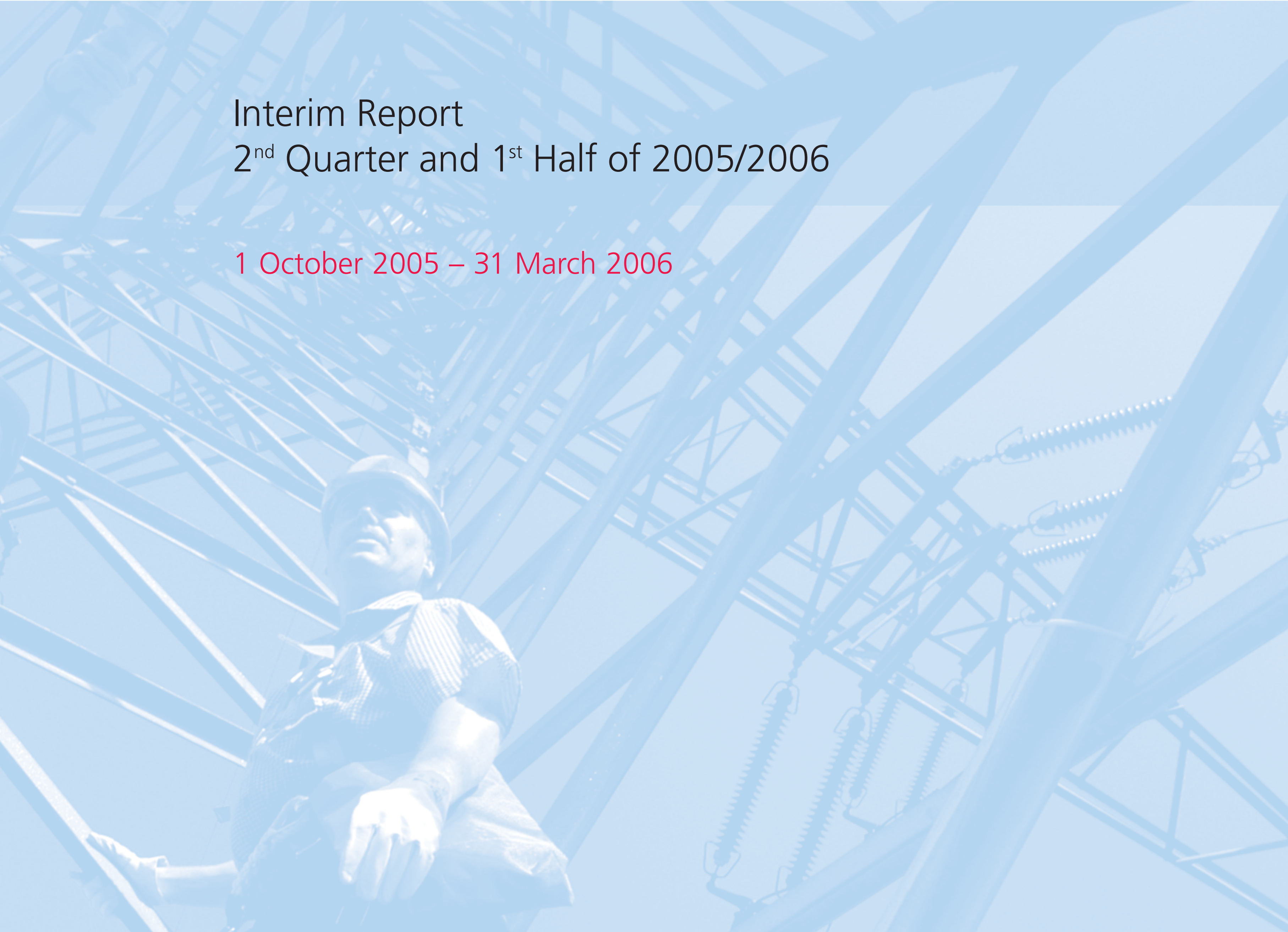
Interim Report 2nd Quarter and 1st Half of 2005/2006

1 October 2005 – 31 March 2006



MVV Energie

Key Figures
1 October 2005 – 31 March 2006

Key Figures of the MVV Energie Group[1] Euro million	**2005/2006**	2004/2005	% change
Sales	1 290	1 095	+ 18
EBITDA	260	218	+ 19
EBITA	188	152	+ 24
EBIT	189	152	+ 24
EBT	157	120	+ 31
Net surplus for the period	92	75	+ 23
Net surplus for the period after minority interests	73	59	+ 24
Earnings[2] per share[3] (Euro)	1.34	1.16	+ 16
Cash flow based on DVFA/SG	167	143	+ 17
Cash flow per share[3] based on DVFA/SG (Euro)	3.07	2.81	+ 9
Free cash flow[4]	– 58	8	—
Total assets (as of 31. 3.)	3 354	2 879	+ 16
Equity capital (as of 31. 3.)	980	882	+ 11
Investments	94	112	– 16
Number of employees[5]	6 383	6 498	– 2

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

[2] pursuant to IAS 33

[3] number of shares (half-year average) has increased from 50.7 million to 54.5 million as a result of capital increase

[4] inflow of funds from operating activities less investments in property, plant and equipment and in intangible assets

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

Overview of Developments at the Company

Highlights in the 2nd Quarter

- Double-digit sales and earnings growth
- Successful Annual General Meeting
- Acquisitions in the value-added services business

Events of Significance in the 2nd Quarter of 2005/2006
1 January 2006 – 31 March 2006

Earnings forecast raised

In view of the successful course of business in the 1st quarter of 2005/06, on 24 January 2006 the MVV Energie Group raised its original sales and earnings forecast for the 2005/06 financial year. We now expect to generate sales of Euro 2.25 billion for the overall 2005/06 financial year (previously: Euro 2.2 billion) and operating earnings (EBIT) of Euro 195 million (previously: Euro 185 million).

The positive sales and earnings performance seen in the 1st quarter of 2005/06 was also maintained in the 2nd quarter of the current financial year.

Successful Annual General Meeting of MVV Energie AG, with 1800 shareholders and guests

The Annual General Meeting of MVV Energie AG held on 10 March 2006 approved the proposal made by the Executive Board and Supervisory Board that an unchanged dividend of Euro 0.75 per share should be distributed for the 2004/05 financial year. It was possible to pay this from the free cash flow for the first time in several years. In view of the positive course of business, the Executive Board has announced the possibility of raising the dividend for the 2005/06 financial year. Details of further resolutions adopted by the Annual General Meeting can be found in the chapter “The MVV Energie AG Share” on Page 11.

Successful acquisitions in the value-added services business

In its high-growth value-added services segment, MVV Energie AG is currently pursuing several promising contracting projects in the industrial and municipal sectors which are almost ready to be signed.

MVV Energiedienstleistungen GmbH, a wholly-owned subsidiary of MVV Energie AG, took over IVB Immobilien Versorgung GmbH, Berlin, in March 2006 and has thus strengthened its competence in the field of contracting, and in particular in the housing industry. IVB generated sales of around Euro 6 million in the fields of district heating contracting and heating services in 2005. The company looks after around 11 000 residential units in Greater Berlin, as well as several large-scale office complexes.

In the consulting business it was possible to acquire a project in Afghanistan (restructuring and privatisation of the national energy supplier DABM), which is being financed by the World Bank and has a volume of around Euro 11 million.

MVV Energie AG changes pricing strategy

In contrast to most German energy companies, MVV Energie AG intends not to raise its rates for electricity, gas and district heating any further in the 2005/06 financial year in spite of the ongoing increase in procurement costs. The higher level of procurement costs is to be offset by internal cost savings. MVV Energie AG intends to build on this competitive pricing policy to strengthen its market position in the regulated energy market.

Cost reductions by means of shared service companies

Further efficiency enhancements are to be achieved by raising the level of cooperation within the Group. Work was begun during the quarter under report on pooling individual divisions across the Group (grids, metering, invoicing, IT and trading) with an aim to enhancing competitiveness. This will enable all partners within our network to meet the requirements of increasing competitive pressure in a liberalized market climate.

Business Performance

Economic framework

In their spring surveys, the leading German economic research institutes have forecast economic growth of 1.8 % for Germany in 2006. The growth forecast for 2006 in our foreign target markets of Poland and the Czech Republic amounts to 4.5 % and 6.0 % respectively.

Developments on the energy markets were characterised by a further increase in prices. The crude oil price in particular reached new record levels in excess of 75 US dollars per barrel. The high oil prices will lead to higher gas prices on the procurement markets as a result of the oil price link.

On 8 March 2006, the European Commission presented a comprehensive strategy paper (Green Book on Energy) setting out proposals for new European energy policies for the 21st century. In a statement made within the framework of the EU summit at the end of March 2006, the EU heads of state and government also committed themselves in principle to a joint European energy strategy with a focus on sustainability, competitiveness and security of supply, without however wishing to cede their national responsibilities. The German federal government invited industry associations and companies to take part in an energy summit held on 3 April 2006. We welcome the fact that the sustainability and reliability of the energy supply for the overall economy is being accorded increasing significance.

The amended Energy Act (EnWG) required all gas grid operators to submit applications for the approval of their grid utilisation fees to the regulatory authorities by the end of January 2006. The inspection period amounts to six months. Grid utilisation fees are expected to be affected in the current financial year already.

Earnings performance of the MVV Energie Group

The MVV Energie Group maintained its successful course in the 2nd quarter of the current 2005/06 financial year. Sales and all key earnings figures were considerably higher at the end of the 1st half of 2005/06 than the equivalent figures for the previous year.

Sales rose by 25 % (Euro + 140 million) in the 2nd quarter of 2005/06 compared with the equivalent period in the previous year to reach Euro 711 million and by a cumulative total of 18 % (Euro + 195 million) in the 1st half of 2005/06 to Euro 1 290 million. All business segments with the exception of water reported high rates of growth. This development was attributable to increased volumes and to adjustments in prices. We have only been able to pass on part of the massive price increases on the electricity and gas procurement markets. The performance of the district heating and gas segments in the 2nd quarter of 2005/06 benefited from comparatively cool weather conditions. The degree day figures for this period were 10 % higher than in the previous year and 14 % above long-term averages.

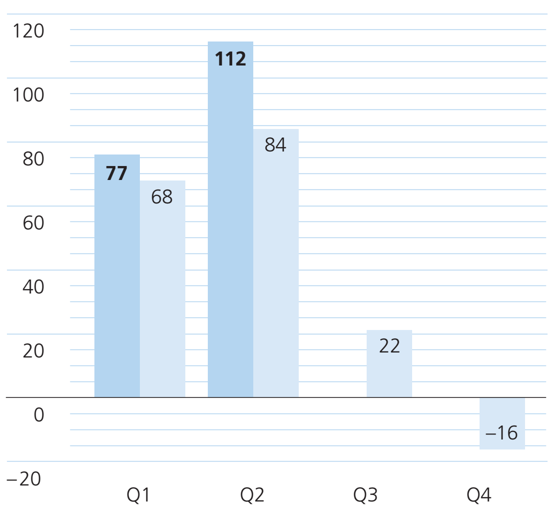
The highest sales growth was reported by our environmental energy segment. The performance of this segment was marked by the commencement of operations at the non-recyclable waste incineration plant in Leuna and by market developments following the entry into force of the Technical Guidelines for the Disposal of Municipal Solid Waste (TASi) as of 1 June 2005. The value-added services segment also witnessed a pleasing increase in sales as a result of the new business we succeeded in generating.

All of the companies in our municipal utility network contributed higher sales to our positive overall performance. Of the total sales for the quarter under report, 94 % were generated in Germany and 6 % by our foreign companies.

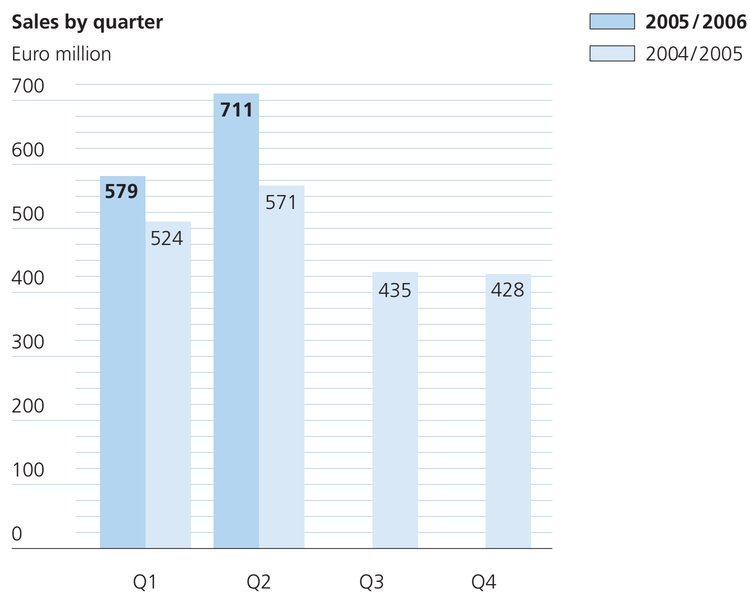
Double-digit improvements in all key earnings figures in the 2nd quarter and 1st half of 2005/06

- **Earnings before interest, tax, depreciation and goodwill amortisation (EBITDA)** showed a year-on-year increase of 29 % to Euro 151 million for the 2nd quarter and of 19 % to Euro 260 million for the 1st half.

EBIT by quarter
Euro million



Sales by quarter
Euro million



Operating earnings before interest and tax (EBIT) rose in the 2nd quarter from Euro 84 million to Euro 112 million (+ 33 %). The EBIT for the 1st half of 2005/06 improved from Euro 152 million in the previous year to Euro 189 million (+ 24 %).

The **net surplus for the period** showed a year-on-year increase from Euro 43 million to Euro 57 million for the 2nd quarter (+ 33 %) and from Euro 75 million to Euro 92 million for the 1st half (+ 23 %).

Earnings per share improved in the 1st half of 2005/06 from Euro 1.16 to Euro 1.34. It should be noted in this respect that the capital increase on 15 November 2005 led to an increase in the number of shares from 50.7 million in the previous year to 54.5 million (weighted half-year average).

In addition to the positive impact of weather conditions in the 2nd quarter, the improvement in earnings is principally due to the dynamic performance of the environmental energy segment. The incineration of waste and biomass is a highly attractive business for our group of companies. The increase in prices for commercial waste resulting from the changed market circumstances and for the electricity generated by our waste incineration plants has led to higher revenues. With our plants in Mannheim, Offenbach and now also in Leuna, which have a current combined incineration capacity of 900 000 tonnes, we are excellently positioned in the high-growth market for the disposal of non-recyclable, commercial and industrial waste.

The improvement in earnings is further attributable to the progress made in our value-added services business and to cost savings generated by the "FOKUS" efficiency enhancement programme at MVV Energie AG, by cost-saving measures at our shareholdings and by intercompany projects within our municipal utility group. Rapid progress is being made in the efficient expansion of our procurement network. This applies in particular to the launch of a key figure system for managing the contribution made by materials management to the value of the company. The cost savings and procurement process enhancements enacted in the 2nd quarter of 2005/06 have enabled us to exceed our budget targets in this respect.

Due to seasonal factors, our sales and earnings are traditionally higher in the first half of the financial year. It will therefore not be possible to repeat the very positive earnings performance seen in the 1st half of 2005/06, which benefited from the positive impact of weather conditions and from the exceptionally good performance of the environmental energy segment, in the same way in the 2nd half of the 2005/06 financial year. Reference is made to the Outlook (Pages 12-13) in respect of our earnings forecast and possible earnings risks.

Earnings performance of major shareholdings

Prior to consolidation, the shareholdings in German municipal utility companies and subgroups of the MVV Energie AG parent company generated sales of Euro 537 million in the 1st half of 2005/06 (previous year: Euro 472 million) and operating earnings (EBIT) of around Euro 85 million (previous year: Euro 72 million).

Stadtwerke Kiel AG increased its sales in the 1st half of 2005/06 from Euro 200 million in the previous year to Euro 229 million and its operating earnings (EBIT) from Euro 27 million to Euro 38 million. This was primarily due to higher sales in the district heating and gas segments as a result of weather conditions, to cost savings and to one-off charges in the previous year in connection with the taking of provisions for litigation risks. The longstanding legal dispute with ares energie AG was settled out of court in March 2006 without any further charge to earnings.

Sales at **Energieversorgung Offenbach AG (EVO)** rose by 7 % compared with the first half of the previous year to Euro 178 million. Operating earnings (EBIT) increased by Euro 2 million to Euro 26 million. The improvement in earnings in the district heating, waste and value-added services businesses compensated for the decline in margins incurred in the electricity business as a result of the rejection of price increase applications. EVO is strengthening its position in the Rhine/Main region by means of a modern market presence and an extensive advertising campaign.

Our shareholding in Nordrhein-Westfalen, **Stadtwerke Solingen GmbH (SWS),** increased its sales in the 1st half of 2005/06 by 19 % to Euro 62 million. Even though it was not possible to pass on the increase in electricity and gas procurement prices to end customers in full, it was nevertheless possible to maintain operating earnings (EBIT) at a stable level of Euro 9 million in the 1st half of 2005/06. This is mainly due to cost saving measures. The shareholding held by SWS in the gas and steam power plant with an output of 800 MW currently being built in Hamm-Uentrop will enable SWS to safeguard its strong position in future.

Sales at **Stadtwerke Ingolstadt Beteiligungen GmbH (SWI)** rose by 23 % compared with the first half of the previous year to reach Euro 56 million. This growth is mainly due to a new gas supply agreement with a large industrial customer. At Euro 9 million, operating earnings (EBIT), by contrast, were at the same level as in the previous year. This is principally the result of a decline in margins in the electricity and gas segments, given that the sharp increase in procurement prices was not passed on in full on the sales side.

Köthen Energie GmbH increased its sales as a result of growth in its gas and value-added services segments by 30 % to Euro 12 million. Operating earnings (EBIT) grew by 11 % to Euro 3 million.

We are very pleased with the performance of our **Czech subgroup,** even though its operating earnings (EBIT) declined by 4 % to Euro 11 million as a result of positive one-off effects in the previous year. Sales rose to Euro 34 million, equivalent to an increase of 14 % on the first half of the previous year. Moreover, our Czech subgroup also provides us with the opportunity of expanding towards Slovakia.

With the restructuring of the holding company and its Polish director who has an in-depth knowledge of the market, we are also on the right track at our **Polish subgroup**. Mainly as a result of price adjustments and exchange rate changes, sales rose by 20 % to Euro 35 million. Operating earnings (EBIT) improved from Euro 2 million to Euro 4 million.

Balance Sheet

In view of IFRS Standard IAS 1 (2004) requiring application for the first time, with effect from the first interim financial statements for the 2005/06 financial year we have structured the assets and liabilities in the balance sheet in terms of their respective maturities. Further details can be found in the supplementary information in the interim financial statements from Page 18 onwards.

The total assets of the MVV Energie Group have risen by 16 % compared with the previous balance sheet reporting date (30 September 2005) to reach Euro 3.4 billion. This increase is primarily attributable to two factors:

On the one hand, mandatory application is to be made for the first time of IAS 39 (2004). This has resulted in a specification of the so-called "Own Use Exemption" and to a change in the depiction of energy trading transactions. The initial application has resulted in an increase of Euro 253 million in other assets and an increase of Euro 251 million in other liabilities (see Page 18 for further details).

Moreover, there has also been an increase in accounts receivable and accounts payable. This is mainly a seasonal factor, given that higher sales are generated in the first half of the financial year as a result of weather conditions.

The equity ratio has therefore declined from 29.4 % on 30 September 2005 to 29.2 % in spite of the capital increase in November 2005.

Cash flow

The cash flow based on DVFA/SG increased by Euro 24 million compared with the previous year to Euro 167 million. By contrast, the inflow of funds from operating activities declined by Euro 65 million to Euro 19 million, which is primarily due to an increase in receivables resulting from higher energy prices and from higher energy consumption in the 2nd quarter of 2005/06 due to weather conditions. As a result of the prepayments contractually agreed with customers, the increase in accounts receivables in the winter quarters contrasts with the constant level of customer payments.

The outflow of funds for investment activities, which amounted to Euro 86 million, is mainly due to the investments outlined below. The largest share of these relates to the construction of the new Leuna II waste incineration plant. As a result of the high outflow of funds for this investment in our expansion, which will only generate cash flows in subsequent years, and due to the lower inflow of funds from operating activities for the reasons outlined above, a negative free cash flow (difference between the inflow of funds from operating activities and investments in property plant and equipment and intangible assets) of Euro 58 million has been reported for the 1st half of 2005/06. On the basis of previous experience, we expect the free cash flow to improve in the further course of the financial year.

The capital increase constituted the principal reason for the inflow of funds from financing activities in the first half of the current financial year.

A detailed cash flow statement can be found on Page 16 of this interim report.

Investments

The MVV Energie Group invested a total of Euro 94 million in the 1st half of 2005/06 (previous year: Euro 112 million). As in the previous year, Euro 77 million of this sum was invested in property, plant and equipment and in intangible assets; Euro 17 million was invested in financial assets (previous year: Euro 35 million).

One focus of investment related to the construction of the new Leuna II non-recyclable waste incineration plant and the optimisation of the biomass heat and power plant in Altenstadt. Further investments in property, plant and equipment related to the extension and optimisation of supply facilities and distribution grids at MVV Energie AG and its shareholdings in Ingolstadt, Kiel, Offenbach, Solingen and Poland. Work was continued in Kiel, for example, on the construction of a third gas cavern and in Offenbach on the renewal of the air capacitor at the waste-to-energy plant.

A total of Euro 50 million, and thus more than half of the proceeds from the capital increase, was invested in our growth areas in the first half of the current financial year.

The financial investments include the acquisition of IVB Immobilien Versorgung GmbH, Berlin.

Financing

The net financial liabilities (financial liabilities less cash and cash equivalents) of the MVV Energie Group increased during the half year under report by 4 % to Euro 1.2 billion. This is mainly attributable to a decline in cash and cash equivalents. The changes can be seen in the cash flow statement on Page 16.

Accounts payable have also risen since 30 September 2005 as a result of seasonal factors and pricing adjustments.

The increase in other liabilities is attributable to the amended accounting treatment of energy trading transactions, which were subject to valuation for the first time pursuant to IAS 39 (2004). Further details can be found on Page 18 of this interim report.

The slight increase in short-term provisions is the result of services not yet invoiced. The higher level of tax liabilities is the result of higher earnings, for which the related payments only have to be made at a future date.

The rise in group reserves is mainly attributable to the inflow of funds from the capital increase in the middle of the 1st quarter of 2005/06. This had a positive impact on the development of net interest expenses. In spite of the financing of investments in growth, the negative net interest expenses have declined in comparison with the first half of the previous year.

Segmental Report

Electricity segment – earnings performance affected by one-off items in previous year

Sales in our electricity segment rose by Euro 55 million (+ 11 %) in the 1st half of 2005/2006 to reach Euro 545 million. This growth is primarily due to volume and price-related increases in the wholesale electricity business and to higher sales in the end customer business of MVV Energie and its shareholdings in Offenbach, Solingen and Kiel, which are partly due to volumes and partly to price adjustments. The MVV Energie AG parent company succeeded in winning numerous new industrial and commercial customers outside its own grid region (national electricity sales) which began to be supplied as of 1 January 2006.

The turnover reported for the electricity segment (excluding electricity volumes relating to the environmental energy and value-added services segments) rose to 9.7 billion kWh, an increase of 10 % on the first half of the previous year. This growth was primarily attributable to the wholesale electricity business of the MVV Energie Group (+ 15 %). We also increased our turnover in the business with end customers (private, industrial and commercial customers), which accounts for around 49 % of our electricity turnover, in the 1st half of 2005/06 in spite of intense competition. The increase of 6 % is mainly due to a considerable rise in interregional electricity supply volumes.

Our new "Electricity Fund" product for medium-sized industrial and commercial customers continues to develop positively. In the 1st half of 2005/06, a sales volume of 339 million kWh was supplied to 64 customers, some of which have switched from special agreements to the electricity fund. Electricity fund volumes of 600 million kWh and 1 billion kWh have already been acquired for the 2006 and 2007 calendar years respectively. The electricity fund is now also being marketed by our shareholdings in Offenbach, Kiel and Köthen.

Operating earnings (EBIT) in the electricity segment fell by Euro 9 million compared with the first half of the previous year to Euro 25 million. The decline was primarily due to the discontinuation of one-off items which had impacted on the previous year's figure. We had to absorb a decline in margins during the half year under report, given that our companies were not able to pass on the substantial increase in procurement prices in full either as a result of their corresponding applications having been declined (e.g. EVO) or on account of reduced price increase applications (e.g. Solingen).

Sales of the MVV Energie Group by segment

1st Half, 1.10. – 31.3.

Euro million	**2005/2006**	2004/2005	% change
Electricity [1]	545	490	+ 11
District heating	196	174	+ 13
Gas [2]	323	251	+ 29
Water	51	51	—
Value-added services [3]	67	51	+ 31
Environmental energy	97	59	+ 64
Other/consolidation [3]	11	19	– 42
	1 290	1 095	+ 18

[1] including electricity tax of Euro 57 million (previous year: Euro 55 million)
[2] including gas tax of Euro 44 million (previous year: Euro 44 million)
[3] see notes on Page 19

District heating segment – positive performance due to cooler weather conditions in the 2nd quarter of 2005/06

District heating sales rose to Euro 196 million in the 1st half of 2005/06, equivalent to an increase of 13 % on the previous year. All of the companies in our Group with district heating activities generated higher sales than in the previous year. This pleasing development is principally due to increased consumption in the 2nd quarter of 2005/06 (January to March 2006) as a result of cooler overall temperatures. A further share of the increase in district heating sales is attributable to price adjustments by means of which we passed on to the sales side the higher procurement prices resulting from the development in oil and coal prices.

Sales volumes increased by 3 % compared with the first half of the previous year to 5.7 billion kWh. Of this sales volume, 70 % related to the German market and 30 % to our foreign markets in the Czech Republic and Poland.

Operating earnings (EBIT) improved by Euro 9 million to Euro 64 million. They therefore made up around one third of the EBIT generated by our Group in the 1st half of 2005/06. This improvement is mainly attributable to our shareholdings in Offenbach and Kiel and to our Polish subgroup.

Gas segment – cost savings make up for decline in margins

Sales in our gas segment rose to Euro 323 million, an increase of 29 % on the first half of the previous year. This was mainly the result of higher heating gas turnover in the private customer business as a result of weather conditions, as well as of price adjustments. In spite of the increased consumption on the part of private households, the gas turnover of our Group amounted to 8.0 billion kWh and thus remained at the same level as in the first half of the previous year. The increased volumes due to weather conditions were offset by equal volumes forfeited as a result of competition. The secondary distribution and industrial customer businesses of our companies are operating in an aggressively competitive climate.

All of our companies operating in the gas business had to raise their gas prices as a result of the quarterly increase in procurement prices. The factors driving this increase are the development of the oil price, which lies outside our control, and the high level of demand on the international energy markets. The price increases we introduced were not synchronized with and were in some cases slightly lower than the increases on the procurement side.

We more than offset the decline in margins resulting from price developments by means of cost savings measures undertaken at MVV Energie AG and the Kiel subgroup in particular, and succeeded in increasing our operating earnings (EBIT) in the gas segment in the 1st half of 2005/06 by Euro 9 million to Euro 49 million.

[1] total sales volumes of all segments

[2] correction in previous year's figure

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

1st Half, 1.10. – 31.3.	2005/2006	2004/2005	% change
Electricity[2] (kWh million)	9 945	8 971	+ 11
of which wholesale[2] (kWh million)	5 100	4 418	+ 15
of which retail[2] (kWh million)	4 845	4 553	+ 6
District heating (kWh million)	5 659	5 474	+ 3
Gas[2] (kWh million)	8 038	8 010	—
Water[2] (m^3 million)	27.5	27.8	– 1
Combustible waste delivered (tonnes 1000)	583	232	+ 151

Water segment – cost savings make up for decline in sales

As in the previous year, the water segment reported sales of around Euro 51 million in the 1st half of 2005/06, a period traditionally characterised by low consumption on account of the seasons involved. The higher level of sales at MVV Energie AG resulting from price adjustments was countered by a decline in sales at the shareholdings in Offenbach and Kiel. The reduction in sales at Energieversorgung Offenbach was due to lower sales volumes and a price reduction. The reduction at the Kiel subgroup was attributable to non-period revenues having been reported in the previous year.

Operating earnings (EBIT) in the water segment nevertheless rose by Euro 1 million compared with the first half of the previous year to Euro 9 million. This increase was the result of improved earnings contributions at MVV Energie AG, as well as at the shareholdings in Solingen and Kiel. The efficiency enhancement measures at these companies enabled us to generate cost savings.

Environmental energy segment – strong growth

The performance of the environmental energy segment has exceeded expectations. Segment sales rose to Euro 97 million, equivalent to an increase of Euro 38 million (+ 64 %) on the first half of the previous year. Operating earnings (EBIT) improved by Euro 27 million to Euro 41 million.

This strong growth is primarily attributable to initial sales at the new non-recyclable waste incineration plant in Leuna and to increased waste deliveries following the entry into force of the Technical Guidelines for the Disposal of Municipal Solid Waste (TASi), as well as to new deliveries from the Karlsruhe region. Moreover, the dynamic performance of the sector is also due to an increase in commercial waste prices, higher prices for the electricity volumes thereby generated and to an improvement in capacity utilisation levels at our plants in Mannheim and Offenbach. Our increased materials flow management enables us to make optimal use of utilised combustible waste (especially household and commercial waste, and biomass). The sales generated by the biomass power plants in Mannheim (20 MW) and Königs Wusterhausen (20 MW) are 14 % higher than the figure for the first six months of the previous year as a result of the different timing of inspections.

The earnings for the 1st half of 2005/06 include positive one-off items of around Euro 5 million which will not be repeated in the second half of the year. As a result of planned, necessary inspections, the high current level of throughput will also not be maintained for the overall year.

Value-added services sector – new structures

The Annual General Meeting of MVV Energie AG held on 10 March 2006 approved the spin-off and takeover agreement between MVV Energie AG and MVV Energiedienstleistungen GmbH. The spin off of the energy-related services division of MVV Energie AG will be undertaken retrospectively as of 1 October 2005 following its entry in the Commercial Register. The services of the new company MVV Energiedienstleistungen GmbH, its total of eight consolidated shareholdings (MVV energy-related services), and the value-added services businesses of the municipal utility shareholdings in Offenbach, Kiel, Ingolstadt and Köthen are pooled in the value-added services segment. The previous year's figures for the segment have been adjusted to the new structure.

EBIT of the MVV Energie Group by segment

1st Half, 1. 10. – 31. 3.

Euro million	**2005/2006**	2004/2005	% change
Electricity	25	34	– 26
District heating	64	55	+ 16
Gas	49	40	+ 23
Water	9	8	+ 13
Value-added services[1]	4	2	+ 100
Environmental energy	41	14	+ 193
Other/consolidation[1]	– 3	– 1	– 200
	189	152	+ 24

[1] see notes on Page 19

Sales in the value-added services segment rose by Euro 16 million (+ 31 %) compared with the previous year to reach Euro 67 million. This growth was primarily due to increased sales in the "Municipal Solutions" and "Industrial Solutions" product fields at MVV energy-related services and to higher value-added services sales at our EVO municipal utility shareholding, as well as to the initial consolidation of the value-added services business of Stadtwerke Ingolstadt.

In spite of the discontinuation of earnings contributions from 3T Telekommunikationsgesellschaft mbH, Offenbach, which was sold in the previous year, operating earnings (EBIT) in the value-added services segment improved from Euro 2 million to Euro 4 million.

Via its subsidiary DECON – Deutsche Energie-Consult Ingenieurgesellschaft mbH, MVV Energiedienstleitungen GmbH took over the company BEA Consulting GmbH, which is based in Düsseldorf and is specialised in medium, high and maximum voltage projects for industry and for the public sector (annual sales: around Euro 1 million).

Our group of companies is pursuing numerous new and promising industrial and municipal projects in its value added services segment.

Research and Development

Projects for increased energy efficiency

The efficient use of limited energy resources and the reduction of greenhouse gases while maintaining energy prices at tolerable levels represent the great challenges facing the future energy supply. MVV Energie AG is setting out in new directions in the development of regional scenarios: businesses, universities, municipalities and associations in the Rhine/Main metropolitan region are working together under the thematic sponsorship of Dr. Rudolf Schulten to develop solutions to meet these challenges. Projects such as the expansion of cogeneration technology, the use of renewable energy forms, the renewal of power plant facilities, the promotion of gas as a fuel and the reduction of energy costs by means of energy saving are being jointly investigated.

"Grids of the Future" project at the Group

The "Grids of the Future" project is aimed at the development of optimal long-term electricity grids with high supply quality and a simultaneous minimisation of costs. Following the success achieved in Mannheim and Offenbach, we are implementing the project across the Group in the current 2005/06 financial year. The comparison of the various grids within the MVV Energie Group and long-term strategy development, including joint planning principles and minimum cost grid structures, represent a major step in terms of preparing for future incentive regulation.

Personnel Totals	**2005/2006 31. 3. 2006**	2004/2005 31. 12. 2005	2004/2005 31. 3. 2005	Change on 31. 3. 2005
MVV Energie AG [1]	1 616	1 654	1 731	– 115
Fully consolidated shareholdings	3 138	3 165	3 102	+ 36
MVV Energie AG with fully consolidated shareholdings	**4 754**	4 819	4 833	– 79
Proportionately consolidated shareholdings	1 576	1 580	1 605	– 29
MVV Energie Group [2]	**6 330**	6 399	6 438	– 108
External personnel at Mannheim waste-to-energy plant	53	57	60	– 7
	6 383	6 456	6 498	– 115

[1] including 60 employees of MVV RHE AG (previous year: 91)

[2] including 264 trainees (previous year: 266)

Employees

The total number of personnel employed at the MVV Energie Group as of the reporting date on 31 March 2006 reduced compared with the equivalent date in the previous year (31 March 2005) and the previous quarter (31 December 2005).

The reduction of 115 employees compared with the previous year primarily relates to MVV Energie AG (including MVV RHE AG) and is mainly due to the reduction of personnel within the framework of the "FOKUS" efficiency enhancement programme, which has been implemented on schedule in a socially responsible manner. Moreover, the reduced personnel total at MVV Energie AG is also attributable to the spin off of MVV Umwelt GmbH as of 1 April 2005. The increase of 36 in the number of employees at the fully consolidated shareholdings compared with the previous year mainly relates to companies fully consolidated for the first time. Jobs have been cut as planned at the majority shareholdings in Kiel and Offenbach.

The reduced personnel total at the proportionately consolidated shareholdings principally relates to Polish companies. The total number of personnel employed in other countries reduced by 98 compared with the previous year to 1415 employees.

Supervisory Board

The composition of the Supervisory Board changed during the quarter under report as a result of the election of new employee representatives in January 2006 and the election of new shareholder representatives at the Annual General Meeting in March 2006.

The following members retired from the Supervisory Board: Peter Dinges, Rosi Haus, Helfried Krope, Egon Laux, Dr. Rolf Neuhaus, Dr. Sven-Joachim Otto, Konrad Schlichter, Rolf Schmidt, Bernd Sendzik and Christa Spohni.

The following shareholder representatives retain their appointment: Gerhard Widder (Chairman) and Christian Specht.

The following members were re-elected: Manfred Lösch[1] (Deputy Chairman), Werner Ehret[1], Dr. Manfred Fuchs, Reinhold Götz, Dr. Karl Heidenreich, Prof. Dr. Egon Jüttner, Klaus Lindner[1], Dr. Frank Mentrup and Sabine Schlorke[1].

The following persons were elected to the Supervisory Board for the first time: Johannes Böttcher[1], Holger Buchholz[1], Dr. Rudolf Friedrich, Michael Homann[1], Prof. Dr. Norbert Loos, Manuel Mertes[1], Barbara Neumann[1], Wolfgang Raufelder and Uwe Spatz[1].

[1] elected employee representatives

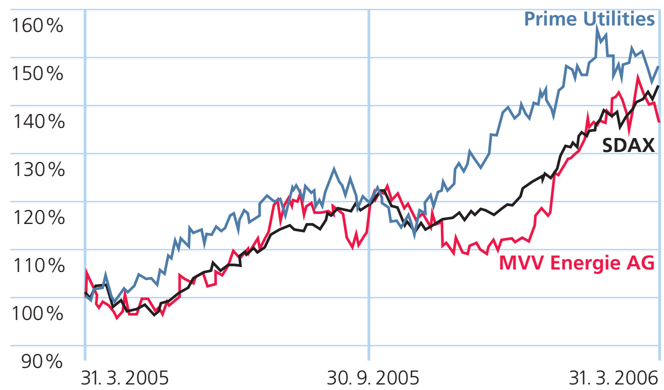
The MVV Energie AG Share

Substantial rise in share price

Compared with 31 March 2005, our share price has witnessed a remarkable increase of 32 % to Euro 21.10. Accounting for the dividend distribution of Euro 0.75 per share, the performance even amounts to 36 %. The market capitalisation of MVV Energie AG rose to Euro 1175 million as of 31 March 2006.

Our share price has shown a below-average performance compared with the development of the SDAX (+ 44 %) and Prime Utilities (+ 48 %) indices over the same period. One decisive reason for this circumstance in our opinion is the temporary negative impact on the share price following the capital increase executed in the 1st quarter of 2005/06, a phenomenon which is frequently observed on the capital market. The share price had already recovered from this by mid-January 2006 and rose by a total of 18 % in the 2nd quarter of 2005/06, alone in spite of the payment of the dividend. In addition to the favourable stock market climate and the frequent dividend purchases in the run-up to the annual general meeting, we attribute the positive performance of the share price to the pleasing earnings situation of the MVV Energie Group and to the resultant raising of our earnings forecast in January 2006. The quarterly high amounted to Euro 23.00 in variable Xetra trading and the quarterly low to Euro 17.80. On account of the increase in the free float resulting from the capital increase, there was a renewed and pleasingly substantial rise in the volume of MVV Energie AG shares traded on the stock markets. With an equivalent value of Euro 92 million, trading volumes were 129 % higher than in the first half of the previous year.

Performance Comparison of the MVV Energie AG Share (ISIN DE0007255903)



Our share price continued to develop positively following the end of the quarter under report, reaching a new all-time high of Euro 24.50 in Xetra trading on 11 May 2006.

Successful Annual General Meeting

Shareholders at the Annual General Meeting held on 10 March 2006 approved all of the proposals made in the agenda by the Executive and Supervisory Boards with large majorities. An attractive dividend of Euro 0.75 per share was therefore distributed once again, corresponding to a dividend yield of 3.9 % based on the closing price of the past financial year. The Annual General Meeting also elected new members to the Supervisory Board and approved authorised capital for an employee share option programme. The meeting also approved the conversion to registered shares, which is to be executed in the coming weeks.

Strong presence on the capital market

During the 2nd quarter of 2005/06 we presented the detailed strategy of MVV Energie AG at road shows, investors' and analysts' conferences and in numerous individual meetings held with financial investors. Particularly successful in this respect were the talks we held with investors in New York, which was the target venue for one of our road shows for the first time.

Outlook

Energy markets

We do not expect the economic growth forecast for Germany, the Czech Republic and Poland in 2006 to provide any significant momentum for our business as an energy distributor and service company or as the operator of non-recyclable incineration plants. The prices for the incineration of industrial waste, however, which will remain stable at a high level, will have a markedly positive impact. As a result of the entry into force of the Technical Guidelines for the Disposal of Municipal Solid Waste (TASi) on 1 June 2005, we expect to see high levels of demand for incineration capacities across Germany in the medium term as well, and thus to benefit from attractive prices and high capacity utilisation rates at our plants. Moreover, we expect the market for energy-related services in Germany to continue to report double-digit annual percentage growth rates and therefore expect to see an acceleration in the positive development of this segment.

The extreme jump in prices recently observed on the CO_2 markets leads us to expect increasingly volatile electricity prices. However, we intend to absorb at least part of the increase in procurement costs for fossil fuels by means of cost savings and thus to avoid price increases for our customers to the greatest possible extent. At the same time, this enables us to position ourselves for a further intensification in the competition for end customers. However, we do not view the rejection of electricity price increases by economics ministries, one example of which can currently be observed in Hessen, as being justified. Independently of this issue, we see the fact that important electricity generation data is to be published on the EEX in future as representing a positive development which will increase transparency on the electricity market.

Regulation

The implications of the regulation of electricity and gas grid utilisation fees by the regulatory authorities still cannot be forecast with any degree of certainty. The electricity and gas grid operators have submitted applications for the approval of their grid utilisation fees to the respective regulatory authorities. The results of the authorisation proceedings remain to be seen. The federal government intends to present a legal ordinance on the incentive regulation currently being developed for grid utilisation fees before the end of the year. We expect the entry into force of this incentive regulation to lead to further pressure on grid utilisation fees. Like the implementation of a competitive entry/exit system for the gas grids, this could also result in an intensification of competition on the electricity and gas markets in Germany. The supply regulation which came into force on 1 April 2006 has not yet led to any functioning competition for customers.

Efficiency enhancements targeted by means of shared service companies

Preparations for the establishment of shared service companies are currently underway. Starting in the coming financial year, these are to undertake processes for MVV Energie AG and the participating shareholdings on a centralised basis and thus more efficiently. Moreover, a joint grid company is to be founded by MVV Energie AG and our Energieversorgung Offenbach AG shareholding before the end of the current year, thus laying the foundations for further cooperation in the Rhine/Main/Neckar region.

Research and development

Within the framework of our decentralised energy supply activities, we intend to include further facilities in our portfolio. We are currently planning the deployment of a new fuel cell in order to continue to actively accompany and evaluate developments in this market segment. The future opportunities surrounding biomass and biogas are currently at the centre of numerous specialist discussions. Biomass utilisation plants already form part of our business. We will closely address the issues, opportunities and risks surrounding biogas in the form of investigations and studies in the coming months.

Profitable growth targeted

In addition to the construction of a second waste incineration plant in Leuna, which is expected to commence operations in the autumn of 2007, we are currently investigating the economic feasibility of further possible locations for non-recyclable waste incineration plants. We expect the environmental energy segment to generate by far the highest earnings contributions of all segments in the current financial year, mainly as a result of the sharp rise in prices for industrial waste.

We intend to expand in the rapidly growing and attractive market for energy-related services by means of further projects and if appropriate also by making further acquisitions. We expect to see a further increase in the positive earnings contributions generated by this segment.

As a result of grid regulation, we expect numerous municipal utility companies to be exposed to increasing pressure on earnings. Any resultant consolidation could provide the MVV Energie Group with the possibility of acquiring further shareholdings in the medium term. In view of our proven track record in the further development of our municipal utility shareholdings and given the antitrust restrictions on large vertical players, we see the MVV Energie Group as the first choice for companies interested in cooperation in the sector. This could provide us with the opportunity of further expanding our network together with partners. Additional growth potential is also to be found in eastern Europe, where we intend to participate in a bidding process for district heating companies in Slovakia in autumn 2006 via our profitable shareholding in the Czech Republic.

Further cost reductions planned

In addition to our "FOKUS" efficiency enhancement programme, which is running on schedule at the administrative divisions in Mannheim, we aim to achieve a further reduction in costs within our municipal utility network. We see our newest municipal utility shareholding in Kiel as harbouring particular potential in this respect. We aim to exploit the potential for reducing costs over the coming years.

Earnings forecast

We continue to uphold the increased sales and earnings forecasts for the 2005/06 financial year published in January 2006 and expect sales to increase to Euro 2.25 billion, operating earnings (EBIT) to Euro 195 million and earnings before tax to Euro 133 million. In contrast to previous years, we expect to generate a premium on our costs of capital. In addition to the scheduled achievement of cost reductions, this positive development is mainly attributable to the dynamic performance of the environmental energy segment.

Given that our district heating and gas businesses in particular are highly dependent on weather conditions, for seasonal reasons we expect to achieve significantly lower earnings in the second half of the year than in the period under report. Moreover, partly as a result of necessary inspections in the summer, our waste-to-energy plants will also generate a lower level of earnings contributions.

The potential earnings risks relating to the forthcoming grid regulation – particularly for our shareholdings in energy distribution companies without proprietary generation facilities – cannot be quantified on the basis of the information currently available.

Interim Financial Statements 1st Half of 2005/2006 (IFRS)

Balance Sheet as of 31. 3. 2006

Balance Sheet of the MVV Energie Group Euro 000s	31. 3. 2006	30. 9. 2005
Assets		
Fixed assets		
Intangible assets	315 520	317 485
Property, plant and equipment	1 862 909	1 843 290
Shareholdings valued at equity	91 099	90 897
Other financial assets	57 455	52 142
Receivables and other assets	7 990	4 094
	2 334 973	**2 307 908**
Current assets		
Inventories	44 840	45 348
Accounts receivable	515 732	327 123
Other assets	353 623	72 284
Tax claims	23 984	18 454
Cash and cash equivalents	80 475	127 975
	1 018 654	**591 184**
	3 353 627	**2 899 092**
Equity and Liabilities		
Equity		
Share capital of MVV Energie AG	142 602	129 802
Group reserves	482 716	423 986
Net earnings of the MVV Energie Group for the period	120 969	68 976
Capital of the MVV Energie Group	**746 287**	**622 764**
Minority interests	233 391	230 839
	979 678	**853 603**
Long-term debt		
Provisions for pensions and similar obligations	32 108	31 382
Other provisions	83 731	86 045
Financial liabilities	1 105 566	917 110
Other liabilities	30 056	27 052
Deferred tax liabilities	186 096	187 761
	1 437 557	**1 249 350**
Short-term debt		
Provisions	176 287	167 635
Financial liabilities	187 710	373 578
Accounts payable	169 205	151 464
Other liabilities	329 724	76 551
Tax liabilities	73 466	26 911
	936 392	**796 139**
	3 353 627	**2 899 092**

Income Statement from 1.1. 2006 to 31. 3. 2006 and cumulative from 1.10. 2005 to 31. 3. 2006

	2nd Quarter 1.1. – 31. 3.		1st Half 1.10. – 31. 3. cumulative	
Income Statement of the MVV Energie Group Euro 000s	**2005/2006**	2004/2005	**2005/2006**	2004/2005
Sales	711 631	571 401	1 290 211	1 095 133
Capitalised own-account services	8 778	14 090	18 699	27 915
Other operating income	26 852	16 652	47 069	31 613
Cost of materials	430 506	343 684	779 956	655 328
Personnel expenses	68 881	70 118	138 540	140 677
Other operating expenses	93 606	71 281	174 424	139 047
Income from shareholdings in associated companies	– 8	—	146	100
Other income from shareholdings	– 3 749	435	– 3 406	– 1 403
EBITDA	**150 511**	117 495	**259 799**	218 306
Depreciation	38 949	32 847	71 490	65 901
EBITA	**111 562**	84 648	**188 309**	152 405
Amortisation of goodwill	– 123	—	– 283	—
EBIT	**111 685**	84 648	**188 592**	152 405
Net interest expenses	– 16 082	– 17 585	– 31 589	– 32 108
EBT	**95 603**	67 063	**157 003**	120 297
Taxes on income	38 494	24 462	65 110	44 918
Net surplus for the period	**57 109**	42 601	**91 893**	75 379
Minority interests	13 228	8 746	19 083	16 373
Net surplus for the period after minority interests	**43 881**	33 855	**72 810**	59 006

Reconciliation:				
Net surplus for the period after minority interests			**72 810**	59 006
Earnings retained at MVV Energie AG from the previous year			48 152	36 398
Transfer of the at-equity results of the MVV Energie Group for the current financial year to revenue reserves			7	—
Net surplus of the MVV Energie Group for the period as reported in the statement of changes in equity			**120 969**	95 404

Cash Flow Statement from 1. 10. 2005 to 31. 3. 2006

Cash Flow Statement of the MVV Energie Group Euro 000s	**2005 / 2006**	2004/2005
Net surplus for the period	91 893	75 379
Depreciation of fixed assets	76 894	65 535
Change in long-term provisions	– 1 796	1 646
Other income and expenses affecting payments	7	—
Subtotal for cash flow in accordance with DVFA/SG	**166 998**	**142 560**
Change in short-term provisions	49 366	32 055
Loss on disposals of property, plant and equipment	850	1 224
Profit (previous year: loss) on disposals of financial assets	– 2 181	1 793
Change in other assets	– 472 825	– 131 461
Change in other liabilities	277 011	38 288
Inflow of funds from operating activities	**19 219**	**84 459**
Proceeds from disposals of property, plant and equipment	2 188	3 821
Proceeds from disposals of financial assets	6 030	72 713
Investments in property, plant and equipment and in intangible assets	– 77 183	– 76 640
Investments in acquisitions, shareholdings and loans	– 16 566	– 35 254
Outflow of funds for investment activities	**– 85 531**	**– 35 360**
Proceeds from subsidy payments	4 286	5 096
Proceeds from the taking up of loans and leasing obligations	240 204	299 457
Payments for the redemption of loans	– 259 127	– 83 373
Inflow of funds from capital increase	88 769	—
Change in financial liabilities from cash pooling	2 267	– 263 842
Dividend payment	– 60 167	– 45 807
Inflow of funds (previous year: outflow) from financing activities	**16 232**	**– 88 469**
Change in cash and cash equivalents affecting payments	– 50 080	– 39 370
Change in cash and cash equivalents due to changes in reporting entity	2 193	– 15 303
Change in cash and cash equivalents due to currency conversion	387	2 312
Cash and cash equivalents as of 1. 10. 2005 (and/or 2004)	127 975	125 167
Cash and cash equivalents as of 31. 3. 2006 (and/or 2005)	**80 475**	**72 806**

Statement of Changes in Equity

Statement of Changes in Equity of the MVV Energie Group including minority interests Euro 000s	Share capital of MVV Energie AG	Capital reserve of MVV Energie AG	Group reserves: Statutory reserve and other retained earnings / consolidation	Group reserves: Differential amount from currency conversion	Group reserves: Market valuation of financial instruments	Net earnings of the MVV Energie Group	**Capital of the MVV Energie Group**	Minority interests	**Total**
Balance at 1. 10. 2004	129 797	178 270	201 831	– 3 390	– 870	104 034	**609 672**	239 788	**849 460**
Distribution of dividend	—	—	—	—	—	– 38 027	**– 38 027**	– 7 780	**– 45 807**
Net surplus for the period	—	—	—	—	—	59 006	**59 006**	16 373	**75 379**
Change in revenue reserves	—	—	29 609	—	—	– 29 609	**—**	—	**—**
Currency adjustments	—	—	—	5 376	—	—	**5 376**	1 772	**7 148**
Change in reporting entity	—	—	—	—	—	—	**—**	– 8 134	**– 8 134**
Adjustments not affecting earnings	—	—	4 873	—	– 245	—	**4 628**	– 224	**4 404**
Balance at 31. 3. 2005	129 797	178 270	236 313	1 986	– 1 115	95 404	**640 655**	241 795	**882 450**
Balance at 1. 10. 2005	129 802	178 293	237 215	8 367	111	68 976	**622 764**	230 839	**853 603**
Distribution of dividend	—	—	—	—	—	– 41 778	**– 41 778**	– 18 389	**– 60 167**
Capital increase	12 800	75 969	—	—	—	—	**88 769**	—	**88 769**
Net surplus for the period	—	—	—	—	—	72 810	**72 810**	19 083	**91 893**
Change in revenue reserves	—	—	– 20 961	—	—	20 961	**—**	—	**—**
Currency adjustments	—	—	—	1 296	—	—	**1 296**	273	**1 569**
Change in reporting entity	—	—	—	—	—	—	**—**	31	**31**
Adjustments not affecting earnings	—	—	—	—	2 426	—	**2 426**	1 554	**3 980**
Balance at 31. 3. 2006	142 602	254 262	216 254	9 663	2 537	120 969	**746 287**	233 391	**979 678**

Supplementary Information 2nd Quarter and 1st Half of 2005/2006

Principles and methods

The interim financial statements of the MVV Energie Group compiled in accordance with International Financial Reporting Standards (IFRS) take account of the standards of the International Accounting Standards Board (IASB) valid as of 31 March 2006.

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

In addition to the balance sheet, the income statement and the statement of changes in equity pursuant to IAS 1, the financial statements also include a cash flow statement pursuant to IAS 7 and segmental reporting pursuant to IAS 14.

Several revised IFRS standards are to be applied as of the beginning of the 2005/06 financial year. These had the following principal implications for the interim financial statements as of 31 March 2006:

As a result of the initial application of **IAS 1 (2004)** "Presentation of the Financial Statements", the balance sheet is structured in terms of maturities. Assets and liabilities have accordingly been reported as short-term or long-term. In addition to cash and cash equivalents, short-term assets involve assets expected to be sold, utilised or realised within twelve months or within the usual course of a business cycle. Liabilities are reported as short-term in cases where they are to be redeemed within twelve months or within the usual course of a business cycle. Accordingly, inventories, accounts receivable and accounts payable are generally allocated to the short-term section. Loans and other assets are reported as short-term or long-term in accordance with their respective maturities.

Deferred taxes are generally classified as long-term.

In line with their long-term nature, provisions for pensions and similar obligations are reported under long-term liabilities. Other liabilities are classified in accordance with their respective maturities.

The initial application of **IAS 39 (2004)** "Financial Instruments: Recognition and Measurement" as of the beginning of the financial year and the resultant specification of the "Own Use Exemption" has resulted in amendments in the depiction of energy trading transactions. Accordingly, pending transactions intended to secure the market price in the field of energy trading increasingly fall under the scope of IAS 39 (2004) and have to be recorded as financial instruments, while the underlying transactions thereby secured (sales contracts) are generally not affected by IAS 39 (2004). This particularly affects energy trading commodity future transactions which require physical performance and which have to be resold in the context of adjustments to actual loads. The initial application of IAS 39 (2004) resulted in an increase of Euro 252 726 thousand in short-term other assets compared with their previous depiction, as well as to an increase of Euro 251 293 thousand in short-term other liabilities. The valuation of these contracts at market values has resulted in an increase of Euro 1433 thousand in earnings before tax. Given that the initial application of IAS 39 (2004) has resulted in a reclassification of energy trading transactions in line with accounting requirements, the adjustment of the previous year's figures is not possible.

Some detailed issues concerning the application of IAS 39 (2004) to energy trading transactions have currently not yet been conclusively clarified. The possibility of there being refinements in the IFRS rules concerning the depiction of such items therefore cannot be excluded.

The initial application of the following standards had no implications or only minor implications on the interim financial statements: IAS 2 (2004) "Inventories", IAS 8 (2004) "Accounting Policies, Changes in Accounting Estimates and Errors", IAS 10 (2004) "Events After the Balance Sheet Date", IAS 16 (2004) "Property, Plant and Equipment", IAS 17 (2004) "Leases", IAS 21 (2004) "The Effects of Changes in Foreign Exchange Rates", IAS 24 (2004) "Related Party Disclosures", IAS 27 (2004) "Consolidated and Separate Financial Statements", IAS 28 (2004) "Investments in Associates", IAS 31 (2004) "Interests in Joint Ventures", IAS 32 (2004) "Financial Instruments: Disclosure and Presentation", IAS 33 (2004) "Earnings per Share" and SIC 12 (2004) "Consolidation – Special Purpose Entities".

Notes to the segments

With effect from the 2005/06 financial year, the companies MAnet GmbH and ENERGY InnovationsPortfolio AG & Co. KGaA will no longer be reported under the value-added services segment, but rather in the Other segment, in view of the fact that the business activities of these companies do not correspond to the traditional energy-related services business. The previous year's figures have been adjusted for reasons of comparison. The net impact on operating earnings (EBIT) is less than Euro 1 million in the half year under report and in the first half of the previous year.

Reporting entity

In addition to MVV Energie AG, 44 German and foreign subsidiaries in which MVV Energie AG directly or indirectly holds a majority of the voting rights have been fully consolidated in the interim financial statements of the MVV Energie Group. The relevant control concept set out in IAS 27 requires the parent company to exercise a controlling influence in the case of fully consolidated companies. Eight companies have been proportionately consolidated. Eleven associated companies have been valued using the equity method.

The companies Biomassen-Heizkraftwerke Altenstadt GmbH, Altenstadt, ENSERVA GmbH, Solingen, and MVV Energiedienstleistungen Industrial Solutions Bayern GmbH, Ingolstadt, have been fully consolidated for the first time during the current financial year. The companies reginova GmbH, Ingolstadt, and Stadtwerke Solingen Netz GmbH, Solingen, have been proportionately consolidated for the first time.

The companies Cogebar – Cogeração de Barcelos, Lda., Barcelos, and Cogesac – Cogeração do Ave, Lda., both based in Portugal, were removed from the reporting entity on account of their disposal.

There has been no change in the number of companies valued using the equity method.

The quarterly financial statements as of 31 March 2006 incorporate interim financial statements compiled as of the same reporting date by those companies which are fully and proportionately included in the consolidated financial statements.

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

Consolidation methods

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

The capital consolidation has been undertaken pursuant to IFRS 3 using the acquisition method based on the values assigned at the time of acquisition. Any resultant credit difference has been reported under fixed assets as goodwill, with its ongoing value being reviewed in line with IAS 36. Any remaining debit difference has been recorded in the income statement. Inter-company receivables and liabilities, as well as inter-company sales, income and expenses, have been offset against each other pursuant to IAS 27.

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

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

1 Euro	Rate on reporting date		Average rate 1.10. – 31.3.	
	31.3. 2006	30.9. 2005	**2005/2006**	2004/2005
Polish zloty (PLN)	3.943	3.918	3.875	4.134
Czech crowns (CZK)	28.595	29.553	28.949	30.586

(Source: European Central Bank)

Currency conversion

The interim financial statements of foreign group companies have been converted into Euros in accordance with the functional currency concept outlined in IAS 21. This relates to the respective national currency at all companies thereby affected, in view of the fact that they conduct their business in their respective national currencies as independent foreign entities within the Group in financial, economic and organisational terms.

The conversion of separate financial statements compiled in foreign currencies has been based on the exchange rates depicted in the above table.

Assets and liabilities have been converted from their respective national currencies into Euros using the mean exchange rate valid on the reporting date. Income and expense items have been converted using the average exchange rate for the period under report.

Currency differences resulting from the conversion of the equity of the foreign companies in question or from the application of differing conversion rates for the balance sheet and the income statement have been offset against the equity without any impact on earnings.

Accounting and valuation principles

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

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

Earnings per share have been calculated as follows:

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

Earnings per share 1.10. – 31.3.	**2005/2006**	2004/2005
Net surplus for the period after minority interests (Euro 000s)	72 810	59 006
Number of shares in thousands (weighted half-year average)	54 468	50 702
Earnings per share (Euro) pursuant to IAS 33	1.34	1.16

Financial Calendar

14. 8. 2006	Interim Report 3rd Quarter of 2005/2006
14. 11. 2006	Publication of preliminary results for the 2005/2006 financial year
11. 1. 2007	Annual Results Press Conference and Analysts' Conference
14. 2. 2007	Interim Report 1st Quarter of 2006/2007
9. 3. 2007	Annual General Meeting
12. 3. 2007	Payment of dividend

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