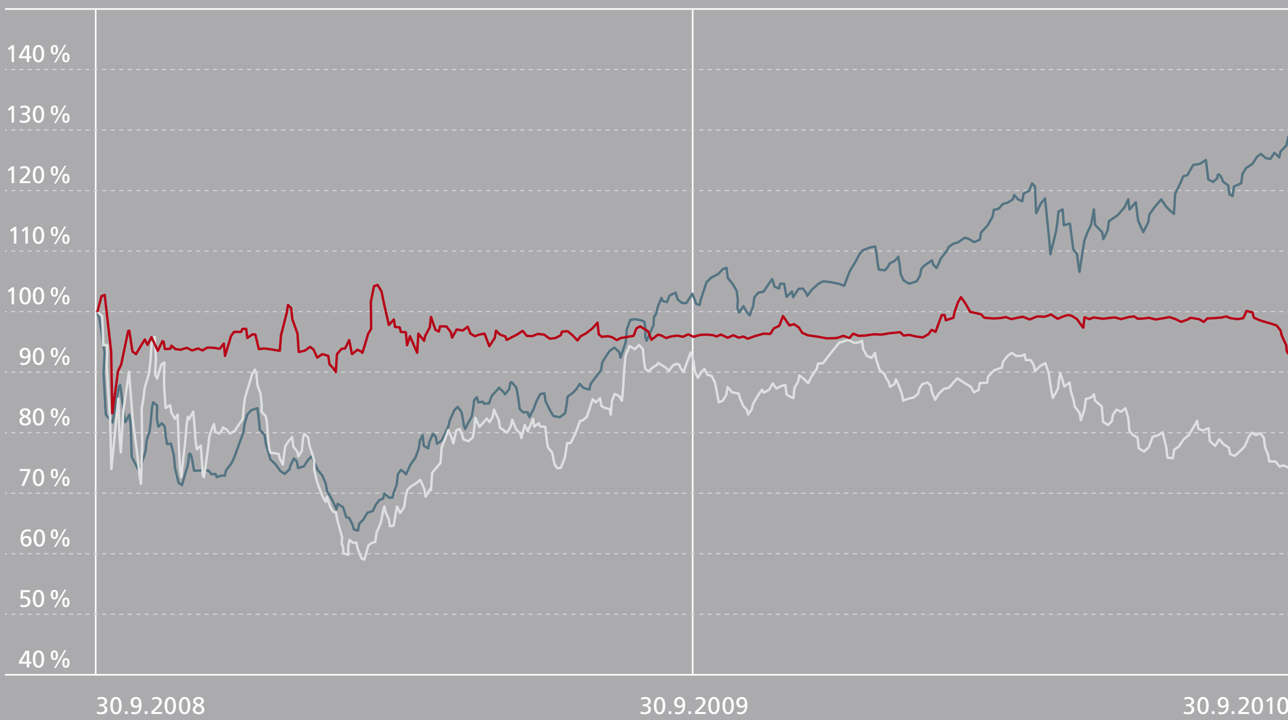
MVV Energie's share price declined slightly in the period under report, finishing at Euro 29.00 at the end of our financial year on 30 September 2010, and thus 5.9 % down on the previous year's balance sheet date. Including the distribution of a dividend of Euro 0.90 per share in March 2010, our share price dropped by 3.3 % in the year under report. A performance comparison of the past two years, i.e. including the dividend payments in 2009 and 2010, reveals a 7.5 % reduction in the share price (see share performance chart). Our comparative indices showed highly disparate developments over the same period. The DAX-sector Utilities index, which is dominated by the two large vertical groups E.ON and RWE, fell by 26.2 %. The SDAX, by contrast, rose by 28.7 %. It should be noted that all indices suffered severe drops in share prices in the 2008 crisis year and that their member stocks thus had correspondingly large potential for recovery. MVV Energie's share followed a clear sideways course during this period and maintained its ground well in a market climate affected by the economic and financial crisis.

Key figures on share and dividend of MVV Energie AG

	2009/10	2008/09
Closing price[1] on 30.9. (Euro)	29.00	30.83
Annual high[1]	33.00	34.04
Annual low[1]	29.00	26.55
Market capitalisation on 30.9. (Euro million)	1 911	2 032
Average daily turnover (no. of shares)	6 100	19 162
Number of shares on 30.9. (000s)	65 907	65 907
Number of shares in 000s (annual weighted average)	65 907	65 907
Number of shares with dividend entitlement (000s)	65 907	65 907
Dividend per share (Euro)	0.90[2]	0.90
Dividend total (Euro million)	59.3[2]	59.3
Adjusted earnings per share[3, 4] (Euro)	1.44	1.48
Cash flow before working capital and taxes per share[4] (Euro)	6.68	5.86
Adjusted carrying amount per share[4, 5, 6] (Euro)	16.94	16.52
Price/earnings ratio[7]	20.1	20.8
Price/cash flow ratio[7]	4.3	5.3
Dividend yield[7] (%)	3.1[2]	2.9

1 XETRA trading
2 subject to approval by Annual General Meeting on 18 March 2011
3 excluding non-operating IAS 39 measurement items for energy trading derivatives and one-off restructuring expenses at MVV Energiedienstleistungen GmbH subgroup in previous year
4 number of shares (weighted annual average)
5 excluding net balance of positive and negative fair values under IAS 39
6 excluding minority interests
7 basis: closing price in XETRA trading on 30 September

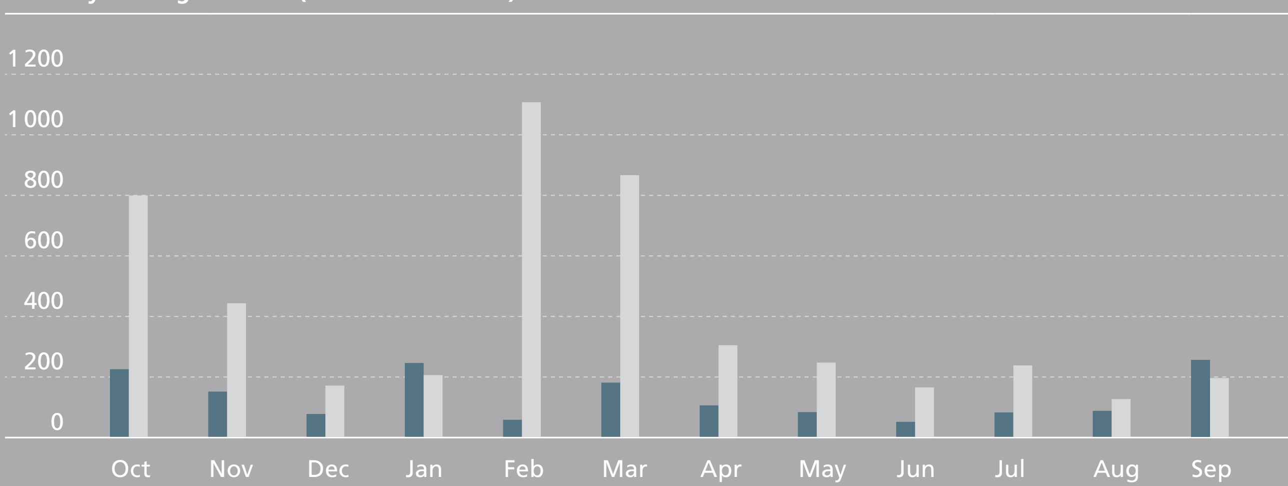
Share of MVV Energie AG: performance comparison



MVV Energie AG SDAX DAXsector Utilities

ISIN DE000A0H52F5
WKN A0H52F
XETRA MVV1
Reuters MVV Gn.DE
Bloomberg MVV1 GR

Monthly trading volumes (no. of shares 000s)



2009/10 2008/09

Decline in market capitalisation and trading volume

The negative share price performance at the end of our 2009/10 financial year also impacted on our market capitalisation. This amounted to Euro 1 911 million as of 30 September 2010 (previous year: Euro 2 032 million). The 18.5 % free float share relevant for the stock's weighting in the SDAX was valued at around Euro 354 million at the end of the financial year (previous year: Euro 376 million). The MVV Energie AG share was ranked 54th in the joint statistics for the MDAX and SDAX indices (previous year: 46th). The ranking is based on the free float market capitalisation at the end of the financial year. This development was also indirectly attributable to the previous share price performance of other index members, whose share prices had greater potential for recovery due to high discounts. In terms of its stock market trading volumes, our share occupied 93rd position in the index statistics (previous year: 61st). A total of around 1.5 million MVV Energie AG shares were traded on all German marketplaces in the 2009/10 financial year (see monthly stock turnover chart). This corresponds to a decline of around 68 % on the previous year. Due to the decline in the share price and the lower number of shares traded, trading volumes were worth Euro 48 million (previous year: Euro 151 million). Around 89 % of our stock market turnover takes place on the XETRA trading platform.

Shareholder-friendly dividend policy maintained

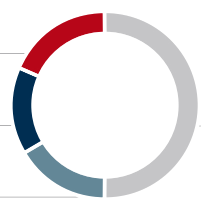
The Annual General Meeting of MVV Energie AG held on 12 March 2010 followed the proposal made by the Executive and Supervisory Boards and approved the distribution of a dividend of Euro 0.90 per share. Based on a total of 65.9 million shares, the distribution sum thus amounted to Euro 59.3 million. We intend to pay our shareholders an appropriate dividend consistent with our earnings performance in future as well. In view of this, the Executive and Supervisory Boards also plan to propose a dividend of Euro 0.90 per share for the year under report. This will be decided by the Annual General Meeting on 18 March 2011. This is equivalent to a dividend yield of 3.1 % in terms of the share's closing price in XETRA trading on the balance sheet date on 30 September 2010.

Shareholder structure

Free float: of which 15.7 % institutional investors and 2.8 % private shareholders
18.5 %

EnBW AG
15.1 %

RheinEnergie AG
16.3 %



City of Mannheim (indirect)
50.1 %

Our shareholder structure

Within the shareholder structure, there were no changes in the shareholdings held by major shareholders in the 2009/10 financial year. The free float continues to amount to 18.5 %.

During the 2009/10 financial year, we received a series of voting right notifications from Deka International S.A., Luxembourg, and Barclays Securities Ltd., UK, which exceeded and fell short of the 3 % and 5 % threshold values on several occasions. Based on the two most recent voting right notifications received in the year under report, Deka International S.A. held around 3.86 % (notification dated 26 July 2010) and Barclays Securities Ltd. around 2.31 % (notification dated 15 July 2010) of the shares in MVV Energie AG. The shares held by both companies are allocated to the free float. Up-to-date voting right notifications received since the balance sheet date can be found at **www.mvv-investor.de**.

Investor relations – detailed communication of strategic alignment

MVV Energie is currently analysed by six banks: DZ Bank, UniCredit, Cheuvreux, Kepler Capital Markets, LBBW and Macquarie. This is a high figure for an SDAX company. Our Investors Relations team is making consistent efforts to expand the research coverage for MVV Energie's share.

The year under report brought further opportunities to present our company and our new strategic alignment at investors' conferences and in numerous one-to-one talks with institutional and private shareholders. In telephone and analysts' conferences we provided extensive commentaries on our company's latest earnings performance. In the 2009/10 financial year we focused on road shows and talks with institutional investors in Germany and abroad (Basle, Bern, Edinburgh, Frankfurt am Main, Geneva, Hanover, London, Munich, Paris, Stuttgart, Vienna and Zurich). Our **www.mvv-investor.de** website provides shareholders and other interested parties with access to excerpts from our teleconferences, conference fact books (download section) and up-to-date information about our share.

Our ongoing transparent communications have clearly met with a warm reception on the capital markets. In the "Best Investor Relations in Germany 2009 (BIRD)" competition organised by the business journal "Börse Online", we were for the first time ranked 1st among the 50 SDAX companies. The BIRD survey of private investors and readers of the magazine led to more than 1,700 individual assessments of the 160 largest German publicly listed stock corporations. The most important factor for successful IR activities has proven to be up-to-date information, followed by credibility, comprehensibility and contact to the IR department.

Further award for our annual report

In "The Best Annual Reports 2009" competition organised by the business journal "manager magazin", MVV Energie's 2008/09 Annual Report was awarded 4th position among SDAX companies (previous year: 7th), thus once again reaching the top ten with an overall assessment of "Good". This competition, which is highly regarded on the capital market, involves around 160 annual and interim reports of Germany's most important publicly listed companies being scrutinised in terms of their contents, language and design.

Our 2008/09 Annual Report also received an internationally acknowledged award at the "2009 Vision Awards Annual Report Competition" hosted by the renowned League of American Communications Professionals (LACP) in San Diego, USA. Our report received the Platinum Award for top position in the "Utilities" category for companies with turnover in excess of US$ 100 million. In the overall ranking of more than 4 000 entrants across all categories, the report was ranked 41st, and thus among the top 100.

Group Management Report

Corporate Strategy

Our Claim – Energising the Future

MVV Energie, an energy company both publicly listed and municipally rooted, can build on a sustainable, well-balanced and forward-looking portfolio of business fields.

Our objective: Profitable, value-creating growth

Our objective is to achieve further profitable growth and to create value. We aim to be one of Germany's leading energy companies in 2020 and beyond as well.

The challenge: Energy industry in transformation

The complexity and dynamism of the energy market have increased notably, with ever greater significance being attached to the global challenges ahead, such as climate and resource protection. In conjunction with new energy-saving and efficiency technologies, these factors will lead energy consumption to stagnate or decrease. Together with intensified competition, this development will result in greater pressure on margins. At the same time, changes in the political framework also give rise to new challenges. The burdens placed on the industry by the state, such as the continuous rise in cost allocations under the German Renewable Energies Act (EEG), the forthcoming full auction of CO_2 rights and the density of grid regulation, are on the increase.

In common with the overall energy sector, MVV Energie is confronted by far-reaching structural change and significant challenges. This transformation not only involves risks, but also offers economic opportunities and potential for development. We are actively exploiting these structural changes with our strategic realignment. In the previous year, we formulated our strategic guidelines in our MVV 2020 project. Since then, our main focus has been on implementing these guidelines. Within our "Once Together" group project, in the 2009/10 financial year we analysed and evaluated all relevant processes and structures at our locations in Mannheim, Kiel and Offenbach, as well as at MVV Energiedienstleistungen and MVV Umwelt. Based on our findings, we have developed a partnership model for a municipally anchored corporate group and devised a new internal planning and control approach.

Our strategy: Energising the future

As an energiser of the future, MVV Energie can offer its customers, employees and owners promising prospects for today, tomorrow and beyond – even accounting for the profound change ahead.

The core elements of our strategic and organisational alignment are outlined below and are due to be implemented in the near future. Here, we will be pursuing a "third way" between large energy groups on the one hand and large numbers of small and medium-sized municipal utility companies on the other.

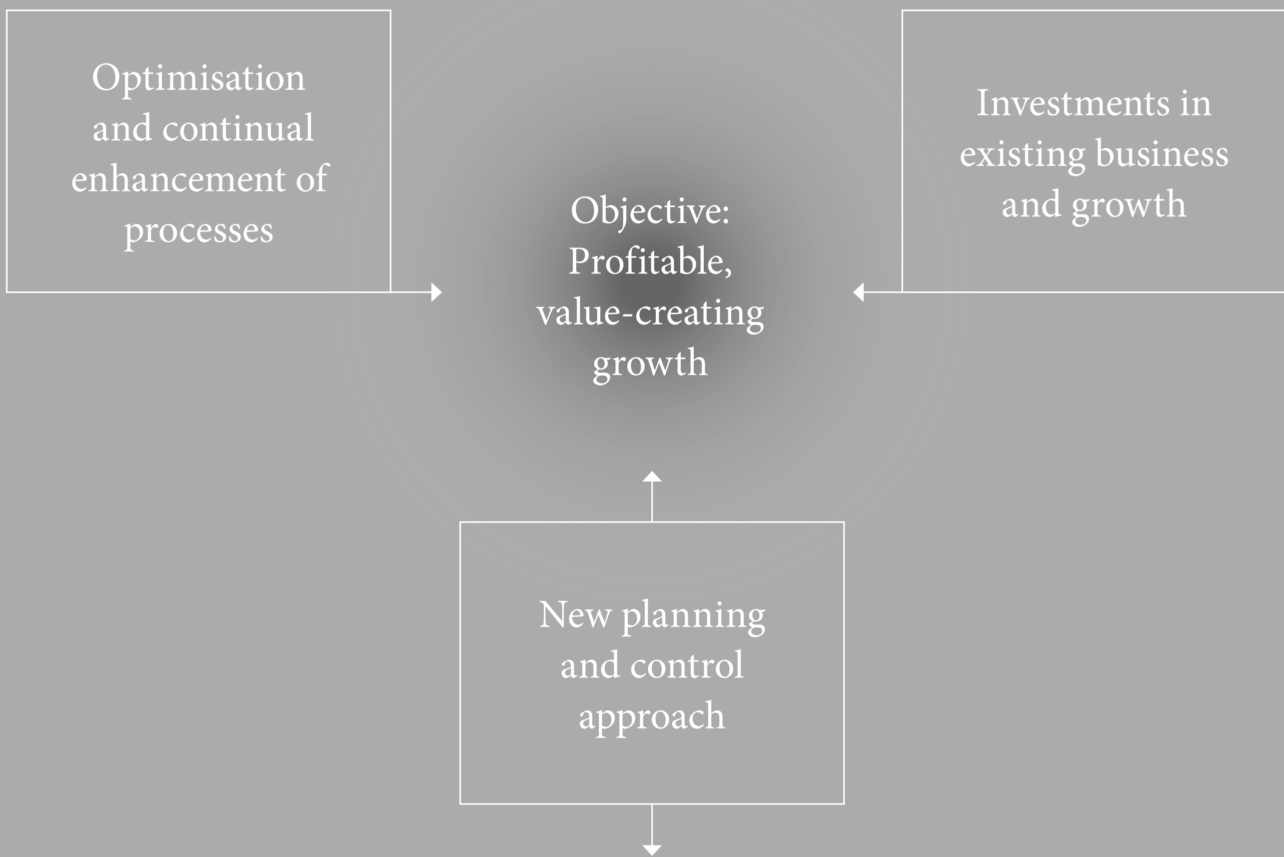
We will be basing our actions on the following principles:

- We act **SUSTAINABLY** – For us, sustainability means creating a balance between tried and tested and new activities, between short-term contingencies and long-term opportunities, between optimisation and growth and security and innovation.
- We act **REGIONALLY** – We intend to conserve and strengthen our regional identities. We build on our autonomous brands and on our customer and cooperation contacts across the Group.
- We act **EFFICIENTLY** – We subject our processes to targeted enhancement, adopting best practices within our group of companies.

SUSTAINABILITY: Today already, 19 % of our electricity is generated from renewable energies and 26 % using the efficient cogeneration process. These figures make us one of the top players in our sector in this regard. At the same time, we are also one of the leading providers of energy-related services and district heating. In these areas, we offer efficient and climate-friendly, resource-efficient solutions to our customers. In our research and development activities, we are looking into innovative solutions for the energy supply of the future. We have outlined our sustainable approach in detail on Pages 78 to 90.

Our Claim: Energising the Future

Core strategic elements



New reporting segments based on value creation stages from 2010/11 financial year

The **REGIONAL IDENTITIES** of individual companies in our Group are an important pillar of our strategy. The regions are the key driver of our business activity. The municipal utility and energy supply companies contribute their strengths, especially their regional proximity, their customer networks and their knowledge of local markets, to our Group. We make targeted use of the companies' individual capabilities and work together to eliminate any weaknesses. Via its municipal utility and energy supply companies, the MVV Energie Group has a broad range of growth opportunities in important economic regions within Germany.

Our **EFFICIENCY** claim refers to our efforts to achieve operational excellence in all areas. We aim to perform tasks in the locations offering the best personnel and organisational resources and to jointly exploit synergies available within the Group.

Optimisation and continual enhancement of processes

Making processes more efficient and continually enhancing them enables us to save costs. This way, we are preparing to offset future charges on earnings due to increasing competitive and regulatory pressure. At the same time, we are laying a foundation for future investments in our growth.

Within our "Once Together" group project, in the year under report we identified potential cost savings and initiated far-reaching measures to optimise processes at our companies in Mannheim, Kiel and Offenbach, as well as at the MVV Energiedienstleistungen and MVV Umwelt subgroups. Further details about the expected cost savings have been provided in the Outlook chapter from Page 94 onwards.

The implementation of our concept for the future will lead to an expected total of almost 500 full-time positions being cut within our group of companies by 2020. This figure represents the net balance of positions no longer required and positions newly created in sustainably viable areas. These job cuts will be handled in a socially responsible manner, mainly by drawing on compensation agreements, part-time early retirement programmes and the Group's internal job market as proven instruments of our personnel policy.

We largely completed the restructuring of the MVV Energiedienstleistungen GmbH subgroup in the year under report. We have restructured our subsidiary in organisational and personnel terms and focused our investment and product portfolio on promising markets. With these restructuring measures, we have made the necessary preparations to exploit the positive climate in the energy-related services market in the coming years.

Internal processes in our existing business will be subject to permanent further optimisation in order to cut costs and at the same time generate benefits in terms of quality and time. To this end, we will be drawing in coming years on the extensive experience available at the companies within our Group. By performing best-practice comparisons, we all stand to learn from one another. This will occur in those business fields where senior managers at the individual companies are working together closely in a single value creation stage. In the coming years, this will result in a joint operating model managed by the respective companies. A group-wide implementation monitoring process provides transparency concerning the progress made with implementation across the entire Group.

The "Professional optimisation (Pro!)" group programme is a further key component in our efforts to achieve permanent optimisation. The aim is to exploit potential improvements within the MVV Energie Group and to firmly anchor these improvements to the joint and mutual benefit of all.

Our MVV Energie CZ a.s. subgroup is implementing a separate efficiency enhancement project. Here, potential optimisation measures are being reviewed in terms of their relevance to our group of companies in the Czech Republic.

The creation of joint **SHARED SERVICE COMPANIES** four years ago represented an important first step towards stepping up cooperation between our companies. Experience has shown that further potential improvements can be realised by intensifying the cooperation between the shared service companies for billing, metering and IT and providing them with uniform management and control structures.

The **RESTRUCTURING OF PROCUREMENT** within the Group was already implemented in the 2009/10 financial year. A majority of procurement volumes has now been concentrated on lead buyers for each product group. This pooling of procurement activities enabled us to generate cost savings and substantial quality enhancements in the year under report already. This restructuring process is being accompanied by the standardisation of procurement processes and associated IT systems.

Current focuses of activity in the field of finance and accounting include unifying the standards used in internal control systems at MVV Energie AG, Energieversorgung Offenbach AG and Stadtwerke Kiel AG and implementing the requirements of the German Accounting Law Modernisation Act (BilMoG) for financial statements prepared in accordance with the German Commercial Code (HGB) and local separate financial statements. The legal requirements call for all relevant processes to be regularly monitored. Here too, we are drawing on work already performed at individual companies to implement high-performance systems at reasonable expense in other areas of our Group as well.

Investments in existing business and growth

We have budgeted investments totalling around Euro 3 billion over the next decade to 2020. Around half of this sum is to be invested in expanding our business. Here, we will be building on proven areas of competence and focusing our growth on the following fields:

- One key focus of investment involves the **EXPANSION OF RENEWABLE ENERGIES**. By 2020, we aim to increase the share of our electricity generated using renewable energies from its already above-average level of 19 % to 30 %. We will largely be focusing on (onshore) wind energy and biomass. By acquiring Plauerhagen Wind Farm, we already took an important first step in this direction in the year under report.
- The **EXPANSION OF DISTRICT HEATING** forms a further focus of our growth strategy. As one of Germany's largest district heating providers, we intend to raise the share of district heating generated using the efficient cogeneration process in existing grids at all of our company locations and significantly expand our district heating supply over and above this. Specific projects are being implemented to this end in Mannheim, Offenbach, Kiel and Ingolstadt. The construction of the district heating transport pipeline to Speyer represented a major milestone in the district heating supply in the Rhine/Neckar metropolitan region.
- The construction of **BLOCK 9 AT GROSSKRAFTWERK MANNHEIM**, the large power plant in Mannheim, is a precondition for securing supply reliability and the expansion of environmentally-friendly district heating in the Rhine/Neckar metropolitan region in the long term. Apart from this, we will not be further raising the share of coal used in our energy generation.
- A further strategic focus is our **ENERGY-RELATED SERVICES BUSINESS**, which we will be expanding in the fields of Contracting and Energy Efficiency, Industrial Parks and Consulting following the restructuring programme now completed. We are making targeted use of our proven competence and leading market position in the energy-related services segment to exploit opportunities arising from the market trend towards efficient energy use and thus to generate profitable growth.
- We also aim to further expand our successful nationwide **INDUSTRIAL AND COMMERCIAL CUSTOMER SALES BUSINESS** in future. With our Electricity and Gas Energy Fund products, we provide smaller and medium-sized customers as well with easy, inexpensive access to structured procurement. Not only that, we also offer specialist solutions for important customer groups, such as multiple location (chain) and real estate customers.

Alongside these specific investment focuses, we are also systematically addressing further promising projects and forward-looking topics. We see the construction and associated long-term operation of energy from waste plants in the UK as representing one growth option. Within the **E-ENERGY** model project promoted by the Federal Government, we are also working together with partners to investigate the opportunities harboured by an energy marketplace with important components such as smart metering, variable load-based price rates and smart consumption control. We also see **ELECTRO-MOBILITY** as an important future topic for us. Here, we are cooperating with SAP in the "Future Fleet" project. What's more, we are also one of the first customers for the new "mia" electric car, with which we intend to offer forward-looking mobility solutions, also to partners in the region. These solutions include planning, building up and operating charging infrastructure, as well as future billing services.

New planning and control approach

In line with its strategic realignment, MVV Energie has also amended its internal planning and control approach starting in the 2010/11 financial year. The previous product-based reporting segments of electricity, district heating, gas, water, energy-related services, environmental energy and other were still valid in the year under report. These are being replaced by the following reporting segments newly defined in line with the new management perspective and as the Group's topmost control and reporting level:

- Generation and Infrastructure
- Trading and Portfolio Management
- Sales and Services
- Strategic Investments
- Other Activities

The new planning and control approach (please also see Page 47) is based on a uniform group-wide value creation stage model across the Mannheim, Kiel and Offenbach locations. Together with a joint operating process model, this will enable us to tap synergies in order to raise the global optimum within the MVV Energie Group.

New reporting segments based on value creation stages

Within the framework of our new planning and control approach, our external reporting will also be adapted to the new reporting segments from the 2010/11 financial year. The business fields will be allocated to these segments in line with their respective value creation stage.

- The **GENERATION AND INFRASTRUCTURE** reporting segment includes the conventional power plants, energy from waste plants and biomass power plants at the MVV Energie AG, Stadtwerke Kiel AG, Energieversorgung Offenbach AG and MVV Umwelt GmbH subgroups, as well as the wind farm portfolio. This segment also contains the grid-based utility distribution of electricity, district heating, gas and water, the necessary grid facilities and technical service units.
- The **TRADING AND PORTFOLIO MANAGEMENT** reporting segment consists of generation and sales portfolio management activities, as well as the trading business at 24/7 Trading GmbH.
- In the **SALES AND SERVICES** reporting segment, the Group will report on the retail business at the MVV Energie AG, Stadtwerke Kiel AG and Energieversorgung Offenbach AG subgroups. This segment also includes supplies of electricity, district heating, gas and water to secondary distributors, industrial, commercial and private customers and the energy-related services business at the MVV Energiedienstleistungen GmbH, Energieversorgung Offenbach AG and SECURA Energie GmbH subgroups.
- The **STRATEGIC INVESTMENTS** reporting segment includes the Stadtwerke Solingen GmbH, Stadtwerke Ingolstadt GmbH, Köthen Energie GmbH and MVV Energie CZ a.s. subgroups. The Stadtwerke Solingen GmbH and Stadtwerke Ingolstadt GmbH subgroups are proportionately recognised.
- The **OTHER ACTIVITIES** reporting segment relates in particular to the newly established shared service centres, as well as to cross-divisional activities and consolidation items.

Overview of Shareholdings and Business Activities

Selection of direct and indirect shareholdings of MVV Energie AG

Municipal utility shareholdings	Jointly-owned companies
MVV RHE GmbH (100 %)	24/7 Netze GmbH [2] Mannheim
Stadtwerke Kiel Aktiengesellschaft (51 %)	24/7 Trading GmbH [3] Mannheim
Köthen Energie GmbH (100 %)	24/7 IT-Services GmbH [4] Kiel
Stadtwerke Solingen GmbH (49.9 %)	24/7 Metering GmbH [5] Offenbach
Energieversorgung Offenbach Aktiengesellschaft (48.59 %) [1]	24/7 United Billing GmbH [6] Offenbach
Stadtwerke Ingolstadt Beteiligungen GmbH (48.4 %)	24/7 Insurance Services GmbH [7] Mannheim
Stadtwerke Sinsheim Versorgungsgesellschaft mbH & Co. KG (30 %)	SECURA Energie GmbH [8] Mannheim
Stadtwerke Buchen GmbH & Co. KG (25.1 %)	
Stadtwerke Schwetzingen GmbH & Co. KG (10 %)	
MVV Energie CZ a.s. Czech Republic (100 %)	

Environmental energy and renewable energies	Energy-related services
MVV Umwelt GmbH (100 %)	MVV Energiedienstleistungen GmbH (100 %)
– MVV O&M GmbH (100 %)	– 24 majority shareholdings in the business fields of:
– MVV BioPower GmbH (100 %)	Contracting and Energy Efficiency
– MVV TREA Leuna GmbH (100 %)	Industrial Parks
– MVV BMKW Mannheim GmbH (100 %)	Consulting
– Biomasse Rhein-Main GmbH (33.33 %)	
– MVV Environment Ltd. UK (100 %)	
– MVV Umwelt Ressourcen GmbH (100 %)	
– Götzfried + Pitzer Entsorgung GmbH (100 %)	
MVV Windenergie GmbH (100 %)	

1 majority of voting rights
2 MVV Energie AG (70 %), Energieversorgung Offenbach AG (30 %)
3 MVV Energie AG (54.9 %), Stadtwerke Kiel AG (25.1 %), Energieversorgung Offenbach AG (12.5 %), Stadtwerke Solingen GmbH (5 %), Stadtwerke Ingolstadt Energie 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 (68.4 %), Stadtwerke Kiel AG (14 %), Energieversorgung Offenbach AG (17.6 %)
8 MVV Energie AG (54.9 %), RheinEnergie AG (25.1 %), Energieversorgung Offenbach AG (15 %), Stadtwerke Ingolstadt Energie GmbH (5 %)

Status: 30 September 2010

Central Energy Portfolio Management

Energy trading business successful in dynamic markets

With its centralised energy trading activities, MVV Energie has clearly positioned itself in dynamically changing markets. At 24/7 Trading GmbH we have pooled the trading business and the management of procurement and generation portfolios for our entire Group. Here, all commodities relevant to MVV Energie, namely electricity, natural gas and emissions rights, are reported together with the associated physical and financial products and price hedging transactions for coal and oil.

Our research teams permanently monitor and analyse developments in global, national and regional markets. Their findings provide an important basis for our strategic positioning, and thus for our forward-looking operations. As a forward-looking energy supplier, we are thus able to operate successfully in energy markets characterised by every greater complexity and intensity of competition. Based on its energy market analysis, 24/7 Trading works closely together with the other units in the MVV Energie Group to develop strategies to optimise the value of our energy portfolio. We implement the resultant measures in our off-market energy trading transactions, i.e. on the bilateral OTC market, and on the energy exchanges. 24/7 Trading also manages and minimises the associated commodity risks, acting in this respect as an interface between the wholesale market and the individual companies of the MVV Energie Group.

The wholesale energy markets on which 24/7 Trading is active have recovered since the economic crisis, although a high level of volatility is still observable. MVV Energie's professional risk management and portfolio management have proven extraordinarily robust in this special market situation and are subject to ongoing enhancement in order to maintain this stability. 24/7 Trading GmbH also permanently monitors the Group's commodity positions. Based on predefined risk limits, 24/7 Trading has developed extensive limit structures to enable it to manage the risk contents of its business activities in operational terms.

To secure our generation margin, our energy trading company performs an integrated analysis of all revenue and cost drivers in order to manage the clean dark spread. We take this as representing the difference between the electricity price on the one hand and the fuel price (coal) and price of CO_2 emissions rights on the other. We begin our hedging several years prior to delivery already, as a result of which a major share of electricity production has been sold on the forward market at the beginning of the relevant supply period. Back in 2008 already, part of the margin for the 2009 and 2010 supply years was hedged at the higher price level. Positions for major customers are covered directly after the signing of the respective deals (back-to-back). These positions are therefore not affected by future price developments. Procurement in the tariff customer segment is organised in tranches for several years in advance.

Proactive in the gas market as well

The gas market is currently witnessing the merger of market regions and rising liquidity in Europe. By drawing on proactive portfolio management via 24/7 Trading, our Group is exploiting the opportunities presented by this period of transition. We are thus structuring and optimising our procurement portfolio in line with our sales portfolio. Our sales department offers customers the opportunity to benefit from structured procurement, for example via our Electricity/Gas Energy Funds. Rather than relying on direct orders and deliveries by our individual subsidiaries, we are exploiting synergy effects and benefits of scale, thus jointly achieving greater flexibility on the gas procurement market. We procure around half of the necessary gas volumes via flexible supply agreements and half on the futures market. We use the spot market to optimise positions in our energy trading business in the short term and to offset fluctuations in forecasts.

Innovative Sales Policies

Sales activities well-positioned in strategic terms

Our sales activities enable us to maintain direct contact with our customers. This proximity to our customers enables us to learn a great deal about their individual needs. We draw on this knowledge and our close market surveillance in our targeted development of smart, needs-driven products. One example of the services we offer is the structured procurement of electricity and gas for industrial and commercial customers. We also offer our Electricity/Gas Energy Fund in an inexpensive and ecologically sustainable version.

Since the 1st quarter of 2009/10, our customers in the housing and real estate sector have benefited from a considerable simplification of automated payments. Accounting processes have been simplified by drawing on a new software solution, as has the compilation of annual utility bills. This new product pools and satisfies the needs of the energy industry on the one hand and our customers' wishes on the other, thus generating efficiency gains on both sides.

Electricity/Gas Energy Fund – a success story

We significantly boosted our customer totals in the highly competitive German electricity and gas markets in the 2009/10 financial year. We attracted numerous new customers in the multiple location, industrial and commercial customer segment, while also continuing to retain many existing customers. A large majority of Energy Fund customers extended their contracts. Our cross-selling approach has proven highly effective in this respect. We thus managed to sell ourselves to existing nationwide electricity customers as a provider of gas supply services as well.

Customers of our Electricity/Gas Energy Fund have numerous opportunities to flexibly optimise their proprietary energy procurement during the contractual term. The sales and trading departments work together closely in this area, splitting the energy volume required into procurement tranches, drawing on favourable procurement times and generating a transparent overview of costs. The experience gained with the Electricity/Gas Energy Fund shows that we are able to obtain energy prices below the market average for our customers. Not only that, our customers also appreciate that, with MVV Energie, they have a nationwide energy supplier at their side and that their supply is therefore guaranteed irrespective of their location. One current example is the three-year electricity supply contract agreed in September 2010 with Heidelberger Druckmaschinen AG for six of its development, production and sales locations in Germany. This supply, due to begin in January 2012, is tailored flexibly to meet the company's respective electricity requirements.

Companies that produce electricity in their own plants also stand to benefit from MVV Energie as a reliable partner for marketing surplus electricity volumes. Here, we sell the electricity on behalf of these industrial customers.

Special sales products for private customers

SECURA Energie GmbH has been offering green electricity to environmentally-aware, price-conscious customers nationwide since the beginning of 2008. Our subsidiary has asserted itself very well in this challenging, highly competitive segment, significantly expanding its customer base in the 2009/10 financial year in particular. SECURA Naturgas is our nationwide gas product for private customers. The sales region for SECURA Naturgas was gradually expanded during the financial year and now covers around 90 % of the nationwide gas supply area. With both of these products, SECURA Energie has successfully set itself apart from its competitors and is now among the top 10 nationwide energy suppliers.

Greater integration planned for our locations

What other criteria influence the success of our sales activities? Alongside innovative products and creative marketing, our successful concept is based on efficient integration – our energy trading (24/7 Trading GmbH), IT infrastructure services (24/7 IT-Services GmbH), metering and billing services (24/7 Metering GmbH and 24/7 United Billing GmbH) divisions work together closely. With our "Once Together" group project, we will further enhance this cooperation between our locations. By avoiding duplicate structures and cutting costs, we are laying a foundation for further competitive expansion in our nationwide electricity and gas sales.

Business Framework

Energy Policy and Regulation

The German and European energy industries are undergoing a far-reaching process of change largely driven by political and social developments. Liberalisation and climate change are impacting greatly on all of the value creation stages at energy suppliers. Within this environment, MVV Energie is campaigning in the political arena, in industry associations and in public for a competitive structure for this process of transformation. The company has participated in numerous consultation procedures at the Federal Networks Agency (BNetzA), as well as in other energy policy opinion-forming processes, such as in the preparation of special studies by the Monopoly Commission. Our objective here is to ensure that all market players are granted equal opportunities. To achieve this, we are playing an active role in the debate surrounding the further development in the legal and regulatory framework for our market.

Federal Government Energy Concept

The Federal Government adopted its Energy Concept, which sets out medium and long-term climate protection targets, on 28 September 2010. By 2050, greenhouse gas emissions in Germany are to be cut by between 80 % and 95 %. The targets formulated in the government's Integrated Energy and Climate Programme in 2007 have therefore been provided with a longer-term perspective and raised (please see Events After the Balance Sheet Date on Page 91 for further information).

MVV Energie welcomes the Federal Government's plan to set forward-looking targets for the energy industry transformation process as part of a comprehensive approach. The Energy Concept includes numerous aspects that will impact positively on our business. That is especially true of renewable energies and energy-related services, which will play a key role in the efficiency enhancements targeted by the government. We are positive about two particular immediate measures the coalition has adopted – the removal of barriers to heating supply contracting in tenancy law and the establishment of a market transparency body to monitor the functionality of wholesale electricity and gas markets. Compared with the Integrated Energy and Climate Programme in 2007, however, in its 2010 Energy Concept the government has accorded significantly less importance to district heating and cogeneration. In the next stages of this process, we aim to ensure that adequate account is taken of the expansion of these resource-efficient technologies. Particularly in existing buildings and conurbations, cogeneration can make a major contribution towards increasing efficiency and supplying heating energy.

We believe that the extension in the operating lifetimes of German nuclear power plants by an average of twelve years will impact negatively on competition, and thus also on those competitors not operating such plants. Along with energy industry associations, the Federal Cartel Office and the Monopoly Commission, MVV Energie is campaigning for these negative implications to be neutralised with suitable compensatory measures.

Even after the presentation of the Energy Concept, most of the questions concerning the specific structure of the measures announced, issues of crucial importance for the future energy industry framework, are still unanswered or subject to further investigation. We will participate actively in the discussions surrounding the implementation of the measures announced.

One of the key issues here is the specific structure of the planned Energy and Climate Fund, which is intended to finance most of the measures set out in the Energy Concept. We believe that market players should be involved in deciding how the funds are used. This is to ensure that the Fund, while also meeting its objectives of enhancing energy efficiency and expanding renewable energies, also provides incentives for greater competition. Alongside this, like the energy industry associations we have called for the accelerated grid expansion planned in the Energy Concept to involve not only transmissions grids at large energy players, but also distribution grids at municipal utility companies. In view of the strong decentralised growth in renewable energies generation plants, any further specification of the Energy Concept should also take due account of the expansion and conversion measures required for regional and local distribution grids.

As part of the ongoing promotion of this process of transformation in the energy industry, major components of the underlying legislation affecting the energy market on both German and European levels are due to be amended in the 2010/11 financial year (Energy Act (EnWG), Renewable Energies Act (EEG), Cogeneration Act (KWKG), Renewable Energies Heating Act (EEWärmeG) and, on EU level, the Cogeneration and End-Use Efficiency and Energy Services Directives). MVV Energie will actively accompany these amendment processes.

Future renewable energies market design

In view of the ambitious targets for expanding renewable energies, the Federal Government plans to enhance the subsidy framework, and especially the German Renewable Energies Act (EEG). Here, incentives are to be provided in particular for aligning generation more closely to actual demand. MVV Energie already spoke out in favour of facilitating the market integration of renewable energies in the past and is now playing an active role in developing the future market design. During the year under report, MVV Energie joined the German Wind Energy Association (BWE). We have also made constructive proposals in the discussions surrounding political incentives for the expansion of wind energy in Baden-Württemberg.

Greater competition in the gas market

Having been one of the first companies in the sector to commence wholesale gas trading activities in 2001, on 1 October 2008 MVV Energie was once again one of the pioneers in its sector with the successful launch of its nationwide natural gas sales business. This market entry was assisted by substantial improvements in the competitive framework, measures for which we had long campaigned. These involved the establishment of a German gas exchange and the considerable easing both in gas grid access and in customers' and suppliers' ability to change supplier and customer respectively.

The amendment to the German Gas Grid Access Ordinance (GasNZV) adopted on 18 August 2010 will reduce further barriers to sales and trading. This too is a change MVV Energie had called for. Since 1 October 2009, there have only been six market regions for gas in Germany. By 2013, these regions will witness further mergers. Available technical capacities have to be auctioned in the event of capacity bottlenecks. In future, capacity agreements will also increasingly have to be granted with shorter terms. Even though we believe further improvements are necessary for the operating business (e.g. in terms of data provision), we nevertheless see the amendment as a step towards greater competition. The new biogas regulations offer advantages above all for plant operators wishing to feed biogas into the grids. In parallel to the GasNZV ordinance process, the Federal Networks Agency has also proposed new capacity management regulations. We welcome the planned measures to reduce contractual bottlenecks, particularly the pooling of booking points, standardisation of capacity products, approval obligation for unused capacities and complete auction of capacities in the event of bottlenecks.

Further development in electricity market design

Our activities in the electricity market focus on achieving further market design enhancements crucial for the efficiency of electricity trading and sales. In particular, MVV Energie has long called for improvements to be made to the settlement mechanism that came into effect on 1 January 2010 in line with the German Renewable Energies Act (EEG). Conversion to a financial distribution model for EEG subsidy costs, as against physical collection, sharply reduces the risks involved in electricity sales and significantly increases the transparency of EEG subsidies.

Not only that, a regulation issued by the Federal Networks Agency to set out more precise rules for the marketing of EEG electricity volumes by transmissions grid operators (TGOs) on the spot market has been in force since February 2010. In late 2009 and early 2010 we already criticised the fact that TGOs have the option of drawing on non-transparent exemptions and expressed our opposition to any extension in these exemptions beyond 2010. Negative price limits thus lead to a distortion in market signals. Furthermore, unlike transactions agreed on the exchange or by publicly tendering specific balancing energy volumes, the use of bilateral agreements to market EEG electricity is not transparent or compatible with a market environment. It hinders long-term incentives to invest in the flexibility of conventional power plants. The Federal Networks Agency is currently revising the exemptions.

MVV Energie is also a longstanding campaigner for the further development of Germany's electricity transmission grids. One key demand here is the abolition of conflicting regulations in the various control areas, i.e. simultaneous underpricing and overpricing in different control areas. We therefore welcome the regulation issued by the Federal Networks Agency that obliges TGOs to cooperate more closely and promises to enhance the efficiency of balancing energy procurement. Based on this regulation, Amprion was integrated as a fourth TGO into the grid control association of the other three players (50 Hertz, EnBW TNG and transpower) as of 1 May 2010. This will enable conflicting regulations for the secondary and minute reserve to be avoided in future. MVV Energie accompanied this process with a detailed statement of its position and, as the supplier and balancing energy supplier responsible for the balancing zone, by participating in the survey carried out by the relevant expert.

Grid regulation

Electricity and gas grid fee regulation is a key parameter in the economic efficiency of grid operations. Reductions in grid fees and the development in future revenue caps represent a great challenge. Revenue and cost management will therefore become ever more important factors. Here, it is a question of safeguarding efficient, yet high-quality and reliable grid operations.

Since 1 January 2009, the grid fees that electricity and gas grid operators are permitted to charge have been subject to incentive regulation. Based on the most recent cost approval round prior to the beginning of incentive regulation, as well as on individually calculated efficiency targets, the Federal Networks Agency has set an individual revenue cap for each grid operator. This is initially valid for four years in the case of gas and for five years in the case of electricity. The individual efficiency targets derived from the efficiency comparison of grid operators now have to be implemented by the end of the second Regulation Period (gas: 2017; electricity: 2018). These targets have been factored into our strategic long-term planning.

In line with the verdict passed by the Federal Court of Justice (BGH) on 14 August 2008, additional revenues generated in the period between applications being submitted and the first grid fee approvals have been siphoned off since 1 January 2010. Consistent with IFRS requirements, we have not recognised any provisions for this item.

The specific structure for quality regulation still has to be determined. This is expected to be introduced from 2012 for electricity and from 2013 for gas, i.e. from the beginning of the second Regulation Period. We expect to see increasing pressure on grid operators overall, but not significantly in excess of the extent already expected. This regulation must not impede investments in the urgently necessary expansion of grids, but should actually promote such investment.

Market Climate and Competition

Market position of the MVV Energie Group

ELECTRICITY: according to the 2008 BDEW ranking published in March 2010 we were Germany's fifth-largest electricity supplier in terms of turnover with end customers.

GAS: with our innovative Gas Fund models, we have successfully operated in the nationwide gas sales business since the 2008/09 financial year.

DISTRICT HEATING: with district heating turnover of around 7.6 billion kWh in the 2009/10 financial year, MVV Energie is one of Germany's top five district heating providers.

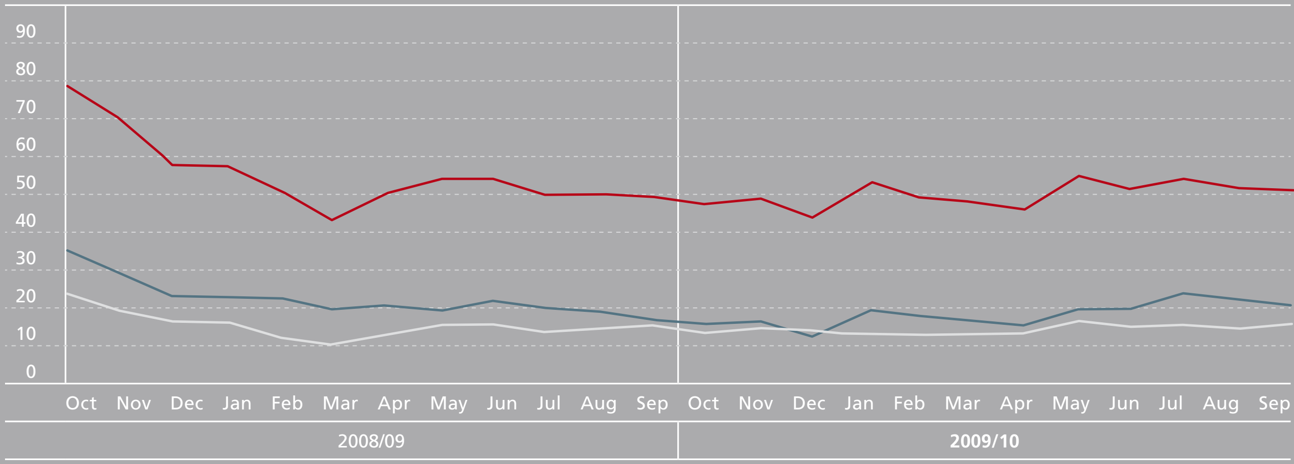
ENERGY-RELATED SERVICES: with sales of Euro 307 million in the value-added services segment in the 2009/10 financial year, we are one of Germany's leading providers of energy-related services.

ENVIRONMENTAL ENERGY: with incineration capacities of 1.6 million tonnes a year, MVV Energie is Germany's third-largest operator of energy from waste plants.

Increasingly positive macroeconomic indicators

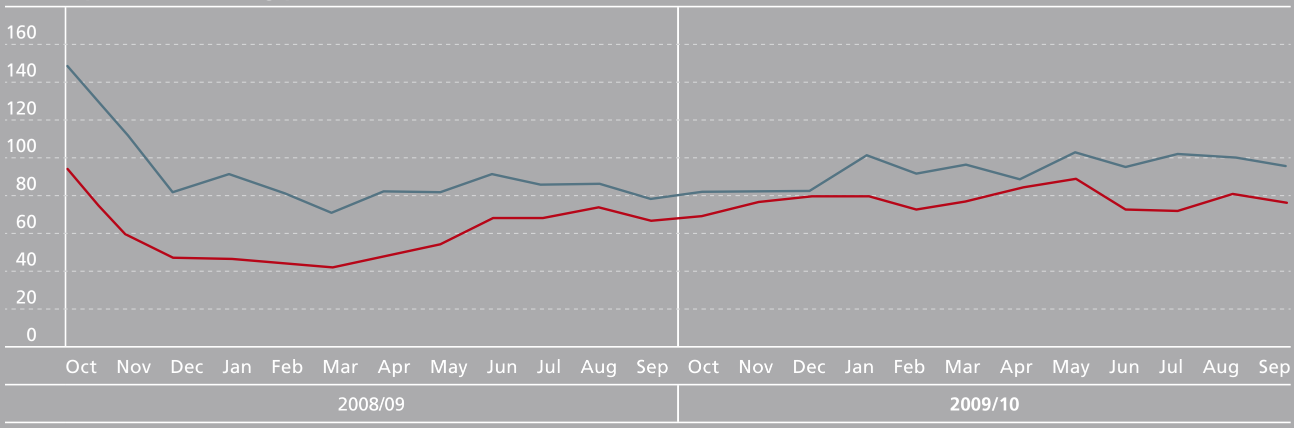
German economic output fell by 4.9 % in 2009, the severest contraction Germany has witnessed since the end of World War Two. From the second half of the year, however, various macroeconomic indicators pointed towards an economic recovery. This trend continued in the first nine months of 2010. In the 2nd quarter of 2010 (April to June), gross domestic product showed unexpectedly high growth of 2.2 % compared with the 1st quarter of 2010 (January to March). This development was driven above all by new order growth and the improvement in business confidence, which have led to a revival in industrial demand. The positive development in industrial output also resulted in increasing energy consumption in Germany. According to figures released by the German Energy and Water Industry Association (BDEW), electricity consumption grew year-on-year by 3.9 % in the 1st half of 2010. Due mainly to outdoor temperatures, natural gas consumption rose by 10 %. With regard to future developments, reference is made to the information provided in the Outlook chapter starting on Page 94.

Development in trading prices for electricity, gas and CO_2 certificates (Euro)



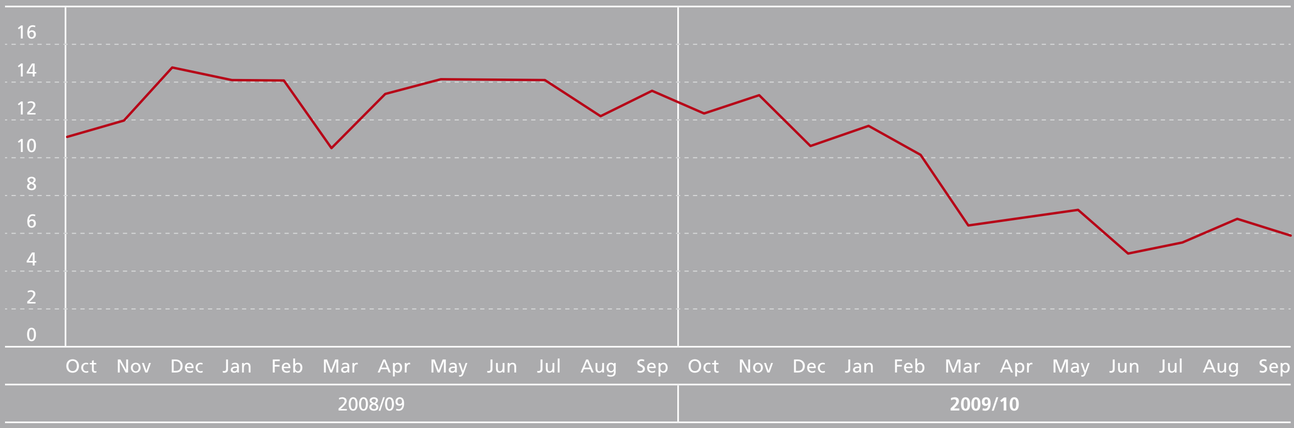
OTC electricity base front year in Euro/MWh EEX natural gas NCG front year in Euro/MWh EEX EUA front year Euro/tonne CO_2

Development in trading prices for oil and coal (US$)



ICE Brent front month in US$/barrel EEX API2 coal front year US$/tonne

Development in clean dark spread 2011 (Euro)



Clean dark spread 2011 in Euro/MWh (c.f. Page 52)

Energy markets show disparate developments

While listed electricity and gas prices were lower on average in 2009/10 than in the previous financial year, oil and coal prices were higher. Average prices on the emissions market, on the other hand, remained constant. The 2009/10 financial year also witnessed the following specific developments: in the spring, gas proved to be more advantageous than coal in financial terms for use in electricity generation and the increased feed-in volumes for solar electricity reached a level of 8 750 MW in the summer.

Listed prices for Brent North Sea oil on the International Commodities Exchange (ICE) for supply in the following month ranged between US$ 67 and US$ 89 per barrel in the 2009/10 financial year. The average barrel price in the year under report was US$ 19 higher than in the previous year, which was affected by the financial crisis. The higher level of prices was attributable to the stabilisation in the macroeconomic situation in the course of the financial year.

Notwithstanding the cold winter, natural gas prices for the front year product in the NCG (Net Connect Germany) market region were Euro 3/MWh lower on average in the year under report than in the 2008/09 financial year (Euro 21/ MWh). This was chiefly due to excess supply. The rising share of US gas production from unconventional sources led to a sharp decline in imports of liquid natural gas. These were diverted to Europe as a result.

The coal market, by contrast, developed in the opposite direction. Front year prices for hard coal in the ARA region (Amsterdam, Rotterdam, Antwerp) rose by US$ 6 per tonne compared with the 2008/09 financial year. Despite substantial European stocks, April witnessed a dynamic upward movement in front year coal prices. This trend was driven in particular by high growth in Asian countries.

EU emissions rights prices for supply in the following year ranged between Euro 12 and Euro 16 per tonne of CO_2. Prices fell at the end of 2009 due to the lack of political decisions reached at the Climate Summit in Copenhagen, but were boosted by the rise in primary energy prices at the beginning of April and the expected shortage of CER 2010 contract volumes. On average, however, listed prices on the emissions market more or less matched the previous year's level of Euro 14 per tonne of CO_2.

In the 1st half of the financial year, the price of electricity for supply in the following year (basic load) slipped slightly lower. In April, the strength of primary energy prices at this time pulled electricity prices upwards in its wake. The uncertainty surrounding the probable extension in nuclear power plant operating lifetimes and the absence of a sustained period of hot weather in the summer led to weaker electricity prices in the 2nd half of the financial year. The average price amounted to Euro 49/MWh in the year under report, equivalent to a decline of almost 10 % on the 2008/09 financial year.

The clean dark spread, i.e. the difference between the electricity price on the one hand and the fuel price (coal) and price of CO_2 emissions rights on the other has narrowed over a two-year period (please see chart on Page 57).

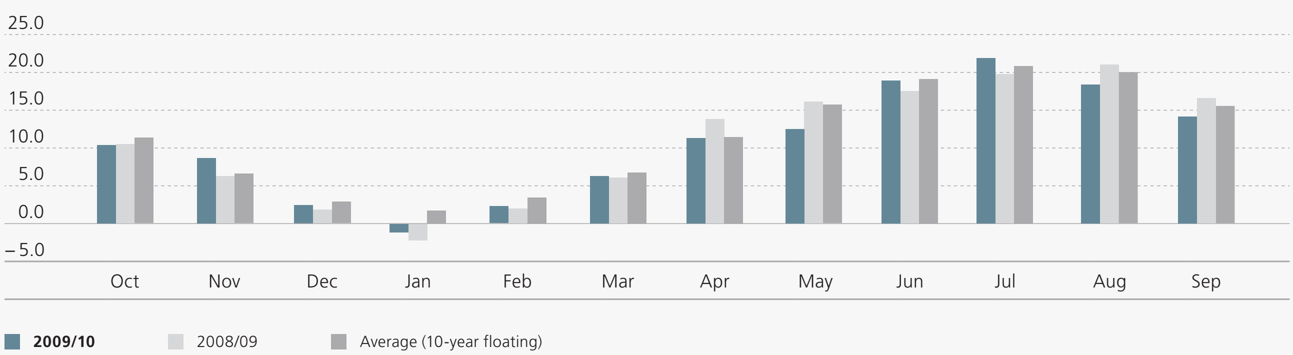
Weather Conditions

The business performance of our group of companies is also dependent on weather conditions. The weather indicator we use to assess temperature-related heating energy requirements at our customers is degree day figures (for a definition, please see the Glossary from Page 180 onwards).

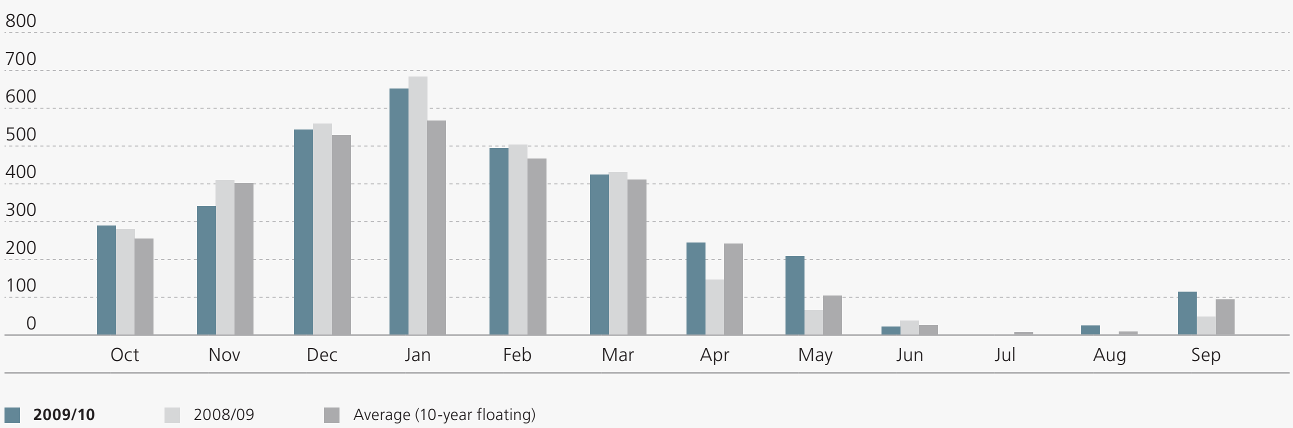
The charts below show the monthly development in degree day figures based on average daily outdoor temperatures. Low temperatures impact positively on our district heating and heating gas turnover, leading to correspondingly high degree day figures. Sustained high temperatures in the summer months benefit our water turnover. However, this factor is of less significance for our earnings performance than the district heating and gas businesses.

From October 2009 to March 2010, degree day figures largely matched the previous year's figures. From April to September 2010, however, it was colder than in the previous year, with a year-on-year reduction in outdoor temperatures being measured in April, May and September 2010 in particular. This benefited our district heating and gas turnover in these months of transition between seasons. Measured in terms of degree day figures, it was 9.6 % colder at our group of companies in the 2009/10 financial year (October 2009 to September 2010) than in the previous year. In some parts of Germany (Kiel, Köthen) and in the Czech Republic it was colder than at our other locations throughout the year under report. In Mannheim, degree day figures in the 2009/10 financial year were 6 % up on the previous year and 8 % up on the long-term (ten-year) average for this period.

Average daily outdoor temperature in ° C



Degree day figures



Business Performance

Earnings Position of the MVV Energie Group

Summary: MVV Energie successfully maintained its ground in a difficult competitive climate in the 2009/10 financial year. We increased our external sales from the previous record level of Euro 3.16 billion reported last year to Euro 3.36 billion (+ 6 %). Furthermore, we posted higher sales driven by substantial volume growth in the electricity trading and nationwide electricity and gas sales businesses. These more than offset the loss in sales due to the marked reductions in district heating and gas rates in the 2008/09 financial year. We thus clearly surpassed the sales forecast for the 2009/10 financial year published at the beginning of 2010 and confirmed in the 2009/10 financial reports. We also met our operating earnings target, namely of generating adjusted EBIT at around the same level as in the previous year. At Euro 239 million, our adjusted earnings before interest and taxes (adjusted EBIT) for the 2009/10 financial year matched the previous year's figure.

Course of business: Our business performance in the 2009/10 financial year benefited from positive macroeconomic and weather factors. The severe economic crisis that had impacted negatively on our earnings in the previous year seems to have been overcome in Germany. Since the beginning of 2010, we have noticed the effects of the economic recovery in our business. The economic upturn has been accompanied by a rise in industrial output leading to higher energy consumption. This was especially noticeable in our electricity business with existing industrial customers. Please see Page 59 for a summary of weather-related factors.

External sales of the MVV Energie Group by segment

Euro million	2009/10	2008/09	% change
Electricity	2 010	1 760	+ 14
District heating	307	294	+ 4
Gas	429	486	– 12
Water	100	101	– 1
Value-added services	307	308	0
Environmental energy	187	194	– 4
Other	19	18	+ 6
	3 359	**3 161**	**+ 6**

Sales volumes of the MVV Energie Group[1]

	2009/10	2008/09	% change
Electricity in kWh million	23 891	19 582	+ 22
of which wholesale	10 310	6 939	+ 49
of which retail/secondary distibutors	13 581	12 643	+ 7
District heating in kWh million	7 586	7 217	+ 5
Gas in kWh million	11 775	10 851	+ 9
of which wholesale	1 382	1 529	– 10
of which retail/secondary distributors	10 393	9 322	+ 11
Water in m³ million	54.2	53.2	+ 2
Combustible waste delivered in tonnes 000s	1 762	1 599	+ 10
of which environmental energy	1 582	1 527	+ 4
of which value-added services	144	72	+ 100
of which district heating segment	36	—	—

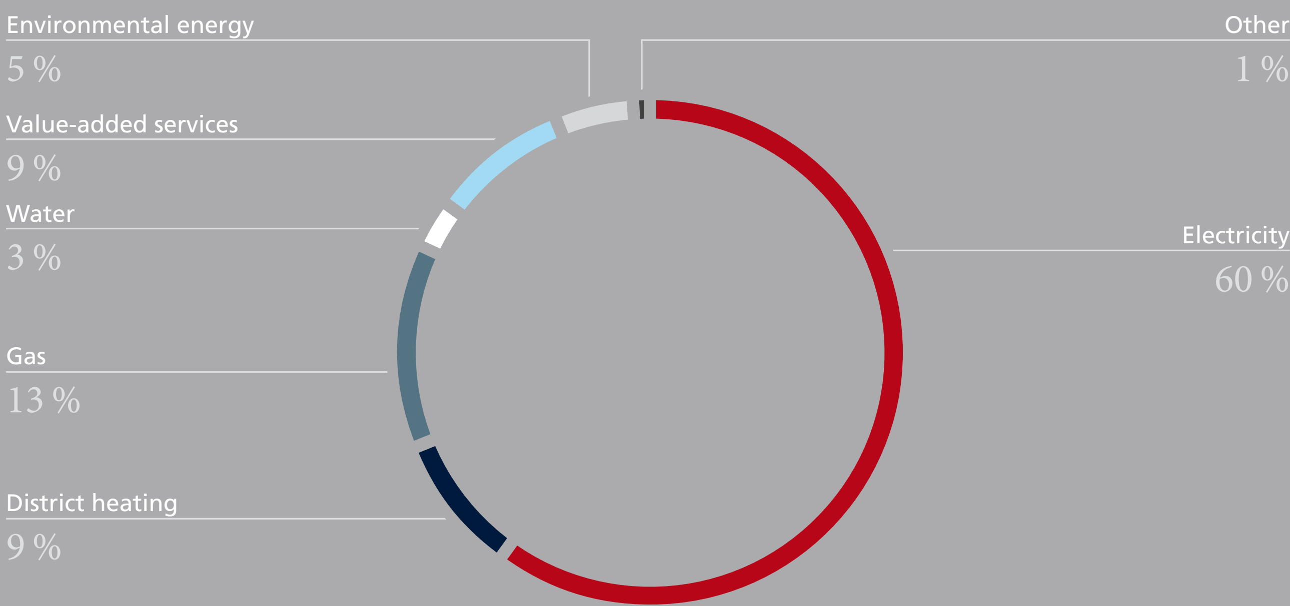
1 total volumes from all segments

Development in the income statement

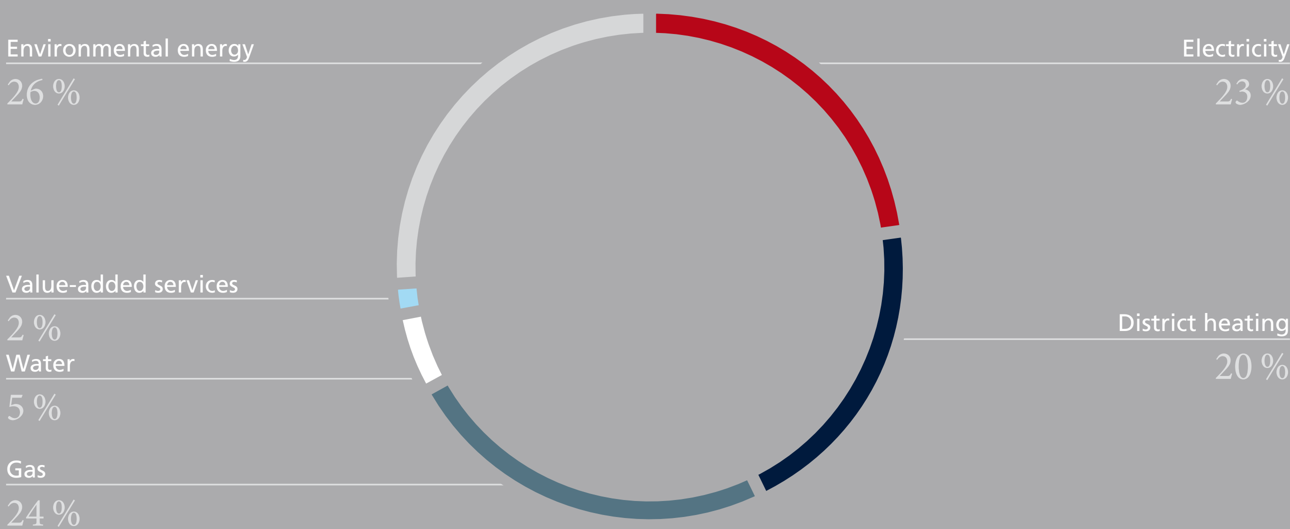
Initial application of IAS 1 (2007) led to an amended presentation of the income statement compared with the consolidated financial statements for the 2008/09 financial year (30 September 2009). For financial years beginning on or after 1 January 2009, income and expenses recognised directly in equity have to be reported separately. These relate in particular to the measurement of cash flow hedges and foreign exchange differences (please see income statement on Page 101 and statement of changes in shareholders' equity on Page 102).

External sales (excluding electricity and natural gas taxes) rose year-on-year by Euro 198 million (+ 6 %) to Euro 3.36 billion. This significant sales growth was chiefly driven by the electricity segment, where we generated strong volume growth in the electricity trading business and the nationwide sale of electricity to industrial, commercial and secondary distribution customers. Higher district heating turnover due to weather conditions also led sales to rise in the district heating segment, thus more than compensating for the loss of sales due to substantial price cuts in the 2008/09 financial year. The sales performance of the gas segment was affected by the significant price cuts introduced by our companies from the beginning of 2009. The reduction in sales in the environmental energy segment is principally due to price factors. Sales in the water and value-added services segments virtually matched the previous year's figures.

External sales of the MVV Energie Group by segment



Adjusted EBIT of the MVV Energie Group by segment



Our strongest segments in terms of sales are electricity and gas, which account for a 60 % and a 13 % share of total sales respectively. The district heating and value-added services segments each contributed 9 % of total sales (please see chart on Page 61 for a complete breakdown of sales). Of total external sales in the 2009/10 financial year, our domestic business accounted for 97 % and our foreign business at the Czech subgroup for 3 %.

Other operating income rose from Euro 317 million in the previous year to Euro 506 million. This increase was chiefly due to higher positive measurement items for energy trading transactions recognised under IAS 39 (2008). At Euro 390 million, these were significantly higher in the year under report than in the previous year (Euro 195 million). This income from mandatory measurement as of the balance sheet date pursuant to IAS 39 is countered by analogous measurement-related other operating expenses of Euro 321 million (previous year: Euro 424 million). Overall, these factors led to a positive net IAS 39 measurement item of Euro 69 million in the year under report, contrasting with the negative measurement item of Euro 229 million reported in the previous year.

These high opposing measurement items for commodity transactions (energy trading derivatives, CO_2 emissions rights and swaps for financial coal and oil products) reflect the sharp fluctuations in prices on these markets in recent years and our position as a net buyer on the wholesale market. The spot measurement of financial derivatives as of the balance sheet date is not cash-effective, has no connection with our operating business and also does not influence our assessment of the level of our dividend.

Excluding IAS 39 measurement items, other operating income fell year-on-year by Euro 6 million to Euro 116 million. This was chiefly due to lower volumes of income from disposals of non-current assets and reversals of provisions compared with the previous year. The other operating income of Euro 24 million from emissions rights (previous year: Euro 27 million) was countered by other operating expenses of Euro 22 million for emissions rights (previous year: Euro 26 million). Overall, excluding IAS 39 measurement items, other operating expenses reduced by Euro 15 million to Euro 246 million.

Costs of materials increased year-on-year by Euro 180 million (+ 8 %) to Euro 2 524 million. This was principally due to a volume-driven rise in electricity procurement expenses and higher costs of purchased services, relating in particular to costs of third-party services for plant operation and maintenance.

Personnel expenses rose by Euro 9 million (+ 3 %) to Euro 323 million in the 2009/10 financial year. The main reasons for this increase were collectively agreed pay rises and higher employee totals due to the inclusion of new companies in the environmental energy and Czech subgroups.

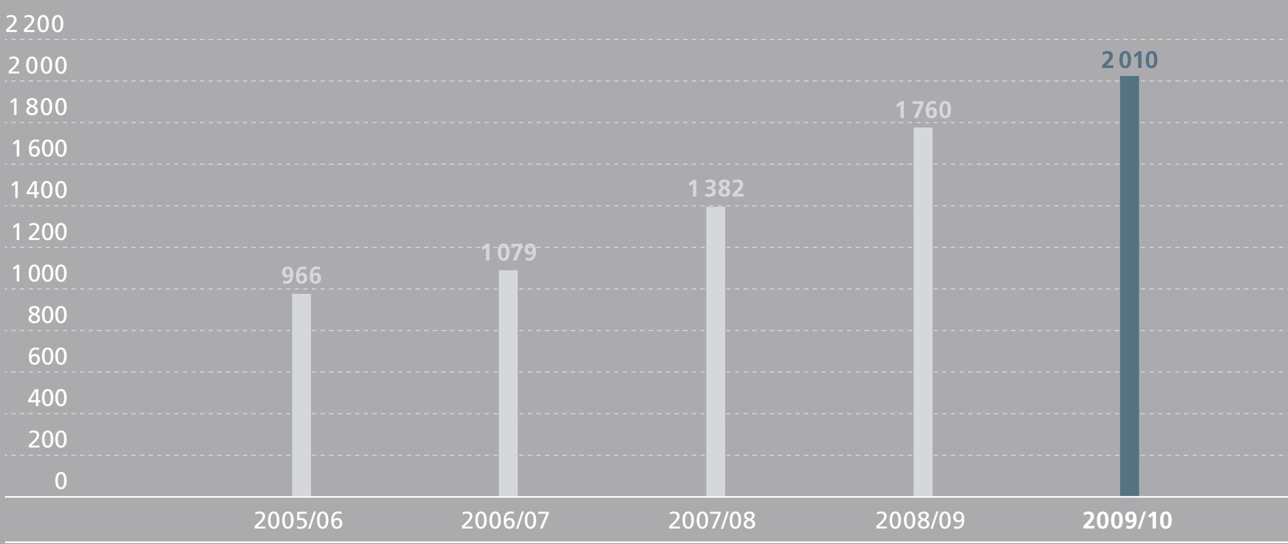
Income from associates grew year-on-year by Euro 7 million to Euro 11 million. This increase was due on the one hand to shareholdings included for the first time (please see Page 153) and on the other to improved at-equity results at companies already included.

At Euro – 6 million, other income from shareholdings was negative in the year under report (previous year: Euro 5 million). This was primarily the result of write-downs on the carrying amounts of shareholdings, as well as of the aforementioned first-time inclusion of companies as associates.

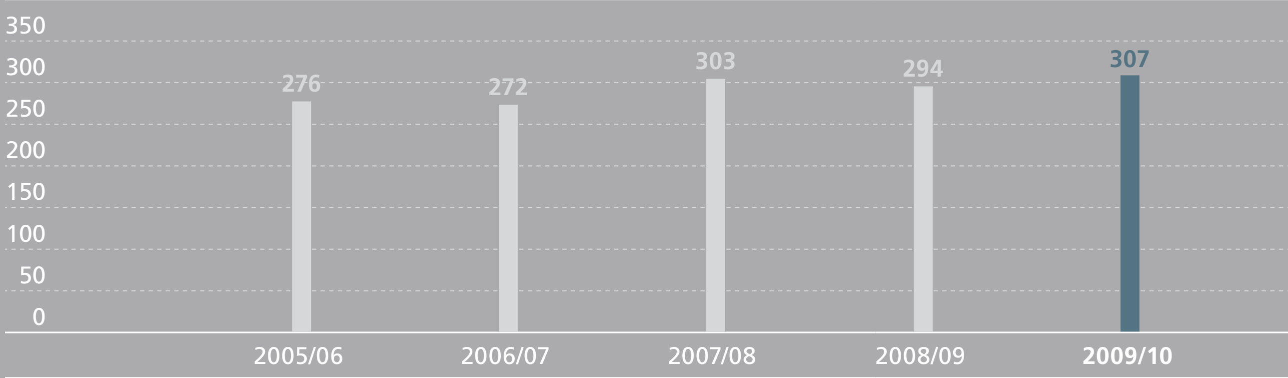
Depreciation and amortisation rose year-on-year by Euro 13 million to Euro 159 million. This item was affected by impairment losses of Euro 18 million recognised for property, plant and equipment, mainly at companies in the MVV Energiedienstleistungen subgroup, in the year under report. These write-downs as of 30 September 2010 reflect necessary operating adjustments to the deterioration in market conditions and the reduction in the earnings expected from future plant utilisation.

The previous year's income statement figures include restructuring expenses of Euro 33 million. These resulted from asset impairments incurred in the previous year in the course of the strategic realignment and specifically within the restructuring programme for the MVV Energiedienstleistungen subgroup. No comparable restructuring expenses were incurred in the 2009/10 financial year.

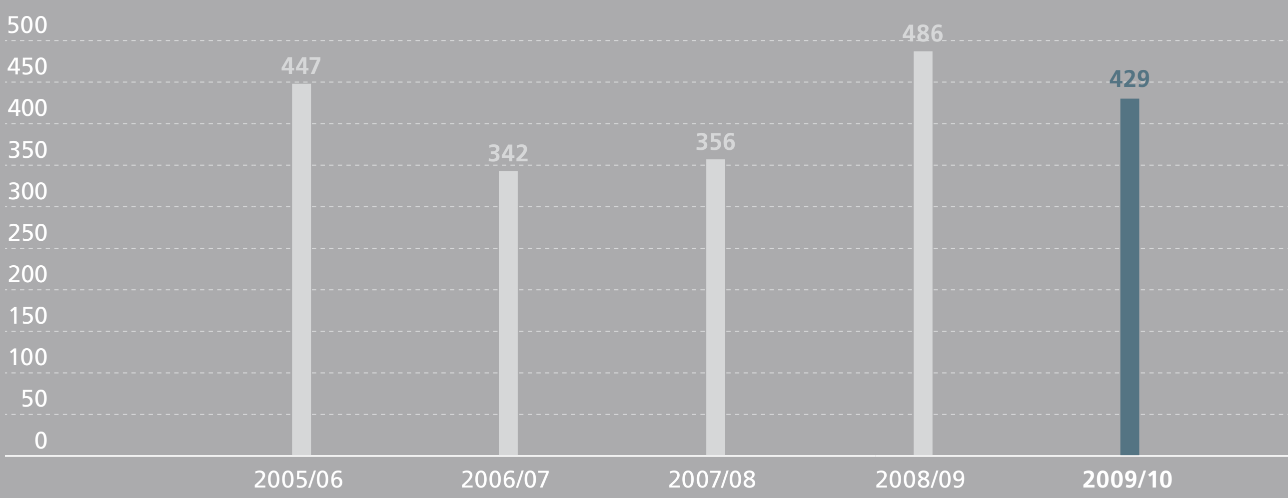
Electricity sales of the MVV Energie Group in Euro million



District heating sales of the MVV Energie Group in Euro million



Gas sales of the MVV Energie Group in Euro million



Reconciliation with adjusted EBIT for management purposes

For internal management purposes we refer to adjusted EBIT, i.e. to operating earnings before interest and taxes on income excluding the impact on earnings of the fair value measurement of energy trading derivatives as of the balance sheet required by IAS 39 in the year under report, and excluding the IAS 39 item and restructuring expenses in the previous year. In the interests of comparability and transparency, we comment in our financial reporting on the earnings position of the MVV Energie Group and the earnings performance of our business segments on the basis of this adjusted key earnings figure, as it provides a more meaningful indication of our ongoing earnings strength than its unadjusted counterpart.

MVV Energie procures the electricity volumes required for its customers via 24/7 Trading GmbH from external trading partners or on the exchange. The procurement agreements thereby contracted act as hedges (especially futures contracts) for customer sales contracts with delivery at later dates, so-called hedged items. These hedges (financial instruments) must be measured at current market prices as of the balance sheet dates (IAS 39). Procurement agreements contracted and retained to cover expected proprietary procurement and sales needs generally do not require mark-to-market measurement at the balance sheet date. Hedged items are only recognised upon physical delivery on the performance date. These measurements of energy trading transactions as of the balance sheet dates ultimately balance out over the term from the contracting date through to delivery.

As current market prices as of 30 September 2010 were higher than when the respective hedges were concluded, the financial derivatives relating to the energy trading business have positive fair values at the balance sheet date for the 2009/10 financial year. Due to lower market prices as of 30 September 2009, the spot measurement of energy trading derivatives as of the balance sheet date for the previous 2008/09 financial year resulted in negative fair values at our Group.

Reconciliation of EBIT (income statement) with adjusted EBIT

Euro million	**2009/10**	2008/09	+/– change
EBIT as reported in income statement	308	– 23	+ 331
Financial derivatives measurement item	– 69	229	– 298
Restructuring expenses	—	33	– 33
= Adjusted EBIT	**239**	**239**	**0**

Adjusted EBITDA and adjusted EBIT

The MVV Energie Group generated **ADJUSTED EBITDA** of Euro 402 million in the 2009/10 financial year, as against Euro 385 million in the previous year (+ 4 %).

Net of the depreciation and amortisation of property, plant and equipment, intangible assets and goodwill, our Group posted **ADJUSTED EBIT** of Euro 239 million, thus matching the previous year's figure. Operating earnings showed disparate developments in individual segments. The improvement in adjusted EBIT in the electricity (Euro + 19 million), district heating (Euro + 12 million) and other (Euro + 1 million) segments contrasted with lower adjusted EBIT in the gas (Euro – 8 million), water (Euro – 1 million), value-added services (Euro – 14 million) and environmental energy (Euro – 9 million) segments (details of the performance of individual segments can be found from Page 66 onwards).

Adjusted EBIT of the MVV Energie Group by segment

Euro million	**2009/10**	2008/09	% change
Electricity	54	35	+ 54
District heating	48	36	+ 33
Gas	58	66	– 12
Water	13	14	– 7
Value-added services	4	18	– 78
Environmental energy	62	71	– 13
Other/consolidation	0	– 1	+ 100
	239	**239**	**0**

Adjusted EBT and adjusted annual net surplus

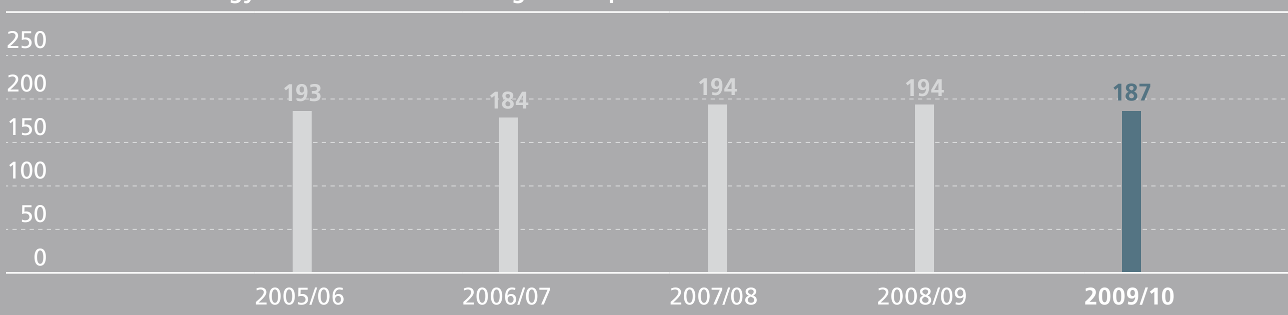
With our adjusted annual net surplus and adjusted annual net surplus after minority interests, we also report our two key net income figures after interest, taxes and minority interests following adjustment for IAS 39 measurement items. The net income figures for 2008/09 were also stated net of restructuring expenses. No corresponding expenses were incurred in the year under report.

At Euro 165 million, **ADJUSTED EBT** for the 2009/10 financial year matched the previous year's figure. The tax rate based on adjusted EBT amounted to 36.4 % in the 2009/10 financial year (previous year: 32.4 %). The higher tax rate in the year under report is mainly due to losses not recognised for tax purposes and to a higher volume of non-deductible operating expenses.

Water sales of the MVV Energie Group in Euro million

Value-added services sales of the MVV Energie Group in Euro million

Environmental energy sales of the MVV Energie Group in Euro million



The income tax expenses of Euro 81 million recognised in the income statement for the 2009/10 financial year include deferred tax expenses of Euro 21 million in connection with IAS 39 measurement items. Excluding IAS 39 measurement, adjusted income tax expenses for the year under report amount to Euro 60 million, as against Euro 53 million in the previous year, in which additional account was taken of the restructuring expenses.

Given the higher volume of adjusted taxes on income, the **ADJUSTED ANNUAL NET SURPLUS** amounted to Euro 105 million in the 2009/10 financial year (previous year: Euro 112 million).

Having accounted for the adjusted share of earnings attributable to minority shareholders, the MVV Energie Group can report an **ADJUSTED ANNUAL NET SURPLUS AFTER MINORITY INTERESTS** of Euro 95 million for the year under report, compared with Euro 98 million in the previous year.

Calculated on this basis, **ADJUSTED EARNINGS PER SHARE** for the 2009/10 financial year amounted to Euro 1.44, as against Euro 1.48 in the previous year. As in the previous year, the weighted annual average number of shares amounted to 65.9 million in the 2009/10 financial year.

Earnings position at our municipal utility and district heating shareholdings

Our German municipal utility shareholdings in Kiel, Offenbach, Ingolstadt, Solingen and Köthen and the twelve district heating shareholdings at our wholly-owned Czech subsidiary MVV Energie CZ a.s. generated sales of Euro 1 395 million prior to consolidation in the 2009/10 financial year. Compared with the like-for-like figure of Euro 1 345 million for the previous year, sales at these municipal utility and district heating shareholdings thus grew by 4 % overall. Sales growth at the Offenbach, Ingolstadt, Köthen and MVV Energie CZ a.s. shareholdings was countered by a decline in sales at the Kiel and Solingen shareholdings.

Adjusted EBIT at our municipal and district heating shareholdings rose year-on-year by Euro 4 million overall (+ 4 %) to reach Euro 115 million. This growth was driven above all by improved earnings contributions from Energieversorgung Offenbach, Stadtwerke Solingen and the Czech shareholdings. Earnings at the Czech subgroup MVV Energie CZ a.s. benefited from the newly consolidated companies Českolipská teplárenská a.s. and IROMEZ s.r.o.

Segment performance

Electricity turnover of the MVV Energie Group[1]

kWh million	2009/10	2008/09	% change
Wholesale	10 310	6 939	+ 49
Industrial and commercial customers / secondary distributors	10 766	9 902	+ 9
Private and business customers	1 935	1 828	+ 6
	23 011	**18 669**	**+ 23**

1 excluding electricity turnover in environmental energy and value-added services segments

Sales volumes in the electricity segment grew year-on-year by 23 % to 23.0 billion kWh. This sharp growth was largely driven by the portfolio structuring and portfolio management division of the electricity trading business.

Electricity turnover in our retail business rose year-on-year by 8 % to 12.7 billion kWh. The largest share of this pleasing volume growth, achieved in spite of tougher competition, was due to electricity sales with secondary distributors, as well as with industrial and commercial customers. Here, by acquiring new customers in the nationwide business and assisted by macroeconomic developments we managed to boost our electricity turnover year-on-year by 9 % to 10.8 billion kWh. Equally respectable was the volume growth of 6 % to 1.9 billion kWh achieved in the electricity business with private and business customers (tariff customers). This growth was mainly due to expanded volumes of nationwide electricity sales with our SECURA Ökostrom green electricity product.

Driven largely by higher volumes, electricity sales (excluding electricity tax) increased by 14 % to Euro 2.0 billion.

Year-on-year, adjusted EBIT rose by Euro 19 million to Euro 54 million. This was the result of numerous factors. Positive economic developments accounted for around Euro 5 million of the improvement in earnings. In the previous year, the economic crisis had led us to incur losses in the electricity segment when electricity volumes no longer required were resold on the market. Moreover, earnings also benefited from strong volume growth due to the expanded customer base and resultant positive margin contributions in the nationwide electricity sales business. These factors were accompanied by the non-recurrence of one-off factors negatively affecting segment earnings in the previous year. Not only that, other cost savings also impacted on this year's segment earnings given lower cost allocations.

District heating turnover of the MVV Energie Group[1]

kWh million	2009/10	2008/09	% change
District heating			
Secondary distributors	721	691	+ 4
Industrial and commercial customers	849	1 054	– 19
Private and business customers	3 506	3 004	+ 17
	5 076	**4 749**	**+ 7**
Steam			
Industrial and commercial customers	179	188	– 5
	5 255	**4 937**	**+ 6**

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

Sales volumes in the district heating segment grew year-on-year by 318 million kWh (+ 6 %) to 5 255 million kWh. Sales increased by Euro 13 million (+ 4 %) to Euro 307 million. Here, higher sales with private and business customers due to weather-related volume growth more than offset the loss of sales resulting from the price cuts introduced in 2009.

Adjusted EBIT in the district heating segment improved by Euro 12 million (+ 33 %) to Euro 48 million. This increase was mainly attributable to positive margin factors at the Kiel subgroup. Weather-related volume growth also led to improved earnings contributions from the Mannheim and Czech subgroups. Not only that, the Czech subgroup also benefited from positive first-time consolidation items.

Gas turnover of the MVV Energie Group[1]

kWh million	2009/10	2008/09	% change
Wholesale	1 382	1 529	– 10
Industrial and commercial customers / secondary distributors	6 061	5 193	+ 17
Private and business customers	3 847	3 756	+ 2
	11 290	**10 478**	**+ 8**

1 excluding gas turnover in value-added services segment

In the gas segment, sales volumes rose to 11.3 billion kWh, up by 8 % on the previous year. The largest share of volumes relates to the retail and secondary distribution customer business, where gas turnover grew by 11 % to 9.9 billion kWh. This growth was primarily driven by the nationwide gas sales business. Gas segment sales declined by Euro 57 million (– 12 %) compared with the previous year.

The opposing development in volumes and sales reflects the impact of the high double-digit price cuts introduced in the 2009 calendar year. These had their first full-year impact in the year under report. Our price rates are currently lower than in the 2007/08 financial year.

Adjusted EBIT in the gas segment decreased by Euro 8 million to Euro 58 million, with most of this decline in earnings being attributable to the non-recurrence of one-off income generated in the previous year from the sale of plant at the Mannheim subgroup.

Water turnover of the MVV Energie Group[1]

m^3 million	2009/10	2008/09	% change
Secondary distributors	5.6	5.4	+ 4
Industrial and commercial customers	3.8	3.7	+ 3
Private and business customers	44.5	43.8	+ 2
	53.9	**52.9**	**+ 2**

1 excluding water turnover in value-added services segment

Turnover in our water segment rose by 2 % to 53.9 million m^3 in the year under report. The water business is heavily dependent on private and business customers, who account for some 83 % of our water turnover.

At Euro 100 million, water sales were slightly down on the previous year, while adjusted EBIT decreased by Euro 1 million to Euro 13 million.

Contracting: energy and water turnover of the MVV Energie Group

	2009/10	2008/09	% change
Electricity turnover in kWh million	550	525	+ 5
Heating water turnover in kWh million	1 402	1 247	+ 12
Steam turnover in kWh million	624	632	– 1
Gas turnover in kWh million	485	373	+ 30
Water turnover in m^3 million	0.3	0.3	0
Combustible waste delivered in tonnes 000s	144	72	+ 100

Value-added services sales of the MVV Energie Group

Euro million	2009/10	2008/09	% change
ERS holding company	36	40	– 10
Contracting and energy efficiency	145	132	+ 10
Industrial parks	84	85	– 1
Consulting	16	25	– 36
MVV Energiedienstleistungen	**281**	**282**	**0**
Energy-related services at municipal utility shareholdings	26	25	+ 4
Energy-related services	**307**	**307**	**0**
Other value-added services/ consolidation	—	1	—
	307	**308**	**0**

At Euro 307 million, sales in the value-added services segment were slightly lower than in the previous year. Adjusted EBIT fell year-on-year by Euro 14 million to Euro 4 million. This drop in earnings was chiefly due to impairment losses recognised on property, plant and equipment (Euro 18 million). Above all, these involved impairment losses recognised for operational reasons at Biomassen-Heizkraftwerk Altenstadt GmbH and Waldenergie Bayern GmbH. At both of these companies, the deterioration in market conditions and lower volume of earnings expected from future use of the plant meant that the previous asset values were no longer justified.

Environmental energy turnover of the MVV Energie Group

	2009/10	2008/09	% change
Electricity turnover (including secondary distributors) in kWh million	330	388	– 15
Steam turnover in kWh million	305	401	– 24
Combustible waste delivered in tonnes 000s	1 582	1 527	+ 4

Sales in the environmental energy segment slipped by Euro 7 million (– 4 %) to Euro 187 million. Of segment sales, a sum of Euro 155 million was generated from waste incineration at our Mannheim, Offenbach and Leuna locations (previous year: Euro 154 million). In our energy business, i.e. the generation of electricity and steam, we generated sales of Euro 32 million in the year under report (previous year: Euro 40 million).

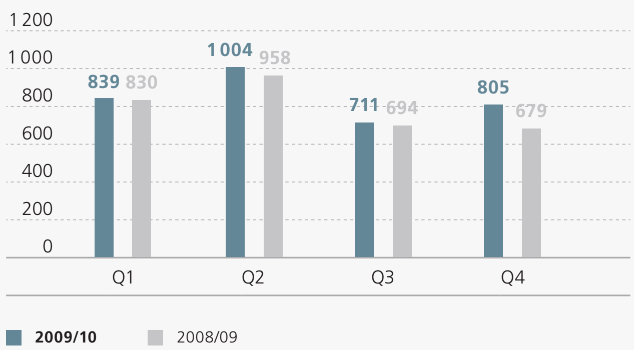
Adjusted EBIT fell year-on-year by Euro 9 million to Euro 62 million. This development was largely due to a reduction in waste disposal fees. The German disposal market is still characterised by excess incineration capacities. Thanks to our successful materials flow management, we were able to increase waste volumes at our energy from waste plants by 4 % compared with the previous year and to operate our plants at full capacity once again in the year under report. In the energy business, sales at all plants were affected by lower electricity prices. The positive impact of the launch of operations with Boiler 6 and the new turbine at the Mannheim location was insufficient to compensate for the higher negative effects.

The "Other" segment mainly includes services not directly allocable to any individual segment, as well as consolidation items.

Quarterly performance

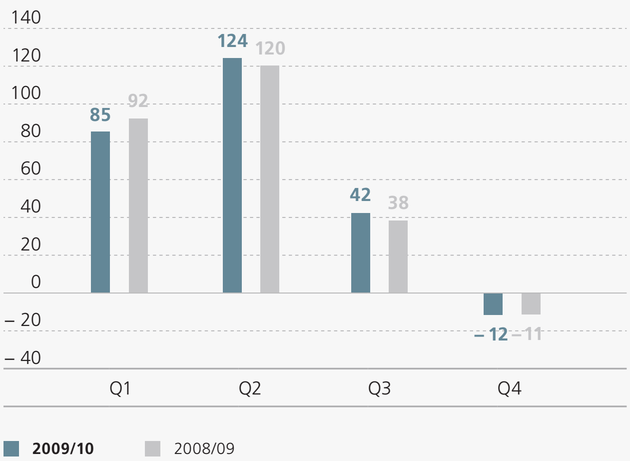
Our sales in the 4th quarter of 2009/10 (July to September 2010) grew year-on-year by 19 % to Euro 805 million. This increase was driven in particular by volume growth in the electricity segment.

Sales of the MVV Energie Group by quarter in Euro million



Adjusted EBIT was clearly negative in both 4th quarters (year under report: Euro – 12 million; previous year: Euro – 11 million). Group earnings are traditionally weaker in the 4th quarter due to the lack of earnings contributions from the heating energy business in the summer months. Moreover, we prefer to perform maintenance and inspection measures during this period. Earnings for the year under report were additionally affected by the impairment losses and write-downs at the MVV Energiedienstleistungen GmbH subgroup.

Adjusted EBIT of the MVV Energie Group by quarter in Euro million



Value-based company management in 2009/10

The most important key figure in our value-based company management and the related capital management is the value spread. This key figure corresponds 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 on income and goodwill amortisation (Adjusted EBITA) as a percentage of the capital employed to generate such earnings. Excluding the negative IAS 39 measurement items for energy trading transactions, the adjusted ROCE for the year under report amounted to 8.9 % (previous year: 9.0 %).

The WACC key 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 and debt capital in the capital employed. The calculation of these capital shares is based not on the carrying amounts, but rather on the market values by which potential investors measure their investment alternatives.

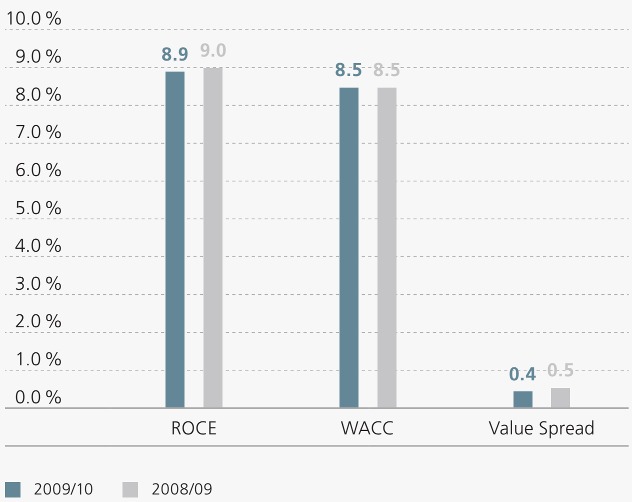
There were no changes in basic capital management requirements compared with the previous year. Accordingly, the weighted average cost of capital before taxes amounted to 8.5 % (previous year: 8.5 %).

WACC parameters of the MVV Energie Group

	2009/10	2008/09
Borrowing interest	5.5 %	5.5 %
Tax shield	30 %	30 %
Equity ratio market value	50 %	50 %
Risk-free interest rate	4.5 %	4.5 %
Market risk premium	5.0 %	5.0 %
ß factor	0.7	0.7

Subtracting the WACC of 8.5 % (previous year: 8.5 %) from the adjusted ROCE of 8.9 % (previous year: 9.0 %) produces a positive adjusted value spread of 0.4 % for the 2009/10 financial year (previous year: 0.5 %).

Key figures of the MVV Energie Group in %



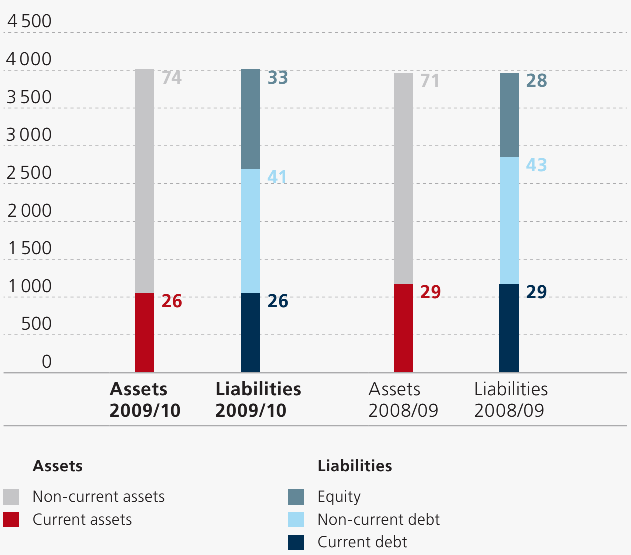
GROUP MANAGEMENT REPORT

Net Asset Position

Summary: Our Group's net asset position at the balance sheet date on 30 September 2010 was influenced by a significant reduction in cash and cash equivalents. Developments on the liabilities side of the balance sheet were characterised on the one hand by an earnings-driven improvement in shareholders' equity and on the other by substantial repayments of current and non-current liabilities.

Based on a reduction in total assets, the MVV Energie Group reported a solid **ADJUSTED EQUITY RATIO** of 35.7 % as of 30 September 2010 (previous year: 33.9 %). Non-current assets are completely covered by equity and non-current debt capital. The MVV Energie Group is therefore characterised by a stable financing structure.

Balance sheet structure of the MVV Energie Group in Euro million (% shares)



At Euro 3.64 billion, the **TOTAL ASSETS** of the MVV Energie Group as of 30 September 2010 were Euro 317 million (– 8 %) down on the equivalent figure at the end of the 2008/09 financial year (Euro 3.95 billion).

The asset side of the balance sheet is dominated by **NON-CURRENT ASSETS**. These decreased to Euro 2.68 billion, down Euro 110 million (– 4 %) on 30 September 2009. This reduction was chiefly due to a lower volume of non-current other receivables and assets, which were affected above all by the reclassification to the current section of the balance sheet of those energy trading transactions recognised under IAS 39 with delivery dates in the 2010 calendar year. Property, plant and equipment, accounting for 57 % of total assets (previous year: 50 %), rose overall by Euro 62 million (+ 3 %) to Euro 2 058 million. This net balance is due on the one hand to investments and changes in the scope of consolidation and on the other to disposals, depreciation, amortisation and impairment losses. The high share of property, plant and equipment underlines the intensity of investment at our group of companies.

The increase in the associates item is due partly to reclassifications of associates from other financial assets and partly to current at-equity measurement. Other financial assets include other majority shareholdings, other shareholdings, general loans and loans in connection with finance leases and securities. The year-on-year decline in this item by Euro 11 million to Euro 92 million is mainly the result of reclassifications to associates and of impairment losses at the energy-related services and Kiel subgroups. Details of changes in the scope of consolidation can be found in the notes to the consolidated financial statements (from Page 106 onwards).

CURRENT ASSETS fell to Euro 953 million, down Euro 207 million (– 18 %) on the balance sheet date as of 30 September 2009. This decrease was largely due to the significant reduction in cash and cash equivalents by Euro 174 million to Euro 147 million, This was in turn mainly driven by the redemption of existing loan obligations and the reclassification of short-term fixed deposit investments to other receivables and assets. Trade receivables fell to Euro 432 million as of 30 September 2010, down Euro 31 million on the equivalent date in the previous year. Compared with 30 June 2010 (Euro 526 million), trade receivables decreased by Euro 94 million. This reduction, achieved in spite of the Group's sales growth, was chiefly attributable to measures introduced to optimise receivables management.

Within other receivables and assets, current derivative financial instruments dropped from Euro 120 million in the previous year to Euro 70 million. In parallel, current receivables in connection with security payments exchanged within energy trading transactions to reduce counterparty risk with external trading partners (margins) fell from Euro 91 million in the previous year to Euro 69 million. This item was countered by a higher volume of current loans.

On the liabilities side, the **EQUITY** of the MVV Energie Group grew to Euro 1 187 million, up Euro 74 million on the previous year. The main reason for this development was the improvement in annual earnings, which benefited from IAS 39 measurement items and the non-recurrence of the restructuring expenses posted in the previous year. The share of equity attributable to minority interests amounted to Euro 95 million as of 30 September 2010 (previous year: Euro 103 million).

For the internal management of our Group, we also eliminate the cumulative measurement items for energy trading derivatives recognised under IAS 39 and the resultant implications for deferred taxes from our balance sheet. It is then apparent that the capital generated by the MVV Energie Group has increased and that the outflow of funds for the dividend could be compensated for by the capital generated from operations. On the asset side, we eliminate the positive fair values of energy trading derivatives and attributable deferred taxes, amounting to Euro 180 million in total (previous year: Euro 388 million). On the equity and liabilities side, we eliminate the negative fair values of Euro 226 million recognised under liabilities (previous year: Euro 483 million) and the resultant net balance of Euro 46 million recognised under equity (previous year: Euro 95 million). On this adjusted basis, the equity ratio of the MVV Energie Group amounted to 35.7 % in the year under report (previous year: 33.9 %).

NON-CURRENT DEBT decreased to Euro 1 500 million, down Euro 198 million (– 12 %) on the balance sheet date as of 30 September 2009. This reduction was due to a lower volume of financial debt and the reclassification referred to above of those energy trading derivatives recognised under IAS 39 with delivery dates in the 2010 calendar year from non-current to current other liabilities.

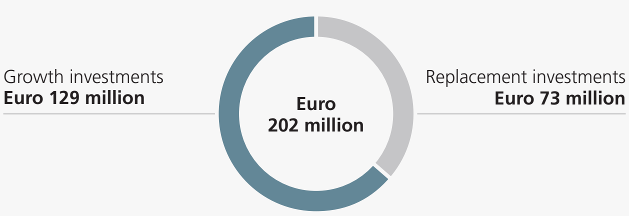
CURRENT DEBT fell by Euro 193 million (– 17 %) to Euro 950 million. This development was primarily due to the reduction in current financial debt and a lower volume of current other liabilities. Current other liabilities were affected by the decline in the fair value of commodity derivatives and lower prepayments received. The current other liabilities reported as of 30 September 2010 include security deposits of Euro 12 million to reduce counterparty risk. There were no security deposits in the previous year. The development in financial debt has been reported on Page 100.

High volume of growth investments

The volume of investment amounted to Euro 240 million in the year under report (previous year: Euro 255 million). A total of Euro 202 million was invested in intangible assets, property, plant and equipment and investment property (previous year: Euro 238 million), while Euro 38 million was invested in the acquisition of fully and proportionately consolidated companies and other financial assets (previous year: Euro 17 million).

The largest investment measures in Mannheim were the completion of Boiler 6 at the energy from waste plant, the expansion of the district heating supply, the construction of the 21 km district heating transport pipeline to Speyer and the acquisition of Plauerhagen Wind Farm. Investment activities at the Kiel subgroup were characterised by the conversion of the steam grid, the refurbishment of the district heating pipeline tunnel under the firth and the construction of a third natural gas storage cavern. Among other measures, the Energieversorgung Offenbach AG subgroup invested in wood pellet production, the construction of a biomass cogeneration plant and the expansion of its district heating supply. Stadtwerke Ingolstadt also invested in expanding its district heating grids, as well as in setting up an energy centre for the Audi Sport Park. Investments in the value-added services segment focused on measures at the Korbach and Gersthofen industrial power plants, as well as on various contracting projects.

Investments of the MVV Energie Group[1] in the 2009/10 financial year



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

The Czech subgroup made investments at several locations in technical extensions to existing heat generation plants, as well as in building cogeneration plants. These measures will enable the volume of electricity and district heating generated to be significantly increased in way that makes both economic and ecological sense. The operative experience gained from the COGEN-I project will be drawn on when implementing the COGEN-II investment project.

The investments of Euro 38 million in financial assets related in particular to the acquisition of new shareholdings and to general loans.

Investments of the MVV Energie Group[1]

Euro million	**2009/10**	2008/09	% change
Electricity	29	27	+ 7
District heating	58	56	+ 4
Gas	18	13	+ 38
Water	13	12	+ 8
Value-added services	42	52	– 19
Environmental energy	26	64	– 59
Other	16	14	+ 14
	202	**238**	**– 15**

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

Financial Position

Summary: MVV Energie's financial position was characterised by an improvement in its cash flow from operating activities and a significant increase in its free cash flow. With a solid **ADJUSTED EQUITY RATIO** of 35.7 % (previous year: 33.9 %), we have a good foundation for maintaining a balanced mix of financing for investments in our sustainable growth.

Cash flow statement

The **CASH FLOW FROM OPERATING ACTIVITIES** showed a sharp year-on-year improvement of Euro 98 million (+ 38 %) to Euro 356 million. This development was driven not only by the cash flow before working capital and taxes, but also by substantial changes in other assets, especially the reduction in trade receivables.

Following the deduction of investments of Euro 202 million in intangible assets, property, plant and equipment and investment property (previous year: Euro 238 million), we generated a positive **FREE CASH FLOW** of Euro 154 million in the 2009/10 financial year. Compared with the previous year (Euro 20 million), the free cash flow has thus improved by Euro 134 million, and thus significantly.

At Euro – 204 million, the negative **CASH FLOW FROM INVESTING ACTIVITIES** was higher in the year under report than in the previous year (Euro – 178 million). This development was due on the one hand to higher outflows of funds in the year under report for investments in financial assets and on the other to the inflow of funds in the previous year due to the sale of the Polish subgroup.

Given high loan repayments and a lower level of new lending, the cash flow statement of the MVV Energie Group shows a negative **CASH FLOW FROM FINANCING ACTIVITIES** of Euro – 329 million in the year under report. In the previous year, a comparatively high volume of new loans had led to a positive cash flow from financing activities of Euro 146 million. As a result, cash and cash equivalents as of 30 September 2009 had amounted to a relatively high figure of Euro 321 million. This compares with cash and cash equivalents of Euro 147 million at the end of the period under report as of 30 September 2010. Our Group thus continues to have sufficient funds at its disposal to cover its liquidity requirements. Further details can be found in the cash flow statement on Page 104 and in the notes to the consolidated financial statements from Page 106 onwards.

The comparatively high volume of cash and cash equivalents at the end of the 2008/09 financial year and beginning of the 2009/10 financial year was due to the strategic liquidity reserve established in the previous year. These funds were used to significantly reduce financial debt in the year under report. Our non-current financial debt decreased to Euro 1 056 million as of 30 September 2010, down Euro 17 million on the comparable figure as of 30 September 2009. Current financial debt dropped year-on-year by Euro 147 million to Euro 293 million.

The Group's net financial debt (financial debt less cash and cash equivalents and short-term fixed-term deposits) also reduced, falling by Euro 55 million compared with the previous year's balance sheet date (30 September 2009) to Euro 1 137 million.

Joint financial management

Our financing policy focuses on flexibility and the use of both short-term and long-term sources of financing. The parent company MVV Energie AG manages a cash pool for itself and 14 other companies within our Group. In this capacity, it procures and safeguards both its own liquidity, as well as the financial funds of the shareholdings included in the cash pool. The capital required for investments is made available in the form of shareholders' loans. MVV Energie AG and the other companies within our Group have bilateral credit lines.

By long-term standards, market interest rates remain low for all lengths of term. As lending margins have also declined since the previous year, we can currently observe an improvement in overall terms.

Rating

Based on the regular rating talks held with our core banks we understand that the MVV Energie Group continues to be stably classified at investment grade level. The MVV Energie Group is currently not rated by rating agency.

Overall Summary of Business Performance and of Economic Position

Based on the information contained in the 2009/10 consolidated financial statements and accounting for our current performance up to the preparation of the 2009/10 group management report, we assess the economic position of the MVV Energie Group as being satisfactory. We managed to increase our sales and to achieve our sustainable operating earnings (adjusted EBIT) target once again in spite of impairment losses and write-downs.

Given our well-balanced business portfolio and the far-reaching measures prepared within our "Once Together" group project in the year under report, we believe that we are well prepared to master the expected competitive and regulatory pressure.

Explanatory Report by the Executive Board as per § 289 (4) and (5) and § 315 (4) HGB

Composition of share capital and restrictions on voting rights or assignment of shares

The company's share capital amounted to Euro 168.72 million in total at the balance sheet date on 30 September 2010 and was divided into 65.9 million individual registered shares with a prorated amount in the share capital of Euro 2.56 per share. Each share entitles its holder to one vote at the Annual General Meeting of MVV Energie AG.

The City of Mannheim indirectly held 50.1 % of the shares in MVV Energie AG at the balance sheet date, while Rhein Energie AG, Cologne, held a direct stake of 16.3 % and EnBW AG, Karlsruhe, continued to hold a direct stake of 15.1 %. The remaining 18.5 % of the shares were in free float at the balance sheet date.

There are no restrictions on voting rights or the assignment of shares. There are also no shares with special rights lending powers of control, neither is there any control of voting rights as defined in § 289 (4) No. 5 of the German Commercial Code (HGB).

Regulations for appointment and dismissal of Executive Board members and amendments to Articles of Incorporation

Pursuant to the company's Articles of Incorporation, the Executive Board of MVV Energie AG consists of at least two members. The Supervisory Board is responsible for determining the number of members, their appointment and dismissal. Members are appointed for a maximum of five years, with repeated appointments permitted.

Amendments to the Articles of Incorporation must be undertaken in accordance with § 133 and § 179 of the German Stock Corporation Act (AktG). Pursuant to § 11 (3) of the Articles of Incorporation, the Supervisory Board is authorised to approve amendments to the Articles of Incorporation that only affect the respective wording. Pursuant to § 19 (1) of the Articles of Incorporation, a simple majority of the share capital with voting entitlement participating in the adoption of a resolution is sufficient to amend the Articles of Incorporation, unless mandatory legal provisions require a larger majority.

Powers of the Executive Board to issue and buy back shares

The Annual General Meeting of MVV Energie authorised the Executive Board by resolution on 4 March 2005 to increase the company's share capital on one or several occasions by up to Euro 39.0 million, equivalent to around 30 % of existing share capital upon adoption of the resolution (Authorised Capital I).

Having been exercised on two occasions with a total amount of Euro 38.76 million, remaining Authorised Capital I amounted to Euro 0.24 million. The deadline for exercising Authorised Capital I expired on 3 March 2010, as a result of which no further use may be made of this capital.

The 2006 Annual General Meeting authorised the Executive Board of MVV Energie, subject to approval by 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 (Authorised Capital II). This was equivalent to 2.4 % of existing share capital upon adoption of the resolution.

The Executive Board acted on this authorisation on 20 September 2006 by issuing 63 290 new shares amounting to Euro 162 thousand (0.11 % of the share capital). Since then, no use has been made of this authorisation.

By resolution on 12 March 2010, the Annual General Meeting authorised the Executive Board until 11 March 2015 to acquire treasury stock by way of one or several buybacks with a prorated amount in the share capital of Euro 16.87 million (10 % of existing share capital upon adoption of the resolution).

The Executive Board of MVV Energie did not act on this authorisation in the 2009/10 financial year.

Compensation agreements (change of control clauses)

There are no provisions in material agreements governing any change of control due to a takeover bid (change of control clauses), neither has the company concluded any compensation agreements with members of the Executive Board or employees for the event of a takeover bid.

Internal Control System for Financial Reporting Process as per § 289 (5) and § 315 (2) No. 5 HGB

Objectives

In the preparation of financial reports, there is the risk that an undetected error in any process relevant to financial reporting may result in false statements being made in the financial statements of the MVV Energie Group. To counter this risk, the MVV Energie Group has established an internal control system (IKS) intended to ensure the correctness and reliability of internal and external financial reporting (including the preparation of the notes to financial statements and the management reports). Furthermore, a uniform risk management system (RMS) has been put in place across the Group to identify, analyse, evaluate and report risks.

The internal control system in respect of the financial reporting process covers the financial reporting at the entire MVV Energie Group and lays down principles, procedures, regulations and measures to ensure the complete, accurate and prompt recording of business transactions in line with legal requirements. Moreover, compliance with legal requirements is confirmed in an annual compliance management report. Furthermore, the managing directors of subsidiaries and select division heads at the MVV Energie Group are also internally required to submit an annual balance sheet oath.

Basic principles

The internal control system forms an integral component of the financial reporting process at the MVV Energie Group. The basic principles governing the relevant structures and processes are the dual control principle and the consistent implementation of the separation of functions, as well as adherence to guidelines, process instructions and approval processes, supported by the internal information and communications system.

Measures intended to prevent and detect any errors are integrated into the relevant processes in the form of system-based and manual checks and are also laid down as supervisory checks within the responsibility of section heads, heads of department and the Executive Board.

Structure

The internal control system in respect of the financial reporting process forms part of the overall financial reporting processes in place at MVV Energie AG. The commercial division at MVV Energie AG is responsible for preparing the separate financial statements of MVV Energie AG, the consolidated financial statements of the MVV Energie Group and for the internal control system in respect of the financial reporting process. The MVV Energie Group is pursuing the objective of bringing its internal control systems in line with a uniform standard for the entire Group. To meet the demand for an IKS that is documented and comprehensible in all of its stages, MVV Energie AG has already successfully implemented a standardised approach to document the relevant processes and checks. In May 2010, the Stadtwerke Kiel AG and Energieversorgung Offenbach AG subgroups also began to document their internal control systems in line with this standardised approach. MVV Energie AG is supporting both subgroups in introducing and implementing the IKS. This way, the expertise and experience gained by employees working with the IKS at MVV Energie AG can be put to sensible and cost-effective use at the subsidiaries in Kiel and Offenbach. The project organisation for introducing a standardised IKS across the Group is being managed by MVV Energie AG. The implementation and documentation of the relevant checks should be completed by 30 September 2011.

The structure of the relevant processes is visually supported in the departments preparing the financial statements using a special software and published on the intranet. Regulations governing individual cases and describing the relevant processes in greater detail are deposited as additional information within the visualised process description. The financial statements are prepared within a set schedule that covers all divisions required to supply data for the preparation of the financial report. The permanent monitoring of the punctual delivery of information within the respective deadlines and documentation of the data thereby submitted is also standardised and comprehensible in all of its stages.

The accounting department is supported by an integrated Enterprise Resource Planning (ERP) system. The validations set up in the ERP system, which check the validity of the data, are intended to avoid system-based errors at the outset. At the same time, the user authorisation concept within the ERP system should exclude the possibility of any unauthorised access to data and systems, or to system settings, entry and reporting functions.

Consolidated financial statements

The consolidated financial statements of MVV Energie AG (MVV Energie Group) are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the supplementary requirements of commercial law set out in § 315 a (1) of the German Commercial Code (HGB) and are inspected by the Audit Committee and the Supervisory Board prior to publication. The consolidated financial statements of the MVV Energie Group are prepared centrally in the commercial division in Mannheim. Key accounting questions at the Group are dealt with by the accounting and tax department, which also acts as a contact partner for subsidiaries that prepare their financial statements locally. The Annual Report of the MVV Energie Group is prepared by the finance and investor relations group department.

Investment controlling

Budget compliance and the management of the consolidated subgroups and subsidiaries are based on monthly and quarterly reporting to MVV Energie AG.

Audit and supervision of internal control and risk management system

Responsibility for the implementation, maintenance and effectiveness of the IKS and RMS systems and for monitoring compliance with the relevant requirements lies with the Executive Board members and the managing directors of consolidated subsidiaries, who are also supported by the group internal auditors. Within its risk-based audit planning, the group internal audit department audits the internal control system in place at the MVV Energie Group, identifies any weaknesses and monitors the improvements identified to remedy such weaknesses.

As the superordinate bodies, the Supervisory Board and Audit Committee of MVV Energie and the supervisory boards of consolidated shareholdings also subject the internal control and risk management system to an annual review in terms of its appropriateness. These measures represent key components of MVV Energie's internal monitoring system.

The risk management system is described separately in the Opportunity and Risk Report chapter.

Basic Features of Compensation System for 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 2009/10 financial year in the Compensation Report. This takes due account of the requirements of the German Commercial Code (HGB) and the recommendations of the German Corporate Governance Code.

For its activity, the Executive Board receives total compensation that is 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 30 to 35 and is also part of the Group Management Report. This component has therefore not been duplicated here.

Sustainability

Climate change, the finite nature of resources and demographic change are among the key challenges of the 21st century, challenges that have to be faced not only by society and politicians, but increasingly by companies as well.

A sustainable approach is becoming an ever more critical factor in successful business operations. To meet the requirements both of the market and of the future, companies have to find a sensible balance between often competing economic, ecological and social objectives. This way, they can do justice to their corporate responsibility (CR) mandate.

We are currently in the midst of a far-reaching period of transformation in the German energy supply. The political objective is to build up a climate-neutral energy supply based on renewable energies by 2050. This process of transformation, right and necessary from an ecological perspective, also has to be structured sensibly in economic and social terms.

Our Economic Basis

Sustainable business operations as key focus at MVV Energie

What do sustainable business operations mean for us? In our MVV 2020 strategic alignment programme, we formulated our objective of drawing on our earnings strength and profitable growth to enable us to meet our responsibilities towards society and the environment. We summarised this objective in three concepts central to our company: sustainability, efficiency and regionalism.

For us, sustainable business operations mean:

- ensuring our customers receive a reliable, environmentally-friendly and affordable supply in the long term
- creating and retaining sustainable jobs and training positions
- making our contribution to the necessary restructuring of the energy industry along ecological lines
- contributing towards the solution of social and societal problems and
- continuing to generate an attractive dividend for our shareholders

The key future topics of climate protection, energy efficiency and supply reliability play a major role in our business activities. We are making forward-looking investments in a resource-efficient and environmentally-friendly energy supply. With our extensive research and development measures, we are preparing innovative, sustainable products and services for tomorrow's energy supply. This way, we aim to help conserve natural resources and thus broaden the options available to subsequent generations.

As responsible and active stakeholders within society, we are committed outside our specific markets to improving living conditions in our regions and also participate in various forward-looking sustainability initiatives. MVV Energie AG joined the Business Sustainability Initiative (BSI) in Baden-Württemberg in February 2010. This initiative can count more than 30 companies and numerous associations and state ministries in Baden-Württemberg among its members. Its objective is to find specific answers and solutions to make sustainable activity the hallmark of Baden-Württemberg as a business location. One key component here is the future energy supply, with a particular focus on sensible, efficient energy use. A further focus involves addressing the consequences and challenges facing production and future employment opportunities in Baden-Württemberg on account of demographic developments. Furthermore, BSI is also addressing the sustainable development of towns and regions, as well as broader issues within society. We are able and willing to make valuable contributions to all of these topics.

Sustainable business operations can only function in the long term if they are also consistent with economic objectives. In our Group, profitable growth and continuous economic success form the basis for also placing our social and ecological actions on a sustainable footing.

Our sustainable economic strength and our Group's potential are apparent from the overview of key figures for the 2009/10 financial year provided in the cover of this report and in the Multiyear Overview (from Page 176 onwards). With sales of Euro 3.4 billion, adjusted EBIT of Euro 239 million, total assets of Euro 3.6 billion, total investments of Euro 240 million and a workforce of 6 068 employees, we are one of the leading municipal energy suppliers in Germany.

Our Ecological Responsibility

We support ambitious climate protection targets

In its Energy Concept, the Federal Government has set ambitious targets for an environmentally-friendly, reliable and affordable energy supply. Compared with 1990, greenhouse gas emissions in Germany are to be cut by 40 % by 2020 and by between 80 % and 95 % by 2050. By 2050, the Federal Government aims to raise the share of electricity generated from renewable energies to 80 % of gross electricity consumption.

The German energy industry thus has a massive task ahead. The municipal utility and energy companies within the MVV Energie Group are confronting this challenge and take their ecological responsibility seriously. At their locations, they are making substantial contributions to enable the Federal Government's climate protection targets and municipalities' local climate protection targets to be met.

In this, we have set ourselves the following specific targets:

- The MVV Energie Group intends to invest around Euro 1.5 billion in growth in the years up to 2020, mainly in the fields of renewable energies, high-efficiency cogeneration and the resultant supply of district heating and energy-related services.
- We aim to raise the share of electricity generated from renewable energies at the MVV Energie Group from 19 % to 30 % by 2020.
- The number of households in Mannheim supplied by district heating is to be increased to 70 % by 2020 (2010: 59 %). Stadtwerke Ingolstadt plans to invest around Euro 30 million in expanding district heating by 2020.

We participate in climate protection programmes

With a climate protection programme, MVV Energie intends to invest around Euro 100 million in climate protection projects in Mannheim and the Rhine/Neckar metropolitan region by 2020. These include expanding district heating and improving the energy efficiency of public sector buildings. One aspect of the climate protection programme is our Climate Protection Fund. In cooperation with the City of Mannheim and the Climate Protection Agency founded in spring 2009, we are supporting climate protection projects with around Euro 10 million. The Climate Protection Agency acts as an information and advice centre for energy savings, energy efficiency enhancement and the use of renewable energies. It is available to small and medium-sized companies, schools, associations and citizens alike.

Our Energieversorgung Offenbach AG (EVO) shareholding will also be investing around Euro 50 million directly in climate protection in the next five years. The climate package for the Offenbach region consists of the components of wind energy, biomass and district and local heating grids. EVO is thus supporting the climate protection concept of the City of Offenbach to reduce its carbon dioxide emissions, still at 1.2 million tonnes in 2005, to under 800,000 tonnes by 2020.

We are building on renewable energies and cogeneration

The trend towards the "ecologisation" of the energy industry is irreversible. We acted early to start aligning our energy generation portfolio more broadly to account for this. In its generation of electricity and district heating, MVV Energie is increasingly relying on renewable energies and making efficient use of fuel by working with cogeneration.

In the 2009/10 financial year, the MVV Energie Group generated a total electricity volume of 3.7 TWh itself (previous year: 3.8 TWh). This year-on-year reduction in proprietary generation volumes was chiefly due to the lower volume of electricity generated at the large power plant in Mannheim (GKM) and at the jointly owned power plant in Kiel (GKK). Electricity generation at both plants is optimised to account for developments in prices on the fuel and electricity markets.

Renewable energy sources contributed 698 GWh in the 2009/10 financial year (previous year: 694 GWh), thus accounting for a 19 % share of our electricity generation (previous year: 18 %). Around two thirds (64 %) of the electricity we generate from renewable energies involves biomass, i.e. is generated in biomass power plants, biomass cogeneration plants and biogas plants. The second-largest share of renewable energies (35 %) is attributable to the incineration of the biogenic share of waste. One new addition to our generation portfolio is Plauerhagen Wind Farm, which has been in operation since July 2010. By September 2010, this facility had generated around 5 GWh of electricity and fed this into the public grid.

This expansion in renewable energies is also reflected in the development in installed capacities. Our installed renewable energy capacities (biomass power plants and biogas plants) thus rose from 58 MW_e in the previous year to 63 MW_e. Installed waste and refuse-derived fuel (RDF) capacities rose from 113 MW_e to 140 MW_e.

Following the acquisition of Plauerhagen Wind Farm, MVV Energie now has installed wind energy capacities of 16 MW.

Due to the addition of new plant, the volume of electricity generated using energy-efficient cogeneration also rose from 0.9 TWh in the previous year to 1.0 TWh. The share of electricity generated using cogeneration thus grew to 26 %, up from 25 % in the previous year.

Taken together, resource-efficient and environmentally-friendly renewable energies and cogeneration accounted for almost half (45 %) of our proprietary generation in the 2009/10 financial year. By comparison, a national average of around 27 % of gross electricity generation in Germany in 2009 was due to renewable energies and cogeneration (previous year: 25 %).

The remaining share of electricity generated at the MVV Energie Group, relating in particular to electricity volumes generated from hard coal in the condensing turbines at the power plants in Mannheim and Kiel, dropped year-on-year from 57 % to 55 %.

Our methodic data collection principles

We have not amended the principles and methods underlying our group-wide data collection since the previous year. To ensure comparability, our data only refers to Germany. This evaluation does not include power plant, generation and emissions data from our Czech subgroup, which accounted for around 2.7 % of total electricity generation volumes at our Group (previous year: 2.5 %).

Electricity generation using photovoltaics is only of subordinate significance at the MVV Energie Group. The photovoltaics systems installed at our Solingen, Offenbach and Ingolstadt shareholdings in the year under report, generating around 700 MWh of electricity a year in total, have not yet been included in the tables below.

In terms of installed capacities (output), we have made slight corrections to the previous year's figures in order to present the systems at our shareholdings in line with the respective level of shareholding in the year under report and the previous year.

Electricity generation from renewable energies of the MVV Energie Group in Germany (including biomass cogeneration)

in GWh	2009/10	2008/09	% change
Biomass power plants	430	478	– 10
Biogas plants	16	14	+ 14
Subtotal for biomass	**446**	**492**	**– 9**
Biogenic share of waste/RDF	244	198	+ 23
Wind energy	5	—	—
Hydroelectricity	3	4	– 25
	698	**694**	**+ 1**

Installed renewable energies and waste/RDF capacities of the MVV Energie Group in Germany

in MW_e	2009/10	2008/09	% change
Biomass power plants[1]	60	56	+ 7
Biogas plants	3	2	+ 50
Subtotal for biomass	**63**	**58**	**+ 9**
Waste/RDF[1]	140	113	+ 24
Wind energy	16	—	—
Hydroelectricity	2	2	0
	221	**173**	**+ 28**

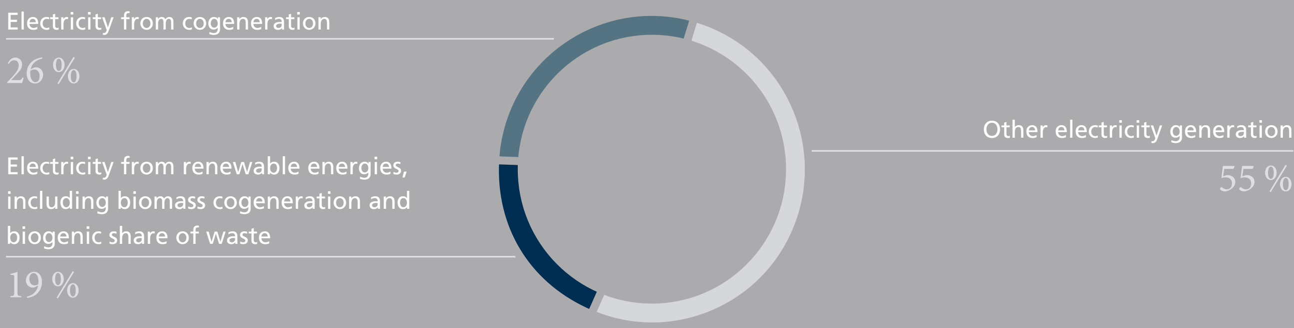
1 correction in previous year's figure

First wind energy projects implemented

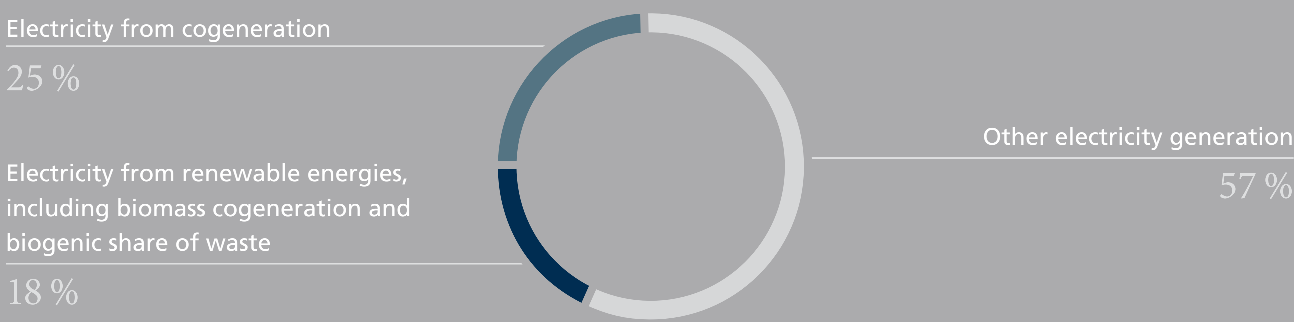
We view onshore wind energy plants as currently representing the most attractive field of investment in renewable energies. Our first wind farm, located in Plauerhagen in Mecklenburg-Vorpommern, has been in operation since July 2010 (total installed capacities: 16 MW). Its forecast electricity output of around 35 GWh a year will be enough to cover the electricity needs of around 10 000 households. The experience gained on this project is to be channelled into the development of further plants at our group of companies.

Together with the Juwi Group (Wörrstadt), Energieversorgung Offenbach AG has founded "Cerventus Naturenergie GmbH", a subsidiary based in Offenbach. This joint venture is intended to implement wind farms in Hessen. Together with juwi renewable IPP GmbH & Co. KG, Stadtwerke Kiel AG has jointly founded "24sieben Nordwatt GmbH", a subsidiary based in Kiel. This joint venture is also intended to expand local activities in the field of renewable energies.

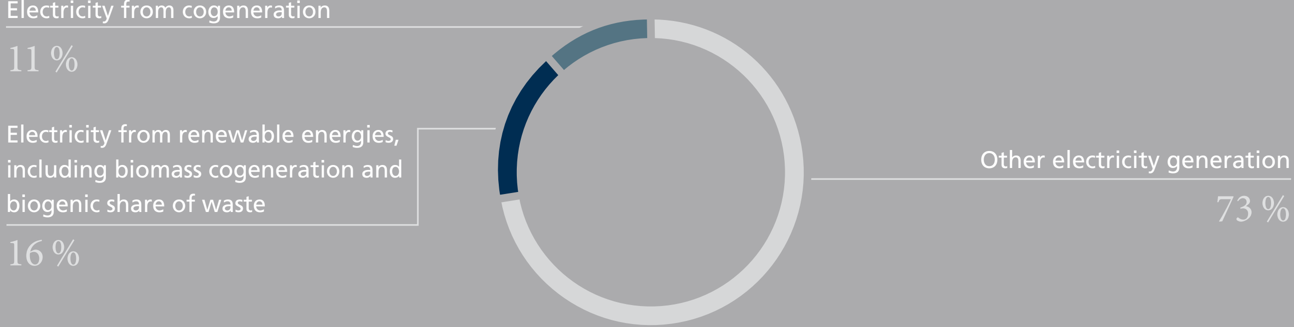
Electricity generated at the MVV Energie Group in Germany 2009/10: 3.7 TWh



Electricity generated at the MVV Energie Group in Germany 2008/09: 3.8 TWh



Gross electricity generated in Germany in 2009: 594 TWh [1]



1 preliminary total

Sources: Association of the German Energy and Water Industries (BDEW), Federal Ministry for the Environment, Nature Conservation and Reactor Safety and own calculations

Waste used as valuable source of raw materials

In Germany, our Group operates waste-fired cogeneration plants at its locations in Mannheim, Offenbach, Leuna, Korbach and Gersthofen. Alongside industrial and commercial waste, our companies dispose of the non-recyclable waste for 21 local authorities with a total population of around 4.9 million inhabitants. Our Group has invested more than Euro 660 million to this end nationwide over the past ten years.

In December 2009, we inaugurated the new Boiler 6 at our location in Mannheim. The launch of operations (total investment: Euro 117 million) marked a further highpoint in our environmentally-friendly generation of energy from waste. Depending on calorific values, the new Boiler 6 can incinerate between 200 000 and 230 000 tonnes of waste a year, thus enabling us to offer high-quality waste disposal for the entire region in a way that makes economic and ecological sense. At the same time, we are exploiting the energy potential harboured by household and commercial waste. With the energy thereby released, we generate industrial steam, electricity and district heating using the efficient and environmentally-friendly cogeneration process.

Decentralised generation of electricity and heating energy from biomass

Alongside waste incineration, the generation of energy from biomass is another field in which our Group is now one of the market leaders in Germany. Together with high availability and capacity utilisation rates, our plant management and operations expertise ensures that the biomass is put to economically viable use.

We currently operate biomass power plants in Mannheim and in Königs Wusterhausen near Berlin and also manage operations at the biomass power plant in Flörsheim near Wiesbaden. The main source of fuel for these plants is waste timber. Capacity utilisation at our energy from waste and biomass plants is secured by the materials flow management expertise pooled at MVV Umwelt Ressourcen GmbH.

In our energy-related services business we have specialised on measures to enhance efficiency and optimise energy use at industrial, commercial, real estate and healthcare companies, as well as on the operation of industrial parks and on international consulting projects. Our power plants in Gersthofen (6 MW_e, 36 MW_t) and Korbach (4 MW_e, 80 MW_t) work with treated commercial waste (refuse-derived fuel). MVV Energiedienstleistungen GmbH operates biomass heating energy and biomass cogeneration plants nationwide. These are powered in particular by timber, wood chips and wood pellets. We conclude long-term agreements with timber suppliers, thus securing a permanent supply of sufficient fuel. With our cooperation with the Bavarian State Forestry Commission and our 70 % stake in A+S Naturenergie GmbH, Pfaffenhofen, we have extended our value chain to include fuel manufacture.

The biomass cogeneration plant in Mertingen commenced operations at the end of October 2009. Powered by local timber, this plant generates environmentally-friendly steam for the dairy plant operated by Molkerei Zott and electricity for 2 500 households. In December 2009, MVV Energiedienstleistungen GmbH joined forces with Stadtwerke Ludwigsburg-Kornwestheim to supply the new multipurpose "Arena Ludwigsburg" with heating energy from biomass. This contract has a 20-year term. The biomass heating energy plant at AHG Klinik Hardberg in Breuberg was inaugurated in May 2010. Alongside the planning, operation and maintenance of the new heating system, the local heating grid and the wards for the next 15 years, we have also taken over the financing of Euro 1.5 million. AHG Klinik Hardberg is part of the AHG Group, which operates 48 hospitals in Germany.

Energieversorgung Offenbach AG (EVO) now operates more than 30 local heating grids in the Rhine/Main region, in which the heating energy is generated above all from natural gas, but increasingly also from wood pellets. In future, EVO will be heating two further residential areas with around 100 detached houses in the district of Hainburg with local heating powered by wood pellets. The necessary timber comes in part from Hainburg itself. This construction project in Hainburg represents a model ecological project demonstrating a regional economic cycle. Following completion of its own industrial pellet manufacturing plant, a third of the coal used at EVO's heating energy plant is to be replaced by wood pellets.

In the 2009/10 financial year, our Group used around 0.5 million tonnes of biomass to generate energy at a total of 18 biomass plants, thus generating around 450 million kWh of CO_2-neutral electricity. By operating these power plants and drawing on efficient technologies we are able to protect the limited supply of fossil fuels and to reduce our carbon dioxide emissions compared with electricity generated from fossil fuels.

MVV Energiedienstleistungen GmbH IK Korbach, the company operating the industrial power plant in Korbach, presented its 2009 Emissions Report in April 2010. According to the report, annual average emissions in 2009 fell far short of the legal limits. The plant undercut most of the emissions parameters stipulated by the 17th Federal Immission Control Ordinance (BImSchV) by more than 90 %. In August 2009, the industrial cogeneration plant in Korbach reported increased mercury emissions due to the delivery of contaminated fuel. The plant operator implemented all of the changes required by the environmental authorities for the Kassel region, as a result of which waste incineration activities could be taken up once again in November 2009. In the interim period, the waste incineration boiler was powered by natural gas.

Investment in biogas plant

We have been investing in the biogas business since the 2007/08 financial year, building plants with capacities of between 500 kW and 1 000 kW. Our subsidiary MVV Energiedienstleistungen GmbH commenced operations at its fourth biogas plant in Oehna in Brandenburg in July 2010. Together with its counterparts in Mechau/Sachsen-Anhalt, Karow/Mecklenburg-Vorpommern und Vosshöhlen/Schleswig-Holstein, this biogas plant generates a total of around 16 GWh of electricity a year and feeds this into the public grid. The waste heat resulting from electricity generation is used for heating purposes.

In May 2010, Aufwind Neue Energien GmbH and MVV Energiedienstleistungen GmbH signed a cooperation agreement to extend their generation capacities with biogas and biomethane by a double-digit megawatt figure over the next five years.

Expenditure on environmental protection measures

The environmental energy business field (excluding Offenbach cogeneration plant) invested Euro 18 million in 64 environmental protection measures in the year under report. The largest share of investment (81 %) was channelled into waste disposal, with a focus on the remaining prorated costs for the construction of Boiler 6 at the cogeneration plant in Mannheim. Around 19 % was channelled into keeping the air clean and less than 1 % into water and noise protection measures.

Expenditure of Euro 81 million was incurred on 397 individual environmental protection measures in the environmental energy business field. Of this total, 60 % related to waste disposal (previous year: 64 %) and 40 % to measures to keep the air clean (previous year: 35 %). Water and noise protection measures accounted for less than 1 % of expenditure.

Disclosures on CO_2 emissions

The heating energy and electricity generation plants subject to emissions trading at MVV Energie in Germany emitted around 3.4 million tonnes of CO_2 in the 2009 calendar year (previous year: 3.5 million tonnes). These disclosures are partly based on estimates. In line with EU emissions trading disclosure obligations, these figures refer to calendar years, as do the disclosures on CO_2 emissions rights (please see table below).

CO_2 emissions rights

million tonnes	**2009**	2008	% change
CO_2 emissions rights purchased[1]	1.2	1.1	+9
CO_2 emissions rights sold[1]	1.1	1.0	+10

1 by 24/7 Trading GmbH for the MVV Energie Group

Expansion of environmentally-friendly district heating

MVV Energie AG further concentrated and expanded its district heating grid in the year under report. The 21 kilometre transport pipeline to Speyer was completed on schedule for the 2010/11 heating period. Those towns already supplied with district heating produced in the highly efficient cogeneration process at the large power plant in Mannheim (GKM), namely Mannheim, Heidelberg and Schwetzingen, will thus be joined in future by Speyer and the municipalities of Brühl and Ketsch. By generating heating energy and electricity simultaneously, we are able to reduce the volume of primary fuels used, and thus also our CO_2 emissions.

Energieversorgung Offenbach AG (EVO) is also increasing the density of its district heating grid and further expanding it. A fourth municipality has now been connected to the district heating grid supplied by EVO's cogeneration plant.

The largest waste heat and district heating project in Bavaria is currently being implemented in Ingolstadt. Stadtwerke Ingolstadt Energie GmbH is using the waste heat from Petroplus Raffinerie Ingolstadt GmbH and the energy from waste plant operated by the City of Ingolstadt to generate district heating to supply numerous large customers, including Audi AG. Stadtwerke Ingolstadt alone will be investing around Euro 23 million by 2012 in expanding its district heating grid and converting and extending its existing facilities. Numerous large local customers stand to benefit from this resource-efficient and environmentally-friendly district heating generated from waste industrial heat. At the same time, this will provide a basis for connecting further private district heating customers in Ingolstadt. Following the launch of operations with this extended district heating grid (expected in spring 2011), we expect annual district heating volumes of up to 300 million kWh to be fed into the grid.

Stadtwerke Kiel is investing Euro 11 million in modernising its local district heating supply. Its district heating grid is due to be converted in the coming years from heating steam to more up-to-date heating water technology. The company also plans to acquire further district heating customers in inner-city areas.

Growing demand for ecological sales products

Green electricity products are on offer across the entire MVV Energie Group. We thus do justice to our claim of being an innovative and environmentally-friendly energy supplier at all of our locations. As of 30 September 2010, our companies in Mannheim, Offenbach, Kiel, Ingolstadt, Solingen and Köthen were supplying around 106 000 customers at green electricity rates, corresponding to around 16 % of all household customers at the MVV Energie Group. The equivalent figure for the previous year as of 30 September 2009 was a mere 60 000 customers, corresponding to 10 % of all household customers.

The FUTURA Ökostrom product shows that green electricity need not always be expensive. Customers at MVV Energie AG only pay around one euro a month more than for the usual rate. This favourable price for FUTURA Ökostrom, a product also offered by EVO and Köthen Energie, is guaranteed until the end of 2010.

MVV Energie also offers its retail, commercial and industrial customers the possibility of switching to environmentally-friendly green electricity as an option accompanying all of its basic electricity products.

Another green product offered by MVV Energie is environmentally-friendly NATURA Biogas, which enables customers in Mannheim and the region to heat their houses and apartments. This product also offers customers the possibility of meeting the requirements of the Utilisation of Renewable Heating Energy in Baden-Württemberg Act (EWärmeG) and thus to contribute towards protecting the climate and the environment.

SECURA Energie GmbH, a majority shareholding of the MVV Energie Group, has been offering its SECURA Ökostrom green electricity product to private customers nationwide since 2007. Since October 2009, this has been joined by SECURA Naturgas, a CO_2-neutral natural gas product now available across virtually the whole of Germany. By opting for these products, SECURA Energie's customers receive an environmentally-compatible supply of energy and district heating at inexpensive rates, while also helping to reduce climate gases. By analogy with SECURA Ökostrom, as well as certified ecological compatibility SECURA Naturgas also offers its customers a security package. Should the heating break down, the product covers one free installation engineer callout and rapid repair work costing up to Euro 250.

Research and Development

Major R&D projects

MODEL CITY MANNHEIM (term: 2008 to 2012): Mannheim-based solution model involving practical trials with smart energy grids and regional energy markets using renewable energy plants and achieving high energy efficiency levels

CALLUX (term: 2008 to 2015): Practical trials promoted by Federal Government for house fuel cell heating systems in cooperation with other energy suppliers and heating system manufacturers

FUTURE FLEET (term: 2009 to 2011): Development of charging infrastructure for company car pools in the forward-looking field of electro-mobility

SMART METERING (term: 2007 to 2011): Cross-utility use of smart meters to enhance efficiency and transparency of energy consumption

MICRO-COGENERATION (term: 2006 to 2012): Field trials of various small cogeneration systems for use in private households; technical and economic feasibility evaluation

SMART HOUSES/ SMART GRID (EU project, term: 2008 to 2011): Development of an energy system actively integrating "smart houses" to significantly enhance supply efficiency and sustainability

DISTRICT HEATING TRANSPORT (term: 2010 to 2013): Identification of potential cost savings in district heating transport to support effective expansion of cogeneration

Innovative solutions are called for to ensure that energy can be produced and distributed safely, efficiently, affordably and in an ecologically justifiable way in future as well. This is the task we are continually addressing in our development activities. These therefore also make a key contribution towards enhancing the value of our company. We aim on the one hand to improve our existing systems and processes while on the other hand to look for innovative solutions facilitating a sustainable energy supply. Here, we are focusing on climate protection, renewable energies, decentralised efficiency-enhancing technologies and the development of smart energy systems.

In our research and development (R&D) activities in the 2009/10 financial year we spent around Euro 5 million on process optimisation, product development and technological enhancement measures (please also see Multiyear Overview from Page 176 onwards). During the year under report, eight technology and innovation managers were active on behalf of MVV Energie. Alongside these, more than 35 employees in other departments dedicated a substantial share of their time to current innovation projects.

The following specific topics were high on the R&D department's technological agenda in the 2009/10 financial year:

Electricity-generating heating systems in private households

One particularly important topic for us was the development of electricity-generating heating systems for detached and semidetached houses. Examples here include micro-cogeneration systems and fuel cell heating appliances. The widespread introduction of electricity-generating heating systems represents a superb opportunity. When modernising their heating systems, customers have the option of selecting an energy-efficient solution that combines environmentally-compatible heating energy with the generation of electricity.

We successfully completed our group-wide practical trials with natural gas-powered Stirling engines in the 2009/10 financial year. The technology used in the WhisperGen appliances has proven itself in practice and confirmed its benefits in technical, economic and ecological terms. This house energy plant working on the basis of cogeneration simultaneously generates heating and electricity for detached and semidetached houses. One positive aspect here is that the energy is generated on a decentralised basis, thus avoiding any conduction losses. Operations with the first Stirling heating appliances resulting from industrial mass production at EHE (Efficient Home Energy), their manufacturer, were launched at customers' homes in the year under report. In parallel to this, we are also testing further micro-cogeneration systems from other manufacturers.

In the "Callux Practical Trials: Fuel Cells for Private Homes" project, we are working closely together with other energy suppliers and manufacturers to test stationary fuel cell heating appliances. Nine heating appliances at MVV Energie are currently undergoing long-term trials with customers. The market launch of fuel cell heating appliances is also being prepared within this framework. The project is being promoted by the Federal Ministry of Transport, Building and Urban Development and the Federal Ministry for the Environment. Details about further R&D projects have been provided in the Outlook chapter from Page 94 onwards.

Our Social Responsibility

Personnel totals develop on schedule

The Group's workforce (excluding external personnel at Mannheim cogeneration plant) rose year-on-year by 22 employees in the 2009/10 financial year. The number of employees at the Group's companies in Germany dropped by 13, a development primarily due to reductions in the energy-related services business. The number of employees abroad rose by 35 to 615 due to initial consolidation.

The average age of employees across all companies amounted to 42, with an average company affiliation of 14 years. Of the MVV Energie Group's employees as of the balance sheet date, 404 were trainees (previous year: 418). MVV Energie AG and its municipal utility shareholdings in Kiel and Offenbach exceeded the statutory severe disability quota of 5 %.

Personnel figures (headcount) at the balance sheet date

	2009/10	2008/09	+/– change
MVV Energie AG	1 495	1 523	– 28
Fully consolidated shareholdings	3 882	3 833	+ 49
MVV Energie AG with fully consolidated shareholdings	**5 377**	**5 356**	**+ 21**
Proportionately consolidated shareholdings	682	681	+ 1
MVV Energie Group [1]	**6 059**	**6 037**	**+ 22**
External personnel at Mannheim cogeneration plant	9	16	– 7
	6 068	**6 053**	**+ 15**

1 including 404 trainees (previous year 418)

Countering demographic change

The average age of the population is set to rise in the foreseeable future. Not only that, the number of younger people and potential employees is due to fall over the coming decades. This has implications for us in our capacity as employer. Competition for good employees and top talent will intensify sharply in the coming years.

MVV Energie is facing the challenges presented by demographic change circumspectly and effectively with its sustainable personnel management policies. At the same time, our personnel-related activities also support the Group in implementing its strategy.

The key objectives of our personnel policy are:

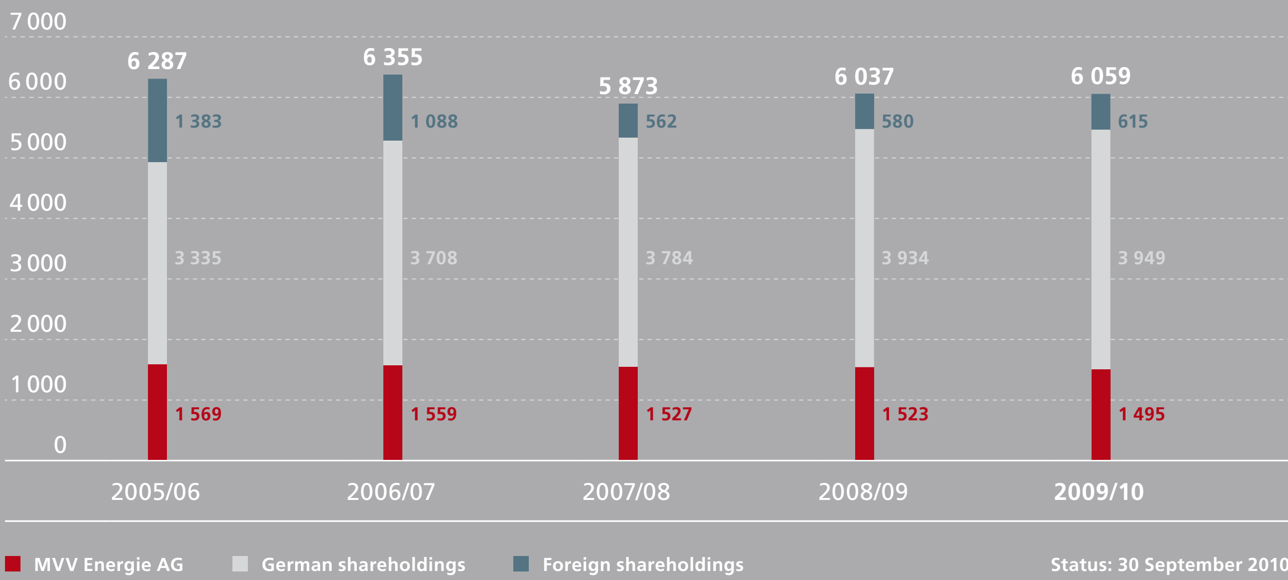
- Attracting and retaining qualified employees, high-quality next-generation talent and superb managers
- Compensating them in line with their performance
- Promoting them with training and development measures
- Creating a work environment that motivates employees and enhances their performance.

Attracting and retaining qualified personnel

Our activities to promote the next generation of employees begin at a very early stage at all of our locations. Several cooperation measures are thus in place with schools. MVV Energie trainees regularly give presentations to final-year classes, reporting on our company, its wide range of training opportunities, the courses available at the Baden-Württemberg Cooperative State University and their own personal experiences. We offer challenging work placements to students and support them in theses on interesting energy-related topics. University graduates often begin their working lives in our Junior Consulting Team in Mannheim or our trainee programme in Kiel. Over a period of two years, new entrants gain a comprehensive overview of our company and can thus be flexibly deployed in subsequent years.

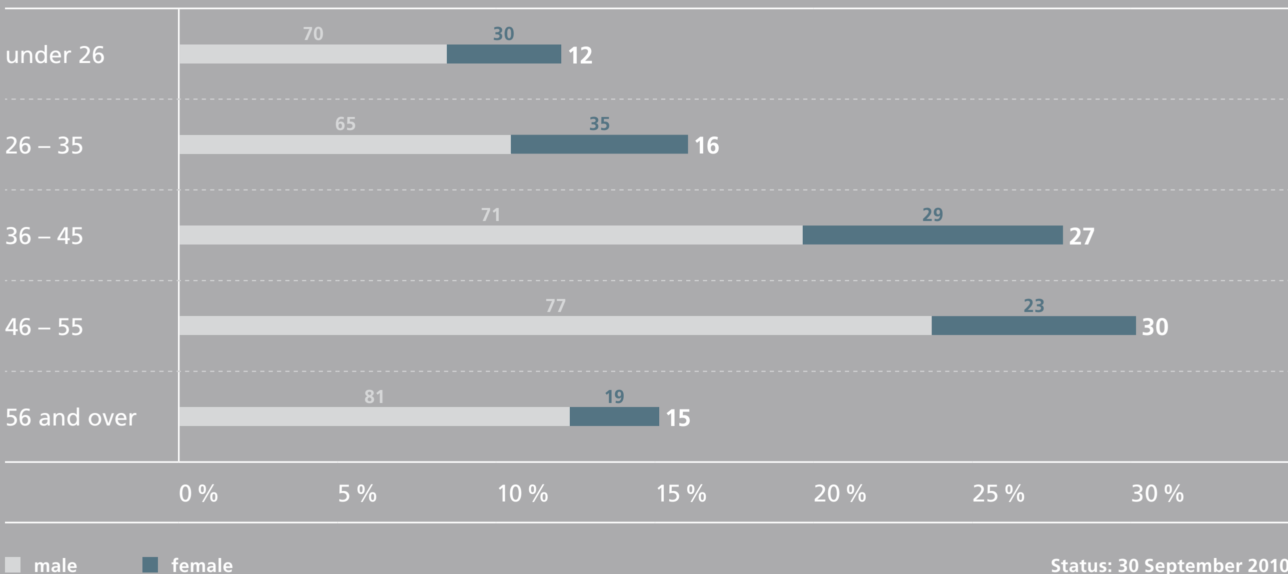
We make every effort to retain qualified employees at the company and to motivate them. One of our key focuses once again in the year under report therefore involved enhancing management competence. Most first and second-tier managers at our Mannheim, Kiel and Offenbach locations took part in management appraisals. The findings of these performance assessments provide indications as to potential development areas that are then addressed with individual training measures. Furthermore, all managers at our Mannheim and Kiel locations participate at regular intervals in bottom-up appraisals, in which their employees are requested to offer constructive feedback to their managers, express any desired improvements and make suitable proposals.

Employees of the MVV Energie Group



Status: 30 September 2010

Employee age structure of the MVV Energie Group in %



Status: 30 September 2010

Performance-based compensation

The calculation of the performance-related bonus for employees at the Mannheim location is based on the same performance criteria applied to members of the Executive Board, senior employees and other employees remunerated above the general pay scale. If the company is successful, all groups of employees benefit as a result. If the company is less successful, however, then the performance-related compensation is also lower. The basis for allocating this compensation is an individual performance or target assessment. All employees take part in annual meetings at which their individual performance objectives and criteria are jointly agreed.

New training and development measures

Numerous training and development programmes ensure that our employees are suitably promoted and trained. Individual measures are agreed in annual personnel development meetings held between the respective managers and their employees. Alongside traditional training courses, we also offer programmes to promote upcoming talent, specialists and managers.

The "Generation M" pilot project aimed at employees in the middle of their careers was launched in the past financial year. Alongside this, each year employees are assisted in taking part in Master's courses for those who have already gained professional experience. Stadtwerke Kiel supports its employees in participating in distance learning courses.

Family-friendly personnel policies upheld

One of MVV Energie's declared aims is to create a working environment that motivates its employees and boosts their performance. One important aspect of this commitment involves family-friendly personnel policies.

We support our employees in combining their professional commitments with their family lives. By offering flexible working hours and a variety of working hours models (including life work-time accounts), we provide our employees with a high degree of flexibility. Around 13 % of the MVV Energie Group's employees work on a part-time basis. We help parents working at our company to look after their children by offering a parent and child room, holiday camps, emergency supervision and a crèche facility close to the company.

MVV Energie AG and Energieversorgung Offenbach AG (EVO) have been awarded the familieundberuf® certificate from the Hertie Foundation for their family-friendly personnel policies. In the year under report, EVO also joined "Family as Success Factor", a company network jointly promoted by the Federal Families Ministry and the Association of German Chambers of Industry and Commerce. Stadtwerke Kiel AG is currently preparing for this certification. A further focus in the period under report involved the preparations made to address the topic of caring for relatives.

Diversity promoted

The increasing internationalisation of markets and calls for greater openness and tolerance have led to greater sensitivity in Germany towards other cultures, lifestyles and beliefs. At the balance sheet date on 30 September 2010, a total of 41 nationalities were represented in our Group's workforce. To meet the various requirements of our business we need employees with a wide variety of qualifications, training and professional backgrounds. We see diversity as an enrichment and work to promote it.

MVV Energie aims to raise the share of management positions held by women in the coming years. In view of this, we are encouraging and promoting talented female employees systematically and comprehensively on all hierarchical levels, offering them challenging tasks accompanied by numerous development measures. A concept to promote female employees was compiled in the year under report and will be implemented in the 2010/11 financial year.

The words we used to describe our promotion of female employees in this year's Corporate Governance Report (please see Page 30) underline the importance we attach to this issue. Of the total workforce of 6 059 employees at the MVV Energie Group as of 30 September 2010, 26.8 % were women. Women accounted for around 26.9 % of the workforce at the Mannheim location at this date while the share of female employees at the Kiel and Offenbach locations as of the same date amounted to around 27.1 % and 31.5 % respectively. The share of management positions (from section head upwards) held by women as of 30 September 2010 amounted to 15.9 % in Mannheim and to 7.7 % and 20.8 % at the Kiel and Offenbach locations respectively.

Cooperation intensified

The Group is further stepping up the degree of cooperation between its Mannheim, Kiel and Offenbach locations within the group-wide "Once Together" project. All three municipal utility companies will contribute their strengths to the Group and exploit potential optimisation measures to their mutual benefit. We will also be making our group expertise available to our municipal utility partners in Solingen, Ingolstadt and Köthen. Further details have been provided in the Corporate Strategy chapter from Page 46 onwards.

Occupational health and safety boosted

The measures taken by the MVV Energie Group to meet its statutory occupational health and safety obligations include the introduction of health and safety management systems. These systems are necessary for the performance of an intra-group occupational health and safety audit.

An integrated management system (IMS) was introduced at MVV Umwelt GmbH, a wholly-owned subsidiary of MVV Energie, in June 2009 in order to secure certification for Quality Management (ISO 9001), Environmental Management (ISO 14001), Energy Management Systems (EN 16001) and Occupational Health and Safety (BS 18001). This system has since been certified by Dekra Certification GmbH. The certification confirmed the high level of integration of the four management systems and the great motivation shown by employees to apply the management systems in their daily work and permanently enhance the systems. Our subsidiary MVV O&M GmbH has begun to introduce an integrated management system. This company manages operations at the biomass power plants and waste-fired power plants at MVV Umwelt GmbH.

Stadtwerke Solingen GmbH introduced an integrated and certified quality and environmental management system in 2001 already. DQS, a German management system certification company, has audited processes at this energy supplier for the fourth time now. In its 2010 certification, DQS once again confirmed that the quality and environmental management policies in place at this company met the requirements of ISO 9001 and ISO 14001. The topics audited within the certification progress range from occupational health and safety to measures to protect the environment to central knowledge management.

Alongside its certified management systems, MVV Energie also works with an internal auditing procedure suitable to audit all occupational health and safety management systems implemented at the company.

One key occupational health and safety topic in the year under report was the updating of emergency management plans and, given recent events, of the pandemic scenario in particular.

To assess our accident safety record, we compare our typical key figures, such as accidents per 1 000 employees or accidents per million working hours, with the sector comparison compiled by the employers' liability association for the energy, textile, electrical and media products sectors (BG ETEM), and specifically for the energy and water industries. With 15 accidents per 1 000 employees and 10 accidents per million working hours, the accident-related key figures of MVV Energie AG for the 2009 calendar year were once again significantly lower than in the sector comparison. This documents the high degree of protection in place at our company. The equivalent figures compiled by BG ETEM for 2009 amounted to 22 accidents per 1 000 employees and 18 accidents per million working hours.

Health management expanded

We are consistently expanding our five-star health programme in Mannheim, which comprises the categories of nutrition, movement, inner balance, medicine and interpersonal relationships, with numerous measures for the individual programme components.

In Kiel as well, we are pressing ahead with establishing a professional health management programme, with workshops on topics such as "Work and Family", "Healthy Corporate Culture" and "Staying Fit Until Retirement". Our subsidiary in Offenbach is currently setting up its own health promotion programme – "Building up Energy for the Long-Term (LEA)".

Our Commitment to Society

Young people at centre of regional sponsorship

As energy suppliers, we maintain close links at our locations with the surrounding regions and the people who live there. It is therefore only natural that we should also be committed to promoting the social development of our regions. Here, we focus in particular on promoting young people. As well as supporting social welfare projects, we offer assistance in the form of sponsoring and other promotional measures aimed above all at projects in the fields of science, culture and sport.

MVV Energie AG once again made funds of Euro 100 000 available to an emergency assistance fund in the year under report. In liaison with independent welfare organisations and the City of Mannheim, we thus assist private customers who through no fault of their own are in financial difficulties to cover their energy and water costs. With its Sponsoring Fund, MVV Energie AG has provided financial support to a variety of initiatives in the Rhine/Neckar metropolitan region since 2005. In its sport sponsorship activities, MVV Energie AG has a cooperation with the Mannheim Eagles (Adler), the record-holding German ice hockey league champions. Here, we attach particular importance to supporting the next generation of young players. Not only that, we also support Verena Sailer and Anne Möllinger, two highly successful athletes at the MTG athletics club in Mannheim. Verena Sailer was the 100 m champion at the 2010 European Championships in Barcelona.

As well as acting as principal sponsors to the Offenbach Kickers football club, Energieversorgung Offenbach AG also supports a variety of popular sports clubs and promotes cultural, social and ecological initiatives under the motto "Strengthening Our Region". Children, young people and education are the main focuses of Stadtwerke Kiel AG in its commitment to society and the environment. Particularly worthy of mention here is the 24|sieben camp, where more than 50 000 children and young people have now learned to sail. Educational projects in the fields of environmental protection and culture were also in focus in the year under report at Stadtwerke Solingen GmbH (SWS), with its traditional commitment to partnership in projects supporting children and young people. Stadtwerke Ingolstadt Beteiligungen GmbH focused on a project promoting school children. Köthen Energie GmbH channelled its energies into supporting music educational projects for young people.

Value Added Statement

The value added statement portrays the contribution made by the business activities of the MVV Energie Group to society and to the aggregate total for the German economy. Moreover, the statement also shows which groups and players have benefited from the value added thereby generated.

The value added corresponds to the company's performance net of input costs, such as costs of materials, other expenses and other taxes, and less depreciation and amortisation. In the 2009/10 financial year, the adjusted value added of the MVV Energie Group rose year-on-year by 3 % from Euro 800 million to Euro 823 million. This increase was chiefly due to the growth in the company's performance, which more than compensated for the increase in input costs. The rise in the company's performance was driven above all by sales.

At 39 %, the largest share of our value added benefited our employees (previous year: 39 %). Of the value added for local, regional and national authorities, a sum of Euro 197 million, largely consisting of energy taxes, is attributable to the state (previous year: Euro 180 million). This corresponds to a 24 % share (previous year: 23 %). The remaining Euro 116 million (previous year: 94 million) is attributable to local authorities (taxes and concession fees). Their share of value added amounts to 14 % (previous year: 12 %).

At 8 %, the share attributable to lenders remained unchanged on the previous year. Our shareholders received a 7 % share of value added (previous year: 7 %). The remaining share of 8 % (previous year: 11 %) remains at the MVV Energie Group to finance the company's further growth.

Value added statement of the MVV Energie Group

Euro million	**2009/10**	2008/09	% change
Company performance[1]	3 702	3 484	+ 6
Input costs	– 2 706	– 2 538	+ 7
Depreciation/amortisation	– 173	– 146	+ 18
Value added	**823**	**800**	**+ 3**
to Employees	323	314	+ 3
to Shareholders[2]	59	59	0
to Lenders	66	65	+ 1
to State authorities	313	274	+ 14
to the MVV Energie Group[1]	62	88	– 30

1 correction in previous year's figure
2 dividend paid in financial year

Events After the Balance Sheet Date

Over and above the factors outlined below, no material changes arose in the underlying framework for our business between the balance sheet date on 30 September 2010 and the preparation of the 2009/10 consolidated financial statements.

On 28 October 2010, the German Federal Parliament approved the 11th and 12th amendments to the German Atomic Energy Act, the German Energy and Climate Fund Act (EKFG) and the German Nuclear Fuel Taxation Act. Opposition parties voted against the government motions.

Voting right notifications received since the balance sheet date can be viewed on the internet at **www.mvv-investor.de**.

At MVV Energie AG, operations began with the new district heating transport pipeline to Speyer on 19 October 2010, and thus on schedule for the beginning of the 2010/11 heating period. The construction of this 21 kilometre pipeline was one of Europe's largest district heating projects. Total investments amounted to around Euro 18 million.

On 15 October 2010, the Federal Networks Agency confirmed that the allocation provided for under the German Renewable Energies Act (EEG) would be raised by 1.48 cents from 2.05 cents to 3.53 cents per kWh from 1 January 2011. This so-called EEG allocation enables additional costs incurred in promoting renewable energies to be distributed uniformly among all consumers nationwide. As a result, the companies within our Group will be raising their electricity prices as of 1 January 2011.

The put option held by the City of Kiel for the sale of the remaining shares in Stadtwerke Kiel AG to MVV Energie AG was not exercised by 6 November 2010 and thus expired as of this date.

Since the balance sheet date, MVV Energie AG has also been awarded a renowned prize for its commitment to health. In November 2010 we received the "Corporate Health Award", an annual prize offered under the auspices of the Federal Ministry of Labour and Social Affairs and the Initiative for New Quality at Work (INQA) and awarded to Germany's healthiest companies. This award documents the superb workplace health management measures in place at our company (please also see the Sustainability chapter from Page 86 onwards).

Opportunity and Risk Report

Maintaining a functional, reliable risk management system is a crucial factor for companies, as is evident from numerous negative examples in recent years. The MVV Energie Group therefore accords high priority to the continuous and reliable assessment, minimisation and avoidance of potential risks. We attach equal importance to identifying entrepreneurial opportunities, acting on these and exploiting them for the company's growth.

Overall risk

The MVV Energie Group's risk environment remained largely unchanged compared with the previous year. From a current perspective, there are no indications of any risks that either individually or collectively could have endangered the continued existence of the company during the period under report, or which could do so in future. Particularly significant factors affecting our business performance are weather conditions, price fluctuations on procurement and sales markets and political and regulatory amendments and interventions.

In assessing our opportunities and risks, we are assisted by our central risk management system. This is based on a systematic approach setting out risk policies, responsibilities and analytical and evaluative procedures. Moreover, it includes those key risk figures relevant to the management of the company on which our risk limit system is based. It reacts very sensitively to any potential risks to the company's continued existence, enabling us to take remedial action at an early stage. The effectiveness of the risk management system is regularly reviewed and audited by two bodies. The internal auditors subject the effectiveness of the risk management system to an annual review. Furthermore, the external auditors audit the system's compliance with the requirements of § 91 (2) of the German Stock Corporation Act (AktG).

We have taken all of the organisational steps necessary to facilitate the early detection of potential opportunities and risks. Our organisational structure promotes the rapid transfer of information and transparent analysis of risk and opportunity factors. Within an established process, each unit with risk exposure reports uncertainties to the central risk controlling department on a monthly basis. This department then analyses and aggregates the data and performs risk assessments on group level. Where necessary, we initiate measures to avert or reduce risks. Risk reports outlining the current risk and opportunity situation are provided to Executive Board members and to the managing directors of individual companies on a monthly basis and to the Supervisory Board on a quarterly basis. The Executive Board is informed of special cases immediately and in turn reports these directly to the Supervisory Board.

Within our risk aggregation framework, we distinguish between the following six key areas of risk that could influence our business performance and our net asset, financial and earnings position.

Price risks and opportunities

In this category we subsume those uncertainties potentially arising on account of fluctuating market prices and exchange rates. One especially important factor affecting our generation earnings is the clean dark spread (CDS), which we take as representing the difference between the revenues generated from electricity sales on the one hand and the generation costs thereby incurred on the other. Generation costs are largely characterised by the procurement of fuels (coal and gas) and of emissions rights (CO_2). Given the high volatility shown by commodity prices in recent years, any time lag between electricity sales and commodity procurement harbours specific opportunities and risks. Selling electricity with a future delivery date where the required quantities of coal, gas and CO_2 rights have not yet been covered could lead to a variance in the profit margin expected from the transaction. The same principle applies by analogy to closed commodity and open electricity positions. Rising market prices for electricity would lead to lower margins in cases where we are not able to pass on higher procurement costs to end consumers on the sales side in all cases, or only following a certain delay.

To actively counter these price risks, 24/7 Trading GmbH, our central energy trading company, concludes appropriate hedging transactions. What's more, 24/7 Trading is also responsible for optimising our opportunities potential. Further information about this can be found on Page 52. In view of our current business activities, exchange rate movements only play a subordinate role.

Operating risks and opportunities

This area of risk encompasses operational, IT, model, organisational, personnel and security risks and opportunities. Operational risks, involving the potential breakdown of proprietary generating capacities, are a very important factor for the MVV Energie Group. In this case, financial losses could be expected. As a precaution, we reduce this risk by concluding suitable breakdown insurance policies. Moreover, we safeguard the operating capacity of our plants by performing regular checks during ongoing operations and scheduled inspections. We see this factor as also harbouring opportunities should we manage to boost power plant deployment levels due to shorter inspection periods. Energy supply projects, such as the construction of the transport pipeline to Speyer, often have very long terms. As a result, the design and costing standards for these projects are especially high. We minimise risks here by ensuring stringent project and quality management.

Attracting and retaining well-qualified employees and managers at our company represents a key pillar of our success. In view of this, we are supporting employees on all levels of the MVV Energie Group in targeted personnel development programmes. We are committed to helping our employees achieve a satisfactory work/life balance and are preparing for the effects of demographic change. We see only a low risk of suitable replacements being unavailable in the event of key personnel leaving the company. Further information about our social responsibility has been provided from Page 86 onwards.

Volume risks and opportunities

Volume risks and opportunities relate either to the turnover generated with the MVV Energie Group's products or to the procurement of input materials.

The most significant factor here involves weather conditions, particularly during the winter months. Should it be unusually mild during this period, then district heating and gas sales volumes may fall short of expectations. Corresponding opportunities arise when the winter turns out colder than expected. Further volume fluctuations may result from changes in consumption patterns due to energy efficiency measures or from changes in the underlying economic framework.

The business activities of the MVV Energie Group are only indirectly dependent on developments in the overall economy. In the previous year, individual industrial and commercial customers purchased less gas, district heating and electricity due to production stops or restrictions on account of the crisis. During the year under report, by contrast, many companies witnessed improvements in their business situations once again in the course of the economic recovery. Not only that, our sales volumes may also fluctuate due to defective quality, substitution, customer dependencies or new competitors in the liberalised market. Furthermore, the Group also faces procurement risks in the form of any deficiency in the quality or quantity of raw materials and supplies, supply bottlenecks and dependency on suppliers for specific products and utilities. To reduce our volume risks, we are relying on our energy trading activities and are also designing competitive products.

Legislative risks

We make a distinction between legal and regulatory risks. Those legal risks arising in connection with legal proceedings, supply obligations, product liability and erroneous or unenforceable contracts are limited centrally by the Group's legal department, which drafts and negotiates the corresponding contracts. Regulatory risks may arise on account of cartel, patent, accounting and tax law, as well as of approval procedures, special legal conditions, special public sector conditions and the requirements of environmental law. In particular, such risks may arise due to external interventions by federal authorities, such as the Federal Networks Agency (BNetzA), or by state authorities. These uncertainties relate for example to grid fees in the regulated business. In the 2009/10 financial year, the processes introduced by regulatory authorities to siphon off additional revenues also affected the MVV Energie Group. Here, additional revenues refer to those grid fee revenues levied until 2006 under the so-called Association Agreement (VV II+) and retrospectively classified by the authorities as excessive. The regulatory authorities have retrospectively calculated the additional revenues and will impute a portion of these to the revenue cap, thus lowering the cap, over the next two to three years. Further information about grid regulation has been provided on Page 56.

Alongside the risks resulting from grid regulation, earnings could also be affected by changes in the income and expenses for government-subsidised energy forms, such as those promoted under the German Renewable Energies Act (EEG). We are taking early, adequate actions to counter future regulatory risks, for example by playing an active role in the energy policy opinion-forming process. Further information about the potential opportunities and risks involved in the Federal Government's 2010 Energy Concept has been provided on Page 54.

Financing risks

We see financing risks as including liquidity and interest rate risks, as well as receivables default risks and risks resulting from non-compliance with the key financial figures agreed when taking up debt capital.

We work with a variety of instruments to limit our liquidity risks. One example of how we optimise our liquidity position is internal group cash pooling, a system which also impacts positively on net interest expenses. Furthermore, as a precaution we also improved our liquidity position by taking up two promissory note bonds in the 2008/09 financial year. Here, we agreed a covenant based on the equity ratio of the MVV Energie Group. Non-compliance would allow the lenders to terminate the facility prematurely. Given our comparatively strong equity base, we only see a low risk of non-compliance with this contractual requirement.

We see receivables default risk as involving the risk of our receivables not being settled, or only in part. We limit such risks by only performing our transactions with banks and trading partners of good credit standing. Where necessary, the provision of security and guarantees is agreed.

Outlook

Strategic risks and opportunities

We take strategic risk to denote the risk of the Group failing to meet its earnings targets due to inappropriate alignment in terms of its political, economic, technological, social or ecological environment.

Given the business performance of the MVV Energie Group, with its focus on growth, strategic risks could arise, for example, due to erroneous assessments of investments in municipal utility companies, company takeovers, joint ventures, alliances, disinvestments, projects, or new markets and technologies. We have implemented a variety of measures to avert these risks. The Group's strategy department monitors implementation of the strategic objectives laid down by the Executive Board. Planned new investments have to be approved by the Investment Committee. Particularly significant acquisition projects (M&A) are reviewed on the basis of strict economic criteria in conjunction with an overall assessment of the opportunity/risk position of the existing portfolio. With our MVV 2020 and "Once Together" strategy projects, we have optimised the management of our strategic risks. We see our strategic opportunities as lying in the growing importance of renewable energies and energy efficiency. We have longstanding experience and great technical expertise in these areas, which are also being promoted by the government. This head start over the competition provides the MVV Energie Group with good opportunities in the market.

Future macroeconomic framework

The German Council of Economic Advisors presented its annual survey on 9 November 2010, forecasting real-term growth in gross domestic product (GDP) of 3.7 % for 2010 as a whole compared with the low level seen in the 2009 crisis year. This scale of positive growth forecast had previously not been expected. The economic upturn in 2010 has been driven in particular by the export sector.

Growth of 2.2 % has been forecast for 2011 compared with 2010. It is difficult to issue any forecast concerning further economic developments. Notwithstanding its recovery, we still see the economy as being exposed to various uncertainties, mainly in connection with global economic developments.

Future situation in the sector

German energy markets are undergoing a process of ongoing and far-reaching structural change. Future structures in the energy industry will increasingly be shaped by the energy and climate policy decisions set out in the Federal Government's Energy Concept, adopted by the Federal Parliament on 28 October 2010. On the same date, parliament also approved the 11th and 12th amendments to the German Atomic Energy Act, the German Energy and Climate Fund Act (EKFG) and the German Nuclear Fuel Taxation Act. It remains to be seen whether the extension in the operating lifetimes of German nuclear power plants thereby adopted and intended to be implemented without approval by the German Federal Council will also stand up to the objections raised in terms of competition, cartel and constitutional law.

This extension in the operating lifetimes of German nuclear power plants will impact negatively on competition, and thus on those competitors not themselves operating nuclear power plants. Not only that, it will also affect the economic viability of the investments MVV Energie and its subsidiaries have made in recent years to modernise and replace power plants, and to build new plants, acting in the belief that the nuclear energy exit was a fait accompli. In view of these new circumstances, we will also be subjecting our planned investment measures to careful scrutiny. We will nevertheless basically be upholding our investment programme of Euro 3 billion by 2020.

Implementation of strategic realignment

With its strategic realignment, the MVV Energie Group is proactively adapting to meet the new challenges presented by the competitive, regulatory and political framework. This way, we are laying foundations for the company's further growth. Details of our corporate strategy have been provided on Pages 46 to 50 of this Annual Report. We expect the Supervisory Boards of Stadtwerke Kiel AG, Energieversorgung Offenbach AG and MVV Energie AG to approve the specific structure of our "Once Together" group project by the end of December 2010. It will then be possible to implement our partnership-based company model at our locations in Mannheim, Kiel and Offenbach in the 2010/11 financial year.

Our partnership model is motivated by a common understanding of the autonomous course pursued by our group of companies. We thus aim to work together to strengthen and promote the further successful development of our group of companies, with its municipal roots and strong regional identities, within the changing energy market. The regional identities of individual companies form a key pillar of our strategic realignment, as do measures intended to boost their regional strengths. The companies should contribute their strengths to the Group, jointly exploit potential for optimisation and leverage further synergies.

Our future markets

Our energy mix will be broader and more varied in future. Alongside conventional technologies, we are increasingly relying on **RENEWABLE ENERGIES** in our generation of electricity and heating energy. In line with our MVV 2020 strategy, we will be focusing our future electricity and heating energy generation activities on (onshore) wind energy and biomass. We established a new generation division at our Mannheim location in October 2010. This division will implement the forthcoming investments in the expansion of renewable energies capacities at our Group as efficiently as possible and on the necessary scale. Moreover, we aim to draw on our expertise in building and operating biomass plants and small decentralised cogeneration plants in our energy-related services business as well. We intend to step up our biogas and biomethane generation capacities on a double-digit megawatt scale over the next five years.

One of our most important future markets is the environmentally-friendly, cogeneration-based **SUPPLY OF DISTRICT HEATING**, which we aim to expand at all of the Group's locations. Here, we are already one of the largest providers in the German market. Information about current district heating projects at our locations in Mannheim, Kiel, Offenbach and Ingolstadt can be found in the Corporate Strategy (Page 46) and Sustainability (Page 78) chapters.

In the **WASTE MARKET** as well, with our MVV Umwelt GmbH subsidiary we are one of the top players in Germany and Europe when it comes to the use of trailblazing waste incineration technology. We exploit the energy potential available in household and commercial waste as an important resource for generating heating energy and electricity simultaneously. State-of-the-art power plant technology and all-round experience in planning, building and operating power plants guarantee that the waste is put to safe, optimal use in a way that makes both economic and ecological sense. The British waste market offers opportunities for exporting our expertise in generating energy from waste. Via its wholly-owned subsidiary MVV Environment Ltd., MVV Umwelt GmbH is sounding out the UK market and participating in multistage bidding processes for the construction of energy from waste plants.

In our **SALES BUSINESS** we aim to consistently maintain the successful course already taken with innovative products such as the Electricity and Gas Funds. To this end, we will be further extending our nationwide industrial customer sales business in the coming years, supplementing our existing product portfolio and boosting our sales team.

Future research and development activities

Energy market liberalisation and the universal availability of modern information and communications technologies are opening up new market models for so-called virtual power plants. These involve pooling small decentralised generation plants with large individual consumers within a single energy management system. The result is rapidly controllable, available power plant output offering corresponding marketing opportunities on various levels of the energy market. To this end, we are developing technical solutions and business models in various inter-divisional projects, such as Model City Mannheim. The "moma – Model City Mannheim" project established to research the energy system of the future successfully entered its second stage on 1 October 2010. Having investigated the technological preconditions for a smart electricity grid in the first stage, practical tests are now underway, initially with 200 trial customers. As part of the E-Energy beacon project promoted by the Federal Government, moma is concentrating on the integration of decentralised and renewable electricity generators into the electricity grid. Fluctuating generation and consumption volumes are to be accounted for with new market and grid management mechanisms, while at the same time safeguarding the reliability and enhancing the efficiency of the energy supply. This key "moma" task is being addressed by nine consortium partners under the leadership of MVV Energie AG. The final stage of the "moma" research project, involving up to 1500 participants, is set to begin in August 2011.

The opening of Mannheim's first vehicle electricity charging point in front of MVV Energie's headquarters in April 2010 provided a visible kick-off for a whole series of projects in the forward-looking field of electro-mobility. The Future Fleet pilot project is being promoted by the Federal Ministry for the Environment. Here, we are working together with SAP AG and other partners to investigate opportunities for using electric vehicles in company car fleets. The aim is to integrate around 30 electric vehicles into the company car pools and install around 50 charging points at several of MVV Energie's and SAP's locations. The infrastructure and vehicle pool will be ready for deployment in January 2011. Furthermore, we have reached agreement with the Essen-based company mia electric GmbH concerning the purchase of 20 electric cars. These will be delivered in summer 2011. Not only that, in cooperation with companies in Mannheim, we will be deploying a climate-neutral electric bus in municipal traffic and as a shuttle service.

Future earnings position

Notwithstanding improved growth forecasts for Germany, we are reserved in our assessment of further macroeconomic developments in the 2010/11 financial year. The German Council of Economic Advisors also believes that the export-driven upturn could wane once again. We see the high volumes of debt accumulated by some euro area member states and developments on financial markets as the main sources of risk and uncertainty. It remains to be seen how the consolidation measures taken by European governments and the European Central Bank (ECB), current tensions on the currency markets and the further development in the euro will impact on the future development in the German economy.

Our sector is also subject to uncertainties in terms of its ongoing development. Energy markets are currently undergoing far-reaching structural change. Even after the adoption of the Federal Government's Energy Concept, many of the specific structural issues crucial for the future energy policy framework are still undecided or subject to review. Price competition on electricity and gas markets is set to intensify further, accompanied by increasing willingness on the part of customers to change provider. Also significant is the expiry of large numbers of concession agreements between local authorities and energy suppliers across Germany in the coming years, as well as the development in CO_2 emissions rights, which from 2013 onwards will no longer be allocated free of charge. Alongside the electricity and gas markets, the German water industry is also witnessing increased intervention by cartel authorities.

Future sales and earnings performance

The MVV Energie Group has compiled its sales and earnings budgets for the 2010/11 financial year by reference to uniform group assumptions based on the strategic realignment begun in the previous year. In line with the value creation stage model, the budgeting process at the Mannheim, Kiel and Offenbach locations has been uniformly converted for the first time to the reporting segments of Generation and Infrastructure, Trading and Portfolio Management, Sales and Services, Strategic Investments and Other Activities.

This fundamental change in the budgeting approach compared with the previous product-based perspective has restricted comparability of the Group's future sales and earnings performance with previous financial years. We have outlined the contents of the new reporting segments in the Corporate Strategy chapter.

We are cautiously optimistic in our assessment of the sales and earnings performance of the MVV Energie Group in the 2010/11 financial year. In terms of our sales (excluding energy taxes), assuming that weather conditions are normal we expect to be able to match the high previous year's level of sales (Euro 3.36 billion) in the 2010/11 financial year as well. This assessment is backed up in particular by the expansion in our wind energy capacities, the further expansion expected in the nationwide sales business and the expansion in our district heating supply.

Our earnings performance will continue to be characterised by the unstable underlying framework in coming financial years as well, a factor that makes it more difficult to issue forecasts. Among the underlying conditions relevant to our business are future developments in energy prices, the Federal Government's new Energy Concept, weather conditions and regulatory and competitive factors. Alongside these uncertain external parameters, the future earnings of the MVV Energie Group will also be affected by the strategic alignment and implementation of the "Once Together" group project. By 2020, the MVV Energie Group intends to cut almost 500 full-time jobs (net). This figure represents the net balance of positions no longer required and jobs newly created in sustainable divisions. These personnel cuts will be implemented in a socially responsible manner, largely by drawing on compensation regulations and part-time early retirement programmes. The personnel measures will make it necessary to state a higher volume of provisions in the 2010/11 financial year. Driven by joint efficiency enhancements, we aim to generate material and personnel cost savings at the MVV Energie Group over the next three years. These cost savings should rise annually, reaching a scale of between Euro 20 million and Euro 30 million in the 2012/13 financial year compared with the 2009/10 financial year.

Future net asset and financial position

Our investment and financial planning for the coming financial years will be affected by our strategic realignment. The MVV Energie Group has a solid equity basis enabling it to maintain a well-balanced mix of financing for the investments of around Euro 3 billion it has planned for the next ten years both with funds generated internally and with funds obtained via the capital markets. We will make efficient use of our financing potential, investing in a targeted manner in value-adding growth projects consistent with our strategic framework and meeting our project-specific profitability requirements.

Our group of companies has sufficient funds to meet its future liquidity requirements. We currently see no financial restrictions for the MVV Energie Group due to rising borrowing costs. Our principal financing funds are derived in particular from our operating cash flow and by taking up new loans. The companies within our Group had committed and as yet unutilised credit lines of more than Euro 300 million at the end of the 2009/10 financial year.

MVV Energie is upholding its dividend policy, with its focus on continuity, to ensure that our shareholders benefit from a solid return in future as well.

Future opportunities and risks

From a current perspective, there are no indications of any risks that could endanger the company's continued existence in the further course of the 2010/11 financial year or beyond. No further risks have been added to the six categories (price risks and opportunities, operating risks and opportunities, volume risks and opportunities, legislative risks, financing risks, strategic risks and opportunities) listed in our 2009/10 Opportunity and Risk Report (Pages 91 to 94). The key future challenges, namely climate protection, energy efficiency and the sparing use of resources, and our strategic alignment to help us meet these challenges offer our Group opportunities to generate profitable growth in the medium and long terms.

Forward-looking statements and forecasts

Our Group Management Report includes forward-looking statements based on assumptions and assessments on our part. Although the Executive Board is convinced that these assumptions and budgets are accurate, a large number of internal and external factors mean that actual future developments and actual future results may deviate from these forecasts.

Among other factors, this also applies to the Energy Concept adopted by the German Federal Parliament on 28 October 2010. Many of the specific structural issues crucial to the future energy policy framework are still undecided or subject to review even after approval of the Energy Concept.

Consolidated Financial Statements

Balance Sheet
as of 30.9.2010

Balance sheet of the MVV Energie Group

Euro 000s	**30.9.2010**	30.9.2009	Notes
Assets			
Non-current assets			
Intangible assets	310 946	329 850	1
Property, plant and equipment	2 057 796	1 995 644	2
Investment property	6 058	6 317	3
Associates	92 960	75 138	4
Other financial assets	91 900	103 377	5
Other receivables and assets	121 989	272 389	6
Deferred tax assets	2 907	11 991	19
	2 684 556	**2 794 706**	
Current assets			
Inventories	57 448	50 788	7
Trade receivables	432 151	463 294	8
Other receivables and assets	270 631	282 356	6
Tax receivables	44 011	40 359	9
Securities	1 495	1 534	
Cash and cash equivalents	147 101	321 170	10
	952 837	**1 159 501**	
	3 637 393	**3 954 207**	
Equity and liabilities			
Equity			11
Share capital	168 721	168 721	
Capital reserve	455 241	455 241	
Accumulated net income	452 089	371 409	
Accumulated other comprehensive income	15 684	14 739	
Capital of the MVV Energie Group	**1 091 735**	**1 010 110**	
Minority interests	95 395	103 029	
	1 187 130	**1 113 139**	
Non-current debt			
Provisions	114 395	114 387	12, 13, 14
Financial debt	1 055 804	1 073 074	15
Other liabilities	183 077	376 126	16
Deferred tax liabilities	147 171	134 274	19
	1 500 447	**1 697 861**	
Current debt			
Other provisions	181 872	156 223	12, 14
Tax provisions	23 010	24 366	12, 14
Financial debt	293 009	439 681	15
Trade payables	251 979	236 816	17
Other liabilities	156 360	243 620	16
Tax liabilities	43 586	42 501	18
	949 816	**1 143 207**	
	3 637 393	**3 954 207**	

Statement of Comprehensive Income
from 1.10.2009 to 30.9.2010

Income statement of the MVV Energie Group

Euro 000s	**2009/2010**	2008/2009	Notes
Sales	3 548 371	3 330 960	
less electricity and natural gas taxes	189 156	169 965	
Sales after electricity and natural gas taxes	**3 359 215**	**3 160 995**	22
Changes in inventories	– 603	– 4 290	
Own work capitalised	15 338	16 662	23
Other operating income	505 759	317 228	24
Cost of materials	2 524 173	2 343 563	25
Personnel expenses	323 118	314 186	26
Other operating expenses	566 623	685 224	27
Income from associates	11 085	4 287	28
Other income from shareholdings	– 6 221	4 511	28
EBITDA	**470 659**	**156 420**	
Depreciation	159 007	146 033	29
EBITA	**311 652**	**10 387**	
Goodwill amortisation	3 343	—	30
Restructuring expenses	—	32 952	31
EBIT	**308 309**	**– 22 565**	
of which result of IAS 39 derivative measurement	68 890	– 228 557	
of which EBIT before result of IAS 39 derivative measurement	239 419	205 992	
Financing income	8 599	10 392	32
Financing expenses	82 634	84 213	33
EBT	**234 274**	**– 96 386**	
Taxes on income	80 801	– 21 374	34
Annual net surplus/deficit	**153 473**	**– 75 012**	
of which minority interests	14 452	701	
of which share of earnings attributable to shareholders in MVV Energie AG (annual net surplus/deficit after minority interests)	**139 021**	**– 75 713**	35
Basic and diluted earnings per share in Euro	**2.11**	**– 1.15**	35

Statement of income and expenses recognised in group equity

Euro 000s	**2009/2010**	2008/2009
Annual net surplus/deficit	**153 473**	**– 75 012**
Cash flow hedges	671	– 11 604
Differential amounts from currency translation	2 181	– 1 131
Other income and expenses	**2 852**	**– 12 735**
Comprehensive income	**156 325**	**– 87 747**
Minority interests	16 359	– 2 465
Comprehensive income attributable to shareholders in MVV Energie AG	**139 966**	**– 85 282**

Statement of Changes in Equity

Statement of changes in equity of the MVV Energie Group

	Equity contributed		Equity generated							
			Accumulated net income			Accumulated other comprehensive income				
Euro 000s	Share capital of MVV Energie AG	Capital reserve of MVV Energie AG	Statutory reserve of MVV Energie AG	IAS reserve	Group equity generated	Differential amount from currency translation	Fair value measure-ment of financial instruments	**Capital of the MVV Energie Group**	Minority interests	**Total capital**
Balance at 1.10.2008	**168 721**	**455 241**	**1 278**	**171 385**	**332 758**	**17 256**	**7 052**	**1 153 691**	**116 061**	**1 269 752**
Income and expenses recognised in equity	—	—	—	—	—	– 905	– 8 664	– 9 569	– 3 166	– 12 735
Result of business operations	—	—	—	—	– 75 713	—	—	– 75 713	701	– 75 012
Comprehensive income for period	**—**	**—**	**—**	**—**	**– 75 713**	**– 905**	**– 8 664**	**– 85 282**	**– 2 465**	**– 87 747**
Dividend distribution	—	—	—	—	– 59 316	—	—	– 59 316	– 12 034	– 71 350
Change in retained earnings	—	—	—	—	423	—	—	423	– 117	306
Change in scope of consolidation	—	—	—	—	594	—	—	594	1 584	2 178
Balance at 30.9.2009	**168 721**	**455 241**	**1 278**	**171 385**	**198 746**	**16 351**	**– 1 612**	**1 010 110**	**103 029**	**1 113 139**
Income and expenses recognised in equity	—	—	—	—	—	1 963	– 1 018	945	1 907	2 852
Result of business operations	—	—	—	—	139 021	—	—	139 021	14 452	153 473
Comprehensive income for period	**—**	**—**	**—**	**—**	**139 021**	**1 963**	**– 1 018**	**139 966**	**16 359**	**156 325**
Dividend distribution	—	—	—	—	– 59 316	—	—	– 59 316	– 11 921	– 71 237
Capital increase/ reduction at subsidiaries	—	—	—	—	—	—	—	—	– 854	– 854
Change in scope of consolidation	—	—	—	—	975	—	—	975	– 11 218	– 10 243
Balance at 30.9.2010	**168 721**	**455 241**	**1 278**	**171 385**	**279 426**	**18 314**	**– 2 630**	**1 091 735**	**95 395**	**1 187 130**

The amendment to IAS 1 led to an amended presentation of the statement of changes in equity in the 2009/10 financial year. The comparative year has been adjusted accordingly.
Further information about equity has been provided under Note 11.

Segment Report

Segment report of the MVV Energie Group

	External sales excluding energy taxes		Intercompany sales excluding energy taxes		Scheduled depreciation		Impairment losses and restructuring	
Euro 000s	**2009/2010**	2008/2009	**2009/2010**	2008/2009	**2009/2010**	2008/2009	**2009/2010**	2008/2009
Electricity	2 009 615	1 760 137	64 890	58 115	22 104	24 567	11	—
District heating	306 791	293 453	17 009	24 304	28 061	25 924	4 548	487
Gas	429 185	486 383	32 445	30 580	14 168	15 663	—	—
Water	99 830	100 514	266	398	10 750	10 767	—	—
Value-added services	307 334	308 156	58 876	75 056	19 852	19 159	16 861	33 052
Environmental energy	187 620	194 402	41 638	44 147	32 342	35 944	—	—
Other	18 840	17 950	85 381	70 050	13 290	13 005	363	417
Consolidation	—	—	– 300 505	– 302 650	—	—	—	—
MVV Energie Group	**3 359 215**	**3 160 995**	**—**	**—**	**140 567**	**145 029**	**21 783**	**33 956**

Segment report of the MVV Energie Group

	Adjusted EBIT		Non-cash income and expenses		Income from associates		Investments	
Euro 000s	**2009/2010**	2008/2009	**2009/2010**	2008/2009	**2009/2010**	2008/2009	**2009/2010**	2008/2009
Electricity	54 427	34 605	6 016	11 185	5 506	1 614	29 028	27 411
District heating	47 679	35 554	1 226	823	1 685	—	57 814	55 802
Gas	58 167	66 272	3 250	– 833	124	307	17 587	12 663
Water	13 070	14 061	844	707	—	—	12 526	11 661
Value-added services	3 837	18 195	3 214	594	3 130	—	42 491	51 633
Environmental energy	61 858	70 668	4 901	3 794	– 2 677	48	26 241	64 596
Other	462	– 661	8 281	12 847	3 317	2 318	16 256	13 991
Consolidation	– 81	250	—	—	—	—	—	—
MVV Energie Group	**239 419**	**238 944**	**27 732**	**29 117**	**11 085**	**4 287**	**201 943**	**237 757**

The first-time application of IFRS 8 has led to changes in the presentation of the segment report.
The previous year's figures have been adjusted accordingly.
Further information about segment reporting has been provided under Note 36.

Cash Flow Statement[1]

Cash flow statement of the MVV Energie Group

Euro 000s	**2009/2010**	2008/2009
Annual net surplus/deficit before taxes on income	234 274	–96 386
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	162 350	177 504
Net financial result	74 035	73 821
Interest received	8 494	7 644
Change in non-current provisions	11 707	–7 206
Other non-cash income and expenses	–54 120	238 544
Result of disposal of non-current assets	3 302	–7 701
Cash flow before working capital and taxes	**440 042**	**386 220**
Change in other assets	–27 237	–99 358
Change in other liabilities	–14 725	66 031
Change in current provisions	13 738	–38 580
Income taxes paid	–56 199	–56 643
Cash flow from operating activities	**355 619**	**257 670**
Investments in intangible assets, property, plant and equipment and investment property	–201 943	–237 757
(Free cash flow)	**(153 676)**	**(19 913)**
Proceeds from disposals of intangible assets, property, plant and equipment and investment property	17 435	20 981
Proceeds from subsidy payments	13 042	12 632
Proceeds from sale of fully and proportionately consolidated companies	—	34 800
Proceeds from sale of other financial assets	5 734	8 909
Payments for acquisition of fully and proportionately consolidated companies[2]	–9 946	1 193
Payments for other financial assets	–28 386	–18 811
Cash flow from investing activities	**–204 064**	**–178 053**
Proceeds from taking up of loans	128 216	672 867
Payments for redemption of loans	–308 693	–380 676
Dividend payment	–59 316	–59 316
Dividend payment to minority shareholders	–11 921	–12 034
Changes due to capital reduction/increase at minority shareholders	–854	—
Interest paid	–76 394	–74 959
Cash flow from financing activities	**–328 962**	**145 882**
Cash-effective changes in cash and cash equivalents	–177 407	225 499
Change in cash and cash equivalents due to currency translation	708	–1 452
Change in cash and cash equivalents due to changes in scope of consolidation	2 630	—
Cash and cash equivalents at 1.10.2009 (2008)	321 170	97 123
Cash and cash equivalents at 30.9.2010 (2009)	**147 101**	**321 170**

Cash flow – aggregate presentation

Euro 000s	2009/2010	2008/2009
Cash and cash equivalents at 1.10.2009 (2008)	**321 170**	**97 123**
Cash flow from operating activities	355 619	257 670
Cash flow from investing activities	– 204 064	– 178 053
Cash flow from financing activities	– 328 962	145 882
Change in cash and cash equivalents due to currency translation	708	– 1 452
Change in cash and cash equivalents due to changes in scope of consolidation	2 630	—
Cash and cash equivalents at 30.9.2010 (2009)	**147 101**	**321 170**

1 further information about the cash flow statement has been provided under Note 37
2 please see explanations under "Scope of Consolidation and Changes in Scope of Consolidation"

Notes to the 2009/2010 Consolidated Financial Statements
of the MVV Energie Group

General principles

The consolidated financial statements of the MVV Energie Group have been prepared pursuant to § 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 Interpretations Committee (IFRIC) as adopted by the European Union. Full application has been made of all of the standards of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union and requiring mandatory application as of 30 September 2010.

The consolidated financial statements have been prepared as of the balance sheet date for the annual financial statements of MVV Energie AG and refer to the 2009/10 financial year (1 October 2009 to 30 September 2010). 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. Environmental energy activities focus on the incineration of 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 the income statement, the statement of income and expenses recognised in group equity, the statement of changes in equity, the segment report and the cash flow statement have been presented separately. The income statement has been prepared 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 Executive Board of MVV Energie AG is responsible for the preparation, completeness and accuracy of the consolidated financial statements and the group management report. The consolidated financial statements and group management report were approved for publication by the Executive Board on 26 November 2010 and forwarded to the Supervisory Board for adoption.

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Changes in accounting policies

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have revised or newly adopted some standards and interpretations which require mandatory application for the first time in the 2009/10 financial year. The MVV Energie Group applied the following standards and interpretations for the first time in the 2009/10 financial year:

Improvement Project (2008/2009)	Omnibus Standard Amending Various IFRSs
IAS 1 Amendment (2007)	Presentation of Financial Statements
IAS 23 Amendment (2007)	Capitalisation of Borrowing Costs
IAS 32 and IAS 1	Financial Instruments: Presentation (Puttable Instruments)
IFRS 1/IAS 27 Amendments (2008)	First-time Adoption of International Financial Reporting Standards and Consolidated and Separate Financial Statements
IFRS 2 Amendment (2008)	Share-based Payment (Vesting Conditions and Cancellation)
IFRS 3/IAS 27 Amendment (2008)	Business Combinations and Consolidated and Separate Financial Statements
IFRS 7 Amendment (2009)	Improving Disclosures on Financial Instruments
IFRS 8	Operating Segments
IFRIC 9/IAS 39 Amendment (2009)	Embedded Derivatives
IFRIC 12	Service Concession Arrangements
IAS 39 (2008)	Recognition and Measurement (Eligible Hedged Item)
IAS 39 (2008)	Reclassifications of Financial Assets

IMPROVEMENT PROJECT (2008) AND (2009) "IMPROVEMENTS TO IFRSs": Within the framework of annual adjustments, the IASB pooled minor amendments and clarifications to various standards in an omnibus standard. These amendments are intended to specify requirements and to eliminate unintended inconsistencies between the standards. The amendments require first-time application in financial years beginning on or after 1 January 2009 and 1 January 2010 respectively. EU endorsement was provided in January 2009 for the 2008 amendments and in March 2010 for the 2009 amendments.

IAS 1 AMENDMENT (2007) "PRESENTATION OF FINANCIAL STATEMENTS: The amendments relate in particular to the introduction of a statement of comprehensive income including both the earnings generated in a given period and as yet unrealised gains and losses previously recognised in equity. This statement replaces the income statement in its previous form. As a result of this amendment, non-owner related changes in equity will in future be strictly separated from owner-related changes in equity. Extended disclosures also have to be made on other comprehensive income. This amendment to the standard requires first-time application in financial years beginning on or after 1 January 2009. It was endorsed by the EU in December 2008.

IAS 23 AMENDMENT (2007) "CAPITALISATION OF BORROWING COSTS": The revised version of IAS 23 has abolished the previous option of recognising borrowing costs directly incurred on the acquisition, construction or production of qualifying assets immediately through profit or loss. In future, these borrowing costs will require mandatory capitalisation as costs of acquisition or manufacture. The amendment to the standard requires first-time application in financial years beginning on or after 1 January 2009. It was endorsed by the EU in December 2008.

IAS 32 AND IAS 1 (2008) "FINANCIAL INSTRUMENTS: PRESENTATION (PUTTABLE INSTRUMENTS)": This standard is of crucial importance for the delineation of equity and debt capital. The new version allows puttable instruments to be classified as equity in specific circumstances. This is dependent on compensation being agreed at fair value and that the contributions thereby made represent the most subordinate claim to the net assets of the company. The amendment to the standard requires first-time application in financial years beginning on or after 1 January 2009. It was endorsed by the EU in January 2009.

IFRS 1/IAS 27 AMENDMENTS (2008) "FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS" and **"CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS":** These amendments mainly involve the introduction of simplifications for the initial measurement of subsidiaries and for the separation of profits in the acquisition period. The amendment to the standard requires first-time application in financial years beginning on or after 1 January 2009. It was endorsed by the EU in January 2009.

IFRS 2 AMENDMENT (2008) "SHARE-BASED PAYMENT (VESTING CONDITIONS AND CANCELLATION)": This defines the vesting conditions for share-based payment plans more precisely and specifies the regulations applicable in the event of the premature termination of payment plans. The amendment to the standard requires first-time application in financial years beginning on or after 1 January 2009. It was endorsed by the EU in December 2008.

IFRS 3/IAS 27 AMENDMENTS (2008) "BUSINESS COMBINATIONS" and **"CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS":** As well as the option of measuring minority interests at fair value (full goodwill approach) or at prorated net assets upon a business acquisition, these amendments introduce the reassessment through profit or loss of shares held upon control ultimately being gained and the recognition directly in equity of changes in the level of shareholding not leading to a loss of control. Also worthy of mention are the mandatory recognition upon acquisition of any consideration contingent on future events and the recognition of transaction expenses through profit or loss. The amendment to the standard requires first time application in financial years beginning on or after 1 July 2009. It was endorsed by the EU in June 2009.

IFRS 7 AMENDMENT (2009) "IMPROVING DISCLOSURES ON FINANCIAL INSTRUMENTS": This amendment provides for extended disclosures on fair value measurements and liquidity risk. The amendment to the standard requires first-time application in financial years beginning on or after 1 January 2009. It was endorsed by the EU in November 2009.

IFRS 8 "OPERATING SEGMENTS": IFRS 8 replaces the previous standard IAS 14. This standard stipulates that operating segments must be identified on the basis of the company's internal reporting structures (management approach). The standard requires first-time application in financial years beginning on or after 1 January 2009. It was endorsed by the EU in November 2007.

IFRIC 9/IAS 39 AMENDMENT (2009): "EMBEDDED DERIVATIVES": This amendment clarifies the accounting treatment of embedded derivatives for companies which makes use of a reclassification. The amendment to this interpretation and standard requires first-time application in financial years beginning on or after 1 January 2009. It was endorsed by the EU in November 2009.

IFRIC 12 "SERVICE CONCESSION ARRANGEMENTS": This interpretation governs the recognition of arrangements where the public sector concludes contracts with private companies involving the performance of public sector tasks. To perform these tasks, the private company uses infrastructure which remains at the disposal of the public sector. The private company is responsible for the construction, operation and maintenance of the infrastructure. The interpretation requires first-time application at the MVV Energie Group in financial years beginning on 1 October 2009. It was endorsed by the EU in March 2009.

IAS 39 (2008) "RECOGNITION AND MEASUREMENT (ELIGIBLE HEDGED ITEM)": This standard specifies the application of hedge accounting to hedges of the unilateral risks involved in a hedged item and to hedged items involving inflation. The amendment to the standard requires first-time application in financial years beginning on or after 1 July 2009. It was endorsed by the EU in September 2009.

IAS 39 (2008) "RECLASSIFICATIONS OF FINANCIAL ASSETS": The revision of the standard allows the reclassification of some financial instruments out of the measured at fair value through profit or loss and available for sale categories in specified circumstances and deems such reclassification to be permissible. The amendment to the standard requires first-time application in financial years beginning on or after 15 October 2008. It was endorsed by the EU in October 2008.

The first-time application of these amendments did not have any material implications for the net asset, financial or earnings position of the MVV Energie Group. The first-time application of IAS 1 led the consolidated financial statements of the MVV Energie Group to be extended by the statement of income and expenses recognised in group equity and to amendments in the presentation of the statement of changes in equity. The amendments in the presentation of the segment report due to the first-time application of IFRS 8 have been outlined under Note 36 Segment Reporting. The comparative period has been adjusted accordingly.

Implications of new accounting standards not yet requiring application:

The IASB and the IFRIC have published the following standards and interpretations not yet requiring mandatory application in the 2009/10 financial year and of which no voluntary premature application has been made:

IFRS 1 Amendment (2010)	Limited Exemption from IFRS 7 Disclosures for First-time Adopters
IFRS 1 Amendment (2008)	First-time Adoption of International Financial Reporting Standards
IFRS 2 Amendment (2009)	Clarification of Accounting for Group Cash-settled Share-based Payment Transactions
IAS 24 Amendment (2009)	Related Party Disclosures
IFRIC 14 Amendment (2009)	Prepayment of a Minimum Funding Requirement
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

IFRS 1 AMENDMENTS (2010) "LIMITED EXEMPTION FROM IFRS 7 DISCLOSURES FOR FIRST-TIME ADOPTERS": As first-time adopters of IFRS do not enjoy the exemption from comparative disclosures for fair value measurements and liquidity risks provided for by IFRS 7 in cases in which the comparative periods end before 31 December 2009, this amendment to IFRS 1 is now intended to provide an exemption for these companies as well. The amendment to the standard requires first-time application in financial years beginning on or after 1 July 2010. It was endorsed by the EU in June 2010.

IFRS 1 AMENDMENTS (2008) "FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS": The version of IFRS 1 now published retains the contents of the previous version with an amended structure. The amendment to the standard requires first-time application in financial years beginning on or after 1 January 2010. It was endorsed by the EU in November 2009.

IFRS 2 AMENDMENT (2009) "CLARIFICATION OF ACCOUNTING FOR GROUP CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS": This amendment clarifies how an individual subsidiary within a group should account for specific share-based payment agreements in its own financial statements. The amendment to the standard requires first-time application in financial years beginning on or after 1 January 2010. It was endorsed by the EU in March 2010.

IAS 24 AMENDMENTS (2009) "RELATED PARTY DISCLOSURES": The version of IAS 24 now published is intended to simplify the definition of related parties, to eliminate specific inconsistencies and to exempt companies closely related to public sector organisations from specified related party disclosures. The amendment to the standard requires first-time application in financial years beginning on or after 1 January 2011. It was endorsed by the EU in July 2010.

IFRIC 14 AMENDMENT (2009) "PREPAYMENT OF A MINIMUM FUNDING REQUIREMENT": This amendment is intended to remedy an unintended consequence in which a company subject to a minimum funding requirement makes an advance contribution in a situation where companies that make such prepayments may be required in specified circumstances to recognise these as expenses. According to this amendment to IFRIC 14, where a defined benefit plan is subject to a minimum funding requirement, this prepayment must be treated like any other prepayment as an asset. The interpretation requires first-time application in financial years beginning on or after 1 January 2011. It was endorsed by the EU in July 2010.

IFRIC 15 "AGREEMENTS FOR THE CONSTRUCTION OF REAL ESTATE": This interpretation governs the applicability of the competing standards IAS 11 and IAS 18 in respect of real estate sales where the contract is concluded with the buyer prior to the completion of construction work. The interpretation requires first-time application in financial years beginning on or after 1 January 2010. It was endorsed by the EU in July 2009.

IFRIC 17 "DISTRIBUTIONS OF NON-CASH ASSETS TO OWNERS": This interpretation governs how a company must measure assets other than cash which it transfers to owners by way of profit distribution. The interpretation requires first-time application in financial years beginning on or after 1 November 2009. It was endorsed by the EU in November 2009.

IFRIC 18 "TRANSFERS OF ASSETS FROM CUSTOMERS": This interpretation clarifies the requirements of IFRS for arrangements in which a company receives property, plant or operating funds from a customer which the company must then use either to connect the customer to a distribution network or to provide the customer with ongoing access to a supply of goods or services. It also deals with cases where a company receives cash on the condition that it will acquire or manufacture one of the aforementioned assets. This interpretation, which was published in January 2009, requires first-time application in financial years beginning on or after 1 November 2009. It was endorsed by the EU in November 2009.

IFRIC 19 "EXTINGUISHING FINANCIAL LIABILITIES WITH EQUITY INSTRUMENTS": This interpretation provides guidelines for the accounting treatment of equity instruments issued by a debtor to extinguish a financial liability in part or in full following renegotiation of the relevant terms. This interpretation, which was published in November 2009, requires first-time application in financial years beginning on or after 1 July 2010. It was endorsed by the EU in July 2010.

The implications of the first-time application of IFRIC 14, IFRIC 15, IFRIC 17, IFRIC 18 and IFRIC 19, as well as of the amendments to IFRS 1, IFRS 2 and IAS 24, for the consolidated financial statements of the MVV Energie Group are currently under review. Apart from the amendments required in the presentation of the financial statements, the first-time application of these requirements is not expected to have any material 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, all material German and foreign subsidiaries in which MVV Energie AG directly or indirectly holds a majority of the voting rights have been included in the consolidated financial statements of the MVV Energie Group for the 2009/10 financial year. 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. Material associates have been accounted for at equity, while material joint ventures have been proportionately consolidated.

Scope of consolidation

	30.9.2010	30.9.2009
Number of companies fully consolidated	61	56
Number of companies accounted for at equity	12	6
Number of companies proportionately consolidated	7	7

A list of the shareholdings of the MVV Energie Group can be found from page 169 onwards and has also been published in the electronic Federal Gazette (Bundesanzeiger).

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

- Götzfried + Pitzer Entsorgung GmbH, Ulm
- G-LINDE s.r.o., Prague, Czech Republic
- G-RONN s.r.o., Prague, Czech Republic
- IROMEZ s.r.o., Pelhřimov, Czech Republic
- Vodovody a kanalizace Studénka s.r.o., Studénka, Czech Republic (upon initial consolidation: MVV Holding s.r.o., Prague)
- MVV Windpark Plauerhagen GmbH & Co. KG, Rerik, (upon initial consolidation: e.n.o. energy Standort 12 GmbH & Co. KG, Rerik)
- MVV Windenergie GmbH, Mannheim, (upon initial consolidation: MVV Alpha dreizehn GmbH, Mannheim)
- Pelhřimovské teplo s.r.o., Prague, Czech Republic

The initial inclusion of these companies in the consolidated financial statements did not result in any material changes in the net asset, financial or earnings position of the Group.

G-LINDE s.r.o., G-RONN s.r.o. and Pelhřimovské teplo s.r.o. are newly founded companies. Vodovody a kanalizace Studénka s.r.o. and MVV Windenergie GmbH involve shelf companies already existing within the MVV Energie Group.

In the 2009/10 financial year, MVV Energiedienstleistungen Wohnen GmbH & Co. KG, Berlin, was merged into MVV Energiedienstleistungen Mitte GmbH, Berlin. The receiving company is a group company. The merger had no implications for the net asset, financial and earnings position of the Group.

Vodovody a kanalizace Studénka s.r.o., Czech Republic, has also been included in the scope of consolidation. This is a company of MVV Energie AG that was previously not operationally active and that has been acquired at book value by MVV Energie CZ a.s., Prague, Czech Republic.

In the 2009/10 financial year the Group also acquired 100 % of the shares in IROMEZ s.r.o., Pelhřimov, Czech Republic. The fair values of the company's assets and liabilities identifiable upon acquisition are presented in the following table. The purchase price allocation for the company thereby acquired has currently not been completed; the figures stated in the table are therefore still subject to amendment. The goodwill thereby arising was recognised under intangible assets. The costs directly attributable to the acquisition, amounting to Euro 139 thousand, were directly expensed.

MVV Umwelt GmbH, Mannheim, acquired the remaining 10.2 % of the shares in MVV BMKW Mannheim GmbH, Mannheim, from BHG Biomasse Handelsgesellschaft mbH, Mannheim. The purchase price amounted to Euro 1 450 thousand. Until the beginning of the 3rd quarter of 2009/10, BHG Biomasse Handelsgesellschaft mbH, Mannheim, was reported as a wholly-owned other majority shareholding. In the 3rd quarter of 2009/10, the shares in BHG Biomasse Handelsgesellschaft mbH, Mannheim, were merged into MVV Umwelt Ressourcen GmbH, Mannheim. As a result of the merger, the company was thus included in the scope of consolidation from this time. The resultant goodwill was deducted from the purchase price allocation performed upon the acquisition of BHG Biomasse Handelsgesellschaft mbH, Mannheim, and capitalised.

Identifiable assets and liabilities

Euro 000s	IROMEZ s.r.o., Pelhřimov		Götzfried + Pitzer Entsorgung GmbH, Ulm		MVV Windpark Plauerhagen GmbH & Co. KG, Rerik		BHG Biomasse Handelsgesellschaft mbH, Mannheim	
	Recognised upon acquisition	Carrying amount	Recognised upon initial consolidation	Carrying amount	Recognised upon acquisition	Carrying amount	Recognised upon initial consolidation	Carrying amount
Intangible assets	2	2	2 382	36	—	—	—	—
Property, plant and equipment	2 307	1 169	1 440	110	23 769	14 271	184	184
Deferred tax assets	—	88	—	—	—	—	—	—
Inventories, receivables, other assets	1 865	1 865	255	255	229	229	199	199
Cash and cash equivalents	99	99	3 460	3 460	—	—	1 670	1 670
Provisions	—	—	106	106	9	9	—	—
Other liabilities	2 027	2 027	3 255	3 255	21 412	14 526	49	49
Deferred tax liabilities	84	—	286	—	77	77	—	—
Fair value of net assets	**2 162**	**1 196**	**3 890**	**500**	**2 500**	**– 112**	**2 004**	**2 004**
Share acquired in company	2 162	1 196	3 890	500	2 500	– 112	2 004	2 004
Debit difference	—	—	—	—	—	—	—	—
Goodwill	1 149	—	2 502	—	—	—	3 038	—
Earnings contribution since date of initial consolidation	258	—	– 94	—	– 55	—	—	—
Earnings contribution between purchase and initial consolidation	—	—	100	—	—	—	—	—
Currency adjustments	34	—	—	—	—	—	—	—

Within the framework of an asset deal, assets were acquired in Herrmann Götzfried Umweltdienste e. K., Türkheim, and contributed to Manfred Pitzer GmbH Entsorgung, Recycling, Transporte, Ulm. The company was subsequently renamed as Götzfried + Pitzer Entsorgung GmbH, Ulm. The fair values of the company's assets and liabilities identifiable upon acquisition are presented in the above table. The purchase price allocation for the company thereby acquired has currently not yet been completed; the figures stated in the table are therefore still subject to amendment. The goodwill thereby arising was recognised under intangible assets. The costs directly attributable to the acquisition of Götzfried Umweltdienste e. K., Türkheim, amounting to Euro 173 thousand, were directly expensed.

GeTeBe Gesellschaft für Technologieberatung mbH, Berlin, was merged into MVV Energiedienstleistungen GmbH, Mannheim. The merger did not have any implications for the net asset, financial and earnings position of the Group.

At the Czech subgroup, the companies G-LINDE s.r.o., Prague, and G-RONN s.r.o., Prague, were founded and included in the scope of consolidation. The company Pelhřimovské teplo s.r.o., Prague, founded in July 2010, was also included in the scope of consolidation.

e.n.o. energy Standort 12 GmbH & Co. KG, Rerik, a company that includes Plauerhagen Wind Farm, was acquired by MVV Alpha dreizehn GmbH, Mannheim, on the basis of a contract dated 20 May 2010. The fair values of the assets and liabilities identifiable at e.n.o. energy Standort 12 GmbH & Co. KG, Rerik, upon acquisition are presented in the above table. The purchase price allocation for the company thereby acquired has currently not yet been completed; the figures stated in the table are therefore still subject to amendment. e.n.o. Standort 12 GmbH & Co. KG, Rerik, was subsequently renamed as MVV Windpark Plauerhagen GmbH & Co. KG, Rerik, while MVV Alpha dreizehn GmbH, Mannheim, was renamed as MVV Windenergie GmbH, Mannheim.

Mestské inenýrské sítě Studénka a.s., Studénka, Czech Republic, was merged into Vodovody a kanalizace Studénka s.r.o., Studénka, Czech Republic, as of 30 September 2010. The merger did not have any implications for the net asset, financial and earnings position of the Group.

The purchase prices for the acquisition of companies consolidated in the MVV Energie Group for the first time were settled with liquid funds. Since their initial consolidation, the companies thereby acquired have contributed Euro 6 754 thousand to the sales and Euro 109 thousand to the earnings of the MVV Energie Group.

The purchase price allocation for the company acquisitions made in the previous year was completed in the 2009/10 financial year. No changes arose compared with the figures presented in the previous year's report. A total of 70 % of the shares in A+S Naturenergie GmbH were acquired in previous years in return for payment. The remaining 30 % of the shares will be acquired in two further tranches by 2011, with the purchase price having a variable structure. A liability has been recognised for this portion of the purchase price. The goodwill for these portions may therefore still change retrospectively.

Overall, the changes in the scope of consolidation have not had any material influence on the net asset, financial and earnings position of the MVV Energie Group.

Apart from MVV Nederland B.V., Amsterdam, all companies included in the consolidated financial statements have 30 September as their uniform balance sheet 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.

Stadtwerke Solingen and Stadtwerke Ingolstadt represent the Group's principal joint ventures. Their business fields are basically congruent with those of MVV Energie AG. The business field of the proportionately consolidated company Kielspeicher 103 GmbH & Co. KG, Kiel, involves the storage of gas.

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

Balance sheet

Euro million	**30.9.2010**	30.9.2009
Assets		
Non-current assets	148.9	144.4
Current assets	62.5	48.4
	211.4	**192.8**
Equity and liabilities		
Equity	87.4	88.2
Non-current debt	57.7	52.8
Current debt	66.3	51.8
	211.4	**192.8**

Income statement

Euro million	**2009/2010**	2008/2009
Sales	253.3	226.4
Own work capitalised and changes in inventories	1.4	1.0
Other operating income	10.2	11.8
Cost of materials	192.4	169.1
Personnel expenses	18.4	18.2
Other operating expenses	27.4	38.5
Other income from shareholdings	0.2	0.3
EBITDA	**26.9**	**13.7**
Depreciation	7.7	7.5
EBITA	**19.2**	**6.2**
EBIT	**19.2**	**6.2**
Financing income	0.2	0.1
Financing expenses	2.4	2.1
EBT	**17.0**	**4.2**
Taxes on income	6.2	2.3
Annual net surplus	**10.8**	**1.9**

The following companies were included in the consolidated financial statements for the first time using the equity method in the year under report:

- ESN EnergieSystemeNord GmbH, Schwentinental
- Maintal-Werke Gesellschaft mit beschränkter Haftung, Maintal
- Naunhofer Transportgesellschaft mbH, Parthenstein-Großsteinberg
- Nordland Energie GmbH, Kiel
- W.T.A. Wertstoff Transport Agentur GmbH, Lichtentanne
- Zweckverband Wasserversorgung Kurpfalz (ZWK), Heidelberg

Apart from Naunhofer Transportgesellschaft mbH and W.T.A. Wertstoff Transportgesellschaft mbH, these companies were recognised in previous years under other shareholdings or other majority shareholdings.

The companies included in the consolidated financial statements of the MVV Energie Group as of 30 September 2010 have been presented in the list of shareholdings starting on Page 169.

Consolidation methods

The annual financial statements included in consolidation have been prepared on the basis of uniform accounting policies as of 30 September 2010.

Subsidiaries are fully consolidated upon acquisition, i.e. from the time at which the Group gains control. Their inclusion in the consolidated financial statements ends as soon as they are no longer controlled by the parent company. Capital consolidation is performed using the purchase method. This involves the costs of acquisition relating to the business combination being allocated to the identifiable assets acquired and the identifiable liabilities and contingent liabilities assumed on the basis of their fair values upon acquisition. Any remaining credit difference is reported under intangible assets as goodwill. Capitalised goodwill is not subject to scheduled amortisation, but is rather tested for impairment once a year or if there are any indications of impairment. Goodwill remaining upon deconsolidation is accounted for in the proceeds on disposal. Any debit differences arising are recognised directly through profit or loss following a renewed review of the purchase price allocation.

Minority interests represent the share of earnings and net assets not attributable to the Group. Minority interests are recognised separately in the consolidated income statement and consolidated balance sheet. In the consolidated balance sheet, they are recognised within equity, separately from the equity attributable to shareholders in the parent company. Where the capital does not qualify as equity under IFRS, the minority interests acquired are recognised as debt capital. This debt capital is measured in line with the respective contractual terms.

Receivables and liabilities have been offset against each other, as have income and expenses between consolidated companies. Material intercompany results have also been eliminated.

The proportionate consolidation of joint ventures is performed in accordance with the same principles. Interests in associates are accounted for using the equity method.

Shareholdings in companies not included by way of full or proportionate consolidation or by application of the equity method have been accounted for pursuant to IAS 39 (2008).

Currency translation

Transactions in foreign currencies are recognised at consolidated companies at the spot rate applicable at the time of the transaction. Monetary assets and liabilities stated in a foreign currency are translated at each balance sheet date at the rate valid on the balance sheet date. Non-monetary items measured at historic cost in a foreign currency are translated at the rate valid on the date of the transaction. Non-monetary items measured 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 are recognised directly through profit or loss as other operating income or other operating expenses.

The annual financial statements of foreign group companies are translated into euros (the reporting 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 national currencies as independent entities within the Group in financial, economic and organisational terms. Modified reporting date rates are used to translate the financial statements of foreign companies. This involves assets and liabilities being translated from their national currencies into euros at the mean exchange rate valid on the balance sheet date (reporting date rate). Income and expense items are translated using annual average exchange rates. Currency differences resulting from the translation of the equity of the foreign companies or from the application of differing translation rates for the balance sheet and the income statement are recognised directly in equity as retained earnings (differential amount from currency translation).

Currency translation has been based on the following exchange rates:

Currency translation

	Reporting date rate		Average rate	
1 Euro	**30.9.2010**	30.9.2009	**2009/2010**	2008/2009
Czech crown (CZK)	24.600	25.164	25.573	26.292
British pound (GBP)	0.860	0.909	0.869	0.874

Accounting policies

Assets and liabilities are measured at amortised cost in all cases with the exception of certain financial assets, liabilities and instruments which IAS 39 (2008) requires to be measured at fair value and where this can be reliably determined. Non-current receivables and debt are recognised at present value. Assets and liabilities are netted where the relevant requirements are met. Assets and liabilities with different dates of transaction and financial performance are recognised as of the transaction dates. Income and expenses derived from assets or liabilities are recognised under earnings from operations or net interest expenses depending on the respective balance sheet item. Period deferrals are accounted for where necessary. Such items are recognised directly in equity where International Accounting Standards so require and are presented separately in the statement of changes in equity. The underlying principles of recognition and measurement applied when preparing the consolidated financial statements of the MVV Energie Group are set out below.

Intangible assets

Intangible assets were acquired in return for payment and are carried at cost. Apart from goodwill, they are subject to scheduled straight-line amortisation based on their pattern of consumption. There are no intangible assets with useful lives classified as indefinite. CO_2 emissions rights with holding periods longer than one year and requiring purchase by the MVV Energie Group are recognised as intangible assets at cost, while rights allocated free of charge are recognised at Euro 0.

Development expenses are capitalised where a newly developed product or process can be clearly delineated, is technically feasible and is intended for internal use or sale. A further condition for capitalisation is sufficient likelihood that the development expenses will lead to future inflows of funds. Capitalised development expenses are subject to scheduled amortisation over the estimated period of sale of the products. Research expenses are not eligible for capitalisation and are expensed in the period in which they are incurred.

Goodwill is not subject to scheduled amortisation, but is rather tested for impairment annually or more frequently should any specific indications of impairment arise. 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 or material terms.

Property, plant and equipment

Property, plant and equipment is stated at cost, less proportionate depreciation to account for the decline in the value of the assets. In the case of internally generated property, plant and equipment, the costs of manufacture are based on allocable direct costs and a commensurate share of overhead expenses. Since the 2009/10 financial year, borrowing costs have been recognised as a component of costs when they can be directly attributed to the acquisition or manufacture of an asset requiring a significant period of time to be prepared for its intended use or sale.

The costs of assets are reduced by public subsidies (investment grants) received and by customer payments for construction and house connection costs in the case of new connections or extensions to existing connections. Public subsidies are recognised where it is reasonably certain that the subsidies will be granted and the relevant conditions have been met. Investment grants relate exclusively to asset-based subsidies. These grants are reported separately from investments in the non-current asset schedule.

Items of property, plant and equipment have been subject to straight-line depreciation consistent with their pattern of consumption. Depreciation is undertaken pro rata temporis in the year of addition. Scheduled depreciation is based on the following useful lives:

Useful lives in years

Buildings	25 – 50
Technical equipment and machinery	8 – 40
Transmission grids	30 – 40
Plant and office equipment	4 – 15

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 operating purposes. Such property is measured at amortised cost. Transaction expenses 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 values are determined in regular impairment tests undertaken in the form of independent surveys based on internationally recognised methods.

Impairment of intangible assets, property, plant and equipment and investment property

The carrying amounts of intangible assets, property, plant and equipment and investment property are assessed for impairment at each balance sheet date. An impairment test pursuant to IAS 36 is undertaken should there be any indication of impairment. Goodwill is tested for impairment every year. Where the carrying amount of an asset is higher than its recoverable amount (the higher of its fair value less disposal costs or its value in use), the carrying amount is written down to the recoverable amount. The fair value represents a best estimate of the recoverable amount. The recoverable amount must be determined for each asset, unless the asset does not generate any largely independent cash flows. In this case, the amount should be stated for which an independent third party would acquire the cash generating unit at the balance sheet date. The fair value/value in use of the cash generating units are determined based on the cash flow forecasts approved by the management and supervisory bodies of MVV Energie AG. 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. The cash flow forecasts also refer to the expected development in key macroeconomic figures derived from economic and financial studies. 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 cover a detailed budgeting period of three years. Figures for subsequent financial years are based on an extrapolation of the results of the final year in the detailed budgeting period. Reference is made to current estimates of growth rates. These growth rates correspond to the average long-term growth rates in the markets in which the companies operate and are consistent with external sources of information concerning market expectations. Impairment losses are recognised when the recoverable amount of the asset (value in use) falls short of its carrying amount. Where the recoverable amount exceeds the carrying amount in subsequent periods, the assets are written up to a maximum of amortised cost.

Goodwill is not written up. Should the carrying amount of a cash generating unit to which the goodwill has been allocated exceed its recoverable amount, the goodwill thereby allocated is written down first. Any further write-down requirement is then accounted for by means of a prorated reduction in the carrying amounts of the other assets at the cash generating unit.

The MVV Energie Group leases specific items of property, plant and equipment (leased items). Lease contracts for items in which the MVV Energie Group bears the principal risks and rewards resulting from ownership of the leased item are classified as finance leases. Assets in connection with finance leases are capitalised at the beginning of the leasing term at the lower of the fair value of the leased item and the present value of minimum leasing payments, with equivalent leasing liabilities being recognised under non-current and current liabilities.

Each leasing instalment is divided into its respective interest and principal components in such a way that the leasing liabilities charge consistent interest. The interest component of the leasing instalment is recognised through profit or loss in the income statement. Items of property, plant and equipment governed by finance leases are depreciated over the shorter of their economic useful life or the term of the lease.

Associates

Associates are recognised using the equity method and are measured initially at cost and subsequently at the amortised value of the prorated net assets. The carrying amounts are increased or reduced annually to account for prorated earnings, dividend distributions and other changes in equity. Any goodwill thereby recognised is included in the value of the shareholding, rather than being reported separately. Impairment losses are recognised when the recoverable amount falls short of the carrying amount.

Other financial assets

Other financial assets consist of loans, leasing receivables, securities, other majority shareholdings and other shareholdings, which are measured and categorised as follows. Loans are classified under loans and receivables and leasing receivables under leases. These items are measured at amortised cost, less impairments where applicable. Other shareholdings and other majority shareholdings that are available for sale have also been allocated to other financial assets. Other majority shareholdings and other shareholdings are measured at amortised cost, corrected where necessary to account for impairment due to a reduction in expected cash flows or for existing default risks. Finance leases where all risks and rewards of ownership are transferred to the lessee are recognised as a receivable at the present value of the minimum leasing payments (net investment value). Securities are recognised at fair value.

Any default risks identifiable for financial assets are accounted for with write-downs. These write-downs are recognised under income from shareholdings or under net interest expenses.

Receivables and other assets

Receivables and other assets include trade receivables, other receivables and assets and tax receivables. Apart from derivative financial instruments, these are measured at amortised cost. Initial measurement is undertaken as of the date of the transaction. Any write-downs required are based on the expected level of default risk. The value of receivables is generally corrected by means of a write-down account. Current other assets also include the current portion of leasing receivables and loans. Measurement of the current portions of leasing receivables and loans is based on the same principles as measurement of the non-current portions. These principles were outlined under financial assets.

Trade receivables include accruals/deferrals to cover energy and water sales not yet read or invoiced as of the balance sheet date. Part-payments made in the context of annual consumption invoicing are deducted from the receivables. Receivables from customers are recognised at amortised cost. Default risks existing at the balance sheet date are covered by adequate write-downs. Receivables are derecognised immediately upon becoming uncollectible. The carrying amounts reported are basically equivalent to their respective fair values.

CO_2 emissions rights with remaining terms of less than one year requiring purchase or exchange by the MVV Energie Group are recognised at cost as other assets, while rights allocated free of charge have been recognised at Euro 0.

Customer-specific construction contracts

Customer-specific construction contracts are recognised at percentage of completion. This means that the prorated sales and the costs of sales incurred are recognised at the percentage of completion, based on the contractual arrangements with the customers, reached by the balance sheet date, as soon as the results of the construction contract can be reliably estimated. Percentage of completion is calculated on the basis of the project costs incurred by the balance sheet date as a proportion of the total costs of the project. In the balance sheet, the sales posted in line with their percentage of completion are reduced by advance payments received and recognised under trade receivables. As soon as the result of a construction contract cannot be reliably estimated, the revenues from the contract are only recognised at the level of the contract costs incurred and probably collectible. Losses on contracts are immediately expensed in full as soon as they are expected.

Inventories

Inventories consist of raw materials and supplies, unfinished and finished products and services, as well as advance payments made for such. They are measured at the lower of cost or net sale value. Cost of acquisition or manufacture for raw materials and supplies has been calculated using the average cost method. The manufacturing costs of unfinished and finished products and services include allocable direct costs and a commensurate share of the material and production overheads required based on normal capacity utilisation levels and thus include production-related full costs. The amounts stated are reduced as appropriate to account for risks resulting from any impairment in their utility.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and credit balances at banks with original terms of less than three months.

Assets and liabilities held for sale

Assets which can be sold in their current state and whose sale is highly probable are reported as assets held for sale. These may involve individual non-current assets, groups of assets or business divisions. Liabilities due to be dispensed with in a transaction together with assets are reported separately as liabilities held for sale.

Non-current assets held for sale are no longer subject to scheduled depreciation and amortisation, but are rather recognised at fair value, less disposal costs, where this is lower than the carrying amount. Gains or losses resulting from the measurement of individual assets held for sale or disposal groups are recognised under earnings from continuing operations until their ultimate disposal. Gains or losses resulting from the measurement of discontinued operations at fair value less disposal costs are recognised as earnings from discontinued operations.

Deferred taxes

Deferred taxes are stated for temporary differences between the tax balance sheets and IFRS balance sheets at individual companies arising from the measurement of assets and liabilities for tax purposes on the one hand and for external IFRS accounting on the other, as well as from consolidation processes impacting on earnings. Moreover, deferred tax assets have also been recognised 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 based on the tax rates valid or expected at the individual organisational units upon realisation. Account is taken of the tax regulations valid or already adopted at the balance sheet date. The calculation of deferred taxes in Germany has been based on a tax rate of 30 % (previous year: 30 %). This results from the unchanged corporate income tax rate of 15 %, the unchanged solidarity surcharge of 5.5 % and the Group's average trade tax rate of 14 % (previous year: 14 %). The equivalent calculations for foreign companies are based on the respective tax rates. Where the requirements of IAS 12 are met, deferred tax assets and liabilities are stated on a net basis for each company or fiscal unit.

Provisions

Provisions are recognised for all legal or constructive obligations to third parties at the balance sheet date as a result of past events, when it is probable that a future outflow of resources will be required to settle the obligations and the amounts can be reliably estimated. Provisions are recognised at their expected performance amounts and are not netted with refund claims. Provisions based on a large number of events of the same nature are recognised at the expected value of the potential results.

All non-current provisions have been recognised at their expected performance amounts discounted as of the balance sheet date.

Provisions for pensions and similar obligations are stated exclusively for defined benefit plans. Pursuant to IAS 19, these pension provisions are calculated using the projected unit credit method. As well as pensions and vested claims known at the balance sheet date, this method also accounts for salary and pension increases expected in future. The calculation made application of the 2005 G mortality tables published by Prof. Dr. Klaus Heubeck. As the Group does not have any plan assets, its pension obligations are 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 entitled. The key parameters used in the calculation of the defined benefit plans as of 30 September 2010 are:

	30.9.2010	30.9.2009
Discount rate	5.10 %	5.40 %
Future salary increases	0.0 – 3.25 %	0.50 – 3.25 %
Future pension increases	0.0 – 2.25 %	0.50 – 2.70 %

The pension scheme for employees of the MVV Energie Group is largely arranged in line with collective wage and salary agreements specific to the respective companies. This results in indirect pension obligations to employees which are covered almost exclusively by municipal supplementary pension companies (ZVK). This requires allocations to be made for retirement periods. The payments made in this context serve to finance current pension outlays. According to IFRS requirements, this type of pension plan represents a defined benefit plan, as 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, as the employees of several member companies are insured by the ZVK, this type of pension plan is to be considered a multi-employer plan and thus requires the application of special regulations.

Given the redistribution of the benefits provided by the ZVK among its member companies and the lack of adequate information about the age structures, personnel turnover and salaries of the employees thereby covered, no information is available on the proportion of future financial obligations (economic obligation) accruing to the MVV Energie Group. In view of this, IFRS does not permit recognition of the provisions and the scheme has to be treated as a defined contribution plan.

Liabilities

Following initial recognition, liabilities are measured at amortised cost using the effective interest rate method.

Liabilities from finance leases are carried at the present value of future leasing payments. Apart from derivative financial instruments, other liabilities are measured at amortised cost, which is basically equivalent to their fair values.

Trade payables are measured at amortised cost.

The other financial debt item includes the present value of payment obligations resulting from puttable instruments. According to IAS 32, agreements involving an obligation to purchase equity instruments represent a financial liability in the amount of the present value of the purchase price, irrespective of whether fulfilment of this obligation is dependent on an option right being exercised by the contractual partner and of the probability of such right being exercised. Accordingly, minority interests are recognised as current or non-current debt in line with the contractual arrangements. These financial obligations are measured at fair value in accordance with IAS 39 (2008). 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 analogy with the requirements for the presentation of business combinations, unless other contractual arrangements require application. The earnings distributed to minority shareholders are recognised as financing expenses, as are changes in the present value of the potential payment obligations.

Contingent liabilities and financial obligations

Contingent liabilities involve potential obligations to third parties or existing obligations for which an outflow of resources is unlikely or whose amount cannot be reliably determined. Contingent liabilities are not recognised in the balance sheet. The volume of obligations stated in the notes for contingent liabilities corresponds to the scope of liability at the balance sheet date.

Derivative financial instruments

Derivative financial instruments are carried at fair value through profit or loss and recognised as assets or liabilities. Derivative financial instruments include interest and currency derivatives, as well as derivative commodities contracts, mainly for electricity, gas and coal. The amounts recognised are derived from market values or using generally recognised valuation methods (present value method or option pricing models based on current market parameters). Changes in the value of derivative financial instruments are recognised directly in equity under fair value measurement of financial instruments in cases where they serve to hedge future cash flows and form part of a hedging relationship with such, and where they meet the requirements of hedge accounting set out in IAS 39. Other changes in their value are recognised as income or expenses under other operating income or expenses.

Cash flow hedges serve to hedge against the risk of fluctuations in future cash flows relating to a recognised asset or liability, or to a highly likely planned transaction. Where the financial instrument is a cash flow hedge, the unrealised gains and losses on the hedge are initially recognised in equity under the fair value measurement of financial instruments. They are only taken into the income statement upon the hedged item taking effect through profit or loss and thus compensate for the impact of the hedged item on the income statement.

IAS 39 sets out hedge accounting requirements. In particular, it requires hedging relationships to be extensively documented and effective, i.e. both prospective and retrospective changes in the fair value of the hedge have to lie within a range of 80 % to 125 % of the opposing changes in the fair value of the hedged item. Only the effective portion of a hedging relationship may be recognised in equity under retained earnings. The ineffective portion must be credited or charged directly to earnings in the income statement.

The Group makes no use of the fair value option.

Measurement uncertainties

Discretionary decisions have to be made when applying the accounting policies. Moreover, the preparation 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 recognised, 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 material influence on the values of the assets and liabilities as 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 balance sheet date, as a result of which there is a risk that a major adjustment will be required in the carrying amounts of assets and liabilities in the coming 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 impairments of assets. In the 2009/10 financial year, changes arose in the determination of useful lives for property, plant and equipment in the environmental energy subgroup. The implications are described in Note 2. This involved adjusting the useful lives of technical equipment to the current estimated useful life of the plants.

The MVV Energie Group tests its carrying amounts and goodwill for impairment at least once a year and when any events or changes in circumstances indicate that this might be the case. This requires an estimation of the value in use of the cash generating unit to which the goodwill is allocated.

To estimate the value in use, 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 at the balance sheet date or at the date during the financial year on which event-specific impairment becomes necessary. 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 in Note 1.

Moreover, assumptions also have to be made when calculating actual and deferred taxes. In particular, the possibility of generating corresponding future 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 recognised and the obligations actually arising in the course of time. As actuarial gains and losses are only recognised when they exceed 10 % of the higher of the scope of obligation or the fair value of the plan assets, changes in the discount factor generally do not have any material influence on the carrying amount of the provision recognised at the MVV Energie Group in the next financial year.

The measurement of sales and costs of materials is dependent on estimates to the extent that consumption deferrals have been undertaken as of the balance sheet date for trade receivables and payables already incurred but not yet invoiced.

Compensation liabilities for partnerships are recognised at prorated fair value. This is determined by compiling a company valuation, taking due account of current budgets and the yield curve.

When assessing these measurement uncertainties, reference is always made to the best information available at the balance sheet date. Actual amounts may differ from estimates. The carrying amounts recognised 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 material changes in the assumptions underlying the accounting policies were to be expected upon the preparation 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 2010/11 financial year.

Notes on the Balance Sheet

1 Intangible assets

Intangible assets include concessions, industrial property rights and similar rights and values, goodwill and advance payments.

The requirements governing the capitalisation of development expenses were not met in the 2009/10 financial year. Like research expenses, these have therefore been recognised as expenses in the period in which they were incurred. The volume expenses qualifying as research expenses under IFRS amounted to Euro 3 007 thousand in the 2009/10 financial year (previous year: Euro 3 415 thousand). Research and development expenses mainly relate to activities aimed at achieving ongoing improvements in working processes, product development and technological enhancements.

Concessions, industrial property rights and similar rights and values consist of software and contractually agreed grants to customers and suppliers. The useful lives of such rights are based on the relevant economic aspects or contractual requirements and range from 3 to 50 years.

Goodwill is tested for impairment at least once a year. As in the previous year, growth rates ranging from 0.5 % to 1.0 % were used in the budgets for the impairment test performed in the 2009/10 financial year.

The recoverable amount/value in use was determined by discounting the cash flows expected at German shareholdings using discount rates (weighted cost of capital) averaging 7.9 % before taxes (previous year: 8.5 %). The discount rates have been determined on the basis of available market data. The budget period for the underlying cash flows amounted to between 3 and 5 years.

The carrying amounts stated for goodwill are structured as follows:

Euro 000s	**30.9.2010**	30.9.2009
Energieversorgung Offenbach subgroup	65 066	65 066
Stadtwerke Solingen subgroup	59 472	59 472
Stadtwerke Ingolstadt subgroup	53 759	53 759
Energy-related services subgroup	36 611	39 954
MVV Czech subgroup	6 527	5 170
Environmental energy subgroup	5 540	—
Other subgroups	825	825
	227 800	**224 246**

For the purposes of performing impairment tests, goodwill was allocated to cash generating units. The cash generating units basically correspond to the legal subgroups. An impairment loss of Euro 3 343 thousand was recognised at the energy-related services subgroup for Biomassen-Heizkraftwerk Altenstadt GmbH in the 2009/10 financial year due to a reduction in the earnings expected from future use. The merger of Biomasse Handelsgesellschaft mbH, Mannheim, into MVV Umwelt Ressourcen GmbH gave rise to goodwill of Euro 3 038 thousand. The inclusion of Götzfried + Pitzer Entsorgung GmbH in the scope of consolidation of the MVV Energie Group gave rise to goodwill of Euro 2 502 thousand, while the inclusion of IROMEZ s.r.o., Pelhřimov, gave rise to goodwill of Euro 1 149 thousand. Furthermore, currency translation effects of Euro 208 thousand were reported for the MVV Czech subgroup.

Intangible assets

Euro 000s	Concessions, industrial property rights and similar rights and values	Goodwill	Advance payments	**Total**
Gross value at 1.10.2008	219 751	258 144	3 909	481 804
Change in scope of consolidation	593	4 867	—	5 460
Currency adjustments	– 33	– 190	1	– 222
Investments	3 733	—	19 885	23 618
Disposals	349	—	3	352
Reclassifications	6 388	—	– 3 269	3 119
Gross value at 30.9.2009	**230 083**	**262 821**	**20 523**	**513 427**
Amortisation at 1.10.2008	128 245	38 628	3	166 876
Change in scope of consolidation	203	—	—	203
Currency adjustments	– 27	– 53	—	– 80
Scheduled amortisation	15 999	—	—	15 999
Extraordinary amortisation	361	—	—	361
Disposals	271	—	3	274
Reclassifications	492	—	—	492
Amortisation at 30.9.2009	**145 002**	**38 575**	**—**	**183 577**
Net value at 30.9.2009	**85 081**	**224 246**	**20 523**	**329 850**
Gross value at 1.10.2009	230 083	262 821	20 523	513 427
Change in scope of consolidation	1 035	6 689	—	7 724
Currency adjustments	41	265	– 1	305
Investments	7 712	—	7 329	15 041
Disposals	4 299	—	234	4 533
Reclassifications	– 13 845	—	– 22 622	– 36 467
Gross value at 30.9.2010	**220 727**	**269 775**	**4 995**	**495 497**
Amortisation at 1.10.2009	145 002	38 575	—	183 577
Change in scope of consolidation	151	—	—	151
Currency adjustments	36	57	—	93
Scheduled amortisation	12 283	—	—	12 283
Extraordinary amortisation	464	3 343	—	3 807
Disposals	2 049	—	—	2 049
Reclassifications	– 13 311	—	—	– 13 311
Amortisation at 30.9.2010	**142 576**	**41 975**	**—**	**184 551**
Net value at 30.9.2010	**78 151**	**227 800**	**4 995**	**310 946**

The impairment losses recognised in the 2009/10 financial year chiefly involve asset and goodwill impairments at the energy-related services subgroup.

The impairment losses recognised in the 2008/09 financial year were attributable to asset impairments due to the restructuring measures implemented at the energy-related services subgroup.

2 Property, plant and equipment

Property, plant and equipment

Euro 000s	Land, leasehold rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other assets, plant and office equipment	Advance payments and construction in progress	**Total**
Gross value at 1.10.2008	697 681	3 262 258	213 739	168 396	4 342 074
Change in scope of consolidation	1 847	11 494	888	15 403	29 632
Currency adjustments	– 1 700	– 1 277	– 15	152	– 2 840
Investments	9 648	55 639	7 322	143 360	215 969
Subsidy payments received	6	11 552	3	1 071	12 632
Disposals	7 347	48 134	11 033	537	67 051
Reclassifications	20 105	106 022	– 1 241	– 128 005	– 3 119
Gross value at 30.9.2009	**720 228**	**3 374 450**	**209 657**	**197 698**	**4 502 033**
Depreciation at 1.10.2008	298 681	1 942 153	145 463	293	2 386 590
Change in scope of consolidation	497	7 717	609	—	8 823
Currency adjustments	– 468	– 736	—	– 19	– 1 223
Scheduled depreciation	15 061	104 505	9 198	—	128 764
Extraordinary depreciation	5 988	25 981	145	—	32 114
Disposals	3 802	33 796	10 307	282	48 187
Reclassifications	– 27	995	– 1 468	8	– 492
Depreciation at 30.9.2009	**315 930**	**2 046 819**	**143 640**	**—**	**2 506 389**
Net value at 30.9.2009	**404 298**	**1 327 631**	**66 017**	**197 698**	**1 995 644**
Gross value at 1.10.2009	720 228	3 374 450	209 657	197 698	4 502 033
Change in scope of consolidation	3 784	5 612	1 507	23 860	34 763
Currency adjustments	2 725	3 028	55	5	5 813
Investments	17 916	52 036	7 296	109 654	186 902
Subsidy payments received	144	12 768	130	—	13 042
Disposals	2 593	31 445	14 930	12 023	60 991
Reclassifications	23 898	216 480	1 611	– 205 522	36 467
Gross value at 30.9.2010	**765 814**	**3 607 393**	**205 066**	**113 672**	**4 691 945**
Depreciation at 1.10.2009	315 930	2 046 819	143 640	—	2 506 389
Change in scope of consolidation	2 177	4 999	1 159	—	8 335
Currency adjustments	985	1 816	50	—	2 851
Scheduled depreciation	16 575	102 194	9 256	—	128 025
Extraordinary depreciation	7 194	10 702	80	—	17 976
Disposals	1 159	26 913	14 666	—	42 738
Reclassifications	– 119	13 387	43	—	13 311
Depreciation at 30.9.2010	**341 583**	**2 153 004**	**139 562**	**—**	**2 634 149**
Net value at 30.9.2010	**424 231**	**1 454 389**	**65 504**	**113 672**	**2 057 796**

The extraordinary depreciation mainly involved impairments of land and buildings and of technical equipment and machinery. This was due to adjustments to prevailing market conditions or to a reduction in the earnings expected from future use. The majority of extraordinary depreciation in the previous year related to asset impairments due to the restructuring measures implemented at the energy-related services subgroup (Euro 31 110 thousand).

Borrowing costs of Euro 2 557 thousand were capitalised in the 2009/10 financial year. The financing cost rates thereby assumed ranged from 3.48 % to 5.13 %.

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 relevant contractual terms are of immaterial significance.

Property, plant and equipment up to an equivalent value of Euro 119 million have been provided as security for financial debt (previous year: Euro 81 million). This mainly involves land and buildings.

The useful lives of technical equipment and machinery in the environmental energy segment were adjusted to current estimates of their lifetimes in the 2009/10 financial year. As a result of this adjustment, scheduled depreciation was Euro 5 301 thousand lower in the current financial year.

3 Investment property

The fair value of investment property was determined on the basis of the valuations performed by independent surveyors as of 30 September 2010 and amounts to Euro 7 220 thousand in total. Unless there are any indications of impairment in the meantime, new surveys will be obtained for the next time as of 30 September 2013. The fair value corresponds to the amount for which an asset could be exchanged between informed parties willing to reach agreement at arm's length as of the measurement date. Rental income amounted to Euro 659 thousand in the financial year (previous year: Euro 665 thousand). Direct operating expenses (excluding scheduled depreciation) amounted to Euro 137 thousand (previous year: Euro 115 thousand). There were no changes in the holdings of investment property compared with the previous year. The investment property relates to a retirement home in Solingen and a residential and office building let out in Köthen.

Investment property

Euro 000s	**2009/2010**	2008/2009
Gross value at 1.10.	7 479	7 479
Gross value at 30.9.	**7 479**	**7 479**
Depreciation at 1.10.	1 162	896
Depreciation	259	266
Depreciation at 30.9.	**1 421**	**1 162**
Net value at 30.9.	**6 058**	**6 317**

4 Associates

The change in the scope of consolidation was due to the shareholdings in Naunhofer Transportgesellschaft mbH and W.T.A. Wertstoff Transport Agentur GmbH, which were consolidated for the first time in the 2009/10 financial year. This involved the acquisition of 24.9 % of the shares in each of these companies in the current financial year. The Group has purchase options for a further 25.1 % of the respective shares. The debit differences arising as a result amounted to Euro 1 583 thousand and Euro 402 thousand respectively. The associates reported under reclassifications were reclassified in the previous year from other financial assets to associates. The following overviews present the development in the carrying amounts of associates and in key items in their balance sheets and income statements.

Shareholdings measured at equity

Euro 000s	2009/2010	2008/2009
Gross value at 1.10.	76 395	—
Change in scope of consolidation	2 780	5 353
Measurement at equity	7 280	– 859
Reclassifications	10 812	71 901
Gross value at 30.9.	**97 267**	**76 395**
Amortisation at 1.10.	1 257	—
Amortisation	3 050	—
Reclassifications	—	1 257
Amortisation at 30.9.	**4 307**	**1 257**
Net value at 30.9.	**92 960**	**75 138**

The assets, liabilities, equity, sales and annual net surplus attributable to associates are presented in the following tables.

Euro 000s	30.9.2010	30.9.2009
Non-current assets	964 113	653 255
Current assets	581 112	255 392
Provisions	614 103	505 287
Liabilities	605 196	213 580
Equity	325 926	189 780

Euro 000s	2009/2010	2008/2009
Sales	868 393	722 629
Annual net surplus	50 347	11 244

The investment income received by the MVV Energie Group from these associates in the 2009/10 financial year amounted to Euro 14 135 thousand (previous year: Euro 5 146 thousand).

Our share of the contingent liabilities of companies measured at equity amounts to Euro 916 thousand.

Apart from Biomasse Rhein-Main GmbH, Flörsheim-Wicker, and Nordland Energie GmbH, Kiel, the associates have deviating financial years ending on 31 December. As in the previous year, no publicly listed market prices were available.

As in the previous year, there were no restrictions on disposal or other encumbrances.

5 Other financial assets

Other financial assets include other majority shareholdings, other shareholdings, general loans and loans in connection with finance leases and securities.

Write-downs and the development in other financial assets have been reported in the table below, as well as under income from associates and other income from shareholdings (Note 28), financing income (Note 32) and financing expenses (Note 33).

Loans and loans in connection with finance leases have fixed interest rates, with an average interest rate of 3.5 % (previous year: 3.4 %). The average period for which interest rates remain fixed amounts to 7 years (previous year: 9 years) in the case of fixed-rate loans and to 14 years in the case of finance leases (previous year: 16 years). The reclassifications mainly involve the reclassification of the aforementioned items to current financial assets in line with their respective maturities.

Further information about financial instruments has been provided under Note 21.

Other financial assets

Euro 000s	Other majority shareholdings	Other shareholdings	Loans general	Loans in connection with finance leases	Securities	**Total**
Gross value at 1.10.2008	21 462	105 827	12 276	35 802	5 040	180 407
Currency adjustments	– 10	—	– 3	—	—	– 13
Change in scope of consolidation	– 9 053	– 1 936	—	52	—	– 10 937
Investments/additions	7 639	408	4 478	9 286	1 993	23 804
Disposals	340	6 027	5 527	789	1 695	14 378
Reclassifications	– 4 904	– 66 997	– 2 644	4 024	– 1 528	– 72 049
Balance at 30.9.2009	**14 794**	**31 275**	**8 580**	**48 375**	**3 810**	**106 834**
Amortisation at 1.10.2008	1 460	3 090	495	—	579	5 624
Currency adjustments	– 10	—	—	—	—	– 10
Change in scope of consolidation	1 036	75	—	—	—	1 111
Amortisation	536	42	—	33	69	680
Write-ups	—	—	—	—	479	479
Disposals	—	1 717	495	—	—	2 212
Reclassifications	—	– 1 257	—	—	—	– 1 257
Amortisation at 30.9.2009	**3 022**	**233**	**—**	**33**	**169**	**3 457**
Net value at 30.9.2009	**11 772**	**31 042**	**8 580**	**48 342**	**3 641**	**103 377**
Gross value at 1.10.2009	14 794	31 275	8 580	48 375	3 810	106 834
Currency adjustments	11	—	—	—	—	11
Change in scope of consolidation	– 10 294	—	9	—	—	– 10 285
Investments/additions	6 139	168	1 320	21 305	2 294	31 226
Disposals	771	338	2 991	263	1 372	5 735
Reclassifications	10 674	– 21 487	– 143	– 6 215	39	– 17 132
Balance at 30.9.2010	**20 553**	**9 618**	**6 775**	**63 202**	**4 771**	**104 919**
Amortisation at 1.10.2009	3 022	233	—	33	169	3 457
Currency adjustments	10	—	—	—	—	10
Change in scope of consolidation	—	—	—	—	—	—
Amortisation	8 906	—	715	—	—	9 621
Write-ups	—	—	—	—	69	69
Disposals	—	—	—	—	—	—
Reclassifications	—	—	—	—	—	—
Amortisation at 30.9.2010	**11 938**	**233**	**715**	**33**	**100**	**13 019**
Net value at 30.9.2010	**8 615**	**9 385**	**6 060**	**63 169**	**4 671**	**91 900**

The other majority shareholdings recognised under other financial assets involve companies not included in MVV Energie's consolidated financial statements due to materiality considerations.

The reduction in other majority shareholdings is chiefly due to the change in the scope of consolidation resulting from the initial consolidation of Götzfried + Pitzer Entsorgung GmbH, Ulm, MVV Windpark Plauerhagen GmbH & Co. KG, Rerik, and BHG Biomasse Handelsgesellschaft mbH, Mannheim. This development was countered by the reclassification of KielNet GmbH, Kiel, out of other shareholdings. The largest amortisation items related to the write-downs of Euro 5 170 thousand at the Kiel subgroup and of Euro 2 509 thousand at the energy-related services subgroup.

The reduction in other shareholdings was mainly attributable to the reclassification as associates of the shareholdings held in Maintal-Werke Gesellschaft mit beschränkter Haftung, Maintal, (carrying amount: Euro 4 235 thousand), Zweckverband Wasserversorgung Kurpfalz, Heidelberg, (carrying amount: Euro 3 606 thousand), ESN EnergieSystemeNord GmbH, Schwentinental, (carrying amount: Euro 2 076 thousand), and Nordland Energie GmbH, Kiel, (carrying amount: Euro 896 thousand).

Securities chiefly consist of shareholdings in funds held in most cases to secure part-time early retirement credit balances.

Other financial assets also include the non-current share of finance leases. In several contracting projects, the MVV Energie Group acts as lessor in the context of finance lease agreements. In finance lease agreements, the major risks and rewards are assigned to the lessee. The respective assets are recognised at the present value of the minimum leasing payments. The transition from these payments to gross investments in leases is as follows:

Euro 000s	**30.9.2010**	30.9.2009
Present value of minimum leasing payments with maturities < 1 year	4 882	12 939
Present value of minimum leasing payments with maturities > 1 year		
1 to 5 years	20 890	20 734
longer than 5 years	42 227	36 465
Present value of minimum leasing payments with maturities > 1 year	**63 117**	**57 199**
Total present value of minimum leasing payments	**67 999**	**70 138**
Financing income not yet realised	33 622	11 027
Gross investments in finance leases	**101 621**	**81 165**

6 Other receivables and assets

Other receivables and assets have been broken down into their respective contents and counterparties in the following tables. The hedging relationship has also been stated in the case of derivative financial instruments.

Other receivables and assets

	30.9.2010			30.9.2009		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Derivative financial instruments	107 454	70 159	177 613	256 351	119 853	376 204
Receivables from security deposits for energy trading transactions	—	68 732	68 732	—	91 416	91 416
Loans	—	66 544	66 544	—	2 712	2 712
Deferred expenses and accrued income	5 017	5 747	10 764	4 616	8 956	13 572
Receivables and assets from contracting agreements without finance leases	6 581	463	7 044	7 207	485	7 692
Receivables in connection with finance leases	—	4 905	4 905	—	5 789	5 789
Emissions rights	—	2 044	2 044	—	1 041	1 041
Suppliers with debit balances	—	2 010	2 010	—	3 566	3 566
Refund claims	1 364	31	1 395	1 934	424	2 358
Receivables from employees	218	796	1 014	—	986	986
Escrow accounts	—	774	774	—	1 389	1 389
Miscellaneous other assets	1 355	48 426	49 781	2 281	45 739	48 020
	121 989	**270 631**	**392 620**	**272 389**	**282 356**	**554 745**

Derivative financial instruments

	30.9.2010			30.9.2009		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Derivative financial instruments	107 454	70 159	177 613	256 351	119 853	376 204
of which without hedge	104 936	70 110	175 046	256 138	119 493	375 631
of which cash flow hedges	2 518	49	2 567	213	360	573

Derivative financial instruments involve interest, currency and commodity derivatives mainly for electricity, gas and coal. Further information about financial instruments can be found under Note 21.

Other receivables and assets

	30.9.2010			30.9.2009		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Other receivables and assets						
from other shareholdings	54	528	582	—	524	524
from other majority shareholdings	73	195	268	107	113	220
from third parties	121 862	269 908	391 770	272 282	281 719	554 001
	121 989	**270 631**	**392 620**	**272 389**	**282 356**	**554 745**

Write-downs on other receivables and assets developed as follows:

Write-downs

Euro 000s	**2009/2010**	2008/2009
Balance at 1.10.	119	257
Net reversals/additions	589	– 138
Balance at 30.9.	**708**	**119**

The credit risks and maturity structure of other receivables and assets were as follows:

Credit risks and maturity

Euro 000s	**30.9.2010**	30.9.2009
Neither overdue nor impaired	383 616	550 756
Overdue but not impaired		
≤ 6 months	7 417	2 571
> 6 month ≤ 1 year	460	828
> 1 year	345	74
Net value of assets written down	782	516
	392 620	**554 745**

To minimise the counterparty risk involved in highly fluctuating fair values of energy trading derivatives, security deposits are exchanged with external trading partners. These involve margins.

To reduce counterparty risks, payments are made both on the EEX (European Energy Exchange) and in some cases within the framework of bilateral agreements. These are reflected in receivables from security deposits for energy trading transactions. Receivables from security deposits amounted to Euro 68 732 thousand (previous year: Euro 91 416 thousand). Other receivables and assets up to an equivalent value of Euro 4 732 thousand have been provided as security for financial debt.

Loans mainly involve short-term fixed deposits amounting to Euro 65 000 thousand and with a remaining term of more than three months. Receivables and assets from contracting agreements without finance leases involve investments in the value-added services segment leading to energy savings at customers and thus to a receipt of revenues at the MVV Energie Group in future.

Miscellaneous other assets include an amount of Euro 29 634 thousand relating to input tax only eligible for deduction upon invoicing (previous year: Euro 31 824 thousand).

There were no indications of impairment in the case of non-impaired other receivables and assets. All write-downs undertaken were calculated following individual consideration of each case and were not based on any general allowance.

7 Inventories

Inventories

Euro 000s	30.9.2010	30.9.2009
Raw materials and supplies	37 634	30 323
Unfinished and finished products and services and merchandise	19 611	20 465
Advance payments	203	—
	57 448	**50 788**

There were no restrictions on disposal or other encumbrances (apart from retentions of title). Write-downs of Euro 250 thousand were recognised for inventories (previous year: Euro 730 thousand).

8 Trade receivables

Trade receivables

Euro 000s	30.9.2010	30.9.2009
Trade receivables	432 151	463 294
due from other majority shareholdings	1 919	2 946
due from associates	4 247	3 885
due from other shareholdings	2 987	2 063

Trade receivables have terms of under one year.

The trade receivables recognised as of 30 September 2010 include receivables of Euro 9 075 thousand for the settlement of construction contracts in line with their percentage of completion (previous year: Euro 8 486 thousand). Advance payments of Euro 4 952 thousand received for these projects have already been accounted for (previous year: Euro 10 800 thousand). Revenues of Euro 4 430 thousand were recognised for construction contracts in the year under report (previous year: Euro 5 649 thousand). Total costs incurred as of the balance sheet date amounted to Euro 9 875 thousand (previous year: Euro 17 636 thousand). Construction contracts thus resulted in a loss of Euro 721 thousand (previous year: Euro 91 thousand).

Write-downs on trade receivables developed as follows:

Write-downs

Euro 000s	2009/2010	2008/2009
Balance at 1.10.	33 054	22 738
Utilised	7 439	1 696
Net additions	5 895	12 012
Balance at 30.9.	**31 510**	**33 054**

Receivables are written down on the basis of their actual age. Large receivables are assessed individually to determine a correct write-down requirement. The adjustment in the calculation of write-downs in the previous year led to additional expenses of Euro 8 704 thousand in the 2008/09 financial year.

The credit risks and maturity structure of trade receivables were as follows:

Credit risks and maturity

Euro 000s	30.9.2010	30.9.2009
Neither overdue nor impaired	343 107	366 148
Overdue but not impaired		
≤ 6 months	62 902	71 861
> 6 months ≤ 1 year	888	2 491
> 1 year	1 476	5 783
Net value of receivables written down	23 778	17 011
	432 151	**463 294**

There were no indications of write-down requirements for non-impaired trade receivables. All write-downs undertaken were calculated on the basis of individual or group consideration and were not based on any general allowance.

9 Tax receivables

The tax receivables of Euro 44 011 thousand (previous year: Euro 40 359 thousand) mainly relate to refund claims for corporate income tax and capital gains tax, as well as to input tax credits, and have been recognised at face value and where necessary at present value.

10 Cash and cash equivalents

Cash and cash equivalents primarily consist of credit balances at banks. Proportionately consolidated companies account for Euro 4 478 thousand (previous year: Euro 3 056 thousand). No cash or cash equivalents are subject to restrictions on disposal.

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 interbank levels.

11 Equity

The structure and development of equity have been presented in the "Statement of changes in equity".

SHARE CAPITAL: The share capital of MVV Energie AG amounts to Euro 168 721 thousand and is divided into 65 906 796 individual registered shares of Euro 2.56 each. All registered shares are paid up in full. The City of Mannheim indirectly owned 50.1 % of the share capital as of 30 September 2010, while RheinEnergie AG held 16.3 % and EnBW Energie Baden-Württemberg AG 15.1 % of the shares. The remaining 18.5 % of the shares were in free float.

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

On 11 October 2007, the Executive Board of MVV Energie AG resolved with the consent of the Supervisory Board to act on the authorisation granted to it by the Articles of Incorporation and to increase the share capital by Euro 25.96 million. The capital increase was successfully completed at the beginning of November 2007. The share capital of MVV Energie AG was increased from available Authorised Capital I by Euro 25.96 million to Euro 168.72 million by issuing 10.1 million new shares in return for cash contributions and with shareholders' subscription rights.

The authorisation dated 4 March 2005 was amended at the Supervisory Board meeting on 11 October 2007, taking due account of the previous utilisation of the authorisation, to empower the Executive Board until 3 March 2010 to increase the share capital by an additional amount of up to Euro 243 thousand (Authorised Capital I). No use was made of this authorisation.

AUTHORISED CAPITAL II: By 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 up to Euro 3 400 thousand 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 was increased by 0.11 % from Euro 142 602 thousand to Euro 142 764 thousand. Shareholders' subscription rights were excluded. An amount of Euro 3 238 thousand of Authorised Capital II is therefore still available.

CAPITAL RESERVE: The capital reserve relates to MVV Energie AG. This reserve includes external inflows of funds requiring inclusion under § 272 of the German Commercial Code (HGB).

EQUITY GENERATED: In addition to the prorated revenue reserves of MVV Energie AG and of the other consolidated companies since the date of initial consolidation, equity generated also includes accumulated changes recognised directly in equity as a result of the fair value measurement of financial instruments, mainly relating to hedging relationships recognised under IAS 39 (2008), as well as currency translation differences arising upon the translation of foreign financial statements and accumulated net income. An amount of Euro 1 018 thousand was withdrawn from the fair value reserve during the financial year (previous year: Euro 8 664 thousand).

PROPOSED APPROPRIATION OF EARNINGS: The Executive Board proposes appropriating the unappropriated net profit of MVV Energie AG for the 2009/10 financial year as follows: Distribution of a dividend of Euro 0.90 per individual share for the 2009/10 financial year (total: Euro 59 316 116.40). The Annual General Meeting to be held on 18 March 2011 will decide on payment of the dividend.

12 Provisions

Provisions

	30.9.2010			30.9.2009		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Provisions for pensions and similar obligations	37 611	—	37 611	36 567	—	36 567
Tax provisions	—	23 010	23 010	—	24 366	24 366
Other provisions						
Personnel expenses	26 243	41 088	67 331	24 805	42 205	67 010
Early retirement	34 197	7 372	41 569	36 810	6 345	43 155
Services not yet invoiced	—	51 558	51 558	—	42 578	42 578
Restructuring obligations	—	139	139	—	911	911
Refurbishment measures	7 260	315	7 575	7 017	—	7 017
Miscellaneous contingencies	9 084	81 400	90 484	9 188	64 184	73 372
	114 395	**204 882**	**319 277**	**114 387**	**180 589**	**294 976**

Detailed explanations of provisions have been provided under Notes 13 and 14.

13 Provisions for pensions and similar obligations

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

An amount of Euro 24 650 thousand was paid into state pension systems in the 2009/10 financial year (previous year: Euro 22 323 thousand). The payments made to municipal supplementary pension companies (ZVK) and the state pension system are viewed as payments to defined contribution pension plans. These contributions have been recognised as expenses and reported under personnel expenses.

Current payments to the municipal supplementary pension company (ZVK) represent expenses incurred in the given financial year. These expenses amounted to Euro 15 518 thousand in the past financial year (previous year. Euro 14 531 thousand). The pension obligations of the ZVK as determined in an approximate calculation pursuant to IFRS for current and former employees of the MVV Energie Group are Euro 294 million (previous year: Euro 273 million) above the proportion accruing to the MVV Energie Group from the policy reserve recognised at ZVK (labour law obligation). The structure of the relevant contracts means that the policy reserve required pursuant to labour law obligations cannot be clearly allocated. The figures stated therefore correspond to the most probable values.

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 to members of the Executive Board.

The expenses recognised for these pensions and similar obligations structured as defined benefits plans comprise the following items:

Pension provision expenses

Euro 000s	**2009/2010**	2008/2009
Service cost	1 601	921
Interest expenses	1 921	1 951
Adjustment due to retrospective service cost recognised	—	—
Adjustment due to actuarial gains/losses recognised	– 114	– 32
	3 408	**2 840**

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

The present value of defined benefit obligations developed as follows:

Development in pension claims

Euro 000s	**2009/2010**	2008/2009
Present value of pension claims at 1.10.	**36 584**	**34 896**
Current service cost	1 601	921
Interest expenses	1 921	1 951
Payments made to beneficiaries	– 2 364	– 2 195
Actuarial gains/losses	669	1 011
Present value of pension claims at 30.9.	**38 411**	**36 584**

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

Amount recognised for pensions and similar obligations

Euro 000s	**30.9.2010**	30.9.2009	30.9.2008	30.9.2007	30.9.2006
Present value of pension claims	38 411	36 584	34 896	35 194	32 444
Actuarial gains/losses not yet settled	– 800	– 17	1 026	– 921	– 3 360
Provision for pensions and similar obligations	**37 611**	**36 567**	**35 922**	**34 273**	**29 084**
Empirical adjustments (changes in assumptions)	708	1 157	– 881	542	669

The empirical adjustments to the present value of pension claims (changes in assumptions) represent part of the actuarial gains and losses attributable to pension claims in the given year.

Pension payments of Euro 2 104 thousand are forecast for existing pension obligations for the following financial year.

No plan assets have been created.

14 Other provisions

Other provisions

Euro 000s	Balance at 1.10.2009	Change in scope of consolidation	Currency adjust-ments	Utilised	Reversed	Added	Re-classified	Interest portion	Balance at 30.9.2010
Non-current provisions									
Pensions and similar obligations	**36 567**	**—**	**—**	**2 364**	**—**	**1 487**	**—**	**1 921**	**37 611**
Other provisions									
Early retirement	36 810	—	—	694	920	5 711	– 8 937	2 227	34 197
Personnel expenses	24 805	—	—	306	56	1 356	– 837	1 281	26 243
Refurbishment	7 017	—	—	1 341	—	1 538	– 315	361	7 260
Miscellaneous contingencies	9 188	—	—	161	1 071	2 421	– 1 610	317	9 084
Total other provisions	**77 820**	**—**	**—**	**2 502**	**2 047**	**11 026**	**– 11 699**	**4 186**	**76 784**
Total non-current provisions	**114 387**	**—**	**—**	**4 866**	**2 047**	**12 513**	**– 11 699**	**6 107**	**114 395**
Current provisions									
Tax provisions	**24 366**	**3**	**2**	**17 162**	**2 575**	**18 376**	**—**	**—**	**23 010**
Other provisions									
Early retirement	6 167	—	—	7 725	11	4	8 937	—	7 372
Personnel expenses	42 383	—	3	38 024	2 725	38 614	837	—	41 088
Services not yet invoiced	42 578	—	—	33 546	2 444	44 970	—	—	51 558
Refurbishment	—	—	—	—	—	—	315	—	315
Miscellaneous contingencies	65 095	144	65	31 624	14 218	60 467	1 610	—	81 539
Total other provisions	**156 223**	**144**	**68**	**110 919**	**19 398**	**144 055**	**11 699**	**—**	**181 872**
Total current provisions	**180 589**	**147**	**70**	**128 081**	**21 973**	**162 431**	**11 699**	**—**	**204 882**
Total provisions	**294 976**	**147**	**70**	**132 947**	**24 020**	**174 944**	**—**	**6 107**	**319 277**

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

The provisions for early retirement expenses mainly relate to legal and constructive 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 decline in provisions for early retirement is the result of lower utilisation of part-time early retirement agreements.

The provision for personnel expenses mainly includes collectively agreed obligations, such as allowances, compensation payments, bonus payments, benefits in kind, employee working hours credits 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 estimations.

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

We expect the provisions recognised to be utilised in line with their respective terms.

15 Financial debt

Financial debt

	30.9.2010			30.9.2009		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Liabilities						
to banks	1 023 086	147 112	1 170 198	1 010 393	288 569	1 298 962
in connection with finance leases	4 697	958	5 655	5 160	777	5 937
to other shareholdings	—	300	300	—	460	460
to other majority shareholdings	—	172	172	—	1 309	1 309
to shareholdings consolidated at equity	—	867	867	—	—	—
Kiel put option	—	120 578	120 578	—	120 578	120 578
Other financial debt	28 021	23 022	51 043	57 521	27 988	85 509
	1 055 804	**293 009**	**1 348 813**	**1 073 074**	**439 681**	**1 512 755**

Maturities in years

	30.9.2010			30.9.2009		
Euro 000s	**< 1 year**	**1 – 5 years**	**> 5 years**	< 1 year	1 – 5 years	> 5 years
Liabilities						
to banks	147 112	704 926	318 160	288 569	691 967	318 426
in connection with finance leases	958	3 661	1 036	777	3 543	1 617
to other shareholdings and majority shareholdings	1 339	—	—	1 769	—	—
Other financial debt	143 600	14 384	13 637	148 566	14 347	43 174
	293 009	**722 971**	**332 833**	**439 681**	**709 857**	**363 217**

The fixed-rate liabilities to banks amounting to Euro 1 053 million (previous year: Euro 946 million) have an average interest rate of 4.2 % (previous year: 4.7 %). The floating-rate liabilities to banks amounting to Euro 117 million (previous year: Euro 353 million) have an average interest rate of 2.3 % (previous year: 3.9 %). As in the previous year, the average remaining period for which the rate remains fixed in the case of fixed-rate liabilities amounts to seven years. In the case of floating-rate liabilities, the average period by which the interest rate structure is fixed has reduced from seven to five years.

As of 30 September 2010, the MVV Energie Group had unutilised committed credit lines of Euro 360 million at its disposal (previous year: Euro 354 million).

Liabilities in connection with finance leases are recognised at the present value of future leasing payments. The fair values of the other financial debt items are basically equivalent to the carrying amounts reported.

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

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

Present value of minimum leasing payments

Euro 000s	**30.9.2010**	30.9.2009
Present value of minimum leasing payments by maturity		
up to 1 year	961	825
1 to 5 years	3 642	3 453
longer than 5 years	1 036	1 617
Total	**5 639**	**5 895**
Financing costs not yet recognised	1 567	2 131
Gross liabilities in connection with finance leases	**7 206**	**8 026**

The Kiel put option includes the present value of the payment obligations resulting from the writer obligation on the part of MVV Energie AG towards the City of Kiel for its shareholding in Stadtwerke Kiel AG. The put option held by the City of Kiel could be exercised at any time up to 6 November 2010.

Of financial debt, an amount of Euro 119 million is secured by the pledging of property, plant and equipment (previous year: Euro 81 million).

16 Other liabilities

Other liabilities have been broken down into their respective contents and counterparties in the tables below. The hedging relationship has also been stated in the case of derivative financial instruments.

Other liabilities

	30.9.2010			30.9.2009		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Derivative financial instruments	157 784	85 335	243 119	355 649	155 401	511 050
Deferred income and accrued expenses	13 324	10 350	23 674	16 246	12 647	28 893
Liabilities for security deposits for energy trading transactions	—	12 212	12 212	—	—	—
Advance payments received	—	12 015	12 015	—	36 156	36 156
Interest liabilities	—	6 816	6 816	—	7 512	7 512
Customer credit balances	—	7 112	7 112	—	7 490	7 490
Concession duties	—	1 943	1 943	—	1 659	1 659
Social security liabilities	—	231	231	—	237	237
Miscellaneous other liabilities	11 969	20 346	32 315	4 231	22 518	26 749
	183 077	**156 360**	**339 437**	**376 126**	**243 620**	**619 746**

Liabilities

	30.9.2010			30.9.2009		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Liabilities						
to third parties	183 077	141 386	324 463	374 286	204 925	579 211
to other majority shareholdings	—	669	669	—	1	1
to associates	—	506	506	—	—	—
to other related parties	—	1 778	1 778	1 840	2 538	4 378
to other shareholdings	—	6	6	—	—	—
Advance payments received for orders	—	12 015	12 015	—	36 156	36 156
	183 077	**156 360**	**339 437**	**376 126**	**243 620**	**619 746**

Derivative financial instruments involve interest, currency and commodity derivatives for electricity, gas and coal. Further information about financial instruments can be found under Note 21.

Derivative financial instruments

	30.9.2010			30.9.2009		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Derivative financial instruments	157 784	85 335	243 119	355 649	155 401	511 050
of which without hedge	150 569	83 086	233 655	352 385	150 606	502 991
of which cash flow hedges	7 215	2 249	9 464	3 264	4 795	8 059

To reduce the counterparty risk involved in highly fluctuating fair values of energy trading derivatives, security deposits (margins) are exchanged with the EEX. Moreover, the Group has also entered into bilateral risk reduction agreements in some cases. The Group had liabilities of Euro 12 212 thousand in connection with security deposits as of the balance sheet date (previous year: Euro 0 thousand).

The most significant item under deferred income and accrued expenses is an advance fee amounting to Euro 8 825 thousand received for the incineration of waste in conjunction with the takeover of an energy from waste plant by Energieversorgung Offenbach AG (previous year: Euro 11 540 thousand).

17 Trade payables

Trade payables

Euro 000s	**30.9.2010**	30.9.2009
Trade payables	251 979	236 816
to other majority shareholdings	223	1 774
to associates	6 095	10 808
to other shareholdings	678	791

All trade payables have terms of under one year.

18 Tax liabilities

The tax liabilities of Euro 43 586 thousand (previous year: Euro 42 501 thousand) mainly relate to energy taxes and value added tax.

19 Deferred taxes

The deferred taxes reported for 2009/10 relate to the following items:

Deferred taxes

	30.9.2010		30.9.2009	
Euro 000s	**Deferred tax assets**	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
Intangible assets	1 230	– 13 317	3 831	– 15 237
Property, plant and equipment, including investment property	9 864	– 140 242	8 273	– 131 197
Inventories	1 752	– 747	1 189	– 362
Special item	—	– 4 837	—	– 9 243
Other assets and positive fair values of derivatives	6 676	– 141 311	10 696	– 304 249
Provisions for pensions	2 912	—	2 651	—
Non-current other provisions	12 217	– 4 219	5 603	– 235
Current other provisions	1 784	– 14 793	4 538	– 17 740
Liabilities and negative fair values of derivatives	143 609	– 2 657	331 663	– 11 674
Losses carried forward	1 447	—	1 887	—
Miscellaneous items	—	– 1 363	—	– 895
Deferred taxes (gross)	**181 491**	**– 323 486**	**370 331**	**– 490 832**
Value adjustment	– 2 269	—	– 1 782	—
Netting	– 176 315	176 315	– 356 558	356 558
Deferred taxes (net)	**2 907**	**– 147 171**	**11 991**	**– 134 274**

Of the (net) deferred taxes presented above, Euro 2 418 thousand relate to non-current deferred tax assets and Euro 137 966 thousand to non-current deferred tax liabilities.

In addition to the aforementioned deferred tax assets, the company has tax claims relating to unutilised losses carried forward not eligible for recognition and amounting to Euro 45.6 million for corporate income tax (previous year: Euro 24.4 million) and to Euro 43.8 million for trade tax (previous year: Euro 30.6 million).

No deferred tax liabilities have been stated for temporary differences of Euro 2 695 thousand (previous year: Euro 2 540 thousand) between the value of shareholdings in the tax balance sheet and their respective value in the consolidated financial statements, as 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 1 997 thousand (previous year: Euro 2 202 thousand) were recognised in equity in the 2009/10 financial year.

Income tax items within other income and expenses recognised in equity:

	30.9.2010		30.9.2009	
Euro 000s	**Income tax**	**Net**	Income tax	Net
Cash flow hedges	– 205	876	2 785	– 14 389
Currency translation difference	—	2 181	—	– 1 131

20 Contingent claims, contingent liabilities and financial obligations

The volume of obligations listed below corresponds to the scope of liability pertaining at the balance sheet date. The company has such obligations in the form of guarantees amounting to Euro 113.4 million (previous year: Euro 73.9 million). As in the previous year, no collateral has been provided 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 25.0 million (previous year: Euro 26.4 million).

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

Minimum leasing payments for operating leases

	Nominal value	
Euro 000s	**30.9.2010**	30.9.2009
Operating leases		
up to 1 year	11 172	11 879
1 to 5 years	22 757	22 457
longer than 5 years	16 325	17 037
	50 254	**51 373**

In leases where economic ownership remains with the lessor (operating leasing), the assets thereby leased are recognised at the lessor. The leasing expenses incurred are recognised as expenses over the term of the leasing contract.

The contracts provide for extension options in some cases, but do not include any purchase options or price adjustment clauses.

The Group has a contingent claim from the State of Baden-Württemberg and the City of Mannheim in connection with a land decontamination measure. The contingent claim has a cash value of Euro 2.1 million.

21 Financial instruments

Financial instruments can be divided into primary and derivative financial instruments.

PRIMARY FINANCIAL INSTRUMENTS: Shareholdings, loans, securities, trade receivables, other cash receivables and cash and cash equivalents are reported as financial assets on the asset side of the balance sheet. These are initially measured at cost. Transaction costs are included.

Financial assets are subsequently measured either at fair value or at amortised cost. The subsequent measurement of financial assets in the "financial assets available for sale" category is generally based on their fair values. Pursuant to IAS 39 (2008), changes in fair values are recognised directly in equity, taking due account of deferred taxes. Upon retirement, these are taken into the income statement. The asset is written down through profit or loss in the event of there being any objective indications of impairment. Assets whose fair value cannot be reliably estimated are measured at amortised cost. The subsequent measurement of financial assets in the "loans and receivables granted by the company" and "financial instruments held to maturity" categories has been based on amortised cost, with application of the effective interest rate method where appropriate. The amortised cost of a financial asset is equivalent to the fair value of the consideration provided, adjusted to account for impairments, interest payments and principal repayments. Impairment losses are recognised for any identifiable risks, especially those resulting from expected payment defaults or reductions in expected cash flows. Impairment losses are recognised directly in period earnings.

Purchases and sales of financial assets executed on customary market terms are recognised on the date of the transaction, i.e. on the date on which the company assumed the liability to purchase the asset. Purchases and sales executed on customary market terms are purchases or sales requiring transfer of the assets within a period determined by market regulations or conventions.

The fair values of financial instruments traded on organised markets are determined by reference to the bid prices listed on the stock market on the balance sheet date. The fair values of financial instruments for which there is no active market are estimated with due application of valuation techniques. These methods are based on recent transactions performed on customary market terms, on the current value of other instruments which are essentially the same instruments, on analysis of discounted cash flows or on option pricing models.

Financial assets are retired when the contractual rights to cash flows from the asset expire or when the financial asset is transferred, provided that all significant risks and rewards relating to ownership of the asset are also transferred and the power to dispose over the asset has been ceded.

Financial debt, trade payables and other liabilities are reported as financial liabilities on the liabilities side of the balance sheet. Financial liabilities are mainly recognised at amortised cost, with application of the effective interest rate method where appropriate. In the case of financial debt, cost is equivalent to the amount paid out. In the case of trade payables and other liabilities, cost is equivalent to the fair value of the consideration received.

Financial liabilities are retired when the underlying obligation has been met or has terminated or expired.

As in the previous year, no use was made of the option of allocating financial assets and financial liabilities to the "measured at fair value through profit or loss" category.

DERIVATIVE FINANCIAL INSTRUMENTS: Derivative financial instruments mainly include interest rate derivatives, as well as currency and commodity derivatives for electricity, gas and coal. Commodity derivatives are in most cases fulfilled by physical delivery.

Interest rate risks are limited by drawing in particular on interest swaps. These instruments secure the cash flows from interest-bearing non-current financial liabilities by means of cash flow hedge accounting. Forward exchange contracts are concluded in US dollars to secure currency fluctuations in financial coal.

Pending transactions intended to secure market prices in the field of energy trading fall within the scope of IAS 39 (2008) and have to be recognised as financial instruments, while the hedged items (sales contracts) are generally not covered by IAS 39 (2008). The accounting treatment under IAS 39 (2008) relates in particular to commodity futures transactions requiring physical delivery which have to be resold in the context of adjustments to actual loads. This has led to increased earnings volatility.

Swaps also largely falling within 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. In the field of interest hedges, existing underlying transactions have been included in cash flow hedges with terms of up to nine years as of 30 September 2010 (previous year: nine years). In the field of commodity hedges, the terms of planned hedged items amount to up to five years (previous year: up to three years). Both interest rate hedging instruments and commodity derivatives require net settlements to be paid at contractually fixed dates largely congruent with the hedged items. The hedging instruments involve swaps which generate cash flows throughout the contractual term.

Income of Euro 671 thousand was recognised directly in equity in the 2009/10 financial year. Of this total, Euro 1 018 thousand involved own shares (previous year: expenses of Euro 11 604 thousand, of which Euro 8 664 thousand attributable to own shares).

The amounts reclassified from equity and recognised through profit or loss in the income statement in connection with hedge accounting were as follows:

Euro 000s	**2009/2010**	2008/2009
Included in EBIT	– 129	– 1 808
Included in net financial expenses and taxes	65	3 013
Total amounts withdrawn	**– 64**	**– 1 205**

The amounts recognised directly in equity and attributable reclassification amounts were as follows:

Euro 000s	**2009/2010**	2008/2009
Cash flow hedges	671	– 11 604
of which changes recognised in equity	607	– 10 399
of which reclassified to income statement	64	– 1 205
Currency translation difference	2 181	– 1 131
of which changes recognised in equity	2 181	– 1 131

No items were recognised in connection with the ineffective portion of cash flow hedges in the 2009/10 financial year (previous year: income of Euro 114 thousand). The results of ineffective portions of cash flow hedges are recognised as other operating income or expenses. For interest rate hedges, the results are recognised under other interest income and expenses.

The carrying amounts have been presented and broken down into IAS 39 measurement categories in the following tables. The fair values are basically equivalent to the carrying amounts. The classes presented are based on the balance sheet. As in the previous year, there were no reclassifications between IAS 39 measurement categories in the 2009/10 financial year.

Assets

at 30.9.2009	Not within scope of IFRS 7	Loans and receivables	Held for trading	Available for sale	Derivatives in hedge accounting	Value recognised under IAS 17
Euro 000s	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Financial assets	75 138	8 580	3 641	42 814	—	48 342
Trade receivables	—	463 294	—	—	—	—
Other receivables and assets	62 657	110 072	375 631	23	573	5 789
Cash, cash equivalents and securities	—	321 170	1 534	—	—	—
	137 795	**903 116**	**380 806**	**42 837**	**573**	**54 131**

Liabilities

at 30.9.2009	Not within scope of IFRS 7	At amortised cost	Held for trading	Derivatives in hedge accounting	Value recognised under IAS 17
Euro 000s	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Financial debt	—	1 506 818	—	—	5 937
Trade payables	—	236 816	—	—	—
Other liabilities	65 329	43 367	502 991	8 059	—
	65 329	**1 787 001**	**502 991**	**8 059**	**5 937**

Assets

at 30.9.2010	**Not within scope of IFRS 7**	**Loans and receivables**	**Held for trading**	**Available for sale**	**Derivatives in hedge accounting**	**Value recognised under IAS 17**
Euro 000s	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**
Financial assets	92 960	6 060	4 661	18 010	—	63 169
Trade receivables	—	432 151	—	—	—	—
Other receivables and assets	51 541	158 561	175 046	—	2 567	4 905
Cash, cash equivalents and securities	—	147 101	1 490	5	—	—
	144 501	**743 873**	**181 197**	**18 015**	**2 567**	**68 074**

Liabilities

at 30.9.2010	**Not within scope of IFRS 7**	**At amortised cost**	**Held for trading**	**Derivatives in hedge accounting**	**Value recognised under IAS 17**
Euro 000s	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**
Financial debt	—	1 343 158	—	—	5 655
Trade payables	—	251 979	—	—	—
Other liabilities	35 922	60 396	233 655	9 464	—
	35 922	**1 655 533**	**233 655**	**9 464**	**5 655**

The following table presents the key measurement parameters for financial instruments measured at fair value as of 30 September 2010. Pursuant to IFRS 7, the individual levels are defined as follows:

LEVEL 1: Measurement based on prices listed on active markets and taken over without amendment;

LEVEL 2: Measurement based on directly or indirectly observable factors other than those in Level 1;

LEVEL 3: Measurement based on factors not observable on the market.

MEASUREMENT AT COST: This category includes those financial instruments which IAS 39 requires to be measured at cost as their fair values cannot be reliably determined. These items mainly involve other shareholdings and other majority shareholdings.

Fair value hierarchy

Euro 000s	Level 1	Level 2	Level 3	At cost
Financial assets	247	4 414	—	18 010
Other receivables and assets	4 275	163 550	9 788	—
Cash, cash equivalents and securities	—	1 490	—	5
Other liabilities	23 145	218 872	1 102	—

The following reconciliation account presents the development in financial instruments measured in Level 3.

Development in Level 3 financial instruments

Euro 000s	Balance at 1.10.2009	Gains/losses in income statement	Balance at 30.9.2010
Other receivables and assets	—	9 788	9 788
Other liabilities	—	– 1 102	1 102

Gains and losses in income statement for Level 3 financial instruments

Euro 000s	Total	of which still held at 30.9.2010
Other operating income	9 788	9 788
Other operating expenses	– 1 102	– 1 102
	8 686	**8 686**

NET RESULTS BY MEASUREMENT CATEGORY: Financial instruments have been recognised in the income statement with the following net results (pursuant to IFRS 7). The interest income and interest expenses in connection with financial assets and financial liabilities not measured at fair value are reported under total interest income and expenses.

Net results (IFRS 7)

Euro 000s	2009/2010	2008/2009
Financial assets and financial liabilities held for trading	68 798	– 254 739
Financial assets available for sale	– 6 221	3 974
Loans and receivables	– 10 981	– 15 825
Financial liabilities measured at amortised cost	296	—

The presentation of net results takes due account of standalone derivatives included in the "financial assets and financial liabilities held for trading" measurement category. The net result in the "financial assets and financial liabilities held for trading" category is largely attributable to fair value measurement under IAS 39.

The net result in the "available for sale" category chiefly involves income and distributions from shareholdings, as well as disposal gains and write-downs.

The net results in the "loans and receivables" category predominantly relate to write-downs and additions.

The overall development in financial liabilities measured at cost is mainly attributable to the total interest income expenses presented below.

The write-downs undertaken on financial assets in the "available for sale" category amounted to Euro 8 906 thousand in the 2009/10 financial year (previous year: Euro 578 thousand). Financial assets amounting to Euro 17 193 thousand were written down in the "loans and receivables" category (previous year: Euro 16 991 thousand).

Total interest income and expenses

Euro 000s	**2009/2010**	2008/2009
Total interest income	8 528	9 805
Total interest expenses	75 132	77 152

Total interest income and expenses are attributable to financial assets and financial liabilities not measured at fair value. The net financing result also includes interest components for provisions not covered by IFRS 7 disclosure requirements, as a result of which the figures published here differ from the net financing result. The interest income reported here mainly results from credit balances at banks, overnight and fixed-term deposits and loans. The interest expenses largely relate to loan obligations. As in the previous year, total interest income does not include any interest on financial assets already impaired.

FINANCING AND PRICE RISKS: General information on financing and price risks: The MVV Energie Group is exposed to market price risks resulting from changes in interest rates and exchange rates, as well as in other prices. The Group is exposed to commodity price risks in terms of its procurement and sales activities. Furthermore, the MVV Energie Group is subject to credit risks resulting in particular from trade receivables. Moreover, the Group also faces liquidity risks in connection with credit and market price risks or with a deterioration in its operating business or disturbances on financial markets. Financing risks include liquidity and interest rate risks, as well as receivables default risks and risks resulting from non-compliance with key figures agreed in connection with the taking up of debt capital (financial covenants).

Market price risks result in particular from fluctuations in 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. This is due to the international commitments of the MVV Energie Group not being classified as material.

Only in terms of the US dollar does the Group face a low level of exchange rate risk, as the raw materials and fuels relevant to the MVV Energie Group are partly settled in this currency. The MVV Energie Group pursues the objective of covering itself against risks by means of systematic risk management. To this end, discretionary frameworks, responsibilities, separation of functions and checks are laid down in internal guidelines.

Derivative financial instruments are used to cover against market price risks. For interest rate risks, these mainly involve interest swaps. Commodity derivatives are deployed in the field of energy trading. The use of commodity derivatives for proprietary energy trading purposes is only permitted within narrow limits and is restricted and monitored by separate organisational units.

CREDIT RISKS: The risk of economic loss arising as a result of a counterparty failing to meet its contractual payment obligations is defined as credit risk. Credit risk encompasses both the risk of direct default and the risk of reduced creditworthiness. The MVV Energie Group maintains its credit and trading relationships predominantly with banks and other trading partners of good credit standing. Credit risks towards contractual partners are inspected upon conclusion of the contract and monitored continuously. Credit risk is limited by setting trading limits for business partners and, where appropriate, by providing cash collateral. Where possible, default risk is already reduced in advance by means of suitable framework agreements with trading partners.

The MVV Energie Group is exposed to credit risks in its sales business, as customers may potentially fail to meet their payment obligations. This risk is limited by regularly inspecting the creditworthiness of major items in our customer portfolio.

The maximum default risk for the financial assets reported in the balance sheet (receivables, derivatives and other assets, as well as cash and cash equivalents and assets held for sale) is equivalent to their carrying amounts. The volume of defaults was immaterial both in the year under report and the previous year.

As derivatives may be subject to substantial fluctuations in their fair values, the counterparty risk of the derivative financial assets has been presented in the following overview. Only recognised accounts have been included. Where netting agreements are in place with a trading partner, the actual risk, i.e. the net risk, has been presented. No account has been taken of counterparties with negative net balances, i.e. where there is no counterparty risk. In all other cases, the figures have not been netted against negative fair values.

Counterparty risk at 30.9.2010

Euro 000s	**Total**		**of which < 1 year**		**of which 1 to 5 years**		**of which > 5 years**	
Counterparty rating as per Standard & Poor's and/or Moody's	**Nominal value**	**Counter-party risk**	**Nominal value**	**Counter-party risk**	**Nominal value**	**Counter-party risk**	**Nominal value**	**Counter-party risk**
AAA and Aaa to AA- and Aa3	19 112	648	2 227	209	16 885	439	—	—
AA- and A1 or A+ and Aa3 to A- and A3	346 911	20 974	137 135	10 940	209 776	10 034	—	—
A- and Baa1 or BBB+ and A3 to BBB- or Baa3	35 887	1 906	18 844	1 400	17 043	506	—	—
BBB- and Ba1 or BB+ and Baa3 to BB- and Ba3	—	—	—	—	—	—	—	—
Other	475 366	48 376	169 144	22 700	306 222	25 676	—	—
	877 276	**71 904**	**327 350**	**35 249**	**549 926**	**36 655**	—	—

Counterparty risk at 30.9.2009

Euro 000s	Total		of which < 1 year		of which 1 to 5 years		of which > 5 years	
Counterparty rating as per Standard & Poor's and/or Moody's	Nominal value	Counter-party risk	Nominal value	Counter-party risk	Nominal value	Counter-party risk	Nominal value	Counter-party risk
AAA and Aaa to AA- and Aa3	4 112	291	2 826	127	1 286	164	—	—
AA- and A1 or A+ and Aa3 to A- and A3	1 172 425	11 386	844 677	8 916	327 605	2 467	143	3
A- and Baa1 or BBB+ and A3 to BBB- or Baa3	26 721	2 287	21 857	986	4 864	1 301	—	—
BBB- and Ba1 or BB+ and Baa3 to BB- and Ba3	—	—	—	—	—	—	—	—
Other	1 381 384	30 778	876 187	8 126	505 197	22 652	—	—
	2 584 642	**44 742**	**1 745 547**	**18 155**	**838 952**	**26 584**	**143**	**3**

Major shares of the nominal derivative volume involve trading partners for which external ratings are available. Internal ratings are available for the nominal derivative volume reported under "Other".

Given that the relevant net balances only had negative fair values, there was no trading risk as of 30 September 2010 for trading transactions concluded with stock exchanges. In the previous year, there were net balances with positive fair values and nominal volumes of Euro 459 090 thousand. Due to clearing agreements, however, these did not involve any credit risks.

LIQUIDITY RISKS: Liquidity risk involves the risk of a company being unable to meet its financial obligations adequately. The MVV Energie Group is subject to liquidity risks as a result of its obligation to meet its liabilities in full and on time, as well as its obligation to service security payments (margins) from energy trading partners. Cash and liquidity management at the MVV Energie Group is responsible for maintaining the Group's solvency at all times. This involves calculating all cash requirements and all cash surpluses. The major subgroups have a cash pooling process which enables bank transactions to be reduced to a reasonable limit.

A financial budget is compiled for liquidity management purposes. Any financing requirements arising are covered by means of suitable liquidity management instruments. Alongside the liquidity available on a daily basis, the MVV Energie Group has further liquidity reserves in the form of committed credit lines. The volume of committed credit lines is structured in such a way as to ensure that the Group has adequate liquidity reserves available at all times, even in a difficult market climate. In view of its available liquidity and existing credit lines, the MVV Energie Group does not see itself as being exposed to any material liquidity risks.

Group companies within the MVV Energie Group are generally refinanced by local banks of good credit standing, as well as by MVV Energie AG.

Contractually agreed outflows of funds for financial liabilities are presented in undiscounted form in the table below. The figures include the corresponding interest payments.

Undiscounted cash flows

	at 30.9.2010			at 30.9.2009		
Euro 000s	**Maturities < 1 year**	**Maturities 1–5 years**	**Maturities > 5 years**	Maturities < 1 year	Maturities 1–5 years	Maturities > 5 years
Non-derivative financial liabilities						
Liabilities to banks	196 845	827 526	368 260	340 099	831 405	371 064
Liabilities in connection with finance leases	1 394	4 574	1 239	1 265	4 765	1 996
Trade payables	251 979	—	—	236 816	—	—
Other financial debt	145 716	17 972	17 475	151 523	18 065	47 828
Other financial liabilities	48 437	3 441	8 534	39 137	3 928	302
Derivative financial liabilities	111 356	181 148	52	506 975	1 237 491	84
	755 727	**1 034 661**	**395 560**	**1 275 815**	**2 095 654**	**421 274**

INTEREST RATE RISKS: Interest rate risks relate to credit balances at banks on the asset side and to floating-rate liabilities to banks on the liabilities side of the balance sheet. Apart from these items, interest rate risks chiefly involve derivatives in the form of swap transactions. The interest rate risks mainly relate to the euro area.

The impact of changes in interest rates on annual earnings and equity are analysed below. This analysis has been based on the assumption that there are no changes in any other parameters, such as exchange rates. The analysis only includes financial instruments where interest rate risk could impact on equity or annual earnings. Reference has been made in the analysis to the median value of changes in the current yield in the past ten years.

Any upward or downward variance in the level of interest rates in the euro area by 10 % as of the balance sheet on 30 September 2010 would have decreased the annual net surplus by a total of Euro 413 thousand/Euro 748 thousand (previous year: increase/decrease by Euro 218 thousand/Euro 189 thousand). This variance would have increased/reduced equity by a total of Euro 325 thousand/Euro 964 thousand (previous year: Euro 1 241 thousand/Euro 1 193 thousand).

FOREIGN CURRENCY RISKS: Foreign currency risks mainly arise in the context of procuring raw materials and fuels settled in US dollars on international markets. These are procured by means of commodities futures intended to secure the commodity and fuel requirements known of at a given point in time. The resultant payment obligations in US dollars whose amounts and maturities are already known when the commodities futures are agreed are subject to foreign currency risk. The major part of this risk is eliminated by concluding forward exchange contracts congruent with the cash flows in US dollars.

COMMODITY PRICE RISKS: Within the framework of our energy trading activities, energy trading contracts are concluded for the purposes of price risk management, adjustments to actual loads and margin optimisation. These proprietary trading contracts primarily serve economic hedging purposes and are only permitted within narrow, clearly defined limits.

Price change risks mainly arise in connection with the procurement and sale of electricity and gas and the procurement of coal and emissions rights. These price risks are hedged with suitable financial instruments with reference to continuously reviewed market price expectations. The Group made use of derivative hedging instruments during the year under report. The hedging instruments used mainly involved forwards, futures and swaps.

The sensitivity involved in the measurement of electricity, coal, gas and emissions rights derivatives is analysed in the following section. The analysis has been based on the assumption that there are no changes in the other parameters and that there is mutual dependency between the commodities. The analysis only includes derivatives for which fluctuations in market values could impact on equity or on annual earnings. These involve derivatives requiring mandatory recognition. The analysis does not include derivatives earmarked for the physical delivery of non-financial items in line with the company's expected proprietary procurement, sale or utilisation (own use). These do not require recognition under IAS 39. The sensitivities set out below therefore do not correspond to the actual economic risks and merely serve to meet IFRS 7 disclosure requirements.

If the market price at the balance sheet date on 30 September 2010 had been 10 % higher/lower (previous year: 10 %), then this would have increased/decreased the annual net surplus by Euro 39 685 thousand/Euro 40 969 thousand (previous year: Euro 36 850 thousand/Euro 37 888 thousand). Equity would have increased/reduced by Euro 42 326 thousand/Euro 43 610 thousand as of the same date (previous year: Euro 37 098 thousand/Euro 38 136 thousand).

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

Nominal volumes and fair values

	30.9.2010			30.9.2009		
Euro 000s	**Nominal volumes**		**Fair values**	Nominal volumes		Fair values
	Total	**of which with remaining terms of more than 1 year**		Total	of which with remaining terms of more than 1 year	
Interest derivatives	132 962	114 945	– 8 480	237 793	122 147	– 8 804
Commodity derivatives	3 215 468	1 086 761	– 57 043	3 374 005	1 382 719	– 123 241
Currency derivatives	18 344	—	17	39 905	17 775	– 2 801
	3 366 774	**1 201 706**	**– 65 506**	**3 651 703**	**1 522 641**	**– 134 846**

Interest derivatives almost exclusively involve interest swaps. The currency derivatives are intended to hedge financial coal in US dollars.

Commodity derivatives can be subdivided as follows:

Commodity derivatives

	30.9.2010		30.9.2009	
Euro 000s	**Nominal volumes**	**Fair values**	Nominal volumes	Fair values
Commodity derivatives				
Electricity	2 778 271	– 54 220	3 242 805	– 85 159
Coal	9 585	928	16 982	– 14 547
Gas	376 211	– 13 162	114 218	– 23 535
CO_2 rights	42 773	11 007	—	—
Other	8 628	– 1 596	—	—
	3 215 468	**– 57 043**	**3 374 005**	**– 123 241**
Commodity derivatives				
Futures	3 121 511	– 67 424	3 354 039	– 110 019
Swaps	93 957	10 381	19 966	– 13 222
	3 215 468	**– 57 043**	**3 374 005**	**– 123 241**

The positive fair values amounting to Euro 177 613 thousand (previous year: Euro 376 204 thousand) were countered by margining liabilities of Euro 12 212 thousand (previous year: Euro 0 thousand). These are reported under other liabilities. The negative fair values of Euro 243 119 thousand (previous year: Euro 511 050 thousand) were countered by cash collateral amounting to Euro 68 732 thousand (previous year: Euro 91 416 thousand).

Notes on the Income Statement

22 Sales after electricity and natural gas taxes

Sales include all revenues generated by the typical business activities of the Group. They are recognised upon the transfer of significant risks and rewards to customers or upon performance of the respective services, provided that payment can reliably be expected. The composition of sales broken down into individual segments can be found in the segment report in Note 36.

23 Own-work capitalised

Own work capitalised chiefly involves construction and expansion measures relating to distribution grids and power plants.

24 Other operating income

Other operating income

Euro 000s	2009/2010	2008/2009
Income from energy trading transactions recognised under IAS 39	389 817	195 418
Income from emissions rights	23 770	27 208
Reversals of provisions	21 445	30 885
Agency agreements and personnel supplies	9 085	8 221
Reversals of write-downs and receipts of receivables already retired	6 151	1 165
Credits and refunds	4 924	5 758
Reimbursements of damages claims	4 879	1 575
Benefits to employees	2 844	2 500
Income from collections of outstanding receivables	2 739	2 497
Foreign exchange income	2 316	2 354
Rental income	1 824	1 985
Income from IT services and telecommunications	1 004	1 315
Income from sales of assets	752	12 761
Reversals of debit differences upon initial consolidation	—	1 339
Other	34 209	22 247
	505 759	**317 228**

Other operating income includes positive measurement items relating to energy trading transactions requiring measurement under IAS 39 (2008). Measurement items relating to energy trading transactions have been reported on a gross basis. This valuation-dependent income is offset by corresponding expenses.

The other operating income from emissions rights is countered by other operating expenses partly compensating for this item. This income arises from the sale of emissions certificates above cost of acquisition or from the conclusion of derivative swap transactions.

The income from sales of assets was increased in the previous year by the disposal of two gas grids and one gas storage facility.

The income from reversals of debit differences (badwill) reported in the previous year was attributable to the initial consolidation of Českolipská teplárenská a.s., Česká Lípa, Czech Republic.

25 Cost of materials

Cost of materials

Euro 000s	2009/2010	2008/2009
Raw materials, supplies and purchased goods	2 165 166	2 038 359
Purchased services	359 007	305 204
	2 524 173	**2 343 563**

The cost of materials includes write-downs on raw materials and supplies amounting to Euro 250 thousand (previous year: Euro 730 thousand). The item also includes write-ups of Euro 60 thousand recognised for raw materials and supplies due to an increase in the net sale price (previous year: Euro 0 thousand).

Expenses for purchased services mainly relate to expenses for grid utilisation fees, third-party services for operating and maintaining plant and the provision of personnel.

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

26 Personnel expenses

Personnel expenses

Euro 000s	**2009/2010**	2008/2009
Wages and salaries	258 602	251 028
Social security expenses and welfare expenses	46 605	45 112
Pension expenses	17 911	18 046
	323 118	**314 186**

The MVV Energie Group had an annual average of 6 028 employees (previous year: 5 908). This figure includes 404 trainees (previous year: 418). Of the total workforce, 681 individuals are employed at proportionately consolidated companies (previous year: 675). The increase in the number of employees was chiefly due to the addition of Götzfried + Pitzer Entsorgung GmbH, Ulm and of IROMEZ s.r.o. in the Czech subgroup.

27 Other operating expenses

Other operating expenses

Euro 000s	**2009/2010**	2008/2009
Expenses for energy trading transactions recognised under IAS 39	320 927	423 975
Concession duty	56 221	56 655
Expenses for emission rights	22 040	25 669
Contributions, fees and duties	20 938	23 737
Legal, consulting and surveyor expenses	20 271	18 327
Rental, leasehold and leasing expenses	19 739	16 312
Maintenance, repair and IT service expenses	18 333	18 097
Additions to write-downs and receivables defaults	15 798	16 991
Public relations expenses	11 671	12 473
Personnel and welfare expenses	10 459	12 416
Operating taxes (including energy taxes)	7 719	9 834
Losses incurred on sales of assets	4 054	6 879
Accounting and year-end expenses	2 411	1 581
Foreign exchange expenses	1 954	2 633
Office materials and specialist literature	1 895	1 370
Other	32 193	38 275
	566 623	**685 224**

Other operating expenses include negative measurement items relating to energy trading transactions requiring measurement under IAS 39 (2008). Measurement items relating to energy trading transactions have been reported on a gross basis. These valuation-dependent expenses are countered by other operating income offsetting this item.

The other operating expenses for emissions rights are countered by other operating income offsetting this item. These expenses arise from the sale of emissions certificates below cost of acquisition or from the conclusion of derivative swap transactions.

28 Income from associates and other income from shareholdings

Income from associates and other income from shareholdings

Euro 000s	**2009/2010**	2008/2009
Income from associates	11 085	4 287
Income from other shareholdings	3 196	3 800
Income from sales of financial assets	158	782
Expenses from assumption of results	– 669	– 29
Write-downs on other shareholdings	– 8 906	– 42
	4 864	**8 798**

29 Depreciation and amortisation

Depreciation and amortisation

Euro 000s	**2009/2010**	2008/2009
Depreciation and amortisation	159 007	146 033
of which extraordinary	18 440	1 004

Extraordinary depreciation and amortisation mainly related to adjustments to current market values amounting to Euro 464 thousand for concessions, industrial property rights and similar rights and values, to Euro 7 194 thousand for buildings (previous year: Euro 835 thousand), to Euro 10 702 thousand for technical equipment and machinery (previous year: Euro 24 thousand) and to Euro 80 thousand for plant and office equipment (previous year: Euro 145 thousand). These were necessary due to adjustments to market conditions or to a reduction in the income expected from future use.

30 Goodwill amortisation

The amortisation of goodwill reported for the 2009/10 financial year relates to the energy-related services subgroup and is due to a reduction in the income expected from future use and to the requirements for economic operations not being met.

The impairment test was based on costs of capital after taxes of 5.55 % (previous year: 5.70 %). If the costs of capital after taxes as of 30 September 2010 had been stated at 6.0 %, then the impairment would have amounted to Euro 13 million.

31 Restructuring expenses

The restructuring expenses reported in the 2008/09 financial year arose upon the implementation of a new strategic alignment for the energy-related services subgroup aimed at achieving sustainable efficiency and earnings enhancements. The provisions recognised for this purpose were utilised virtually in full in the current 2009/10 financial year.

32 Financing income

Financing income

Euro 000s	**2009/2010**	2008/2009
Interest income from finance leases	4 134	2 497
Interest income from current account, overnight and fixed-term deposits	2 007	1 488
Income from general loans	176	182
Write-backs to securities	69	479
Interest income from minority ownership of commercial partnerships	—	2 152
Other interest and similar income	2 213	3 594
	8 599	**10 392**

The measurement of minority ownership of commercial partnerships had no implications in the 2009/10 financial year, as the respective minority interests were acquired and the respective company was merged.

33 Financing expenses

Financing expenses

Euro 000s	**2009/2010**	2008/2009
Interest expenses on overdraft facilities, non-current and current loans	57 742	51 663
Kiel put option	9 611	12 740
Compounding of provisions	6 107	6 288
Write-downs on securities	—	69
Interest and similar expenses	9 174	13 453
	82 634	**84 213**

34 Taxes on income

Taxes on income

Euro 000s	**2009/2010**	2008/2009
Actual taxes	59 548	36 808
Deferred taxes	21 253	– 58 182
	80 801	**– 21 374**

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

Of deferred tax expenses, an amount of Euro 16.5 million (previous year: Euro 55 million) relates to the arising and/or reversal of temporary differences. The difference to overall deferred tax expenses is due to the change in the write-down on losses carried forward and the utilisation through profit or loss of losses carried forward.

Actual tax expenses were reduced by Euro 0.5 million by using tax losses not previously recognised (previous year: Euro 1 million).

The transition from expected tax expenses to those actually reported is presented in the following table:

Transition to income tax expenses

Euro 000s	**2009/2010**	2008/2009
Earnings before taxes (EBT)	**234 274**	**– 96 386**
Expected tax expenses based on tax rate of 30 %	**70 282**	**– 28 916**
Deviations resulting from trade tax assessment base	2 794	5 587
Deviations from expected tax rate	– 1 725	– 1 451
Change in write-downs for losses and losses for which no deferred taxes are recognised	4 736	3 209
Non-deductible expenses	5 747	1 855
Tax-exempt income	– 1 492	– 2 270
Earnings of shareholdings recognised at equity	– 2 184	258
Non-deductible goodwill amortisation and other consolidation measures	3 418	2 085
Non-deductible items resulting from application of IAS 32 (2003)	2 883	3 822
Taxes for previous years	– 1 922	– 4 376
Other	– 1 736	– 1 177
Effective tax expenses	**80 801**	**– 21 374**
Effective tax rate in %	**34.5**	**22.2**

35 Share of earnings attributable to shareholders in MVV Energie AG and earnings per share

Share of earnings attributable to shareholders in MVV Energie AG

	2009/2010	2008/2009
Share of earnings attributable to shareholders in MVV Energie AG in Euro 000s	139 021	– 75 713
Number of shares (weighted annual average in thousands)	65 907	65 907
Earnings per share (Euro)	2.11	– 1.15
Dividend per share (Euro)	0.90	0.90

The number of individual registered shares in MVV Energie AG amounts to 65 906 796. The weighted annual average is calculated to the nearest day.

The dividend for the 2009/10 financial year is based on the proposal made by the Executive Board and is subject to approval by the Annual General Meeting on 18 March 2011. This proposal involves the distribution of a dividend totalling Euro 59 316 thousand. The appropriation of earnings proposed for the 2008/09 financial year was approved by the Annual General Meeting on 12 March 2010. A total dividend of Euro 59 316 thousand was distributed. As there were no option rights to shares in MVV Energie AG at the balance sheet date, it is not necessary to account for any dilution effects.

36 Segment reporting

In the 2009/10 financial year we adjusted our segment reporting to the changes in presentation resulting from first-time application of IFRS 8. The previous year's figures have been adjusted accordingly. The segmentation of the MVV Energie Group has been based on internal reporting structures to the Executive Board and the Supervisory Board. As in previous years, the MVV Energie Group is managed on a value-driven basis as reflected in its operating earnings (adjusted EBIT). The segments are consistent with the business segments previously identified under IAS 14 Segment Reporting. They are delineated into business units in line with the relevant products and services. No business segments were merged when establishing the reporting segments. The segment reporting of the MVV Energie Group is prepared by reference to the figures in the income statement in accordance with International Financial Reporting Standards (IFRS).

Of segment sales with external customers, 96.6 % were generated in Germany (previous year: 96.8 %). The regional breakdown of sales is based on the geographical location of the customers.

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). Alongside the activities of the MVV Energiedienstleistungen subgroup, the value-added services segment also includes the value-added services business at the municipal utility companies, and in particular the shared service companies for IT, billing and metering. The environmental energy segment includes activities involving the incineration of non-recyclable waste (generation of energy from residential and commercial waste and from waste timber) and the operation of biomass power plants.

The "Other" item depicts those activities not allocable to the business segments. Segment data is presented following elimination of inter-segment relationships. Transactions between individual segments are eliminated in the "Consolidation" line item. This item also includes amounts reconciling the figures with Group figures. The previous year's figures have been adjusted accordingly (separation of Other and Consolidation).

In segment reporting, sales are stated net of energy taxes. External sales represent sales with external customers. Internal sales represent the volume of sales between the group companies. Transfer prices applied to transfers between the segments correspond to customary market prices. Segment sales are equivalent to the sum of internal and external sales.

The segment report is based on the segment earnings (adjusted EBIT) as presented in internal management reporting. These figures correspond to those in the income statement and are consistent with IFRS. Segment earnings in individual business segments do not include any income in connection with non-operating measurement items for financial derivatives measured under IAS 39 (Euro 68 890 thousand; previous year: Euro – 228 557 thousand) or any one-off restructuring expenses (Euro 0 thousand; previous year: Euro 32 952 thousand). We have refrained from depicting the transition to unappropriated net profit in our segment report, as this information is already presented in the income statement.

Alongside write-downs of receivables (Euro 9 897 thousand), in the 2009/10 financial year the Group also posted significant non-cash expenses for non-current provisions (Euro 12 513 thousand) and for write-downs and write-ups of financial assets (Euro 9 552 thousand). Appropriate keys have been used to allocate these group figures to the respective segments. In the allocation of non-current provisions to the segments, use has been made of the same key as in the previous year, as there have been no material changes in provisions since the previous year. In the current financial year, income and expenses have chiefly been allocated to the electricity segment (Euro 6 016 thousand) and the environmental energy segment (Euro 4 901 thousand).

Investments represent the cash-effective additions to intangible assets (excluding goodwill) and property, plant and equipment.

No individual customer of the MVV Energie Group accounts for or exceeds 10 % of the Group's total sales.

37 Cash flow statement

The cash flow statement portrays the flows 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. The amount of cash and cash equivalents stated in the cash flow statement is consistent with the corresponding figure in the balance sheet.

Inflows of funds from the acquisition and disposal of consolidated companies are included in the cash flow from investing activities. The cash and cash equivalents thereby acquired (disposed of) have been reported separately.

The cash flow before working capital and taxes for the 2009/10 financial year grew substantially compared with the previous year, as earnings before taxes adjusted for IAS 39 (EBT) were considerably higher than the previous year's figure. Significant year-on-year changes can be seen in the net surplus/deficit before taxes on income and in other non-cash income and expenses. These are due to the IAS 39 measurement and are eliminated in the context of changes in working capital.

The increase in the cash flow from operating activities was chiefly due to the change in current provisions. The changes in other assets and liabilities were largely due to non-cash changes, mainly as a result of the derivatives recognised in the accounts (IAS 39 measurement). However, the implications of these changes for the cash flow from operating activities are of subordinate significance. The high cash flow before working capital and taxes meant that the cash flow from operating activities was significantly positive overall.

As a result of lower investments in intangible assets, property, plant and equipment and investment property, as well as of the increase in the cash flow from operating activities, the free cash flow of the MVV Energie Group was significantly positive when compared with the previous year. The negative cash flow from investing activities showed a slight year-on-year increase. The main changes in this respect were the lower volume of investments in property, plant and equipment, a factor nevertheless virtually offset by the increase in investments in financial assets. Furthermore, these developments were not compensated for by any inflow of funds, as had been the case in the previous year due to the sale of the Polish subgroup.

The cash flow from financing activities was clearly negative on account of net repayments of loans.

38 Capital management

MVV Energie AG is not subject to any statutory minimum capital requirements, but pursues its internal objective of using effective financial management to maintain its equity ratio at a level necessary to attain a good rating in 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, the capital reserve, accumulated net income, accumulated other comprehensive income and minority interests.

Measures to comply with 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 base to requirements.

The key figure used in the value-based management of the company and the capital management thereby required is the value spread. This key figure is calculated as the difference between the period-based return on capital employed (ROCE) and the weighted average cost of capital (WACC).

There have been no changes in the underlying capital management requirements compared with the previous year.

39 Related party disclosures

Business transactions performed between the parent company and its consolidated subsidiaries, which constitute related parties, are not outlined in this section, as they have been eliminated in the course of consolidation.

The City of Mannheim is the sole shareholder in MVV GmbH. MVV GmbH owns 99.99 % of the shares in MVV Verkehr AG, which in turn has a 50.1 % shareholding in MVV Energie AG. The City of Mannheim and the companies it controls therefore represent related parties as defined in IFRS.

Numerous contractually agreed legal relationships are in place between the 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 between MVV Energie AG and the City of Mannheim.

The concession duties to the City of Mannheim amounted to Euro 19 158 thousand (previous year: Euro 19 746 thousand).

Related party disclosures

	Goods and services provided				Receivables		Liabilities	
	Income		Expenses					
Euro 000s	**2009/2010**	2008/2009	**2009/2010**	2008/2009	**30.9.2010**	30.9.2009	**30.9.2010**	30.9.2009
Abfallwirtschaft Mannheim	275	285	3 332	6 208	346	283	792	2 656
ABG Abfallbeseitigungs-gesellschaft mbH	29 256	30 605	5 134	5 213	300	5	315	2 463
GBG Mannheimer Wohnungsbaugesellschaft mbH	10 578	10 502	89	83	5	2 651	—	1 828
m:con – Mannheimer Kongress- und Touristik GmbH	3 479	3 186	308	557	8 121	8 265	—	—
MVV GmbH	697	1 072	3 222	2 269	154	156	2	38 933
MVV OEG AG	296	531	5	1	48	100	—	—
MVV Verkehr AG	546	1 042	—	51	349	946	1	7
Rhein-Neckar-Verkehr GmbH	8 992	7 920	1 332	432	5 293	5 567	1 170	678
Stadtentwässerung Mannheim	2 600	1 400	651	963	168	539	53	151
City of Mannheim	10 279	10 632	21 419	19 891	1 743	5 489	1 807	74
Other companies controlled by the City of Mannheim	5 248	4 675	254	232	261	1 292	190	1 001
Associates	56 234	43 915	188 566	172 266	4 671	3 885	7 468	10 808
Proportionately consolidated companies	95 708	55 602	11 646	9 086	32 491	21 571	15 274	4 718
Other majority shareholdings	5 074	5 294	3 350	6 239	4 375	7 733	1 064	3 085
	229 262	**176 661**	**239 308**	**223 491**	**58 325**	**58 482**	**28 136**	**66 402**

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

Furthermore, customer contracts concerning the supply of electricity, gas, water and district heating have been concluded between MVV Energie AG and members of its Executive and Supervisory Boards and individuals in key management positions (division heads, authorised representatives). These have also been concluded on customary market terms and do not differ from other customer contracts.

The MVV Energie Group has otherwise not concluded or performed any material related party transactions.

MVV Energie AG has compiled a dependent company report in accordance with § 312 of the German Stock Corporation Act (AktG) for the financial year ending on 30 September 2010.

The Executive Board was paid compensation totalling Euro 2 217 thousand in the year under report. This was structured as follows:

Compensation

Euro 000s	**Fixed**[1]	**Variable**[2]	**Supervisory Board compen-sation**[3]	**Total**
Dr. Georg Müller[3]	449	274	17	740
Matthias Brückmann	273	213	10	496
Dr. Werner Dub	265	213	14	492
Hans-Jürgen Farrenkopf	267	213	9	489
Total	**1 254**	**913**	**50**	**2 217**

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

2 provisions

3 supervisory board activities at shareholdings

The members of the Executive Board of MVV Energie AG also act as managing directors of MVV RHE GmbH. The costs of the work performed in these functions were charged on to MVV RHE GmbH.

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 following adjustment for IAS 39 and extraordinary items, and the ROCE (Return on Capital Employed). A suitable cap is in place.

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

No further payments were either committed or made by third parties.

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

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

The pension obligations are structured as follows:

Pension obligations

Euro 000s	Value of final pension[1]	Benefit percentage[2]	Benefit percentage[3]	Allocation to pension provision	
				Service cost	Interest expenses
Dr. Georg Müller	192	36 %	68 %	156	8
Matthias Brückmann	144	54 %	70 %	118	19
Dr. Werner Dub	98	60 %	66 %	111	60
Hans-Jürgen Farrenkopf	111	62 %	66 %	173	65
Total	**545**			**558**	**152**

1 achievable claim to retirement pension aged 63, taking due account of amounts deducted
2 total percentage pension rate achieved for retirement pension
3 benefit percentage achievable by the age of 63

Former members of the Executive Board received benefits of Euro 214 thousand in the year under report. Provisions totalling Euro 5 732 thousand have been stated for pension obligations towards former members of the Executive Board. A total of Euro 291 thousand was allocated to this item in the financial year.

Pursuant to IAS 24, related parties also include management staff performing key functions. Alongside the Executive Board, this group of persons at the MVV Energie Group also includes active heads of division and authorised company representatives of MVV Energie AG. This group receives its compensation exclusively from MVV Energie AG. Compensation totalling Euro 1 919 thousand was paid to this group in the year under report, with the predominant share (Euro 1 836 thousand) involving payments with current maturities.

Senior employees receive a company pension amounting to up to 8.6 % of their fixed compensation. This exclusively takes the form of a defined contribution plan. Within the channels of execution offered within the Group, senior employees can determine which biometric risks they would like to cover. Total expenses incurred for the aforementioned compensation schemes amounted to Euro 83 thousand in the year under report.

Supervisory Board members received annual compensation of Euro 10 thousand each in the 2009/10 financial year, with the Chairman of the Supervisory Board receiving twice and his deputy one and a half times this figure. The Chairman of the Audit Committee received additional annual compensation of Euro 5 thousand and the other members of this committee received additional annual compensation of Euro 2.5 thousand. Moreover, a meeting allowance of Euro 1 thousand was also paid per person per meeting of the full Supervisory Board and of the committees. The Supervisory Board Chairman receives double the meeting allowance for meetings of the Supervisory Board, as does the Audit Committee Chairman for meetings of the Audit Committee. Total compensation amounted to Euro 458 thousand.

The members of the Supervisory Board and the Executive Board have been presented in a separate overview.

40 Auditor's fees

The following fees were recognised as expenses for the services performed by the auditor of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart, in the 2009/10 financial year:

Auditor's fees

Euro 000s	**2009/2010**	2008/2009
Audit	996	788
Other auditing services	63	20
Tax advisory services	127	42
Other services	613	531
	1 799	**1 381**

CONSOLIDATED FINANCIAL STATEMENTS

41 Utilisation of exemption under § 264 (3) HGB

The following German subsidiaries will draw on the disclosure exemption provided for under § 264 (3) of the German Commercial Code (HGB) in the 2009/10 financial year:

- BFE Institut für Energie und Umwelt GmbH, Mühlhausen
- Industriepark Gersthofen Servicegesellschaft mbH, Gersthofen
- MVV BioPower GmbH, Königs Wusterhausen
- MVV BMKW Mannheim GmbH, Mannheim
- MVV Energiedienstleistungen GmbH, Mannheim
- MVV Energiedienstleistungen GmbH IK Korbach, Korbach
- MVV Energiedienstleistungen GmbH Nord, Hamburg
- MVV Energiedienstleistungen GmbH Süd, Gersthofen
- MVV Energiedienstleistungen GmbH Südwest, Mannheim
- MVV Energiedienstleistungen GmbH West, Solingen
- MVV Energiedienstleistungen Mitte GmbH, Berlin
- MVV O&M GmbH, Mannheim
- MVV RHE GmbH, Mannheim
- MVV TREA Leuna GmbH, Leuna
- MVV Umwelt GmbH, Mannheim
- MVV Umwelt Ressourcen GmbH, Mannheim
- SECURA Energie GmbH, Mannheim

42 Declaration of Conformity under § 161 AktG

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

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

43 Information on concessions

In addition to the concession agreement between the City of Mannheim and MVV Energie AG (please see Note 39 Related Party Disclosures), further concession agreements have also been concluded between companies of the MVV Energie Group and local and regional authorities. The remaining terms range from 2 to 20 years. These agreements assign responsibility for operating the respective supply networks and providing for their maintenance. Should these agreements not be extended upon expiry, the facilities for supplying the respective utility service must be taken over by the municipalities upon payment of commensurate compensation.

44 Events after the balance sheet date

The put option held by the City of Kiel for the sale of the remaining shares in Stadtwerke Kiel to MVV Energie AG expired on 6 November 2010. The option held by the City of Kiel was not exercised.

Mannheim, 26 November 2010

MVV Energie AG

Executive Board

Dr. Müller	Brückmann	Dr. Dub	Farrenkopf

Responsibility Statement

"We affirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the net asset, financial and earnings position of the Group in accordance with applicable accounting principles and the group management report provides a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Mannheim, 26 November 2010

MVV Energie AG

Executive Board

Dr. Müller	Brückmann	Dr. Dub	Farrenkopf

Directors & Officers

Executive Board of MVV Energie AG

Dr. Georg Müller
Chairman
Commercial Director

Matthias Brückmann
Sales

Dr. Werner Dub
Technology

Hans-Jürgen Farrenkopf
Personnel

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

1 employee representative

Supervisory Board of MVV Energie AG

Dr. Peter Kurz
Chairman
Lord High Mayor of City of Mannheim

Peter Dinges[1]
Deputy Chairman
Chairman of MVV Group Works Council

Johannes Böttcher[1]
Chairman of 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]
Deputy Chairman of Works Council of Stadtwerke Kiel AG

Dr. Manfred Fuchs
Deputy Chairman
of Supervisory Board of
FUCHS PETROLUB AG, Mannheim

Dr. Stefan Fulst-Blei
Vocational Training College Lecturer

Reinhold Götz
Graduate in Commercial Training
1st Representative IG Metall Mannheim

Hans-Peter Herbel[1]
(since 1 April 2010)
Commercial Employee at MVV Energie AG

Prof. Dr. Egon Jüttner
Member of Federal Parliament (MdB)

Gunter Kühn[1]
(since 8 February 2010)
Head of Personnel, Social and Welfare Services Division at MVV Energie AG

Manfred Lösch[1]
(until 31 March 2010)
Works Council of MVV Energie AG

Prof. Dr. Norbert Loos
(until 12 March 2010)
Managing Partner of
Loos Beteiligungs-GmbH

Dr. Reiner Lübke[1]
(until 31 December 2009)
Managing Director of
MVV Energiedienstleistungen GmbH

Bodo Moray[1]
(until 24 July 2010)
Trade Union Secretary at ver.di Rhine/Neckar

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

Wolfgang Raufelder
Architect

Sabine Schlorke[1]
Trade Union Secretary at ver.di Rhine/Neckar

Uwe Spatz[1]
(since 9 August 2010)
Deputy Chairman of Works Council of MVV Energie AG

Christian Specht
First Mayor of City of Mannheim

Dr. Dieter Steinkamp
CEO of RheinEnergie AG, Cologne

Carsten Südmersen
(since 12 March 2010)
Management Consultant

Heinz -Werner Ufer
(since 12 March 2010)
Graduate in Economics

Members of the Executive Board of MVV Energie AG

Name	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory boards
Dr. Georg Müller	• 24/7 Trading GmbH, Mannheim • Energieversorgung Offenbach AG, Offenbach (Chairman) • Grosskraftwerk Mannheim AG, Mannheim • MVV Energiedienstleistungen GmbH, Mannheim • Saarschmiede GmbH, Völklingen (since 7 July 2010) • Stadtwerke Kiel AG, Kiel (Chairman)	• —
Matthias Brückmann	• 24/7 Trading GmbH, Mannheim (Chairman) • Energieversorgung Offenbach AG, Offenbach • MVV Energiedienstleistungen GmbH, Mannheim • MVV Umwelt GmbH, Mannheim (Chairman) • SECURA Energie GmbH, Mannheim (Chairman) • Stadtwerke Ingolstadt Beteiligungen GmbH, Ingolstadt (Deputy Chairman) • Stadtwerke Kiel AG, Kiel	• MVV Energie CZ a.s., Prague, Czech Republic (Chairman)
Dr. Werner Dub	• 24/7 Netze GmbH, Mannheim (Chairman) • Energieversorgung Offenbach AG, Offenbach • Grosskraftwerk Mannheim AG, Mannheim • MVV Energiedienstleistungen GmbH, Mannheim (Chairman) • MVV Umwelt GmbH, Mannheim (Deputy Chairman) • Stadtwerke Kiel AG, Kiel • Stadtwerke Solingen GmbH, Solingen	• —
Hans-Jürgen Farrenkopf	• 24/7 IT-Services GmbH, Kiel (Chairman) • Energieversorgung Offenbach AG, Offenbach • SECURA Energie GmbH, Mannheim • Stadtwerke Ingolstadt Beteiligungen GmbH, Ingolstadt • Stadtwerke Kiel AG, Kiel	• Management Stadtwerke Buchen GmbH, Buchen (Deputy Chairman)

Members of the Supervisory Board of MVV Energie AG

Name and occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory boards
Dr. Peter Kurz Chairman Lord High Mayor of the City of Mannheim	• BGV Versicherung AG, Karlsruhe (since 22 July 2010) • Faculty of Clinical Medicine at the University of Heidelberg, Klinikum Mannheim GmbH University Hospital, Mannheim (Chairman) • MVV GmbH, Mannheim (Chairman) • MVV OEG AG, Mannheim (until 19 February 2010) (Chairman) • MVV Verkehr AG, Mannheim (until 19 February 2010) (Chairman)	• GBG Mannheimer Wohnungsbaugesellschaft mbH, Mannheim (Chairman) • m:con – Mannheimer Kongress- und Touristik GmbH, Mannheim (Chairman) • Popakademie Baden-Württemberg GmbH, Mannheim • Rhein-Neckar-Verkehr GmbH, Mannheim (until 4 March 2010) (Chairman) • Sparkasse Rhein Neckar Nord, Mannheim • Stadtmarketing Mannheim GmbH, Mannheim
Peter Dinges Deputy Chairman Chairman of MVV Group Works Council	• 24/7 Netze GmbH, Mannheim • MVV GmbH, Mannheim (since 25 June 2010) • MVV Umwelt GmbH, Mannheim • SECURA Energie GmbH, Mannheim	• —
Johannes Böttcher Chairman of Works Council of Energieversorgung Offenbach AG	• Energieversorgung Offenbach AG, Offenbach	• —
Holger Buchholz Trade Union Secretary at ver.di Kiel	• MVV GmbH, Mannheim (until 19 February 2010) • Stadtwerke Kiel AG, Kiel	• —
Werner Ehret Works Council of MVV Energie AG	• MVV GmbH, Mannheim (until 19 February 2010)	• —
Detlef Falk Deputy Chairman of Works Council of Stadtwerke Kiel AG	• Stadtwerke Kiel AG, Kiel	• —
Dr. Manfred Fuchs Deputy Chairman of Supervisory Board of FUCHS PETROLUB AG, Mannheim	• FUCHS PETROLUB AG, Mannheim (Deputy Chairman)	• Hilger u. Kern GmbH, Mannheim (until 31 December 2009) (Chairman of Advisory Board)

Name and occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory boards
Dr. Stefan Fulst-Blei Vocational Training College Lecturer	• MVV GmbH, Mannheim (until 19 February 2010) • MVV OEG AG, Mannheim (until 19 February 2010)	• GBG Mannheimer Wohnungsbaugesellschaft mbH, Mannheim • Mannheimer Abendakademie und Volkshochschule GmbH, Mannheim • Rhein-Neckar-Verkehr GmbH, Mannheim • Sparkasse Rhein Neckar Nord, Mannheim • Stadtmarketing Mannheim GmbH, Mannheim
Reinhold Götz Graduate in Commercial Training 1st Representative IG Metall Mannheim	• EVO Bus GmbH, Mannheim (since 17 November 2009) • MWM GmbH, Mannheim	• —
Hans-Peter Herbel (since 1 April 2010) Commercial Employee at MVV Energie AG	• —	• —
Prof. Dr. Egon Jüttner Member of Federal Parliament (MdB)	• MVV GmbH, Mannheim	• Haus-, Wohnungs- und Grundeigentümerverein Mannheim e.V., Mannheim
Gunter Kühn (since 8 February 2010) Director of Personnel, Social and Welfare Services Division of MVV Energie AG	• —	• —
Manfred Lösch (until 31 March 2010) Works Council of MVV Energie AG	• Energieversorgung Offenbach AG, Offenbach • MVV GmbH, Mannheim (until 19 February 2010)	• —
Prof. Dr. Norbert Loos (until 12 March 2010) 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)	• LTS Corp. West Caldwell, NJ, USA (Chairman)

Name and occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory boards
Dr. Reiner Lübke (until 31 December 2009) Managing Director of MVV Energiedienstleistungen GmbH	• —	• Stadtwerke Schwetzingen GmbH & Co. KG, Schwetzingen • Stadtwerke Schwetzingen Verwaltungsgesellschaft mbH, Schwetzingen
Bodo Moray (until 24 July 2010) Trade Union Secretary at ver.di Rhine/Neckar	• —	• —
Barbara Neumann Chairman of Works Council of Stadtwerke Kiel AG	• 24/7 IT-Services GmbH, Kiel • MVV GmbH, Mannheim (until 19 February 2010) • Stadtwerke Kiel AG, Kiel	• —
Wolfgang Raufelder Architect	• MVV GmbH, Mannheim • MVV Verkehr AG, Mannheim (until 19 February 2010)	• Mannheimer Parkhausbetriebe GmbH, Mannheim • Rhein-Neckar Flugplatz GmbH, Mannheim • Rhein-Neckar-Verkehr GmbH, Mannheim (since 4 March 2010)
Sabine Schlorke Trade Union Secretary at ver.di Rhine/Neckar	• —	• —
Uwe Spatz (since 9 August 2010) Deputy Chairman of Works Council of MVV Energie AG	• 24/7 Netze GmbH, Mannheim • 24/7 Trading GmbH, Mannheim • MVV Umwelt GmbH, Mannheim • SECURA Energie GmbH, Mannheim	• —
Christian Specht First Mayor of City of Mannheim	• MVV GmbH, Mannheim • MVV Verkehr AG, Mannheim (until 19 February 2010) • MVV Verkehr GmbH, Mannheim (since 25 June 2010) (Chairman)	• GBG Mannheimer Wohnungsbaugesellschaft mbH, Mannheim • Mannheimer Stadtreklame GmbH, Mannheim • Rhein-Neckar Flugplatz GmbH, Mannheim • Rhein-Neckar-Verkehr GmbH, Mannheim

Name and occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory boards
Dr. Dieter Steinkamp CEO of RheinEnergie AG, Cologne	• NetCologne Gesellschaft für Telekommunikation mbH, Cologne • rhenag Rheinische Energie Aktiengesellschaft, Cologne • SECURA Energie GmbH, Mannheim (until 9 June 2010) (Deputy Chairman)	• AggerEnergie GmbH, Gummersbach (Chairman) • AVG Abfallentsorgungs- und Verwertungs-gesellschaft mbH, Cologne (since 22 January 2010) • AWB Abfallwirtschaftsbetriebe Köln GmbH & Co. KG, Cologne (since 30 November 2009) • Bergische Licht-, Kraft- u. Wasser-Werke (BELKAW) GmbH, Bergisch Gladbach (Deputy Chairman of Supervisory Board) • BRUNATA Wärmemesser-Gesellschaft Schultheiss GmbH & Co., Hürth • Energieversorgung Leverkusen GmbH & Co. KG (EVL), Leverkusen • Gasversorgungsgesellschaft mbH Rhein-Erft, Hürth, (Chairman of Supervisory Board) • METRONA Wärmemesser-Gesellschaft Schultheiß GmbH & Co. KG, Hürth • Stadtwerke Leichlingen GmbH, Leichlingen • Stadtwerke Troisdorf GmbH, Troisdorf • Unternehmensverwaltungsgesellschaft Metrona mbH, Hürth • Verwaltungsgesellschaft Schultheiss mit beschränkter Haftung, Hürth
Carsten Südmersen (since 12 March 2010) Management Consultant	• MVV GmbH, Mannheim • MVV OEG AG, Mannheim (until 19 February 2010) • MVV Verkehr AG, Mannheim (until 19 February 2010) • MVV Verkehr GmbH, Mannheim (since 25 June 2010)	• 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 • Stadtmarketing Mannheim GmbH, Mannheim
Heinz-Werner Ufer (since 12 March 2010) Graduate in Economics	• Amprion GmbH, Dortmund	• —

Scope of Consolidation of the MVV Energie Group

Scope of consolidation of the MVV Energie Group

as of 30.9.2010	Share of capital[1] in %	Equity 000s (local currency)	Annual result 000s (local currency)	Local currency
Associates (fully consolidated subsidiaries) Germany				
24/7 IT-Services GmbH, Kiel[7]	100.00	2 010	1 330	EUR
24/7 Metering GmbH, Offenbach am Main	100.00	2 011	1 335	EUR
24/7 Netze GmbH, Mannheim[5, 7]	100.00	5 999	– 4 548	EUR
24/7 Trading GmbH, Mannheim[5, 7]	92.50	12 784	2 077	EUR
24/7 United Billing GmbH, Offenbach am Main	100.00	1 000	961	EUR
24sieben GmbH, Kiel[5, 7]	100.00	1 000	24 847	EUR
A+S Naturenergie GmbH, Pfaffenhofen[14]	70.00	– 734	– 863	EUR
ABeG Abwasserbetriebsgesellschaft mbH, Offenbach am Main	51.00	423	57	EUR
BFE Institut für Energie und Umwelt GmbH, Mühlhausen[5]	100.00	700	788	EUR
Biomassen-Heizkraftwerk Altenstadt GmbH, Altenstadt	100.00	– 11 091	– 9 393	EUR
Energieversorgung Offenbach Aktiengesellschaft, Offenbach am Main[2]	48.59	131 175	22 442	EUR
eternegy GmbH, Mannheim	100.00	– 8 961	18	EUR
Gasversorgung Offenbach GmbH, Offenbach am Main	74.90	16 680	4 406	EUR
Götzfried + Pitzer Entsorgung GmbH, Ulm (previously: Manfred Pitzer GmbH Entsorgung, Recycling, Transporte, Ulm)[7, 13]	100.00	1 863	94	EUR
Industriepark Gersthofen Servicegesellschaft mbH, Gersthofen[5]	100.00	11 773	1 214	EUR
Köthen Energie GmbH, Köthen[7]	100.00	4 158	852	EUR
Köthen Energie Netz GmbH, Köthen[5, 7]	100.00	24	176	EUR
MVV BioPower GmbH, Königs Wusterhausen[5, 7]	100.00	12 026	– 3 178	EUR
MVV BMKW Mannheim GmbH, Mannheim[5, 7]	100.00	12 304	2 386	EUR
MVV decon GmbH, Mannheim	100.00	303	– 1 346	EUR
MVV Energiedienstleistungen GmbH, Mannheim[5, 7]	100.00	81 460	– 11 452	EUR
MVV Energiedienstleistungen GmbH IK Korbach, Korbach (previously: MVV Energiedienstleistungen GmbH & Co. KG IK Korbach, Korbach)[5]	100.00	1 767	– 2 780	EUR
MVV Energiedienstleistungen GmbH Nord, Hamburg[5]	100.00	1 743	– 1 125	EUR
MVV Energiedienstleistungen GmbH Solingen, Solingen	51.00	2 629	12	EUR
MVV Energiedienstleistungen GmbH Süd, Gersthofen[5]	100.00	1 746	– 3 366	EUR
MVV Energiedienstleistungen GmbH West, Solingen[5]	100.00	520	– 1 937	EUR
MVV Energiedienstleistungen IK Ludwigshafen GmbH, Mannheim (previously: MVV Energiedienstleistungen GmbH IK Ludwigshafen, Mannheim)	100.00	– 3 607	296	EUR
MVV Energiedienstleistungen Mitte GmbH, Berlin (previously: MVV Energiedienstleistungen GmbH Mitte, Berlin)[5]	100.00	23 926	6 534	EUR
MVV Energiedienstleistungen Regional GmbH, Mannheim (previously: MVV Energiedienstleistungen GmbH Südwest, Mannheim)[5]	100.00	5 672	4 606	EUR
MVV O&M GmbH, Mannheim[5, 7]	100.00	1 226	2 951	EUR
MVV RHE GmbH, Mannheim[5]	100.00	56 390	26 937	EUR
MVV TREA Leuna GmbH, Leuna[5, 7]	100.00	5 280	– 1 783	EUR
MVV Umwelt GmbH, Mannheim[5, 7]	100.00	51 087	9 301	EUR
MVV Umwelt Ressourcen GmbH, Mannheim[5, 7]	100.00	5 066	1 955	EUR
MVV Windenergie GmbH, Mannheim[5, 6, 7]	100.00	7 525	– 8	EUR
MVV Windpark Plauerhagen GmbH & Co. KG, Rerik (previously: e.n.o. energy Standort 12 GmbH & Co. KG, Rerik)[6, 13]	100.00	4 855	– 146	EUR
SECURA Energie GmbH, Mannheim[5, 7]	69.90	1 000	– 6 149	EUR

Scope of consolidation of the MVV Energie Group

as of 30.9.2010	Share of capital [1] in %	Equity 000s (local currency)	Annual result 000s (local currency)	Local currency
Stadtwerke Kiel Aktiengesellschaft, Kiel [7]	51.00	149 199	30 349	EUR
SWKiel Erzeugung GmbH, Kiel [5, 7]	100.00	25	466	EUR
SWKiel Netz GmbH, Kiel [5, 7]	100.00	25	– 4 857	EUR
SWKiel Service GmbH, Kiel [5, 7]	100.00	25	– 795	EUR
Waldenergie Bayern GmbH, Gersthofen	50.10	– 3 332	– 6 344	EUR
ZEDER Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach [3, 9]	0.00	– 8 332	– 809	EUR
Associates (fully consolidated subsidiaries) International				
Českolipská teplárenská a.s., Česká Lípa, Czech Republic [13]	94.99	51 621	21 046	CZK
Českolipské teplo a.s., Prague, Czech Republic	100.00	130 025	65 725	CZK
CTZ s.r.o., Uherské Hradiště, Czech Republic	50.96	108 833	10 478	CZK
ENERGIE Holding a.s., Prague, Czech Republic	100.00	506 719	49 458	CZK
G-LINDE s.r.o., Prague, Czech Republic [6]	100.00	96	– 104	CZK
G-RONN s.r.o., Prague, Czech Republic [6]	100.00	– 39	– 239	CZK
IROMEZ s.r.o., Pelhrimov, Czech Republic [6]	100.00	5 689	3 187	CZK
Jablonecká teplárenská a realitní a.s., Jablonec nad Nisou, Czech Republic	65.78	313 383	– 3 976	CZK
MVV Energie CZ a.s., Prague, Czech Republic	100.00	1 851 406	179 083	CZK
MVV enservis a.s., Česká Lípa, Czech Republic	100.00	– 1 078	11 489	CZK
MVV Nederland B.V., Amsterdam, Netherlands	100.00	37 648	1 219	EUR
OPATHERM a.s., Opava, Czech Republic	100.00	109 739	14 649	CZK
Pelhřimovské teplo s.r.o., Prague, Czech Republic [6]	100.00	142	– 58	CZK
POWGEN a.s., Prague, Czech Republic	100.00	153 398	22 228	CZK
Teplárna Liberec a.s., Liberec, Czech Republic	70.00	302 988	10 940	CZK
TERMO Děčín a.s., Děčín, Czech Republic	96.91	248 541	36 103	CZK
Vodovody a kanalizace Studénka s.r.o., Studénka, Czech Republic [6, 13]	100.00	119 117	– 120	CZK
Zásobování teplem Vsetín a.s., Vsetín, Czech Republic	98.82	197 123	51 856	CZK
Other majority shareholdings Germany				
24/7 Insurance Services GmbH, Mannheim [9]	100.00	220	19	EUR
Bioenergie Pfalzgrafenweiler GmbH, Pfalzgrafenweiler [9]	51.00	300	– 117	EUR
Biokraft Naturbrennstoffe GmbH, Offenbach am Main [9]	100.00	– 650	– 717	EUR
Cerventus Naturenergie GmbH, Offenbach [6, 12]	50.00	—	—	EUR
Erschließungsträgergesellschaft St. Leon-Rot mbH, St. Leon-Rot [9]	80.00	6	– 20	EUR
Erschließungsträgergesellschaft Weeze mbH, Weeze [9]	75.00	– 763	– 776	EUR
KielNET GmbH Gesellschaft für Kommunikation, Kiel [8]	50.00	8 148	3 148	EUR
Kielspeicher 103 Verwaltungs-GmbH, Kiel [9]	51.00	70	27	EUR
MVV Energiedienstleistungen GmbH Regioplan, Mannheim [5, 9]	100.00	1 023	4	EUR
MVV Industriekraftwerk Gengenbach GmbH (MVV IKG), Mannheim [9]	100.00	246	– 181	EUR
MVV Windpark Verwaltungs GmbH, Mannheim [6, 9]	100.00	23	– 1	EUR
REGIOPLAN Projekt GmbH, Mannheim [9]	100.00	25	12	EUR
RNE Rhein-Neckar Energie GmbH, Sinsheim [9, 13]	50.10	145	45	EUR

Scope of consolidation of the MVV Energie Group

as of 30.9.2010	Share of capital[1] in %	Equity 000s (local currency)	Annual result 000s (local currency)	Local currency
International				
BFE Institut für Energie und Umwelt GmbH, Romanshorn, Switzerland[9]	100.00	18	– 37	CHF
East-West-Energy-Agency (EWEA), Moscow, Russian Federation[8]	100.00	– 122	– 647	RUB
EMB Instituut voor Energie en Milieu B.V., Oosterhout, Netherlands[9]	100.00	– 331	– 349	EUR
MVV Environment Limited, London, UK[9]	100.00	134	84	GBP
Jointly owned companies (proportionate consolidation) Germany				
Kielspeicher 103 GmbH & Co. KG, Kiel[7]	51.00	5 701	– 2 361	EUR
reginova GmbH, Ingolstadt[5, 7, 15]	100.00	500	443	EUR
Stadtwerke Ingolstadt Beteiligungen GmbH, Ingolstadt[4, 7]	48.40	43 035	16 954	EUR
Stadtwerke Ingolstadt Energie GmbH, Ingolstadt[5, 7, 15]	100.00	1 048	9 800	EUR
Stadtwerke Ingolstadt Netze GmbH, Ingolstadt[5, 7, 15]	100.00	25 834	10 973	EUR
Stadtwerke Solingen GmbH, Solingen[4, 7]	49.90	78 293	6 301	EUR
Stadtwerke Solingen Netz GmbH, Solingen[5, 7, 15]	100.00	250	– 9 167	EUR
Associates (at equity) Germany				
Biomasse Rhein-Main GmbH, Flörsheim-Wicker[9]	33.33	11 427	197	EUR
ESN EnergieSystemeNord GmbH, Schwentinental[8]	25.00	2 815	653	EUR
Gemeinschaftskraftwerk Kiel GmbH, Kiel[8]	50.00	17 900	1 664	EUR
Grosskraftwerk Mannheim AG, Mannheim[8]	28.00	114 142	6 647	EUR
Maintal-Werke Gesellschaft mit beschränkter Haftung, Maintal[8]	49.00	15 030	3 409	EUR
Naunhofer Transportgesellschaft mbH, Parthenstein-Großsteinberg[6, 10, 14]	24.90	434	287	EUR
Nordland Energie GmbH, Kiel[7]	44.80	118	– 1 163	EUR
Stadtwerke Buchen GmbH & Co. KG, Buchen[8]	25.10	6 648	1 588	EUR
Stadtwerke Sinsheim Versorgungs GmbH & Co. KG, Sinsheim[8]	30.00	12 118	1 305	EUR
W.T.A. Wertstoff Transport Agentur GmbH, Lichtentanne[6, 10, 14]	24.90	233	175	EUR
ZVO Energie GmbH, Timmendorfer Strand[8]	49.90	55 138	4 521	EUR
Zweckverband Wasserversorgung Kurpfalz (ZWK), Heidelberg[8]	51.00	7 071	0	EUR

Scope of consolidation of the MVV Energie Group

as of 30.9.2010	Share of capital[1] in %	Equity 000s (local currency)	Annual result 000s (local currency)	Local currency
Other shareholdings Germany				
BAS - Bergsträßer Aufbereitungs- und Sortierungsgesellschaft mbH, Heppenheim[9]	49.00	– 39	– 7	EUR
Dabit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Wiesbaden[6, 12]	94.00	—	—	EUR
e:duo GmbH, Essen[9]	50.00	– 469	162	EUR
Energiedienstleistungen Dannenberg (Elbe) GmbH, Dannenberg[9]	49.00	257	– 8	EUR
enserva GmbH, Solingen[5, 9, 13, 15]	100.00	500	– 126	EUR
Fernwärme Rhein-Neckar GmbH, Mannheim[8]	50.00	4 011	2 221	EUR
HEN HolzEnergie Nordschwarzwald GmbH, Nagold[8]	30.00	691	– 16	EUR
itec Informationstechnologie Solingen GmbH, Solingen[9, 13, 15]	100.00	690	470	EUR
iwo Pellet Rhein - Main GmbH, Offenbach am Main[9]	24.92	– 996	– 448	EUR
Klimaschutzagentur Mannheim gemeinnützige GmbH, Mannheim[8]	40.00	25	0	EUR
Kommunaler Windenergiepark Schleswig-Holstein GbR, Neumünster[10]	20.00	883	372	EUR
Main-Kinzig-Entsorgungs- und Verwertungs GmbH, Hanau[8]	49.00	239	4	EUR
Management Stadtwerke Buchen GmbH, Buchen[8]	25.20	35	1	EUR
RBSV GmbH i.L., Solingen[11, 13]	21.40	595	– 2	EUR
Stadtwerke Langen Gesellschaft mit beschränkter Haftung, Langen[5, 8]	10.00	21 395	8 326	EUR
Stadtwerke Schwetzingen GmbH & Co. KG, Schwetzingen[8]	10.00	14 782	2 406	EUR
Stadtwerke Schwetzingen Verwaltungsgesellschaft mbH, Schwetzingen[8]	10.00	34	– 1	EUR
Stadtwerke Sinsheim Verwaltungs GmbH, Sinsheim[8]	30.00	22	0	EUR
Wasserversorgungsverband Neckargruppe, Edingen-Neckarhausen[7, 8]	25.00	377	0	EUR
Wasserwerk Baumberg GmbH, Solingen[8, 15]	50.00	715	100	EUR
WVE Wasserversorgungs- und -entsorgungsgesellschaft Schriesheim mbH, Schriesheim[8]	24.50	1 025	0	EUR

1 share of capital pursuant to § 16 (4) of the German Stock Corporation Act (AktG)
2 majority of voting rights
3 special purpose entity
4 joint management pursuant to contractual agreement
5 profit transfer agreement, annual result before transfer of profit or assumption of loss
6 addition in current financial year
7 preliminary figures
8 annual financial statements as of 31.12.2009
9 annual financial statements as of 30.9.2009
10 annual financial statements as of 31.12.2008
11 annual financial statements as of 24.11.2009
12 annual financial statements not yet available
13 financial statements for short financial year
14 purchase options available
15 subsidiary of proportionately consolidated company

Auditor's Report

We have audited the consolidated financial statements prepared by the MVV Energie AG, Mannheim, comprising the balance sheet, the income statement, statement of income and expenses recognised in group equity, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from October 1, 2009 to September 30, 2010. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and/or the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. 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 § 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 the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, 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 the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 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.

Stuttgart, 26 November 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Claus Banschbach
German Public Auditor

Rolf Küpfer
German Public Auditor

Other Disclosures

Multiyear Overview

Multiyear Overview of the MVV Energie Group

	2005/06	2006/07 [1]	2007/08 [1]	2008/09 [1, 2]	**2009/10 [1]**
Income statement (Euro million)					
Sales excluding electricity and natural gas taxes [3]	2 170	2 259	2 636	3 161	3 359
Adjusted EBITDA	370	344	398	385	402
Adjusted EBITA	223	200	249	239	243
Adjusted EBIT	201	199	249	239	239
Adjusted EBT	128	123	181	165	165
Adjusted annual net surplus	64	126	123 [4]	112 [5]	105 [4]
Adjusted annual net surplus after minority interests	50	109	110 [4]	98 [5]	95 [4]
External sales excluding electricity and natural gas taxes (Euro million)					
Electricity [3]	966	1 079	1 382	1 760	2 010
District heating	276	272	303	294	307
Gas	447	342	356	486	429
Water	107	104	102	101	100
Value-added services	149	263	277	308	307
Environmental energy	193	184	194	194	187
Other	32	15	22	18	19
MVV Energie Group	**2 170**	**2 259**	**2 636**	**3 161**	**3 359**
Adjusted EBIT (Euro million)					
Electricity	20	38 [1]	64 [1]	35 [1]	54 [1]
District heating	51	42	38	36	48
Gas	31	11	35 [1]	66 [1]	58 [1]
Water	21	19	10	14	13
Value-added services	12	19	20	18 [2]	4
Environmental energy	68	71	81	71	62
Other/consolidation	– 2	– 1	1	– 1	0
MVV Energie Group	**201**	**199**	**249**	**239**	**239**
Investments (Euro million)					
Electricity	18	22	29	27	29
District heating	19	28	25	56	58
Gas	22	19	16	13	18
Water	12	12	10	12	13
Value-added services	18	30	49	52	42
Environmental energy	81	34	59	64	26
Other/consolidation	20	20	20	14	16
Investments in property, plant and equipment	**190**	**165**	**208**	**238**	**202**
Investments in financial assets	29	90	33	17	38
MVV Energie Group	**219**	**255**	**241**	**255**	**240**

Multiyear Overview of the MVV Energie Group

	2005/06	2006/07 [1]	2007/08 [1]	2008/09 [1, 2]	**2009/10 [1]**
R&D expenditure (Euro million)					
Process optimisation	1	2	5	2	2
Product development	1	4	3	3	2
Technical enhancement	1	3	1	1	1
MVV Energie Group	**3**	**9**	**9**	**6**	**5**
Balance sheet figures (Euro million)					
Non-current assets	2 361	2 479	2 725	2 795	2 684
Current assets	792	799	1 062	1 159	953
Share capital	143	143	169	169	169
Capital reserve	255	255	455	455	455
Accumulated net income	324	383	506	371	452
Accumulated other comprehensive income	10	17	24	15	16
Minority interests	105	116	116	103	95
Equity	837	914	1 270	1 113	1 187
Non-current debt	1 366	1 377	1 445	1 698	1 500
Current debt	950	987	1 072	1 143	950
Total assets	3 153	3 278	3 787	3 954	3 637
Key balance sheet figures and ratios					
Cash flow (Euro million)	246 [6]	364 [7]	414 [7]	386 [7]	440 [7]
Free cash flow [8] (Euro million)	– 52	188	54	20	154
Adjusted equity ratio [9] in %	26.5	27.9	35.5	33.9	35.7
Capital employed [10]	2 293	2 390	2 444	2 649	2 729
ROCE [11] in %	9.7	8.4	10.2	9.0	8.9
WACC [12] in %	7.5	7.5	8.5	8.5	8.5
Value spread [13] in %	2.2	0.9	1.7	0.5	0.4

Multiyear Overview of the MVV Energie Group

	2005/06	2006/07 [1]	2007/08 [1]	2008/09 [1, 2]	**2009/10 [1]**
Share and dividend					
Closing price on 30.9. (Euro)	23.23	29.49	33.20	30.83	29.00
Annual high [14] (Euro)	25.40	34.24	33.75	34.04	33.00
Annual low [14] (Euro)	17.40	22.00	28.00	26.55	29.00
Market capitalisation on 30.9. (Euro million)	1 295	1 645	2 188	2 032	1 911
Average daily trading volume (no. of shares)	27 289	32 396	29 575	19 162	6 100
No. of individual shares on 30.9. (000s)	55 767	55 767	65 907	65 907	65 907
No. of shares with dividend entitlement (000s)	55 767	55 767	65 907	65 907	65 907
Dividend per share (Euro)	0.80	0.80	0.90	0.90	0.90 [15]
Total dividend (Euro)	44.6	52.7 [16]	59.3 [16]	59.3 [16]	59.3 [15, 16]
Adjusted earnings per share (Euro)	0.91	1.96	1.69	1.48 [17]	1.44 [17]
Cash flow per share (Euro)	4.47 [6]	6.52 [7]	6.33 [7]	5.86 [7, 17]	6.68 [7, 17]
Adjusted book value per share [18] (Euro)	13.29	14.32	16.53 [19]	16.52 [19]	16.94 [17, 19]
Price/earnings ratio	25.5 [20]	15.0 [20]	19.6 [20]	20.8 [17, 20]	20.1 [17, 20]
Price/cash flow ratio	5.2 [6,20]	4.5 [7, 20]	5.2 [7, 20]	5.3 [7, 17, 20]	4.3 [7, 17, 20]
Dividend yield [20] in %	3.4	2.7	2.7	2.9	3.1 [15]
Sales volumes [21]					
Electricity turnover [23] (kWh million)	14 343	14 302	18 188	19 582	23 891
of which wholesale [22, 23] (kWh million)	3 368	3 003	5 797	6 939	10 310
of which retail/secondary distributors [23] (kWh million)	10 975	11 299	12 391	12 643	13 581
District heating turnover (kWh million)	7 343	6 299	7 006	7 217	7 586
Gas turnover (kWh million)	11 513	9 456	9 166	10 851	11 775
of which wholesale [23] (kWh million)	490	624	864	1 529	1 328
of which retail/secondary distributors [23] (kWh million)	11 023	8 332	8 302	9 322	10 393
Water turnover (m^3 million)	58	55	55	53	54
Combustible waste delivered (tonnes 000s)	1 229	1 409	1 550	1 599	1 762

Multiyear Overview of the MVV Energie Group

	2005/06	2006/07	2007/08	2008/09	**2009/10**
Personnel figures (headcount) as of 30.9.					
MVV Energie AG	1 569	1 559	1 527	1 523	1 495
Fully consolidated shareholdings	3 156	3 765	3 661	3 833	3 882
MVV Energie AG with fully consolidated shareholdings	**4 725**	**5 324**	**5 188**	**5 356**	**5 377**
Proportionately consolidated shareholdings	1 562	1 031	685	681	682
MVV Energie Group	**6 287**	**6 355**	**5 873**	**6 037**	**6 059**
External personnel at Mannheim cogeneration plant	51	39	28	16	9
	6 338	**6 394**	**5 901**	**6 053**	**6 068**

1 starting in the 2006/07 financial year: adjusted, i.e. excluding non-operating IAS 39 measurement items in connection with energy trading derivatives
2 2008/09 financial year: adjusted, i.e. excluding non-operating IAS 39 measurement items in connection with energy trading derivatives and excluding one-off restructuring expenses at MVV Energiedienstleistungen GmbH subgroup
3 energy trading sales reported on a net basis, i.e. only showing gross margin realised
4 excluding non-operating IAS 39 measurement items and fair values in connection with energy trading derivatives and resultant implications for deferred taxes
5 excluding non-operating IAS 39 measurement items and fair values in connection with energy trading derivatives and resultant implications for deferred taxes, as well as one-off restructuring expenses at MVV Energiedienstleistungen GmbH subgroup
6 pursuant to the Society of Investment Professionals in Germany (DVFA)/Schmalenbach-Gesellschaft
7 starting in the 2006/07 financial year: before working capital and taxes
8 inflow of funds from operating activities, less investments in intangible assets, property, plant and equipment and investment property
9 starting in the 2007/08 financial year: adjusted equity as a proportion of adjusted total assets
10 adjusted equity plus financial debt plus provisions for pensions and similar obligations plus accumulated goodwill amortisation (calculated as an annual average)
11 return on capital employed (adjusted EBITA as a percentage of capital employed)
12 weighted average cost of capital
13 value spread (ROCE less WACC)
14 XETRA trading
15 pending approval by the Annual General Meeting on 18 March 2011
16 entitled to dividend since 23 October 2007: 65 906 796 individual shares
17 weighted number of individual shares: 65 906 796
18 excluding minority interests, weighted annual average number of shares
19 excluding net balance of positive and negative fair values under IAS 39 and resultant implications for deferred taxes
20 basis: closing price in XETRA trading on 30 September
21 total volume for all segments
22 since 2008/09 financial year: recalculation of proprietary trading (previous years adjusted)
23 since 2008/09 financial year: reallocation of secondary distributors (previous years adjusted)

Glossary

ADJUSTED EARNINGS PER SHARE

Earnings per share represent the annual net surplus after minority interests divided by the number of shares. Adjusted earnings per share are based on the adjusted net surplus after minority interests. This key earnings figure is stated net of the earnings and tax impact of the measurement of energy trading derivatives as of the balance sheet date under IAS 39 and in the previous year also net of restructuring expenses. The number of shares corresponds to the weighted average number of our shares in circulation in the year under report.

ADJUSTED EBIT

The abbreviation EBIT stands for Earnings Before Interest and Taxes. For internal management purposes we used adjusted EBIT, i.e. EBIT excluding the impact on earnings of the measurement of energy trading derivatives at fair value as of the balance sheet date under IAS and in the previous year also excluding restructuring expenses.

ADJUSTED EQUITY RATIO

For internal management purposes, we adjust both sides of our balance sheet to eliminate the cumulative measurement items for energy trading derivatives measured under IAS 39. We adjust equity to exclude the relevant net balance of positive fair values on the asset side and negative fair values on the liabilities side, as well as the resultant implications for deferred taxes.

ASSET IMPAIRMENTS

International accounting standards require assets to be periodically assessed for impairment. The asset impairments at our company related to extraordinary write-downs (impairment losses) requiring recognition following the performance of impairment tests on assets.

BALANCING ENERGY

Within the electricity supply, balancing energy is required to offset unforeseeable load fluctuations and power plant outages. To ensure the necessary volume of energy can be supplied immediately, output is reserved at easily controllable power plants. Throttled steam, water storage, pump water storage and gas turbine power plants are used as sources of balancing energy.

BETA FACTOR

The beta factor (ß) portrays the relevant risk harboured by an individual share compared with an index. A beta factor higher than one means that the share involves greater risk than its comparative market. The reverse is the case for a beta factor lower than one.

BIOGAS

As defined in the German Energy Industry Act (EnWG): biomethane, gas from biomass, landfill gas, sewage gas and mine gas.

BIOMASS

Renewable energy sources are used in solid, liquid and gas state to generate electricity and heating energy. Our biomass power plants, biomass heating energy plants and biomass cogeneration plants are mainly fuelled by waste timber, wood chips and wood pellets.

CAPITAL EMPLOYED

This is the capital used by a company on which external providers of capital are entitled to a return.

CASH FLOW

The cash flow presents all inflows and outflows of cash and cash equivalents in a given period.

CLEAN DARK SPREAD

Difference between the electricity price on the one hand and the fuel price (coal) and price of CO_2 emissions rights on the other.

CO_2 EMISSIONS RIGHTS

An environmental policy instrument aimed at cutting CO_2 emissions at the lowest possible cost to the economy. To achieve this, a market is created for CO_2. The price signals emitted by this market provide participating companies with an incentive to reduce their CO_2 emissions. Upon implementation, a cap first has to be set on a political level for specified emissions within a specified area (regional, national, international) in a specified period (e.g. calendar year) and for a specified group of participants (e.g. energy industry, heavy industry). Based on this cap, so-called CO_2 rights entitling their holders to emit specific volumes of CO_2 are then issued. There are penalties for any emissions not covered by emissions rights. As these rights are freely tradable, their price is determined by demand. By lowering the cap step by step, the incentive to save CO_2 can gradually be increased.

COGENERATION

Simultaneous generation at a cogeneration plant of mechanical energy usually converted directly into electricity and heating energy useable for heating purposes (district heating) or production processes (process heat).
By extracting useful heat when generating electricity, i.e. by simultaneously generating electricity and heating energy using cogeneration, it is possible to significantly reduce the use of primary energy sources, and thus the volume of CO_2 emissions compared with the separate generation of electricity.

COMMODITY

Designation for a standardised tradable good, such as electricity, gas, coal or CO_2 rights.

COMPLIANCE

Adherence to all legislative and legal requirements, guidelines and ethical standards relevant to the company.

CONTRACTING

This is taken to mean the construction or operation of an energy generation plant supplying utility energy, such as electricity, heating energy, cooling energy or compressed air, by a contractor (external third party) on a long-term contractual basis. The aim is to achieve substantial economic and ecological benefits by optimising processes.

CONTROL AREA

The German electricity grid is divided into four control areas. The transmission grid operator responsible for each control area guarantees stable grid operations by correcting fluctuations in generation and consumption by means of balancing energy.

D&O INSURANCE

Directors and officers insurance is a financial loss liability insurance policy taken out by a company to protect its directors and officers against costs arising as a result of legal disputes.

DEGREE DAY FIGURES

Degree day figures are a weather indicator used to assess temperature-dependent heating energy requirements. According to VDI Guideline 4710, the calculation of degree day figures is based on the difference between an indoor room temperature of 20 degrees Celsius and the average daily outdoor temperature below the so-called heating threshold temperature of 15 degrees Celsius. That is the average daily outdoor temperature below which heating is required according to the degree day method.

DIVIDEND YIELD

Key figure portraying the dividend distribution made by a stock corporation as a percentage of its share price.

DUE DILIGENCE AUDIT

Careful audit and analysis of a company by a potential buyer, focusing in particular on the company's economic, legal, tax and financial circumstances.

EEG ALLOCATION

Enables the costs of promoting renewable energy forms to be distributed uniformly to end customers nationwide. These costs consist of the difference between the revenues from the sale of EEG electricity on the exchange and the expenses incurred to pay EEG remuneration to plant operators. The transmission grid operators responsible for managing the EEG settlement mechanism set the EEG allocation at a uniform ct/kWh price on 15 October each year for the following calendar year. As the EEG allocation is always based on forecasts concerning expected volumes generated at renewable energies plants and the revenues expected from the sale of EEG electricity, any incorrect amounts have to be charged or credited retrospectively in subsequent years. Due to an unexpectedly significant rise in photovoltaics capacities in Germany, the EEG allocation will increase from 2.05 cents to 3.53 cents per kWh as of 1 January 2011.

EEG SETTLEMENT MECHANISM

Plant operators subsidised under the Renewable Energies Act (EEG) receive remuneration for the electricity volumes generated from renewable energies. The electricity volumes themselves are accepted by the transmissions grid operators and sold on specified terms on the electricity exchange. The additional costs resulting from the difference between the sales revenues and the EEG compensation payments are uniformly allocated to electricity consumers nationwide (EEG allocation). This procedure, which is set out in the National Settlement Mechanism Enhancement Ordinance (AusglMechV) in force since 1 January 2010, enables the costs of EEG subsidies to be balanced out between all transmissions grid operators.

ENERGY TRADING DERIVATIVES

Energy trading derivatives are futures transactions (structured as fixed or options transactions) whose price directly or indirectly depends on the exchange or market price of a reference value. Such instruments are characterised by the future date of performance and the dependence of the derivative price on an exchange or market price. We trade in derivatives in the primary fuels of gas and coal and the energy product of electricity.

EUROPEAN ENERGY EXCHANGE (EEX)

The neutral trading platform for the German electricity market. It operates a spot market with physical delivery on the following day and a futures market with delivery at later dates.

FREE CASH FLOW

The free cash flow portrays the extent to which a company is able to cover its investments in intangible assets, property, plant and equipment and investment property from its cash flow from operating activities.

FUTURES MARKET

On the futures market at the European Energy Exchange (EEX), electricity products are traded for use in future periods (e.g. months, quarters, years). This market mainly serves to hedge prices.

GAS GRID ACCESS ORDINANCE

The gas grid access ordinance is an executive ordinance accompanying the Energy Industry Act and is intended to liberalise the German gas market.
It governs the opening up of the gas market in Germany.

GRID FEES

In the liberalised energy market, grid fees, also known as grid utilisation fees, are the fees collected by electricity and gas grid operators as consideration for grid use by the various users.

HEDGING

Denotes strategies used to secure prices. These can involve the conclusion of suitable futures transactions in which the electricity generation position, for example, is sold several years in advance.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

International accounting regulations issued by the International Accounting Standards Board (IASB). In accordance with a Regulation adopted by the European Union (EU), parent companies with a capital market orientation in the EU have been obliged since 1 January 2005, and at the latest since 2007, to apply IFRS when preparing their consolidated financial statements. These regulations aim to achieve an international harmonisation of accounting requirements and thus to enhance the comparability of consolidated financial statements.

MARKET DESIGN IN THE ENERGY MARKET

Detailed definitions of rules in the energy market governing the interaction between the regulated value chain stage of grid operation and the competitive value chain stages of generation, trading and sales.

MARKET RISK PREMIUM

Represents the additional return which the market as a whole or a specific share must offer over and above the risk-free interest rate to reward the additional risk assumed by the investor.

MATERIALS FLOW MANAGEMENT

Systematic process in which input and output waste flows are continually optimised in order to satisfy specific plant capacities with the best materials composition (e.g. calorific value, waste properties) and maximum efficiency. Also denotes the development of cross-regional concepts aimed at guaranteeing an appropriate supply of waste to specific disposal plants in line with individual customers' requirements and the different types of waste involved.

ONSHORE WIND ENERGY PLANTS

Onshore wind energy plants represent the original type for all subsequent wind energy plants.

OTC MARKET

The OTC (over the counter) market is an off-market trading emporium where trades are agreed directly between trading participants, i.e. without supervision by the exchange.

PRICE/CASH FLOW (P/CF) RATIO

The price/cash flow ratio is calculated by dividing the share price by the cash flow per share. This ratio thus presents the multiple at which the cash flow of a share is valued on the stock market.

PRICE/EARNINGS (P/E) RATIO

Also known as the P/E ratio. This key figure places the earnings of a company in relation to its current stock market valuation. An important key figure when comparing the earnings power of a company with one or several other companies.

RDF

Abbreviation for refuse-derived fuels produced from household, industrial and commercial waste of high calorific value. RDF is already partly substituted for coal, natural gas and heating oil at conventional power plants and cement factories.

RENEWABLE ENERGIES ACT (EEG)

Law dated 29 March 2000 which accords priority to renewable energies, most recently amended as of 1 January 2009 (EEG 2009). The EEG legislation, a key component of the German climate protection strategy, is intended to increase the share of electricity generated from renewable energies. Renewable energies include biomass, the biogenic share of waste, photovoltaics, hydroelectricity and wind energy.

RISK-FREE INTEREST RATE

The return which an investor can expect on a risk-free investment, such as a government bond.

ROCE

Abbreviation for Return on Capital Employed. This key figure shows how effectively and profitably a company uses its capital. The ROCE presents operating earnings before interest, taxes on income and goodwill amortisation (Adjusted EBITA) as a proportion of capital employed.

SMART GRIDS

By working with the latest technologies and developments, smart grids offer extended possibilities of actively and flexibly adjusting generation, grid control, storage and consumption to the constantly changing needs of the energy markets.

SMART METERING

A smart meter is an electronic meter that will enable consumption data for electricity, gas, district heating and water to be recorded and automatically read and processed by energy suppliers in future. The latest smart metering technology provides customers with detailed information on their current consumption and costs.

SPOT MARKET

On the spot market at the European Energy Exchange (EEX), electricity is traded for short-term needs (generally for the next day). This market is mainly used by energy companies and large companies to optimise their electricity portfolios in the short-term, e.g. to adjust the product to weather conditions or to compensate for power plant outages.

SUSTAINABILITY

Sustainability means using natural resources in such a way that future generations will also be able to meet their needs. From a company perspective, sustainable business activity involves taking due account of economic, ecological and social aspects. This is also referred to as corporate social responsibility (CSR).

SWAPS (COMMODITY SWAPS)

A (commodity) swap is an agreement governing the exchange of a series of fixed commodity price payments (fixed amount) and variable commodity price payments (market price). This only involves an exchange of cash (settlement amount).

TAX RATE

The tax rate corresponds to actual tax expenses as a proportion of earnings before taxes.

TAX SHIELD

The tax shield designates the value of the tax benefit contributed by borrowing interest, debts or losses carried forward to the value of a company. As companies are permitted in most tax jurisdictions to deploy debts or losses to reduce their tax burdens, these items raise the value of a company for potential buyers, as they can be offset against profits at the acquirer. When a company is correspondingly indebted or carries forward old losses in its balance sheet, its market value is higher by precisely this amount of tax benefit than that of a comparable company that is not indebted.

VALUE SPREAD

Principal key figure used in our value-based company management. It is calculated by subtracting the weighted average cost of capital (WACC) from the return on capital employed (ROCE).

WACC

Abbreviation for Weighted Average Cost of Capital (WACC). This key figure represents the long-term minimum economic return generated on operations based on the ratio of debt capital and equity. Equity costs are calculated at the risk-free interest rate, a risk premium for market risk and the beta factor. Debt capital costs are calculated using the risk-free interest rate plus a premium for default risk. This key figure may be calculated both before taxes and after taxes. As a pre-tax figure, it represents the minimum economic ROCE.

WHISPERGEN

House energy plant powered by natural gas. This uses a Stirling engine to simultaneously produce heating energy and electricity for detached and semidetached houses. It is operated on a decentralised basis – and thus without conduction losses – and works on the principle of cogeneration.

XETRA

Abbreviation for Exchange Electronic Trading. This is the electronic stock market trading system for shares and options at Deutsche Börse AG. It is characterised by automatic order handling, an open order book, i.e. transparent to all market participants, and equal access for all market participants irrespective of their location. Due to its high speed and low cost of executing orders, it has largely replaced floor trading on German stock exchanges.

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PEFC certified
The paper used for this Annual Report comes from sustainably managed forests and certfied sources.

Financial Calendar

12. 1. 2011	Annual Results Press Conference and Analysts' Conference
15. 2. 2011	Financial Report for 1st Quarter of 2010/11
18. 3. 2011	Annual General Meeting
21. 3. 2011	Dividend Payment
13. 5. 2011	Half-Year Financial Report 2010/11
13. 5. 2011	Press Conference and Analysts' Conference for 1st Half of 2010/11
15. 8. 2011	Financial Report for 3rd Quarter of 2010/11

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