Interim Report
3rd Quarter and First Nine Months of 2006/2007

1 October 2006 – 30 June 2007

06/07

MVV Energie

Key Figures

1 October 2006 – 30 June 2007

Key Figures of the MVV Energie Group[1] Euro million	**2006/2007**	2005/2006 adjusted[2]	2005/2006	% change adjusted[2]	% change
External sales[3]	1 769	1 713	1 713	+ 3	+ 3
EBITDA	310	346	346	– 10	– 10
EBITA	205	238	237	– 14	– 14
EBIT	205	238	238	– 14	– 14
EBT	148	183	190	– 19	– 22
Net surplus for the period	90	104	112	– 13	– 20
Net surplus for the period after minority interests	78	93	90	– 16	– 13
Earnings[4] per share[5] in Euro	1.40	1.69	1.65	– 17	– 15
Cash flow pursuant to DVFA/SG	193	215	220	– 10	– 12
Cash flow per share[5] pursuant to DVFA/SG in Euro	3.45	3.92	4.01	– 12	– 14
Free cash flow[6]	81	– 62	– 57	—	—
Total assets (as of 30. 6. 2007/30. 9. 2006)	3 244	3 153	—	+ 3	—
Equity (as of 30. 6. 2007/30. 9. 2006)	879	837	—	+ 5	—
Investments[7]	185	147	149	+ 26	+ 24
Number of employees[8]	6 872	6 366	6 366	+ 8	+ 8

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

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

[3] excluding energy taxes

[4] in accordance with IAS 33

[5] increase in number of shares (weighted nine-month average) from 54.9 million to 55.8 million as a result of capital increase

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

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

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

Contents

06/07

Company Development

Events of significance in the 3rd quarter of 2006/2007
1 April 2007 – 30 June 2007

Highlights in the 3rd Quarter

- RheinEnergie AG acquires shares in MVV Energie AG
- Capital increase resolved for September 2007
- Growth at MVV Umwelt and MVV Energiedienstleistungen

RheinEnergie AG set to become new strategic partner for MVV Energie

RheinEnergie AG, Cologne, has come out on top in the quest to acquire a 16.1 % shareholding in MVV Energie AG from the City of Mannheim. At a special meeting held on 12 June 2007, Mannheim City Council approved the sale of the share package for around Euro 300 million. The acquisition of this shareholding, which the Federal Cartel Office approved on 2 August 2007, is still subject to approval by the district government in Cologne.

In RheinEnergie AG, MVV Energie AG has found a strategic partner with which it will be possible to further develop the growth-driven corporate policy successfully pursued by the company since its IPO in 1999. The future cooperation between the two companies opens up new and interesting strategic perspectives and opportunities for our company. The cooperation between the energy suppliers in Mannheim and Cologne could also set an example for other municipalities and their utility companies – and is open to further partners.

Following the disposal of this 16.1 % shareholding, the City of Mannheim intends to participate in the capital increase already announced by MVV Energie AG and to remain majority shareholder with a 50.1 % stake (please also see Page 3).

Commencement of operations ahead of schedule at Leuna II

Various acceleration measures enabled the construction time for the second non-recyclable waste incineration plant of MVV Umwelt GmbH at the Leuna location (Leuna II) to be reduced by around three months. Waste was incinerated for the first time using the new incineration line in the middle of May 2007 already. The launch of operations at Leuna II has raised the incineration capacity available at the Leuna location to 400 000 tonnes per year. The commencement of operations ahead of schedule will have a positive impact on the earnings performance of MVV Umwelt GmbH, a wholly-owned subsidiary of MVV Energie AG, in the current financial year.

In May 2007, MVV Umwelt GmbH took over the Mannheim-based company Biomasse-Handelsgesellschaft (BHG), in which it had already held a shareholding since 2002, in full at its Mannheim location. The acquisition of BHG, which is already established in the disposal market, will enable MVV Umwelt GmbH to extend its value chain. Our group of companies will obtain greater latitude in the waste market and will be able to further optimize their materials flow management in terms of fuel quality and customer access. The capacity of the company's proprietary sorting and preparation facilities has thus increased to 270 000 tonnes per year.

Energy-related services business on growth course

MVV Energiedienstleistungen GmbH concluded contracts for numerous new contracting projects during the period under report, including projects in Berlin, Hamburg, Burbach, Bad Schönborn and Lampertheim. The consulting business is also developing successfully. MVV Consulting GmbH will in future be supporting five Central Asian states in developing national energy policies coordinated with one another (order volume: Euro 1.7 million). DECON Deutsche Energie-Consult Ingenieurgesellschaft mbH received a consulting mandate for a large-scale modernisation project at the energy supplier AES SONEL in Cameroon (order volume: around Euro 3.5 million). At the same time, DECON has strengthened its presence in the Arab world with the opening of offices in Abu Dhabi. The targeted expansion of the nationwide sales network for the municipal solutions and real estate utility supply business/product fields is being maintained with the establishment of a Northern Office in Hamburg.

The MVV Energie AG Share

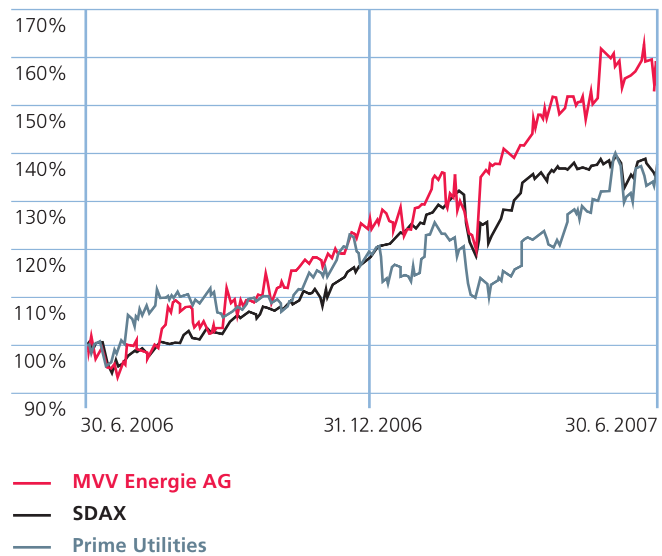
Share price reaches new all-time high in 3rd quarter of 2006/07

Our share reached a new all-time high closing price of Euro 33.11 in Xetra trading on 19 June 2007. The lowest closing price during the quarter under report was at Euro 28.85 on 2 April 2007. With an equivalent value of Euro 78 million, the volume of trades involving shares in MVV Energie AG also rose substantially from the figure of Euro 43 million in the same quarter in the previous year. This corresponds to an increase of 81 %.

We believe that the rise in the share price is principally due to the positive assessment of our business model and the further development of our company following the acquisition of a shareholding by RheinEnergie AG, Cologne. This trend can also be assumed to have been supported by the favourable overall climate on German and international stock markets.

A comparison of the share price at the reporting date on 30 June of this year with the equivalent date in the previous year shows that our share rose substantially by 49 % to Euro 31.19, thus outperforming its comparative indices, the SDAX (+ 38 %) and Prime Utilities (+ 37 %). Accounting for the dividend distribution of Euro 0.80 per share in March 2007, our performance over the same period even amounts to around 53 %. The ongoing positive trend seen in the performance of our share since summer 2004 has thus been maintained. The market capitalisation of MVV Energie AG amounted to around Euro 1739 million as of 30 June 2007, equivalent to an increase of Euro 569 million on the previous year. The slight decline in the share price at the end of the quarter under report can be assumed to be due mainly to profit taking and to the announced capital increase.

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



Capital increase in September 2007

Following the decision by the City of Mannheim to sell a 16.1% stake in MVV Energie AG to RheinEnergie AG, Cologne, at its meeting on 29 June 2007 the Supervisory Board of MVV Energie AG approved undertake the announced capital increase of 18.2 % with subscription rights from remaining authorised capital after the summer break in September 2007. To enable the company to maintain its course of profitable growth, the share capital of MVV Energie AG is to be increased by Euro 26.0 million as planned by issuing new shares.

Gold Award for MVV Energie annual report

Our annual report has been awarded a further internationally recognised accolade. From among 2 539 companies participating in the "2006 Vision Awards Annual Report Competition" organised by the renowned League of American Communications Professionals (LACP) in San Diego, USA, the 2005/06 annual report of MVV Energie AG was allocated the Gold Award for second position in the "Utilities – Multiple/Water/Traders" category (companies with turnover of more than $ 1 billion).

Business Performance and Outlook

Economic framework

Energy industry

The economic upturn in Germany still has stable foundations. Based on macro-economic data from the Federal Statistics Office, the spring forecast issued by the Federal Government expected gross domestic product (GDP) to grow by 2.3 % in real terms in 2007.

The price of Brent crude oil rose during the quarter to its most recent level of $ 70.77 per barrel. This increase in the quoted price was chiefly driven by news about the unstable political situation in individual producer regions. In spite of developments on the international crude oil market, gas trading prices at the Zeebrugge hub fell for gas due to be supplied in 2008, being listed at Euro 19.23/MWh at the end of the quarter.

The decline in prices for CO_2 certificates for the first trading period and the prevalent temperatures meant that electricity prices on the EEX German energy exchange were lower in the quarter under report than in the equivalent quarter in the previous year. Average spot market prices for base loads amounted to Euro 33.21/MWh. At almost Euro 56/MWh, average forward market prices for supplies in the 2008 calendar year were significantly higher than these figures.

Energy policy

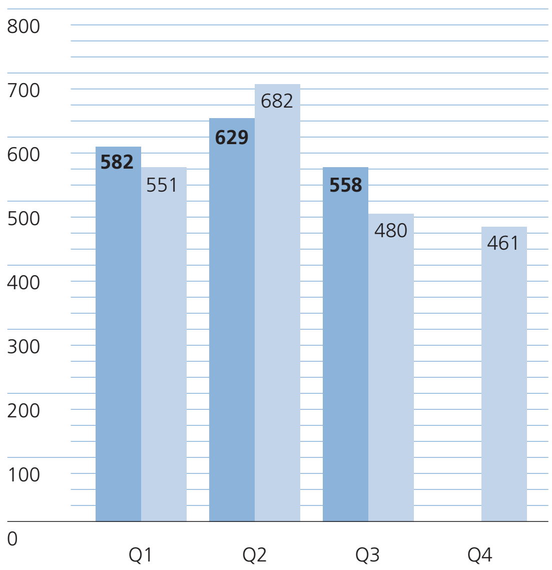
At the end of the quarter under report, the MVV Energie Group was still awaiting assessment notices for gas grid utilisation fees at Stadtwerke Solingen and 24/7 Netze GmbH in Offenbach. Grid operators had to submit their cost applications for 2008 six months prior to the expiry of the previous grid utilisation fee approval period. At the Federal Networks Agency this deadline expired on 30 June 2007 in the case of electricity. The costs then approved form the basis for the incentive regulation due to commence on 1 January 2009. The Federal Government adopted the legislative draft of the Incentive Regulation Ordinance (ARegV) on 13 June 2007. This is now awaiting final approval by the Federal Council *(Bundesrat)*. The cabinet draft includes challenging efficiency targets for grid operators and envisages basing such targets on the best performers in the sector. The MVV Energie Group initiated consistent cost reduction and efficiency enhancement measures in its grid division at an early stage.

The approval of General Electricity Rates by the federal states expired on 1 July 2007. The State of Baden-Württemberg had already waived the approval requirements beforehand in the liberalised market. Energy and water prices in the end customer market continue to be subject to abuse supervision by the antitrust authorities.

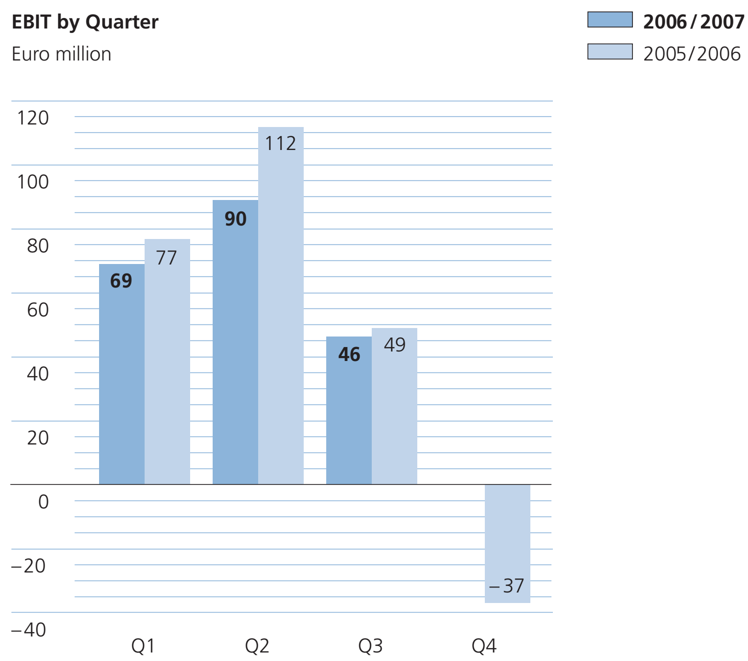
The German Federal Parliament adopted the German Allocation Act (ZuG 2012) on 22 June 2007, thus substantially raising the CO_2 reduction targets for the German energy industry in the second stage of EU-wide emissions trading. Overall, the maximum permissible limit for CO_2 emissions in Germany was restricted to 456.1 million tonnes per year. Of the CO_2 certificates available, 40 million will be sold by the state authorities. The international, European and national framework and conditions for emissions trading beyond 2012 are still completely unclear, thus creating considerably uncertainty for the German energy industry.

8KU, a cooperation of eight large municipal companies also including MVV Energie AG, officially opened its new capital city office in Berlin on 22 June 2007. Alongside the established industry associations, 8KU aims to communicate the interests of its members to politicians and thus to create momentum for an energy supply which is sustainable, innovative and competitively organised.

External Sales by Quarter (excluding energy taxes)
Euro million



EBIT by Quarter
Euro million



Earnings performance of the MVV Energie Group

The unusually mild weather conditions in the winter half of 2006/07 continued in April 2007. At up to 30 degrees centigrade, temperatures already reached mid-summer levels in the second half of April. In terms of the degree day figures we use as a weather-related indicator of heating requirements, it was around 40 % milder in April 2007 than in the equivalent month in the previous year. These unusual weather conditions also influenced the development in volumes, sales and earnings at our group of companies in the 3rd quarter of 2006/07 (April to June 2007), as well as in the first nine months of 2006/07.

Following the deduction of the electricity and gas taxes charged on to customers, the **external sales of the MVV Energie Group** nevertheless increased by 16 % to Euro 558 million in the 3rd quarter of 2006/07 and by Euro 56 million (+ 3 %) to Euro 1.77 billion in the first nine months of 2006/07. The downturn in sales resulting from reduced volumes in the highly weather-dependent district heating and gas businesses was more than compensated for, notably by external sales growth, i. e. by the initial inclusion of sales at newly consolidated companies in the value-added services segment and at our Czech group of companies in the district heating segment. Growth in our electricity trading business and in the nationwide sale of electricity also enabled us to increase sales in our electricity business. As in the previous year, our foreign companies accounted for 5 % of total sales in the first nine months of 2006/07.

In the interests of comparability, some of the previous year's figures reported in the income statement for the first nine months of 2006/07 have been adjusted retrospectively in accordance with amendments and revisions in IFRS standards (please see supplementary information on the consolidated interim financial statements for the first nine months of 2006/07 from Page 25).

Capitalised own-account services fell by Euro 15 million compared with the first nine months of the previous year. This decline is chiefly due to the high figure reported in the first nine months of the previous year as a result of the completion and settlement of the Leuna I non-recyclable waste incineration plant.

Other operating income includes positive valuation items for energy trading transactions requiring valuation in accordance with IAS 39 (2004). This valuation-dependent income is offset by other operating expenses which partly compensate for these items. Moreover, the increase is partly attributable to the inclusion of new companies. Furthermore, other operating income also includes the release of a debit difference (badwill) resulting from the initial consolidation of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG.

Costs of material rose by 7 % compared with the first nine months of the previous year. This increase is mainly due to a rise in costs of material and third-party services resulting from the inclusion of new companies. We are working continuously on optimising our inventories and are liaising with our suppliers to develop measures to counter any shortages in upstream materials or supply bottlenecks which might arise on account of the ongoing robust development of the economy. The lower level of demand for heating energy on the part of our customers as a result of weather conditions led to correspondingly lower procurement volumes and costs on the procurement side.

Personnel expenses showed a year-on-year increase of Euro 24 million (+ 12 %) to Euro 231 million. The higher level of personnel expenses is chiefly due to provisions stated at the Kiel, Mannheim and Solingen locations during the year under report for the socially responsible reduction of the workforce (Euro 13 million), as well as to additional personnel resulting from the initial full consolidation of shareholdings.

Other operating expenses rose by Euro 10 million compared with the first nine months of the previous year. Part of this increase is attributable to the inclusion of new companies. Moreover, this item was also affected by valuation factors relating to energy trading transactions recognised in accordance with IAS 39 (2004). By analogy with the treatment of external sales, we have reported other operating expenses net of energy taxes for the first time in the year under report. The previous year's figure has been adjusted accordingly.

Earnings before interest, tax, depreciation and goodwill amortisation (EBITDA) showed a year-on-year decline of 5 % to Euro 81 million in the quarter under report and of 10 % to Euro 310 million for the first nine months. After depreciation, our company generated **operating earnings before interest and tax (EBIT)** of Euro 46 million in the 3rd quarter of 2006/07 (previous year: Euro 49 million) and of Euro 205 million in the first nine months of 2006/07 (previous year: Euro 238 million).

The decline in EBIT for the quarter under report by Euro 3 million was chiefly due to the weather-related downturn in sales due to lower district heating and gas turnover in April 2007. The decline in earnings in the first nine months is also mainly the result of a downturn in sales witnessed in the district heating and gas business on account of the extremely mild weather conditions throughout the entire 2006/07 heating period. Over and above weather-related factors, the operating earnings of the Group in the first nine months of 2006/07 were also negatively affected by one-off special items in connection with the statement of provisions for personnel expenses amounting to Euro 13 million by our companies in Kiel, Mannheim and Solingen. These will generate tangible cost savings in the coming years. The successful integration of companies fully consolidated for the first time, such as MVV Energiedienstleistungen GmbH, Berlin, (previously IVB in Berlin) and Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS), enabled us to offset part of the weather-related downturn in earnings.

The higher level of *financing expenses* is chiefly due to expenses incurred in connection with changes in the present value of the payment obligation for the put options held by City of Kiel, as well as to annual results distributed to minority shareholders in Stadtwerke Kiel AG. *Financing income* rose mainly as a result of increased interest income and initial consolidation items.

Earnings before tax (EBT) dropped by Euro 2 million to Euro 30 million in the 3rd quarter of 2006/07 and by Euro 35 million to Euro 148 million in the first nine months of 2006/07. Taxes on income showed a year-on-year decline of Euro 4 million in the third quarter and of Euro 35 million in the first nine months. At 39 %, the tax rate was substantially lower in the first nine months of 2006/07 than in the previous year (43 %). This reduction in the effective tax burden is primarily due to the capitalisation of corporate income tax credits as of 31 December 2006, as well as to tax-exempt income generated by the release of a debit difference in connection with the initial consolidation of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS).

The reduction in taxes on income enabled the MVV Energie Group to generate a **net surplus for the period** after minority interests (share of net income allocable to shareholders in MVV Energie AG) of Euro 20 million in the 3rd quarter of 2006/07, compared with Euro 17 million (previous year following adjustment). For the first nine months of 2006/07 as a whole, the MVV Energie Group reported a net surplus for the period after minority interests of Euro 78 million (previous year following adjustment: Euro 93 million).

On this basis, the MVV Energie Group generated **earnings per share** pursuant to IAS 33 of Euro 0.35 in the 3rd quarter of 2006/07, a traditionally weak period in view of the seasons involved (previous year following adjustment: Euro 0.31), and of Euro 1.40 for the first nine months of 2006/07 (previous year following adjustment: Euro 1.69). It should be noted in this respect that, mainly as a result of the capital increase in November 2005, the weighted average number of shares for the first nine months rose from 54.9 million to 55.8 million.

Earnings performance of major shareholdings

Municipal utility and district heating shareholdings

Prior to consolidation, our municipal utility shareholdings in Germany and district heating shareholdings in Poland and the Czech Republic generated combined sales of Euro 850 million in the first nine months of 2006/07 (previous year: Euro 814 million) and operating earnings (EBIT) of Euro 88 million (previous year: Euro 110 million). The unusually mild weather conditions throughout the entire heating period impacted on all of the companies within our Group with activities in the district heating and gas businesses.

Sales at **Stadtwerke Kiel AG** rose by 1 % compared with the first nine months of the previous year to reach Euro 310 million. Operating earnings (EBIT) fell by Euro 14 million to Euro 27 million. Important contracts were concluded with major customers in the electricity and gas businesses during the quarter under report. In response to the regulation of energy markets, the "SWK 2015" project has devised measures to position Stadtwerke Kiel AG for the future. The Supervisory Board of Stadtwerke Kiel approved the implementation of this project in April 2007. The company agreement concluded by the Management Board and the Works Council governs the socially responsible reduction in the workforce from its current level of 1 145 (as of 30 June 2007) to 845 employees by the end of 2009. Provisions of Euro 10 million were stated in the first nine months of 2006/07 for part-time early retirement within the framework of this reduction in personnel required for competitive reasons.

Sales at **Energieversorgung Offenbach AG (EVO)** rose by 14 % to Euro 283 million. Operating earnings (EBIT) rose to Euro 34 million, an improvement of Euro 2 million on the first nine months of the previous year. The weather-related downturn in the district heating and gas businesses was offset by improved earnings contributions from the environmental energy and value-added services businesses. EVO is providing its electricity customers in the Rhine/Main region with a special service in the form of new electricity products and additional needs-based services not involving any surcharge. The product and service campaign launched in April 2007 also includes an extensive advertising campaign, by means of which EVO aims to boost customer retention, win over new customers and win back former customers.

Mainly on account of weather-related downturns in the gas and heating electricity businesses, the overall sales of our shareholding in Nordrhein-Westfalen, **Stadtwerke Solingen GmbH (SWS)**, dropped to Euro 82 million, a reduction of 2 % compared with the first nine months of the previous year.

Operating earnings (EBIT) decreased by Euro 3 million to Euro 7 million. The analysis and evaluation phases of the IMPULS efficiency enhancement programme have been successfully completed and the exploitation of the optimisation potential thereby identified is in preparation. The earnings for the first nine months of 2006/07 were negatively affected to the tune of Euro 2 million by the provisions stated for the socially responsible reduction in personnel in the context of the efficiency enhancement programme. The construction of the gas and steam power plant within the framework of the shareholding held in Trianel Power Kraftwerk Hamm-Uentrop GmbH & Co. KG is progressing on schedule. The granting of the operating licence during the period under report marked a major milestone in this respect.

Sales at **Stadtwerke Ingolstadt Beteiligungen GmbH (SWI)** showed year-on-year growth of 1 % to Euro 76 million. This was chiefly due to increased sales in the electricity and value-added services businesses, which more than compensated for the decline in the gas business. Operating earnings (EBIT) fell by Euro 3 million compared with the first nine months of the previous year to Euro 7 million. SWI concluded a long-term gas supply agreement with a major customer during the quarter under report. Upon the beginning of gas supplies in spring 2008 (approx. 1 billion kWh/a), this customer will advance to become the largest single industrial customer at the SWI shareholding.

Sales at **Köthen Energie GmbH** fell by 23 % to Euro 11 million in the first nine months of 2006/07. Operating earnings (EBIT) halved to Euro 1.2 million. The major significance of the gas business meant that this shareholding was more severely affected by weather-related factors than others. Six new projects were acquired by the shareholding's contracting business.

Our **Czech subgroup** increased its sales by 21 % to Euro 52 million in the first nine months of 2006/07. At Euro 10 million, operating earnings (EBIT) were at the same level as in the previous year in spite of the mild weather conditions. The weather-related downturn was offset by the inclusion of revenues from January 2007 onwards from the new district heating company Teplárna Liberec and three further district heating systems in neighbouring towns acquired via our wholly-owned subsidiary MVV Energie CZ s.r.o.

Mainly due to a weather-related decrease in district heating turnover, sales at our **Polish subgroup** fell by Euro 7 million (– 16 %) to Euro 36 million and operating earnings (EBIT) by Euro 2 million (– 50 %) to Euro 2 million. Within the framework of its METSA contracting project, MVV Polska took over the energy production equipment of a Finnish paper factory in south-eastern Poland as of 1 June 2007 and began supplying electricity and district heating to the factory and nearby private customers. The contracting project is expected to generate annual sales of almost Euro 3 million.

Successful launch of shared services companies

Since its launch on 1 October 2006, **24/7 Netze GmbH** has positioned itself very well in the liberalised electricity and gas markets. The first nine months of the financial year were characterised by the development and integration of the two grid regions of Mannheim and Offenbach. Almost all of the positions at the company have already been occupied with highly-qualified personnel, in most cases from MVV Energie and EVO.

With its strategic positioning as the exclusive energy trading unit of the MVV Energie Group, **24/7 Trading GmbH** plays a pivotal role in our energy procurement and marketing activities on the wholesale market. In spring 2007, the company commenced its business activities with numerous trading partners on the basis of standard framework agreements, as well as on the spot and forward markets at the EEX electricity exchange. Successful trials have also been held in the field of gas trading.

In the first nine months since its establishment, **24/7 Metering GmbH** has mainly provided services to companies within the Group, such as 24/7 Netze GmbH, MVV Umwelt GmbH and 24/7 United Billing GmbH. The company is working on concepts to access external customers groups, as well as on innovative metering projects.

24/7 IT-Services GmbH is responsible for implementing the IT strategy of our Group and is expanding its business with third parties. In the coming years, the company will develop further to become a proactive IT service centre.

24/7 United Billing GmbH now supervises more than 1.1 million customer agreements on behalf of MVV Energie, EVO and Stadtwerke Kiel, among other companies. The invoicing company occupies top position in the segment of non-vertical players. Together with MVV Energiedienstleistungen GmbH, it is planning to intensify its activities in the field of utility cost invoicing for the housing industry.

Balance sheet

Apart from some new regulations requiring mandatory application in financial years starting on or after 1 January 2006, the accounting and valuation methods applied in the interim financial statements of the MVV Energie Group as of 30 June 2007 largely correspond to those applied in the consolidated financial statements as of 30 September 2006. Further information has been provided in the notes to the interim financial statements for the first nine months of 2006/07 (Page 25 onwards).

The *total assets* of the MVV Energie Group rose by Euro 91 million compared with the balance sheet reporting date (30 September 2006) to Euro 3.24 billion. *Long-term assets* increased by Euro 101 million to Euro 2.46 billion. Intangible assets rose by 7 % to Euro 331 million, mainly as a result of initial consolidation items. Property, plant and equipment, which make up 79 % of long-term assets, showed a net increase of Euro 67 million to Euro 1.94 billion following investment, additions and depreciation. This increase is also attributable to the impact of initial consolidation.

Short-term assets decreased by Euro 9 million compared with the balance sheet reporting date on 30 September 2006 to Euro 782 million. This decline is largely due to a reduction in other assets. This item was affected in particular by the development in energy trading derivatives recognised in accordance with IAS 39 (2004) and by the decline in the positive fair values of these energy trading transactions. As a result of seasonal factors, accounts receivable rose by Euro 80 million compared with 30 September 2006, but were Euro 97 million lower than the figure reported in the interim financial statements as of 31 March 2007 (1st half). Tax receivables have been affected by the fact that MVV Energie AG has acted as the fiscal parent of other companies in the MVV Energie Group for VAT purposes since 1 October 2006.

Shareholders' equity increased by Euro 42 million compared with 30 September 2006 to reach Euro 879 million. *Long-term debt* rose by Euro 26 million to Euro 1.39 billion. This increase is due in part to an increase in provisions resulting from initial consolidation items and to additions to provisions for part-time early retirement. The slight increase in long-term financial debt was offset by a sharper decline in short-term financial debt. The equity ratio rose from 26.5 % as of 30 September 2006 to 27.1 %.

Cash flow

Mainly as a result of the earnings performance, the cash flow based on DVFA/SG declined from Euro 215 million (adjusted) in the first nine months of the previous year to Euro 193 million. This was countered in the year under report by the cash flow from operating activities, which at Euro 186 million was only slightly lower, compared with Euro 68 million (adjusted) in the previous year. The lower figure in the previous year was principally due to a sharp increase in working capital. The deduction of investments in intangible assets, property, plant and equipment and investment property, which totalled Euro 105 million (previous year: Euro 130 million), led to a positive free cash flow of Euro 81 million in the nine months under report, compared with a negative free cash flow of Euro – 62 million (adjusted) in the previous year. The positive development of the free cash flow is due on the one hand to lower investments in intangible assets, property, plant and equipment and investment property, and on the other to a substantially smaller increase in the level of capital tied up in short-term assets as a result of the reduction achieved in accounts receivable. Of the cash flow for investing activities, Euro 53 million (previous year: Euro 84 million) related to investments in expansion and growth, which will only generate inflows of funds in subsequent years.

The taking up of loans and the outflow of funds for loan repayments and dividend payments resulted in a negative cash flow from financing activities of Euro – 66 million in the nine months under report, compared with a positive cash flow of Euro 39 million in the previous year, which had included the proceeds from the capital increase. The detailed cash flow statement can be found on Page 24 of this interim report.

Investments

The MVV Energie Group invested Euro 185 million in the first nine months of 2006/07 (previous year following adjustment: Euro 147 million). Of this sum, Euro 105 million was invested in intangible assets, property, plant and equipment and investment property (previous year following adjustment: Euro 130 million), while Euro 80 million was invested in the acquisition of fully and proportionately consolidated companies and of other financial assets (previous year following adjustment: Euro 17 million).

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

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

Financial position

Long-term and short-term *financial liabilities* amounted to Euro 1.43 billion, equivalent to a slight reduction of Euro 4 million compared with the reporting date for the previous year (30 September 2006). The net financial liabilities (financial liabilities less cash and cash equivalents) of the MVV Energie Group increased by Euro 24 million to Euro 1.34 billion during the nine months under report.

Accounts payable rose by Euro 53 million compared with 30 September 2006 to reach Euro 192 million. This increase is mainly attributable to seasonal factors and to price-related factors on the procurement side.

The development in long-term and short-term *other liabilities* is due to the statement of energy trading derivatives recognised in accordance with IAS 39 (2004).

Short-term *tax liabilities* rose from Euro 15 million at 30 September 2006 to Euro 21 million. This item contains VAT liabilities for the first time as of 30 June 2007, given that MVV Energie AG has acted as the fiscal parent of other companies in the MVV Energie Group for VAT purposes since 1 October 2006.

Personnel Totals	2006/2007 30.6.2007	2006/2007 31.3.2007	2005/2006 30.6.2006	Change on 30.6.2006
MVV Energie AG [1]	1 524	1 539	1 545	– 21
Fully consolidated shareholdings	3 749	3 722	3 191	+ 558
MVV Energie AG with fully consolidated shareholdings	**5 273**	5 261	4 736	+ 537
Proportionately consolidated shareholdings	1 556	1 557	1 578	– 22
MVV Energie Group [2]	**6 829**	6 818	6 314	+ 515
External personnel at Mannheim waste-to-energy plant	43	46	52	– 9
	6 872	6 864	6 366	+ 506

[1] including 55 employees of MVV RHE AG (previous year: 60)

[2] including 358 trainees (previous year: 255)

Employees

Year-on-year growth in employee totals due to consolidation

The total number of employees at our group of companies remained virtually unchanged on the previous quarter. The scheduled reduction in personnel at MVV Energie AG, Stadtwerke Kiel and Energieversorgung Offenbach was offset by the arrival of new personnel due to the initial consolidation of MVV Energiedienstleistungen Wohnen GmbH & Co. KG, a company with 34 employees. The substantial rise compared with the previous year (+ 515) is primarily due to newly consolidated shareholdings, especially Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS), DECON Deutsche Energie-Consult Ingenieurgesellschaft mbH, the newly acquired companies in the Czech Republic and MVV Energiedienstleistungen Wohnen GmbH & Co. KG. The total workforce showed a year-on-year increase of 305 to 5 206 in Germany and of 210 to 1 623 in other countries.

Initial measures agreed for "move" programme

The "move – Courage, Openness, Change and Success" corporate culture programme launched by MVV Energie AG in May 2006 entered a new stage during the quarter under report. Initial measures have been agreed for the change targets set by the Executive Board and the management. These were presented to the company's employees at an event held in May 2007.

Research and Development

Climate protection atlas for the Rhine/Neckar metropolitan region

Together with leading regional energy supply companies, businesses, academia, other organisations and the Rhine/Neckar Region Association, in May 2007 MVV Energie AG issued a climate protection atlas for the Rhine/Neckar metropolitan region. This provides a summary of the climate protection activities already implemented in the region, as well as pointing the way forward with examples of innovative projects and the latest technologies to protect the climate. The linking of intelligent solutions and efficient energy supply facilities, coupled with the use of renewable energy forms, will form the basic components of an efficient and secure energy supply. More than 70 experts from industry, local government, universities and associations in the region were involved in compiling the climate protection atlas. By taking part, MVV Energie has once again underlined its commitment to ensuring an efficient energy supply in the Rhine/Neckar metropolitan region.

Pilot trials with house cogeneration plants exceed expectations

In our practical trials with new energy-efficient house energy plants based on cogeneration we are operating 20 such plants in detached houses at various locations of the MVV Energie Group. Given that these plants already proved their technical maturity in the past heating period, the focus is now on optimising various operating states, such as summer operations. The aim is to further increase their efficiency and thus to improve the use of gas as a fuel in future.

Events after the balance sheet date

Reform of corporate taxation in 2008 adopted

On 6 July 2007, the Federal Council *(Bundesrat)* adopted the reform of corporate taxation due to enter effect from 1 January 2008. The reform will reduce the income tax burden on corporations, consisting of corporate income tax, trade tax and the solidarity surcharge, from its current level of around 39 % to just under 30 % and also includes various measures to expand the assessment base (e. g. introduction of an interest stripping rule).

The corporate taxation reform will impact on the MVV Energie Group in the 4th quarter of the current 2006/07 financial year already. The legislative amendment means that deferred taxes at the German companies stated in the consolidated financial statements of the MVV Energie Group as of 30 September 2007 will be valued for the first time at a tax rate of 30 % rather than at the previous rate of 39 %. We expect this to lead to one-off deferred tax income of around Euro 40 million, which will impact positively on the annual net surplus after minority interests for the 2006/07 financial year and thus on earnings per share. However, the extraordinary tax income will only affect the consolidated financial statements of the MVV Energie Group compiled in accordance with IFRS and not the separate financial statements compiled for MVV Energie AG on the basis of the German Commercial Code (HGB), on which the dividend payment is based.

Permission to build MVV industrial power plant in Korbach

The operating company MVV Industriekraftwerk Korbach GmbH & Co. KG can build a substitute fuel industrial power plant at the production location of Continental AG in Korbach. Kassel Regional Council granted the building permit to MVV Energie Industrial Solutions West GmbH in mid-July 2007. The plant, which will supply the location with process steam and electricity, has an investment volume of around Euro 30 million and is due to commence operations in September 2008.

Outlook

Future economic framework

The Federal Government continues to expect the economy to show stable developments in 2007 and sees pleasing indications of further growth in industrial production this year. However, growth prospects are not directly transferable to the development of energy demand in Germany.

We do not expect to see any sustained reversal in the trend in energy prices on the international markets. International crude oil and coal prices indicate a continuation of the current high price levels, as do the prices of CO_2 certificates for the second emissions trading period from 2008 to 2012.

Gas trading for the BEB and E.ON GT market regions commenced on the EEX energy exchange in Leipzig on 1 July 2007. On 2 July 2007, 24/7 Trading GmbH became one of the first participants to undertake a transaction involving gas products on the new marketplace. Trading specialists expect the trading on the exchange to result in a transparent market price providing a fair basis for gas trading. However, a stable reference price for gas will only emerge at this exchange when increasing liquidity is available and the market is sufficiently mature.

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

Strategic alignment

The strategy of the MVV Energie Group continues to be based on the achievement of sustainable, profitable growth. The sale of shares by the City of Mannheim to RheinEnergie AG, Cologne, provides our company with new and interesting strategic prospects offering opportunities for further growth and value enhancement in the changing energy market. The guiding principle underlying our strategic concept involves jointly building up a municipally managed network of municipal utility companies in Germany, headed by RheinEnergie and MVV Energie acting as an integrative platform. The provisions of the syndicate agreement ensure that MVV Energie AG will be able to maintain its previous successful course as an autonomous, standalone company with a municipal majority shareholder.

Our group of companies has a diversified product portfolio, with business fields in both regulated and unregulated markets. This makes us better able to offset and exploit changes in individual divisions than competitors with more limited focuses.

We are well positioned in the rapidly changing energy market in our core business of electricity, district heating, gas and water distribution. To remain competitive and to retain our market share, we are consistently pressing ahead with the restructuring measures already initiated at an early stage. In terms of our interregional industrial and commercial customer business, our advantages include our nationwide presence across all customer segments as a result of sales cooperation agreements within our municipal utility network and our company field sales employees across seven sales regions.

In the environmental energy segment, the commencement of operations at the second non-recyclable waste incineration plant of MVV Umwelt GmbH in Leuna will impact positively on the Group's earnings performance for the first full year in the coming 2007/08 financial year. At the beginning of July 2007, Karlsruhe Regional Council approved the construction of a new waste-fired boiler at the waste-to-energy plant at our location in Mannheim. This ultramodern combustion plant, which is planned to replace older waste-fired boilers, will enable us to further increase the economic efficiency and competitiveness of the waste-to-energy plant. The boiler is scheduled to commence operations in autumn 2009.

Following the extension of handling capacity at our rail terminal at the Mannheim waste-to-energy plant, the logistical processes for additional waste volumes have been converted from road transport, as was previously the case, to rail transport. Around 25 % of municipal waste will therefore be delivered to this location by rail in future. This will relieve the traffic situation in the region and has positive economic, as well as ecological implications.

We also intend to grow more rapidly than the market and enhance our profitability in our energy-related service business. We see particularly good market opportunities in the real estate and housing industry, as well as in the national and international consulting business. We have further improved our position in this area by successfully acquiring projects and opening new outlets. MVV Energiedienstleistungen is increasing its involvement as a provider in the biogas plant market and aims to invest nationwide in plants generating between 500 kW and 1 000 kW. The electricity generated at such plants is to be fed into the public grid, with waste heat being used to supply processes and district heating to industrial and commercial operations or other organisations.

We also see the process of consolidation currently underway in the environmental energy and energy-related services market as harbouring growth opportunities.

Strong position for further expansion of municipal utility network

The companies in our municipal utility network mean that our Group is well positioned in the major conurbations and economic centres of Rhine/Neckar, Rhine/Main, Rhine/Ruhr, North Germany, South Germany and Greater Berlin. We intend to further expand our existing municipal utility network and to access new regional markets by acquiring shareholdings and concluding cooperation agreements. Numerous municipal utility companies will see increasing pressure on their earnings in the coming years as a result of the regulation of energy markets. Given our proven track record of success in the further development of our municipal utility shareholdings and in view of the antitrust restrictions on the four large vertical players, we see good prospects both regionally and nationally of succeeding in acquiring any companies put up for sale. The value-based management of municipal utility companies is now one of our core competencies.

Regulation

Six months prior to the expiry of the approval period for the grid fees previously approved for electricity and gas, grid operators face the second cost approval round in the 2nd half of 2007. Electricity grid cost applications already had to be submitted to the Federal Networks Agency by 30 June 2007. Cost applications for the gas grid have to be submitted by 30 September 2007. The MVV Energie Group prepared at an early stage for the reduction in grid revenues by introducing consistent restructuring and cost saving measures.

Expected earnings position

The unusually mild weather conditions during the 2006/07 heating period led to a substantial reduction in volumes in our district heating and gas businesses, and thus to a resultant downturn in sales, which will also be reflected in the overall earnings of our group of companies for the 2006/07 financial year. We are on budget, by contrast, in the business segments not dependent on weather conditions. This is particularly true of our high-growth segments of environmental energy and value-added services, which are due to see further positive developments in their business. As already announced in February 2007, we expect that the MVV Energie Group will not quite succeed in the 2006/07 financial year in reaching the targets published in November 2006 for the overall 2006/07 financial year in terms of sales and of operating earnings, which were based on the previous year's figure of Euro 201 million. As a result of the extraordinary deferred tax income expected in the 4th quarter of 2006/07, however, we expect our net surplus after minority interests for the 2006/07 financial year as a whole to be substantially higher than in the previous year.

Expected financial position

As already announced, the Executive Board of MVV Energie AG intends to act on the authorisation granted by the Annual General Meeting and to increase the company's share capital in September 2007. By means of a capital increase of 18.2 % with subscription rights, we aim to obtain fresh capital with a nominal amount of Euro 26.0 million to enable us to maintain our course of profitable growth.

Future research and development

The call for climate protection and the efficient use of fossil fuels provides our R&D division with important perspectives for new efficient energy supply forms and innovative products and services. Our R&D activities have a special focus on decentralised cogeneration. Based on the positive experience gained on practical trials with 20 house cogeneration plants, we will be installing further plants of the same kind in MVV Energie's gas supply region in the coming months. The aim is to establish the Rhine/Neckar metropolitan region as a model and focus region within Germany for this new technology.

Future risks

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

Shared service companies aim for growth

With their objectives of attaining cost leadership and growth, the MVV Energie Group's five shared service companies are making a major contribution towards the achievement of our Group's targets. The numerous service relationships in place between these companies and their respective parent companies within the Group mean that they act as important links within our municipal utility network. The pooling of expertise at these companies and their uniform market presence generate synergies which can be expected to result in rising earnings contributions once the development stage has been completed.

Securing the future by means of sustainable action

Together with the municipal utility companies in the region, the Freudenberg Group in Weinheim and Grosskraftwerk Mannheim AG, MVV Energie is taking part in a study on the current state of district and local heating and the potential for expanding such supply. The results of the data collection, the Rhine/Neckar Heating Atlas, provide a comprehensive overview of the level of heating energy requirements in the region and how they are covered. The Heating Atlas reveals potential for a highly efficient supply of district heating and perspectives for expanding the environmentally-friendly production of heating energy using cogeneration.

The sponsoring activities of the companies in the MVV Energie Group focus on supporting young people, especially in projects and initiatives in the fields of social welfare, education, science, culture and sport. In its single largest sponsoring engagement, MVV Energie is supporting the German ice hockey champions, Adler Mannheim, as principal sponsor. In mid-July, the company signed a five-year contract with this popular sports team in the Rhine/Neckar metropolitan region.

Business Segments

Developments in the Segments

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

Electricity segment – further success in the nationwide sale of electricity

The turnover reported in the electricity segment (excluding electricity turnover in the environmental energy and value-added services segments) rose by 3.5 billion kWh (+ 25 %) compared with the first nine months of the previous year to 17.6 billion kWh. This substantial growth is principally due to the wholesale electricity and secondary distribution businesses. 24/7 Trading GmbH, at which all of the energy trading activities of our group of companies are pooled, took up its operating business activity in full in spring 2007.

Our group of companies increased its electricity turnover in the retail or end customer business by 4 % to 7.5 billion kWh. This growth in the end customer business is chiefly due to increased electricity turnover with industrial and commercial customers. Developments in this market segment were largely characterised by increased volumes of electricity supplied by MVV Energie AG in the nationwide sale of electricity. The structured energy procurement concept offered in the form of the CLASSIC and HORIZONT electricity fund models has successfully gained further ground in the course of 2007. Whereas 64 customers benefited from the advantages of the electricity fund strategy and the expertise of our electricity fund managers in the first year, this figure has now risen to 280 companies. Since 2007, we have also offered our electricity fund to commercial and industrial customers with annual consumption of over 300 000 kWh (previously 500 000 kWh). Electricity fund volumes of 2.0 billion kWh and even of 3.2 billion kWh have so far been acquired for the 2007 and 2008 calendar years respectively.

Following the deduction of the electricity tax charged on to customers, external sales rose by Euro 120 million (+ 17 %) to Euro 833 million in the first nine months of 2006/07. Alongside the increased volumes, this sales growth is also due to price adjustments in the nationwide sale of electricity and to a rise in trading volumes.

Operating earnings (EBIT) in the electricity segment rose by Euro 9 million compared with the first nine months of the previous year to Euro 47 million. This increase is partly due to the valuation of energy trading transactions in accordance with IAS 39 (2004). Further positive earnings contributions resulted from the marketing of electricity volumes generated by MVV Energie AG and the year-on-year increase in the scope of nationwide electricity sales. This compensated for the prorated charges on earnings in connection with the statement of provisions for restructuring measures at the Mannheim, Kiel and Solingen locations, as well as for the downturn in margins resulting from the rejection or reduction of the level of prices submitted for approval (e. g. at EVO).

External Sales of the MVV Energie Group by segment

First Nine Months, 1.10. – 30. 6.

Euro million	**2006/2007**	2005/2006	% change
Electricity[1]	833	713	+ 17
District heating	229	246	– 7
Gas[2]	298	403	– 26
Water	78	78	—
Value-added services	186	98	+ 90
Environmental energy	139	147	– 5
Other/consolidation	6	28	– 79
	1 769	1 713	+ 3

[1] excluding electricity tax

[2] year under report: excluding gas tax (Euro 29 million), previous year: including gas tax (Euro 56 million) prior to legislative amendment of tax liability attribution on 1 August 2006 (arithmetic calculation)

District heating segment – weather-related downturn in sales and earnings

The performance of this segment in the 3rd quarter of 2006/07 continued to be negatively affected by unusually mild outdoor temperatures which, as in the preceding 1st half of 2006/07, led to a substantial reduction in heating energy requirements. Part of the weather-related downturn in volumes could be compensated for with new sales volumes at the district heating shareholdings consolidated for the first time at the Czech subgroup (from January 2007). Overall, sales volumes in the district heating segment – excluding the volumes reported in the environmental energy and value-added services segments – dropped by 18 % compared with the first nine months of the previous year to 4.7 billion kWh. District heating sales fell by 7 % to Euro 229 million. Price adjustments introduced as of 1 October 2006 as a result of the development of oil and coal prices and the new sales at the district heating shareholdings consolidated for the first time in the Czech Republic partly compensated for the weather-related downturn in sales.

Operating earnings (EBIT) in the district heating segment fell by Euro 15 million to Euro 58 million in the first nine months of 2006/07 (– 21 %). The sharpest drops in earnings were reported at MVV Energie AG and the Polish subgroup.

Gas segment – downturn in volumes due to weather-related and competitive factors

The unusually mild weather conditions during the 2006/07 heating period also clearly left their mark in the gas segment. Moreover, the secondary distribution business also witnessed volume downturns due to competitive factors. In terms of customer totals, the end customer business was hardly affected by the intensification in competition. At 7.7 billion kWh, overall sales volumes – excluding volumes reported in the value-added services segment – fell 23 % short of the figure reported for the first nine months of the previous year.

External sales showed a year-on-year decline of 26 % to Euro 298 million in the first nine months of the year. Following adjustment for the impact of the legislative amendment affecting gas tax liability (from 1 August 2006), the downturn in sales amounted to 14 %. Operating earnings (EBIT) fell by Euro 33 million (– 65 %) to Euro 18 million. The substantial drop in earnings is chiefly due to volume-related downturns in sales, to prorated charges on earnings in connection with the statement of provisions at the Kiel subgroup and at MVV Energie AG and to a reduction in margins as a result of regulation.

Sales Volumes
of the MVV Energie Group [1]

First Nine Months, 1.10. – 30. 6.	2006/2007	2005/2006	% change
Electricity [2] in kWh million	18 150	14 539	+ 25
of which wholesale in kWh million	10 334	7 147	+ 45
of which retail [2] in kWh million	7 815	7 392	+ 6
District heating in kWh million	5 427	6 749	– 20
Gas [2] in kWh million	8 122	10 210	– 20
Water in m^3 million	41.7	42.5	– 2
Combustible waste delivered in tonnes 000s	1 025	925	+ 11

[1] total volumes of all segments
[2] correction in previous year's figure

Water segment – seasonal and structural factors

At Euro 78 million, sales in the water segment in the first nine months of 2006/07 were at the same level as in the previous year. Sales volumes, excluding those in the value-added services business, reduced by 1 %. The largest share of the decline in volumes was attributable to the 3rd quarter of 2006/07. The increased water turnover in April 2007 due to summer temperatures was more than offset by reduced volumes in the comparatively rainy months of May and June 2007.

Segment operating earnings (EBIT) fell by Euro 4 million compared with the first nine months of the previous year to Euro 12 million. This decline was chiefly due to prorated one-off special charges in connection with personnel expense provisions at the Kiel and Mannheim locations, to price reductions in Offenbach and to structural factors involving the newly established shared service companies. These factors had a disproportionate impact on earnings in the first nine months of 2006/07, which were a weak period in terms of earnings as a result of seasonal conditions.

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

Environmental energy segment – stable earnings in spite of reduced sales

Sales in the environmental energy segment fell by Euro 8 million compared with the first nine months of the previous year to Euro 139 million (– 5 %). This decline is primarily due to the expiry of a major steam supply agreement, as well as to structural market-driven price adjustments undertaken within the framework of the amended waste incineration agreements with the Rhine/Neckar Waste Disposal Association (ZARN).

At Euro 56 million, the operating earnings (EBIT) of the environmental energy segment at the end of the first nine months of the 2006/07 financial year were at the same high level as in the previous year and accounted for 27 % of the operating earnings of our group of companies in the first nine months. The negative impact on earnings resulting from the expiry of a steam supply agreement and from the price adjustment were compensated for by increased waste supply volumes and cost reductions. The commencement of operations at the second incineration line at the Leuna II non-recyclable waste incineration plant at the end of May 2007 already will only have a notable impact on sales and earnings in the 4th quarter of 2006/07. There are also indications that increased waste incineration volumes will enable the waste-to-energy plant in Offenbach to achieve improved earnings contributions for the 2006/07 financial year.

EBIT of the MVV Energie Group by segment

First Nine Months, 1. 10. – 30. 6. Euro million	2006/2007	2005/2006	% change
Electricity	47	38	+ 24
District heating	58	73	– 21
Gas	18	51	– 65
Water	12	16	– 25
Value-added services	14	7	+ 100
Environmental energy	56	56	—
Other/consolidation	—	– 3	—
	205	**238**	– 14

Value added services segment – major external growth

The value-added services segment is one of the key growth divisions of the MVV Energie Group. Segment sales increased year-on-year by Euro 88 million (+ 90 %) to Euro 186 million. This growth is mainly attributable to the MVV Energiedienstleistungen subgroup, where sales rose from Euro 79 million in the first nine months of the previous year to Euro 137 million, mainly as a result of substantial growth in the municipal and industrial contracting businesses, as well as in national and international consulting. A large portion of this increase is due to external sales growth, and in particular to Industriepark Gersthofen Servicegesellschaft mbH & Co. KG, which was fully consolidated for the first time, to MVV Energiedienstleistungen Wohnen GmbH & Co. KG, Berlin, and the consulting subsidiary DECON GmbH.

Value-added services sales at the municipal utility shareholdings in Kiel, Offenbach, Ingolstadt and Köthen amounted to Euro 48 million, an increase of Euro 30 million on the first nine months of the previous year. This growth was attributable to new business and to the fact that the shared service companies 24/7 IT Services GmbH and 24/7 Metering GmbH were fully consolidated in the value-added services segment for the first time.

Operating earnings (EBIT) in the value-added service segments doubled from Euro 7 million in the previous year to Euro 14 million. Of the earnings growth in the first nine months of 2006/07, Euro 5 million was attributable to the MVV Energiedienstleistungen subgroup. Alongside the improved economic efficiency of its existing business, this subgroup has also benefited from the inclusion of companies fully consolidated for the first time and the release of a debit difference (badwill) from the initial consolidation of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG.

The earnings contribution of the value-added services business at the municipal shareholdings rose by Euro 2 million to Euro 9 million. This increase is principally due to the shared service companies reported under the value-added service business at EVO. The earnings contributions of 24/7 IT Services GmbH and 24/7 Metering GmbH formed part of the core business segments of the respective municipal utility companies prior to the establishment of the shared service companies.

Interim Financial Statements First Nine Months of 2006/2007 (IFRS)

Balance Sheet

as of 30. 6. 2007

Balance Sheet of the MVV Energie Group Euro 000s	**30. 6. 2007**	30. 9. 2006	Notes
Assets			
Long-term assets			
Intangible assets	331 343	308 760	
Property, plant and equipment	1 938 065	1 870 793	
Investment property	6 587	5 654	
Shareholdings valued at equity	13 858	15 433	
Other financial assets	146 618	134 450	
Receivables and other assets	21 623	7 336	1
Deferred tax assets	4 090	18 948	
	2 462 184	**2 361 374**	
Short-term assets			
Inventories	58 227	49 142	
Accounts receivable	450 989	370 156	2
Other assets	156 487	228 755	3
Tax receivables	24 394	24 073	
Securities	529	—	
Cash and cash equivalents	91 618	119 368	
	782 244	**791 494**	
	3 244 428	**3 152 868**	
Equity and liabilities			
Equity			
Share capital	142 764	142 764	
Capital reserve	255 523	255 523	
Retained earnings	235 027	236 537	
Net earnings	134 220	97 240	
Capital of the MVV Energie Group	**767 534**	**732 064**	
Minority interests	111 067	104 912	
	878 601	**836 976**	
Long-term debt			
Provisions	133 577	118 729	
Financial liabilities	1 017 728	1 014 113	
Other liabilities	41 198	29 125	5
Deferred tax liabilities	198 683	203 572	
	1 391 186	**1 365 539**	
Short-term debt			
Other provisions	164 714	159 991	
Tax provisions	62 720	49 032	
Financial liabilities	409 843	417 400	
Accounts payable	192 117	139 139	6
Other liabilities	123 760	169 749	7
Tax liabilities	21 487	15 042	8
	974 641	**950 353**	
	3 244 428	**3 152 868**	

Income Statement*

for the period 1. 10. 2006 – 30. 6. 2007

* 3rd quarter and first nine months of 2005/2006 adjusted

Income Statement of the MVV Energie Group Euro 000s	3rd Quarter **1. 4. 2007 to 30. 6. 2007**	3rd Quarter 1. 4. 2006 to 30. 6. 2006	Nine Months, cumulative **1. 10. 2006 to 30. 6. 2007**	Nine Months, cumulative 1. 10. 2005 to 30. 6. 2006	Notes
Sales	587 012	506 839	1 873 725	1 797 050	
less electricity and gas taxes	29 528	26 709	105 184	83 906	
Sales after electricity and gas taxes	557 484	480 130	1 768 541	1 713 144	10
Change in inventories	1 994	2 681	4 298	2 805	
Capitalised own-account services	859	5 473	9 126	24 048	
Other operating income	54 583	20 112	97 016	64 121	
Cost of materials	426 620	306 637	1 166 112	1 086 593	
Personnel expenses	72 621	68 424	231 139	206 964	11
Other operating expenses	40 008	53 850	177 521	167 734	
Income from shareholdings valued at equity	– 868	—	– 1 575	—	
Other income from shareholdings	6 613	6 492	7 773	3 232	
EBITDA	**81 416**	**85 977**	**310 407**	**346 059**	
Depreciation	35 933	37 009	105 696	108 499	
EBITA	**45 483**	**48 968**	**204 711**	**237 560**	
Goodwill amortisation	—	—	—	—	
EBIT	**45 483**	**48 968**	**204 711**	**237 560**	
Financing income	1 786	738	5 166	2 611	
Financing expenses	17 249	17 383	61 992	57 628	12
EBT	**30 020**	**32 323**	**147 885**	**182 543**	
Taxes on income	9 493	13 371	57 675	78 481	13
Net surplus for the period	**20 527**	**18 952**	**90 210**	**104 062**	
Minority interests	864	1 632	11 893	11 383	
Share of earnings allocable to shareholders in MVV Energie AG (Net surplus for the period after minority interests)	**19 663**	**17 320**	**78 317**	**92 679**	
Basic and diluted earnings per share (Euro)	0.35	0.31	1.40	1.69	

Statement of Changes in Equity*

* First nine months of 2005/2006 adjusted

for the period 1. 10. 2006 – 30. 6. 2007

Statement of Changes in Equity			Retained earnings						
Euro 000s	Share capital of MVV Energie AG	Capital reserve of MVV Energie AG	Statutory reserve and other retained earnings/ consolidation	Differential amount from currency conversion	Fair value valuation of financial instruments	Net earnings	**Capital of the MVV Energie Group**	Minority interests	**Total**
Balance at 1. 10. 2005 as reported in financial statements in previous year	129 802	178 293	237 215	8 367	111	68 976	622 764	230 839	853 603
Retrospective application of IAS 32 (2003)	—	—	—	—	—	9 228	9 228	– 125 795	– 116 567
Balance at 1. 10. 2005	**129 802**	**178 293**	**237 215**	**8 367**	**111**	**78 204**	**631 992**	**105 044**	**737 036**
Earnings recognised directly under equity	—	—	—	– 31	2 654	—	2 623	2 174	4 797
Net surplus for the period	—	—	—	—	—	92 679	92 679	11 383	104 062
	—	**—**	**—**	**– 31**	**2 654**	**92 679**	**95 302**	**13 557**	**108 859**
Distribution of dividend	—	—	—	—	—	– 41 778	– 41 778	– 18 389	– 60 167
Capital increase	12 800	75 969	—	—	—	—	88 769	—	88 769
Change in retained earnings	—	—	– 20 745	—	—	20 745	—	—	—
Change in reporting entity	—	—	—	—	—	—	—	– 913	– 913
Balance at 30. 6. 2006	**142 602**	**254 262**	**216 470**	**8 336**	**2 765**	**149 850**	**774 285**	**99 299**	**873 584**
Balance at 1. 10. 2006	**142 764**	**255 523**	**226 451**	**9 364**	**722**	**97 240**	**732 064**	**104 912**	**836 976**
Earnings recognised directly under equity	—	—	—	1 280	1 814	—	3 094	1 206	4 300
Net surplus for the period	—	—	—	—	—	78 317	78 317	11 893	90 210
	—	**—**	**—**	**1 280**	**1 814**	**78 317**	**81 411**	**13 099**	**94 510**
Distribution of dividend	—	—	—	—	—	– 44 614	– 44 614	– 11 527	– 56 141
Change in retained earnings	—	—	– 3 277	—	—	3 277	—	—	—
Change in reporting entity	—	—	– 1 327	—	—	—	– 1 327	4 583	3 256
Balance at 30. 6. 2007	**142 764**	**255 523**	**221 847**	**10 644**	**2 536**	**134 220**	**767 534**	**111 067**	**878 601**

Segment Reporting*

for the period 1. 10. 2006 – 30. 6. 2007

* First nine months of 2005/2006 adjusted

Income Statement by segment Euro 000s	External Sales		Intercompany Sales		EBIT	
	1. 10. 2006 to 30. 6. 2007	1. 10. 2005 to 30. 6. 2006	**1. 10. 2006 to 30. 6. 2007**	1. 10. 2005 to 30. 6. 2006	**1. 10. 2006 to 30. 6. 2007**	1. 10. 2005 to 30. 6. 2006
Electricity	833 303	712 897	37 521	31 818	47 287	38 076
District heating	228 923	246 320	24 074	21 477	57 921	72 574
Gas	297 910	402 956	23 544	18 924	17 482	50 573
Water	77 817	78 221	5 544	3 491	12 322	15 942
Value-added services	185 518	97 932	39 550	30 435	13 981	7 147
Environmental energy	139 275	146 904	22 138	24 714	56 213	56 387
Other/consolidation	5 795	27 914	– 152 371	– 130 859	– 495	– 3 139
MVV Energie Group	**1 768 541**	1 713 144	—	—	**204 711**	237 560

Further information about Segment Reporting under Note 15

Cash Flow Statement*

for the period 1. 10. 2006 – 30. 6. 2007

* First nine months of 2005/2006 adjusted

Further information about the Cash Flow Statement under Note 16

Cash Flow Statement of the MVV Energie Group Euro 000s	**1. 10. 2006 to 30. 6. 2007**	1. 10. 2005 to 30. 6. 2006
Net surplus for the period	90 210	104 062
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	105 860	111 062
Change in long-term provisions	5 396	– 2 652
Other non-cash income and expenses	– 8 855	2 517
Cash flow as per DVFA/SG	**192 611**	**214 989**
Change in short-term provisions	11 390	37 645
Result generated from disposal of intangible assets and property, plant and equipment	– 1 962	– 1 084
Result generated on disposal of financial assets	—	– 2 181
Change in other assets	– 28 017	– 359 622
Change in other liabilities	12 039	177 762
Cash flow from operating activities	**186 061**	**67 509**
Investments in intangible assets, property, plant and equipment and investment property	– 105 306	– 129 560
(Free cash flow)	**(80 755)**	**(– 62 051)**
Proceeds from disposal of intangible assets, property, plant and equipment and investment property	12 999	5 678
Proceeds from subsidy payments	6 446	5 898
Proceeds from disposal of fully and proportionately consolidated companies	14 400	—
Proceeds from disposal of other financial assets	3 070	8 599
Payments for acquisition of fully and proportionately consolidated companies	– 70 619	– 17 151
Payments for other financial assets	– 9 381	—
Cash flow from investing activities	**– 148 391**	**– 126 536**
Proceeds from taking up of loans	266 236	269 131
Payments for redemption of loans	– 276 342	– 264 514
Change in financial liabilities from cash pooling	—	893
Proceeds from capital increases	—	88 769
Dividend payment	– 56 161	– 55 201
Cash flow from financing activities	**– 66 267**	**39 078**
Cash-effective change in cash and cash equivalents	– 28 597	– 19 949
Change in cash and cash equivalents due to currency conversion	847	92
Cash and cash equivalents as of 1. 10. 2006 (2005)	119 368	127 975
Cash and cash equivalents as of 30. 6. 2007 (2006)	**91 618**	**108 118**

Cash flow – aggregate depiction Euro 000s	**1. 10. 2006 to 30. 6. 2007**	1. 10. 2005 to 30. 6. 2006
Cash and cash equivalents at 1. 10. 2006 (2005)	**119 368**	**127 975**
Cash flow from operating activities	186 061	67 509
Cash flow from investing activities	– 148 391	– 126 536
Cash flow from financing activities	– 66 267	39 078
Change in cash and cash equivalents due to currency conversion	847	92
Cash and cash equivalents at 30. 6. 2007 (2006)	**91 618**	**108 118**

Notes on the Interim Financial Statements for the First Nine Months of 2006/2007

Disclosures concerning the company

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

These abridged consolidated interim financial statements were compiled by the Executive Board and approved on 7 August 2007.

Accounting and valuation methods

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

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

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

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

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

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

The comparative period has been adjusted retrospectively. The impact on the consolidated financial statements for the 3rd quarter and the first nine months of 2005/06 can be depicted as follows:

Income statement Change in Euro 000s	3rd Quarter 1. 4. 2006 to 30. 6. 2006	Nine Months, cumulative 1. 10. 2005 to 30. 6. 2006
Financing expenses	– 909	– 7 692
Share of earnings allocable to other shareholders	– 666	– 9 998
Share of earnings allocable to shareholders in MVV Energie AG	– 243	2 306
Earnings per share (Euro)	0.00	0.04

Cash flow statement Change in Euro 000s	
Cash flow from operating activities	– 4 966
Cash flow from investing activities	8 091
Cash flow from financing activities	– 932
Change in cash and cash equivalents due to changes in the reporting entity	– 2 193

The method of accounting for CO_2 emissions certificates has also changed since the abridged interim report for the first nine months of 2005/06. This voluntary change is due to the circumstance that the net method of accounting for the obligation to submit CO_2 emissions certificates pursuant to Section 6 (1) of the German Greenhouse Gas Trading Act (TEHG) has proven to be suitable and widespread within the sector. Accordingly, CO_2 emissions certificates allocated free of charge are valued at Euro 0. Emissions certificates acquired in return for payment are measured at cost. A provision is stated for the obligation to submit CO_2 emissions certificates and is basically measured on the basis of the carrying amounts of the certificates available at the balance sheet reporting date. In the event of the emissions caused not being covered in full by available CO_2 emissions certificates, the fair value of the CO_2 emissions certificates still required is included in the measurement of the provision. In the income statement, this change in accounting method led other operating income and other operating expenses to be reduced in each case by Euro 5 317 thousand.

Moreover, sales have been reported net of energy taxes for the first time in the abridged interim report. This resulted in a reduction in sales amounting to Euro 105 184 thousand in the first nine months of 2006/07 (previous year: Euro 83 906 thousand). Other operating expenses have been reduced by the same amount. Please see Note 15 for a depiction of the implications for segment reporting.

Furthermore, the figures for the comparative quarter have been retrospectively amended to account for the changes in the reporting entity depicted in the consolidated financial statements as of 30 September 2006 in respect of shareholdings valued at equity. Income amounting to Euro 6 401 thousand has correspondingly been reclassified from income from shareholdings valued at equity to other income from shareholdings.

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

Changes in the reporting entity

In addition to MVV Energie AG, 52 German and foreign subsidiaries in which MVV Energie AG directly or indirectly holds a majority of the voting rights are fully consolidated in the interim financial statements of the MVV Energie Group (30 September 2006: 42). The relevant control concept requires the parent company to exercise a controlling influence for a company to be fully consolidated. This is the case for all fully consolidated companies.

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

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

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

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

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

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

Based on a contract dated 27 February 2007, 51 % of the shares in MVV Energiedienstleistungen Wohnen GmbH & Co. KG, Berlin, and in MVV Energiedienstleistungen Wohnen GmbH, Berlin, were acquired. This acquisition has been accounted for using the acquisition method. The prorated goodwill amounting to Euro 7 782 thousand includes the fair value of the synergies expected from the acquisition of these companies. Given that MVV Energiedienstleistungen Wohnen GmbH & Co. KG is a commercial partnership under German law, the partners have legal, non-excludable rights of termination. Pursuant to IAS 32, these rights of termination require the minority interests in the company present at the Group to be recognised as a liability. The liability is to be stated at the present value of the amount of compensation expected in the event of a potential termination. This has initially been stated at Euro 4 942 thousand and has been offset against goodwill without any impact on earnings. Such liability has to be recognised irrespective of the probability of termination. Any future changes in the value of the liability will be reported along with minority interests in earnings under net financing expenses through profit and loss.

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

	IGS Gersthofen		Teplárna Liberec		Contribution to Energie Holding		MVV Energiedienstleistungen Wohnen GmbH & Co. KG	
Euro 000s	Stated upon acquisition	Carrying amount	Stated upon acquisition[1]	Carrying amount	Stated upon acquisition[2]	Carrying amount	Stated upon acquisition[3]	Carrying amount
Intangible assets	2 533	25	99	99	—	—	14 142	6
Property, plant and equipment	30 729	50 317	14 457	14 457	29 076	29 076	827	827
Deferred tax assets	586	586	—	—	—	—	165	165
Receivables, other assets	10 546	10 546	10 225	10 225	2 153	2 153	10 437	10 437
Cash and cash equivalents	17	17	32	32	1	1	5 150	5 150
Provisions	8 559	9 737	210	210	—	—	4 504	4 504
Other liabilities	4 965	3 815	7 889	7 889	1 723	1 723	10 554	10 554
Deferred tax liabilities	4 652	14 520	653	653	125	125	1 339	162
Fair value of net assets	26 235	33 419	16 061	16 061	29 382	29 382	14 324	1 365
Share acquired in Teplárna Liberec (70 %)	—	—	11 243	11 243	—	—	—	—
Share acquired in MVV Energiedienstleistungen Wohnen GmbH & Co. KG (51 %)	—	—	—	—	—	—	7 305	696
Earnings contributions since date of initial consolidation	1 726	—	– 237	—	—	—	376	—
Debit difference	– 5 937	—	– 101	—	– 312	—	—	—
Goodwill	—	—	—	—	—	—	12 724	—
of which: goodwill pursuant to requirements of IAS 32	—	—	—	—	—	—	4 942	—

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

[2] The purchase price allocation for the contribution to Energie Holding has currently not yet been finalised

[3] The purchase price allocation for MVV Energiedienstleistungen Wohnen GmbH & Co. KG has currently not yet been finalised

The debit differences were recognised immediately through profit and loss and are included under other operating income. The purchase price obligation was settled using cash funds. The costs directly allocable to the acquisitions amounted to Euro 490 thousand.

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

Furthermore, SW Kiel Beteiligungsgesellschaft mbH, Mannheim, which was previously fully consolidated, was merged with MVV Energie AG in the 3rd quarter of the 2006/07 financial year. This merger had no impact on the financial, net asset and earnings position as depicted in the consolidated financial statements.

Currency conversion

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

1 Euro	Rate on reporting date		Average rate	
	30. 6. 2007	30. 9. 2006	**1. 10. 2006 to 30. 6. 2007**	1. 10. 2005 to 30. 6. 2006
Polish zlotys (PLN)	3.768	3.971	3.845	3.899
Czech crowns (CZK)	28.718	28.326	28.117	28.764

(Source: European Central Bank)

Seasonal influence on business activities

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

Notes on the Balance Sheet

1 Long-term receivables and other assets

The rise in long-term receivables and other assets is mainly attributable to the detailed period-based statement of energy trading transactions accounted for in accordance with IAS 39.

2 Accounts receivable

The rise in accounts receivable in the first nine months of the 2006/07 financial year is a customary seasonal phenomenon. Increased energy turnover during the winter months leads to increased volumes of accounts receivable, which then reduce steadily over the year.

3 Other assets

The decline in other assets is due on the one hand to the period-based statement of energy trading derivatives accounted for in accordance with IAS 39 and to the reduction in the positive fair values of these transactions. On the other hand, the figure reported as of 30 September 2006 included purchase price receivables for subsidiaries which had been sold. These have now been settled.

4 Distribution of dividend

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

5 Long-term other liabilities

The rise in long-term other liabilities is chiefly due to the initial statement of the compensation claim amounting to Euro 10 439 thousand on the part of minority shareholders in MVV Energiedienstleistungen Wohnen GmbH & Co. KG, Berlin. Moreover, the energy trading transactions accounted for in accordance with IAS 39 also had to be reported in detail and in line with their respective periods in this quarter.

6 Accounts payable

The increase in accounts payable in the first nine months of the 2006/07 financial year is mainly due to price increases on the procurement side. Moreover, the volume of payables is also affected by seasonal fluctuations. The corresponding delineation of consumption on the part of our suppliers resulting from increased energy procurement by the MVV Energie Group during the winter months leads to a rise in the volume of accounts payable

7 Short-term other liabilities

The decline in other liabilities is attributable to the period-based statement of energy trading transactions accounted for in accordance with IAS 39 and to the decline in the negative fair values of these transactions. Moreover, short-term other liabilities also include concession duties.

8 Tax liabilities

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

9 Contingent liabilities

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

Notes on the Income Statement

10 Sales

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

11 Personnel expenses

The rise in personnel expenses is principally due to the expected utilisation of additional part-time early retirement agreements, as well as to remuneration-related expenses at the companies included in the reporting entity for the first time.

12 Financing expenses

Financing expenses include expenses amounting to Euro 13 115 thousand (previous year: Euro 7 692 thousand) in connection with changes in the present value of the payment obligation resulting from the Kiel put option, as well as the share of annual net earnings distributed to minority shareholders in Stadtwerke Kiel AG, Kiel. In view of the distribution resolution adopted during the period under report, the annual net earnings distributed were due for immediate payment and thus recorded in full under profit and loss during the period under report. A further amount of Euro 361 thousand relates to the share of earnings allocable to minority shareholders in MVV Energiedienstleistungen Wohnen GmbH & Co. KG, Berlin, which has been recorded under financing expenses as a result of the requirements of IAS 32.

13 Taxes on income

Taxes on income Euro 000s	**1. 10. 2006 to 30. 6. 2007**	1. 10. 2005 to 30. 6. 2006
Current taxes	57 148	81 865
Deferred taxes	527	– 3 384
	57 675	**78 481**
Effective tax rate in %	**39.0**	43.0

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

14 Earnings per share

Earnings per share	3rd Quarter 1.4.2007 to 30.6.2007	3rd Quarter 1.4.2006 to 30.6.2006	Nine Months, cumulative 1.10.2006 to 30.6.2007	Nine Months, cumulative 1.10.2005 to 30.6.2006
Share of earnings allocable to shareholders in MVV Energie AG (Euro 000s)	19 663	17 320	78 317	92 679
No. of shares in 000s (weighted average)	55 767	55 704	55 767	54 880
Earnings per share (Euro)	0.35	0.31	1.40	1.69

It was not necessary to account for any dilution effects.

15 Segment reporting

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

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

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

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

The segment revenues reported in the abridged interim report have been adjusted to eliminate energy taxes. This resulted in a correction of Euro 76 668 thousand in the level of external sales reported for the electricity segment in the first nine months of the 2006/07 financial year (previous year: Euro 83 906 thousand). The intracompany sales reported for the electricity segment fell for the same reason by Euro 3 452 thousand in the first nine months of 2006/07 (previous year: Euro 3 745 thousand). In the gas segment, the amended reporting method resulted in a correction of Euro 28 516 thousand in the level of external sales reported in the first nine months of 2006/07 (previous year: Euro 0) and to a correction of Euro 2 254 thousand in the level of intracompany sales (previous year: Euro 0). The separate statement of gas tax has only been possible since 1 August 2006, given that the legal liability for gas tax passed to distribution companies at this time in accordance with the German Energy Tax Act and by analogy with the regulations governing electricity tax.

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

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

16 Cash flow statement

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

Shares of the purchase price of companies removed from the reporting entity in the previous financial year have been received with due cash effect in the first nine months of the current financial year.

The cash flow as per DVFA/SG for the current financial year is lower than in the previous year as a result of the reduced net surplus for the period. In the previous year, the cash flow from operating activities was affected by a substantial rise in accounts receivable and other assets. The increase in the total level of capital employed in short-term assets in the current financial year is significantly lower than in the equivalent period in the previous year. Overall, this has therefore led to a considerably higher level of cash flow from operating activities than in the equivalent period in the previous year.

In return, there has been a reduction in the negative cash flow from investing activities as a result of company acquisitions. The cash flow from financing activities is negative in the first nine months of the current financial year as a result of dividend payments and the redemption of loans.

17 Relationships to related companies, individuals and entities

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

Relationships to related companies, individuals and entities	Goods and services provided		Receivables		Liabilities	
Euro 000s	**1. 10. 2006 to 30. 6. 2007**	1. 10. 2005 to 30. 6. 2006	**30. 6. 2007**	30. 9. 2006	**30. 6. 2007**	30. 9. 2006
City of Mannheim	4 685	21 687	9 201	5 032	40 639	63 946
Proportionately consolidated companies	36 901	33 033	888	2 079	5 215	908

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

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

18 Events after the balance sheet date

On 29 June 2007 the Supervisory Board of MVV Energie AG approved a capital increase. It was decided to increase the company's share capital by Euro 26.0 million, partly by drawing on authorised capital. The company plans to issue 10.1 million shares for this purpose at the beginning of September 2007.

The Federal Council *(Bundesrat)* adopted the German Corporate Taxation Reform Act 2008 on 6 July 2007. This means that the corporate income tax rate will be reduced to 15 % and the factor for calculating trade tax to 3.5 % as of financial years ending in 2008, with the deductibility of trade tax as an operating expense being abolished in return. The overall tax burden on corporations in Germany will thus decline from its current level of around 39 % to around 30 %. Given that this legislative amendment will require the deferred taxes of the Group's German companies to be valued in the balance sheet as of 30 September 2007 for the first time at a tax rate of 30 %, rather than at the previous rate of 39 %, we expect the amendment in the tax rate to result in deferred tax income amounting to approximately Euro 40 million.

Mannheim, 7 August 2007
MVV Energie AG
Executive Board

Dr. Schulten Brückmann Dr. Dub Farrenkopf

Financial Calendar

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

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