MVV Energie
Half-Year Financial Report 2007/2008

1 October 2007 – 31 March 2008

07/08

MVV Energie

Key Figures

1 October 2007 – 31 March 2008

Key Figures of the MVV Energie Group[1] Euro million	2007/2008	2006/2007	% change
Sales[2]	1 412	1 211	+ 17
EBITDA	310	229	+ 35
EBITA	238	159	+ 50
EBIT	238	159	+ 50
EBIT before IAS 39	194	166	+ 17
EBT	200	118	+ 69
Net surplus for the period	134	70	+ 91
Net surplus after minority interests	120	59	+ 103
Earnings per share[3] in Euro	1.85	1.05	+ 76
Cash flow before working capital and taxes	267	241	+ 11
Cash flow before working capital and taxes per share[3] in Euro	4.13	4.32	– 4
Free cash flow[4]	– 33	– 9	– 267
Total assets (as of 31. 3. 2008/30. 9. 2007)	3 508	3 278	+ 7
Equity (as of 31. 3. 2008/30. 9. 2007)	1 218	914	+ 33
Investments[5]	93	132	– 30
Number of employees[6]	6 295	6 864	– 8

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

[2] excluding electricity and natural gas tax

[3] increase in number of shares (weighted half-year average) from 55.8 million to 64.7 million as a result of capital increase

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

[5] 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

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

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1 January – 31 March 2008

Highlights in the 2nd Quarter

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- Entry into balancing energy market

Annual General Meeting of MVV Energie AG

The Annual General Meeting of MVV Energie AG held on 14 March 2008 approved the proposal made by the Executive Board and Supervisory Board that a dividend of Euro 0.80 per share be paid, as in the previous year, for the 2006/07 financial year. As a result of the capital increase in October 2007, the number of shares entitled to dividend for the 2006/07 financial year rose by 10.1 million to a total of 65.9 million shares. The higher number of shares with dividend entitlement meant that MVV Energie AG distributed a total dividend of Euro 52.7 million to its shareholders for the 2006/07 financial year, and thus Euro 8.1 million more than in the previous year (please see Share of MVV Energie AG on Page 3).

MVV Energie relies on the growth market of climate protection

Dr. Rudolf Schulten, CEO of MVV Energie AG, announced to the total of around 1 400 shareholders and guests attending the Annual General Meeting that the company would increasingly be investing in projects aimed at saving energy, improving energy efficiency, expanding the supply of environmentally-friendly district heating and using renewable energies and new energy technologies. In view of the climate protection efforts being made by the Federal Government and the European Commission, major growth opportunities are available to our municipal utility network in its local markets and with its competition-based strategy.

Major award in technology competition

A consortium of companies led by MVV Energie is currently working on a concept for the "Model City of Mannheim". In March, the consortium was awarded first prize for this promotional project in the "E-Energy" competition organised by the Federal Ministry of Economics and Technology. With this competition, the Federal Ministry is promoting the application of information and communications technologies to optimise the economic efficiency, security and climate compatibility of the energy systems of the future (please see Research and Development on Page 11).

New orders in the energy-related services business

DECON, a subsidiary of MVV Energiedienstleistungen GmbH operating in the international consulting business, has received a consulting order for Yas Island, a 2 500 hectare development and one of the largest infrastructure projects in the United Arab Emirates. Over the next three years, DECON will be advising the Abu Dhabi Distribution Company on all technical matters concerning the development of a modern, reliable electricity supply.

In the real estate sector, MVV Energiedienstleistungen GmbH, Mannheim, will be taking over the supply of heating to a real estate portfolio managed by TREUREAL Property Management GmbH, Mannheim, for the next five years. The portfolio covers 79 properties and around 500 000 square metres of commercial and residential space.

Successful entry into balancing energy market

With a pool of five cooperation partners, MVV Energie AG has entered the balancing energy market in the grid region of the transmissions grid operator EnBW Energie Baden-Württemberg AG. Given the high technical requirements involved, the balancing energy business was previously reserved for the four large transmissions grid operators. Balancing energy is required to offset differences between supply (feed-in) and demand (withdrawal) in electricity grids at short notice. In south-western Germany, MVV Energie is the first provider of balancing energy outside this group. The pool is open to further cooperation partners.

The Share of MVV Energie AG

Share price defies turbulence on capital markets

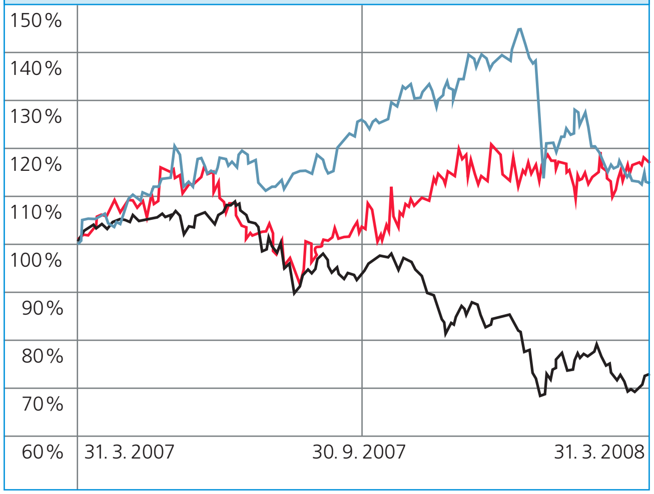
The subprime crisis and the resultant fears of a recession in the USA, high commodities prices, an interim all-time high in the oil price of around US$ 106 per barrel, fears of inflation in the euro area and numerous negative announcements from banks – all these factors severely impeded developments on the international financial markets in the first quarter of 2008 and led to great volatility on the markets. The share of MVV Energie AG maintained its ground well in this difficult market environment.

Compared with the quarterly reporting date on 31 March 2007, our share rose by 9.5 % to Euro 31.10 on 31 March 2008. Including the calculative subscription right discount of Euro 1.09 per share due to the capital increase in October 2007 and the distribution of a dividend of Euro 0.80 per share in March 2008, the performance of our share during the period under report even amounted to 16.7 %. The comparative indices showed disparate developments; while the DAXsector Utilities (previously Prime Utilities) improved by 12.3 %, the SDAX fell by 26.6 %.

At Euro 32.45 in XETRA trading, our share reached its highest closing price during the quarter under report on 25 January 2008, while the lowest closing price was recorded on 13 February 2008 at Euro 29.92. Trading volumes in the share of MVV Energie AG declined from an equivalent value of Euro 89 million in the first quarter of the previous year to Euro 67 million in the 2nd quarter of 2007/08 (– 25 %).

The increase in the share price and thus in the market capitalisation of MVV Energie AG to more than Euro 2 billion reflects the high degree of trust placed by the capital market and shareholders in the growth strategy of the MVV Energie Group. The market capitalisation amounted to Euro 2 050 million on 31 March 2008 and was thus Euro 466 million (+ 29 %) higher than at the equivalent date in the previous year.

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



Resolutions adopted by the Annual General Meeting

At the Annual General Meeting held on 14 March 2008, our shareholders approved all proposals made in the agenda by the Executive Board and Supervisory Board with large majorities. As in the previous year, the payment of a dividend of Euro 0.80 per share was approved, equivalent to a dividend yield of 2.7 % based on the closing price at the end of the past financial year. Moreover, the Annual General Meeting elected Dr. Rolf Martin Schmitz, CEO of RheinEnergie AG, as a new member of the Supervisory Board. His predecessor, Dr. Karl Heidenreich, had retired from office with effect from the conclusion of the 2008 Annual General Meeting. The Annual General Meeting was attended by around 1 400 shareholders and guests in total, representing 88.4 % of the company's share capital.

Business Framework

Market climate

The North Sea Brent oil price showed a further substantial increase in the first quarter of 2008, temporarily reaching a new record high of $ 105.58 per barrel. Average prices rose from $ 86.23 per barrel in the final quarter of 2007 to $ 96.02 per barrel in the first three months of 2008. In addition to the unexpectedly low volumes of US holdings, subdued OPEC production volumes and continuing high volumes of Chinese imports, the development in prices was largely driven by the "flight to commodities" in the wake of the subprime crisis.

Natural gas was quoted at Euro 28.25/MWh on the Zeebrugge market at the end of the quarter on 31 March 2008. At Euro 26.38/MWh, the average price for the first quarter of 2008 was Euro 7.41/MWh higher than the price in the equivalent period in the previous year. This sharp increase was due to the rise in the oil price, as well as to the relatively cold winter compared with the previous year. The gas traded on the EEX tracked the development in Zeebrugge prices, albeit at a somewhat lower level.

The price of hard coal (anthracite) rose dramatically in the first three months of the new year. Futures contracts rose by around 18 % during the quarter to reach $ 124.50 per tonne for supplies in the 2009 calendar year and by more than 24 % to $ 118.50 per tonne for supplies in 2010. The development in prices was mainly driven by supply-side factors, such as a loss of exports from China, Australia and South Africa due to weather conditions.

The price of CO_2 emissions certificates for the 2008 calendar year fluctuated between Euro 19 and Euro 24 per tonne during the period under report. Listed prices concluded the quarter on 31 March 2008 at Euro 22.25 per tonne for the 2008 calendar year.

The rise in primary energy prices is reflected in the trend in electricity prices. During the period under report, the price of electricity rose from Euro 62.00/MWh to Euro 63.35/MWh for supplies in 2009 and from Euro 59.80/MWh to Euro 62.55/MWh for supplies in 2010. Prices on the German spot market remained almost unchanged, with an average base price of Euro 56.20/MWh on the EEX.

Energy policy developments

On 23 January 2008, the European Commission unveiled a comprehensive package of measures which will have an ongoing impact on European and German energy policy over the coming decade. The legislative package is intended to implement the resolutions adopted by the heads of state in March 2007 and in particular to reduce greenhouse gas emissions by up to 30 % and to raise the share of end customer energy consumption attributable to renewable energies to 20 %.

One key component of the proposals is the reorganisation of emission certificate trading in the period after 2012. National certificate allocation powers are largely expected to give way in future to a more uniform system. Moreover, certificates are generally to be auctioned in future. Exceptions to this requirement are basically only envisaged for energy-intensive sectors facing international competition. The proceeds on the auctions are to be used in part to finance accompanying climate protection measures.

The package of measures also sets out ambitious targets for increasing the share of renewable energies in the electricity and heating supply, as well as in the field of transport. National promotion systems are basically to be retained in this area, although a flexibilisation instrument will allow synergies to be exploited across the EU. Further proposals involve the creation of a legal framework for CO_2 storage.

MVV Energie has consistently increased its involvement in environmentally-friendly forms of energy generation in recent years. We are now one of the market leaders in the operation of biomass plants and generate the predominant share of our district heating using cogeneration, a technology which allows resources to be saved.

External Sales and EBIT of the MVV Energie Group by Segment 1st Half, 1. 10. – 31. 3.

	External Sales			EBIT		
Euro million	**2007/2008**	2006/2007	% change	**2007/2008**	2006/2007	% change
Electricity	667	514	+ 30	83	19	+ 337
District heating	211	184	+ 15	60	62	– 3
Gas	243	245	– 1	39	22	+ 77
Water	51	51	—	5	7	– 29
Value-added services	137	123	+ 11	7	12	– 42
Environmental energy	97	93	+ 4	43	38	+ 13
Other/consolidation	6	1	+ 500	1	– 1	—
	1 412	1 211	+ 17	**238**	159	+ 50

Earnings Position

External sales rise by 17 % in 1st half-year

Our business performance benefited from the colder weather conditions during the 2007/08 heating period compared with the previous year. The external sales of the MVV Energie Group (excluding electricity and natural gas tax) rose by Euro 201 million (+ 17 %) to Euro 1 412 million in the 1st half of 2007/08. At Euro 120 million (+ 19 %), the level of sales growth in the 2nd quarter of 2007/08 was higher than the growth of Euro 81 million (+ 14 %) reported for the 1st quarter of 2007/08. This growth was largely driven by the electricity, district heating and value-added services segments. Particularly noteworthy is the increase in sales in the electricity business (+ 30 %). This was achieved in spite of the tangible intensification in competition on the electricity market and was due, among other factors, to the expansion of our nationwide electricity business and price increases in the trading business. In the gas business, the sales growth achieved by all companies in our municipal utility network on account of the weather-related increase in heating gas turnover was more than offset by the downturn in volumes and sales due to competition in the secondary distribution and key account businesses of the MVV Energie parent company. Of total sales, 94 % were generated in Germany, while international sales accounted, as in the previous year, for a 6 % share of sales in the 1st half of 2007/08.

The expansion in nationwide electricity sales, weather-related upturns in the district heating and heating gas requirements of our customers and increased procurement prices led to higher energy procurement costs, thus contributing significantly to the year-on-year rise in *cost of materials* by 23 % in the first half-year. By enhancing transparency and efficiency and by stepping up our cooperation with our best-performing suppliers, we have been able to further optimise our procurement processes.

Personnel expenses fell year-on-year by Euro 11 million (–7 %) to Euro 148 million. This decline was mainly due to the discontinuation of provisions stated in the previous year for the socially responsible reduction in the workforce at the Kiel, Mannheim and Solingen locations (Euro 13 million). Moreover, this item no longer includes personnel expenses at the Polish shareholding in Bydgoszcz (KPEC), which was deconsolidated in July 2007. These factors more than offset the additional costs resulting from wage and salary increases.

Sales Volumes of the MVV Energie Group[1]	2007/2008	2006/2007	% change
Electricity in kWh million[2]	11962	12086	– 1
of which wholesale[2]	6464	6851	– 6
of which retail[2]	5498	5235	+ 5
District heating in kWh million	5002	4529	+ 10
Gas in kWh million	6481	6492	—
Water in m^3 million	27.2	27.5	– 1
Combustible waste delivered in tonnes 000s	770	676	+ 14

[1] total volumes of all segments

[2] correction in previous year's figure

Key items in the income statement

Operating earnings before interest, income taxes, depreciation and goodwill amortisation (EBITDA) rose by 19 % to Euro 149 million in the 2nd quarter and by 35 % to Euro 310 million in the 1st half of 2007/08

Operating earnings before interest and income taxes (EBIT) increased from Euro 90 million to Euro 114 million in the 2nd quarter and from Euro 159 million to Euro 238 million in the 1st half of 2007/08.

Alongside the operating business performance, both earnings figures have been affected by positive extraordinary items resulting from the recognition of financial instruments (derivatives) under IAS 39 (2004). These relate in particular to the valuation as of the reporting date of energy trading transactions (commodities futures) requiring physical delivery by means of supplies in the coming months. The resultant valuation-dependent, non-cash income of Euro 11 million in the 2nd quarter and of Euro 101 million in the 1st half of 2007/08 reported under o*ther operating income* is countered by valuation-dependent *other operating expenses* of Euro 4 million in the 2nd quarter and of Euro 57 million in the 1st half of 2007/08. On a net basis, the valuation pursuant to IAS 39 thus benefited the EBITDA and EBIT figures to the tune of Euro 7 million in the 2nd quarter and of Euro 44 million in the 1st half of 2007/08. In the 1st half of 2006/07, the equivalent valuation had a negative impact on earnings (Euro –7 million).

As in the 1st quarter of 2007/08, in the interests of transparency the overview of our key figures also includes EBIT before IAS 39 (2004), which depicts our operating earnings performance excluding the impact of the valuation-dependent special item, thus providing a more meaningful indication of the ongoing development in our earnings power.

Our **EBIT before IAS 39** rose by Euro 10 million (+10 %) to Euro 107 million in the 2nd quarter of 2007/08 and by Euro 28 million (+17 %) to Euro 194 million in the 1st half of 2007/08. This improvement was driven in particular by the electricity business, the weather-related upturn in district heating and heating gas turnover and the resultant revenue growth, reduced personnel expenses and initial earnings contributions from new companies.

These positive items were countered in the value-added services segment by a negative factor in connection with the initial consolidation of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS), which in the previous year had resulted in one-off other operating income of around Euro 6 million. Further details have been provided in the notes on developments in the segments (Page 16 onwards) and in the notes to the interim consolidated financial statements for the 1st half of 2007/08 (Page 20 onwards).

Net financing expenses (net balance of financing income and financing expenses) improved year-on-year by around Euro 2 million to Euro –14 million in the 2nd quarter and by around Euro 4 million to Euro –38 million in the 1st half. This improvement was largely attributable to the reduction in financial liabilities and to the positive impact of contracting transactions increasingly being treated as finance leases.

Earnings before taxes (EBT) rose by 33 % to Euro 100 million in the 2nd quarter and by 69 % to Euro 200 million in the 1st half of 2007/08. These figures also include valuation items pursuant to IAS 39 (2004). The improvement in EBT led to an income tax charge of Euro 66 million in the 1st half of 2007/08, compared with Euro 48 million in the first half of the previous year. The effective tax rate amounted to 33 % in the half-year under report, as against 41 % in the equivalent period in the previous year. This decline is chiefly due to the reduction in corporate income and trade tax rates during the year under report on account of the 2008 corporate tax reform.

After income taxes and higher minority interests, the MVV Energie Group posted a **net surplus for the period after minority interests** (share of earnings allocable to shareholders in MVV Energie AG) of Euro 62 million in the 2nd quarter (previous year: Euro 38 million) and of Euro 120 million in the 1st half of 2007/08 (previous year: Euro 59 million).

The MVV Energie Group therefore generated **earnings per share** of Euro 0.94 in the 2nd quarter (previous year: Euro 0.67) and of Euro 1.85 in the 1st half of 2007/08 (previous year: Euro 1.05). Alongside the positive valuation item under IAS 39 (2004), it should be noted that the average weighted number of individual shares rose from 55.8 million to 65.9 million in the 2nd quarter and from 55.8 million to 64.7 million in the 1st half of 2007/08 as a result of the capital increase in October 2007.

Earnings position of major shareholdings

Our municipal utility shareholdings in Germany and district heating shareholdings in Poland and the Czech Republic generated combined sales of Euro 663 million prior to consolidation (previous year: Euro 572 million) and operating earnings (EBIT) of Euro 113 million (previous year: Euro 84 million) in the 1st half of 2007/08.

At **Stadtwerke Kiel AG (SWK)**, sales rose year-on-year by 21 % to Euro 242 million. This growth was chiefly driven by increased district heating and gas turnover due to weather conditions, as well as by higher electricity sales. Operating earnings (EBIT) increased by Euro 11 million to Euro 39 million. Alongside the positive impact of weather conditions, this sharp growth was due in particular to the discontinuation of personnel provisions stated in the previous year and to non-period income in connection with the accrual of consumption at the 2006/07 reporting date. The "SWK 2015" project aimed at maintaining the subgroup's efficiency is being implemented on schedule. By expanding electricity sales outside its own grid region, SWK is reacting to the growing presence of external providers in the state capital Kiel. At public discussion events, SWK informed the general public as to the planning status for the construction of the new power plant and addressed the questions thereby raised.

Sales at **Energieversorgung Offenbach AG (EVO)** increased by 12 % to Euro 212 million, while operating earnings (EBIT) improved year-on-year by Euro 4 million to Euro 33 million in the 1st half of 2007/08. Improved earnings contributions from the electricity and gas segments were partly offset by a loss of district heating earnings due to an unplanned extended inspection at the combined heat and power plant. EVO is proactively facing the increase in competition in the energy market in the Rhine/Main region and has boosted its market presence. In January 2008, EVO's subsidiary Gasversorgung Offenbach GmbH began supplying customers in the district with natural gas for the first time. EVO is also working towards a forward-looking energy supply. An "energy wood" has been planted as part of a pilot project undertaken by Biokraft Naturbrennstoffe GmbH, a company jointly established with MVV Energiedienstleistungen GmbH as of 1 January 2008. With this rapidly growing energy source, which is processed into wood chips, the new company aims to cover the entire regenerative fuel value chain. Increased advertising measures attracted around 25,000 customers from the town and district of Offenbach to the new green electricity product in the 1st half of 2007/08. A photovoltaic unit has been integrated into the facade of the company's own building. This generates 21 000 kWh of electricity and, with the heat insulation, saves around 45 000 kilogrammes of harmful CO_2 emissions per year.

Due mainly to higher electricity and gas revenues, sales at our shareholding in **Stadtwerke Solingen GmbH (SWS)** rose year-on-year by 13 % to Euro 61 million in the 1st half of 2007/08. Operating earnings (EBIT) increased by Euro 3 million to Euro 9 million. The rise in procurement prices was passed on to customers with the introduction of higher electricity and gas prices as of 1 December 2007. Following the launch of operations at the gas and steam power plant in Hamm-Uentrop, around 10 % of Solingen's electricity requirements will be covered in future by this ultramodern, efficient power plant. In the gas segment, a new procurement agreement via 24/7 Trading GmbH has provided access to wholesale products for the first time. The towns of Solingen and Remscheid took preliminary decisions concerning the planned Rheinisch-Bergisch municipal utility cooperation in April 2008. If all of the bodies involved provide their approval, the municipal utility association could be launched as of 1 January 2009.

Sales at **Stadtwerke Ingolstadt Beteiligungen GmbH (SWI)** grew year-on-year by 7 % to Euro 55 million, while operating earnings (EBIT) rose by Euro 3 million to Euro 9 million in the 1st half of 2007/08. This growth in sales and earnings was attributable to the electricity and gas segments. As well as cooler weather conditions, these figures also reflect increased gas demand from large industrial customers. More than 650 interested parties have registered for the thermography process offered exclusively to customers of the municipal utility company. This process enables the weak points in customers' houses, such as non-insulated walls and roofs, unsealed windows and construction defects, to be identified, as well as providing tips on remedying the resultant loss of energy.

In the 1st half of 2007/08, sales at **Köthen Energie GmbH** rose by 13 % to Euro 9 million and operating earnings (EBIT) increased by 5 % to Euro 1.5 million. This growth was the result of higher gas sales on account of the weather-related increase in gas turnover.

The **Czech subgroup** reported the strongest growth of all of our companies. Sales in the 1st half of 2007/08 grew by Euro 21 million (+50 %) to Euro 63 million, while operating earnings (EBIT) rose by 56 % to Euro 18 million. In addition to a weather-related upturn in district heating turnover, this substantial growth was due to initial sales and earnings contributions from the new district heating company Teplárna Liberec and the district heating systems in the neighbouring towns of Litomerice, Louny and Mimon. The tax reform came into effect on 1 January 2008. Among other changes, this involved the introduction of an ecological tax on electricity, gas and coal consumption, as well an increase in the VAT on district heating supplies from 5 % to 9 %. As a result of the tax reform, the shareholdings held by the wholly-owned subsidiary MVV Energie CZ s.r.o. raised their district heating prices as of 1 January 2008. New management and reporting structures are being introduced and work processes standardised as part of the integration of the new companies and district heating systems.

The year-on-year comparison of the sales and earnings performance of our **Polish subgroup** in the 1st half of 2007/08 is impeded by the transitional consolidation of the shareholding in Bydgoszcz (KPEC) from July 2007. Given the difficult underlying conditions, the restructuring measures at the Polish group of companies have not led to any sustainable economic success. We expect to see the successful completion of the planned sale of the KPEC shareholding, as well as of the disposal of the entire Polish business decided during the quarter under report, in the current 2007/08 financial year. The decision to pull out of the Polish business did not have any impact on the earnings performance in the 1st half of 2007/08.

Shared services companies

As a grid operator, **24/7 Netze GmbH** is responsible for the sustainable operation of the grids leased from the MVV Energie AG and EVO parent companies. As well as assuring the quality of the grids, the company also has to meet the rate of return expected by its shareholders. The economic situation of 24/7 Netze GmbH is marked by growing cost pressure resulting from regulation, and in particular from regulation by the Federal Networks Agency (BNetzA), which is responsible for the level of electricity and gas grid utilisation fees. The approval of the new fee applications for electricity grids and for the gas distribution grid in Mannheim is expected in May 2008.

Given its strategic position as the central energy trading unit for the MVV Energie Group, **24/7 Trading GmbH** plays a key role in our energy procurement and energy marketing activities in the wholesale market. Its product range includes electricity trading, certified green electricity products, natural gas, emissions entitlements, environmental certificates and financial products. The large number of national and international trading partners provides a promising backdrop for the further successful expansion of trading activities, including natural gas trading as well.

The business performance of **24/7 Metering GmbH** developed positively in the 1st half of 2007/08. Higher sales revenues were reported, particularly in the water metering fees business field. We expect the liberalisation of the metering business planned by the government to generate further new business.

24/7 IT-Services GmbH is a full-service provider within the Group which has set itself the aim of enhancing transparency concerning the IT expenses incurred at the MVV Energie Group and of optimising these expenses at all locations. The telecommunications divisions of the Mannheim, Kiel and Offenbach locations were integrated into 24/7 IT-Services GmbH as of 1 April 2008.

With more than 1.1 million customer agreements, **24/7 United Billing GmbH** is the fourth-largest player in the invoicing segment in Germany and even occupies top position among non-vertical groups. Its product portfolio covers the entire customer management process – from initial installation to invoicing to ongoing telephone and personal support. As well as acquiring orders via the municipal utility companies, the company currently handles the utility expense billing for around 30 000 apartments.

Following Stadtwerke Kiel (14 %), EVO acquired a 17.6 % share in **24/7 Insurance Services GmbH, Mannheim**, retrospectively as of 1 January 2008. The insurance services of MVV Energie AG, Stadtwerke Kiel AG and EVO have now therefore been pooled at this company. In the first months of its business operations, 24/7 Insurance Services GmbH has established itself as the exclusive provider and broker of insurance services within the MVV Energie Group.

Net Asset and Financial Position

Asset and capital structure

The *total assets* of the MVV Energie Group amounted to Euro 3.51 billion at 31 March 2008, equivalent to an increase of Euro 230 million (+7 %) compared with the reporting date at the end of the past 2006/07 financial year (30 September 2007).

The increase on the asset side related almost exclusively to *current assets*, which rose by Euro 237 million compared with 30 September 2007 to reach Euro 1 036 million. This was chiefly due to higher *accounts receivable*, which rose by Euro 198 million compared with 30 September 2007. In view of the annual accrual of consumption, the higher turnover of heating energy in the winter half of the 2007/08 financial year led to a seasonal increase in the volume of accounts receivable as of 31 March 2008. This factor will level off as the financial year progresses. Moreover, this figure was also affected by increased business volumes in the nationwide sale of electricity and energy trading transactions at 24/7 Trading GmbH. There was also an increase in the *other receivables and assets* reported under current assets. This was due in particular to valuation as of the reporting date and to financial instruments relating to energy trading transactions requiring measurement pursuant to IAS 39 (2004).

The value of *non-current assets* declined by Euro 7 million to Euro 2 472 million. This was chiefly due to lower volumes of intangible assets, property, plant and equipment and other financial assets. Mainly as a result of investments, property, plant and equipment, which accounts for 78 % of non-current assets, fell by Euro 11 million to Euro 1 925 million.

The shares held in the Polish shareholding in Bydgoszcz (KPEC) were reclassified from financial assets to the "Assets held for sale" item, as it is planned to dispose of the shareholding during the current 2007/08 financial year. Following the decision to dispose of the entire Polish business, the assets and liabilities of the Polish subgroup, which was previously fully consolidated, have been classified as available for sale. This has resulted in changes in the figures reported under the respective balance sheet items, but has not had any impact on the company's net asset position.

On the liabilities side, the rise in *equity* more than compensated for the reduction in non-current and current debt. The equity of the MVV Energie Group rose to Euro 1 218 million, up by Euro 305 million (+ 33 %) on 30 September 2007. As a result of the capital increase executed in October 2007, the *share capital* and the *capital reserve* have risen by Euro 26 million and Euro 200 million respectively. Moreover, the higher volume of *equity* is also due to the significant improvement in half-year earnings in 2007/08.

Compared with 30 September 2007, *non-current debt* reduced by Euro 8 million (– 1 %) to Euro 1.37 billion, while *current debt* fell by Euro 67 million (– 7 %) to Euro 920 million. The equity ratio rose from 27.9 % as of 30 September 2007 to 34.7 %. Further details have been provided in the notes to the interim consolidated financial statements.

Investments

The MVV Energie Group invested a total of Euro 93 million in the half-year under report (previous year: Euro 132 million). Of this sum, Euro 84 million was invested in intangible assets, property, plant and equipment and investment property (previous year: Euro 97 million), while Euro 9 million was channelled into the acquisition of fully and proportionately consolidated companies and other financial assets (previous year: Euro 35 million).

Investments in intangible assets, property, plant and equipment and investment property mainly involved investments in the high-growth environmental energy and energy-related services divisions. Investments in the environmental energy segment focused on the construction of the new waste-fired boiler 6 at the waste incineration plant in Mannheim. One focus of investment in the value-added services segment was the construction of the industrial power plant driven by refuse-derived fuel at Korbach, which will supply the production site of Continental AG with process steam and electricity from mid-2008. Investments in the core business fields mainly focused on optimising utility plants and distribution grids at the companies of the MVV Energie Group. Work continued at the Kiel subgroup on the construction of a third gas cavern. The renovation of the head office building of MVV Energie AG in Mannheim was completed on schedule in February 2008.

Financial position

Non-current and current *financial liabilities* fell to Euro 1.27 billion, down by Euro 145 million on the reporting date for the previous year (30 September 2007). The net financial liabilities (financial liabilities less cash and cash equivalents) of the MVV Energie Group fell by Euro 105 million to Euro 1.21 billion in the half-year under report.

From the 1st quarter of the 2007/08 financial year, we have reported interest received, interest paid, net interest expenses and income taxes paid as separate line items in the cash flow statement. In contrast to the procedure adopted in the previous year and at the reporting date on 30 September 2007, within the *cash flow from operating activities* we have reported the item *cash flow before working capital and taxes* for the first time. To facilitate comparison, we have adjusted the half-year figures for the previous year. The cash flow as per DVFA/SG will no longer be reported.

At Euro 51 million, the *cash flow from operating activities* was significantly lower in the 1st half of 2007/08 than the equivalent figure of Euro 88 million in the previous year. The deduction of investments in intangible assets, property, plant and equipment and investment property led to a negative *free cash flow* of Euro – 33 million for the half-year under report (previous year: Euro – 9 million). The development in the *free cash flow* was due to the lower volume of investment and in particular to the sharp increase in accounts receivable and other receivables and assets, as well as to the change in current provisions. These items were partly offset by the increase in the net income for the period compared with the 1st half of 2006/07. The *cash flow before working capital and taxes* rose from Euro 241 million in the 1st half of the previous year to Euro 267 million.

In spite of the inflow of funds of Euro 226 million from the capital increase, the *cash flow from financing activities* was negative once again at Euro – 20 million in the half-year under report (previous year: Euro – 25 million). This was due on the one hand to a lower volume of loans being taken up and on the other hand to increased loan repayments and dividend payments compared with the first half of the previous year.

Detailed information about the company's financial position can be found in the cash flow statement in the interim consolidated financial statements (Page 25) and the notes to the interim consolidated financial statements (from Page 27).

Personnel Totals	**2007/2008 31.3.2008**	2007/2008 31.12.2007	2006/2007 31.3.2007	Change on 31.3.2007
MVV Energie AG[1]	1 497	1 541	1 539	– 42
Fully consolidated shareholdings	3 739	3 755	3 722	+ 17
MVV Energie AG mit with fully consolidated shareholdings	**5 236**	**5 296**	**5 261**	**– 25**
Proportionately consolidated shareholdings	1 025	1 028	1 557	– 532
MVV Energie Group[2]	**6 261**	**6 324**	**6 818**	**– 557**
External personnel at Mannheim waste-to-energy plant	34	38	46	– 12
	6 295	**6 362**	**6 864**	**– 569**

[1] including 53 employees of MVV RHE AG (previous year: 56)

[2] including 352 trainees (previous year: 373)

Employees

Decline in personnel totals

The year-on year decline in the total workforce of the MVV Energie Group by 569 employees largely related to the Polish company KPEC in Bydgoszcz, which has been deconsolidated since July 2007. Total personnel fell by 67 employees compared with the previous quarter. In line with the company's strategy, the development in personnel totals is characterised by rising numbers of staff in the high-growth business fields of environmental energy and energy-related services. This is offset by reductions in staff totals at the Kiel and Offenbach subgroups, as well as at MVV Energie AG (including MVV RHE AG) due to the scheduled implementation of efficiency enhancement programmes. At 31 March 2008, the MVV Energie Group had a total workforce (including external personnel) of 5 212 employees in Germany and 1 083 employees abroad.

Following renovation work lasting 15 months, around 500 employees at MVV Energie AG in Mannheim returned on schedule in February 2008 from their temporary location to the modernised MVV head office building in Luisenring.

Together with companies in the metropolitan region, MVV Energie has a family-friendly personnel policy aimed at enabling its employees to combine their work and family commitments more easily. The company was one of the first signatories of the "Families as a Key Success Factor" manifesto presented by a nationwide network of companies to the Federal Families Minister, Ursula von der Leyen, and the President of the German Chamber of Industry and Commerce, Ludwig Georg Braun, on 1 April 2008.

Research and Development

Mannheim is the model energy-saving city

The "E-Energy" competition initiated by the Federal Ministry of Economics and Technology promotes the application of information and communications technologies in the energy supply. The best among a total of 28 entries concerning the testing of innovative energy concepts in large-scale field trials were singled out at the CeBIT fair held in Hanover in early March. With its "Model City Mannheim" concept, the consortium led by MVV Energie was among the winners. At the heart of the project is a large-scale representative nationwide trial aimed at improving energy efficiency and grid quality. This enables consumers to select the volume, price and origin of their energy requirements at their own discretion. Moreover, real-time information on their own energy consumption helps consumers to make an individual contribution towards greater energy efficiency.

Completion of district heating study for the Rhine/Neckar metropolitan region

The large-scale district heating study undertaken in cooperation with eight other energy suppliers in the region was brought to a successful conclusion in December 2007. The implementation of the findings of this study is expected to result in notable projects expanding and increasing the density of the district heating supply. We expect this to further increase efficiency levels at the large power plant in Mannheim (GKM) and to improve the region's CO_2 balance.

Opportunity and Risk Report

Structural change harbours more opportunities than risks

The group-wide systematic risk management system in place at the MVV Energie Group forms an integral component of the company's management. It serves to identify any potential risks to the company's continued existence at an early stage and to optimise the risk/opportunity profile of our business activities.

Weather risks and regulatory risks represent the greatest external factors influencing the business performance of the MVV Energie Group. Weather-dependent volumes developed virtually on schedule during the heating period up to the end of the 2nd quarter of 2007/08. Assessment notices are still outstanding in some cases in the current grid fee regulation round. The incentive management planned for the future forms a focus of our group-wide opportunity and risk reporting.

Greater competitive intensity and increasing regulatory pressure will promote the consolidation of municipal energy suppliers and utility companies in the medium term. The MVV Energie Group focused at an early stage on enhancing its efficiency and has invested very heavily in promising new high-growth business fields. We therefore see the expected structural change as harbouring more opportunities than risks for our group of companies.

No further risk categories have been added in the 2nd quarter of 2007/08 to the six categories listed in the financial report for the 1st quarter of 2007/08 (strategic risks, legal risks, financial risks, price risks, volume risks and operating risks). The current risk situation does not include any 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.

Events After the Balance Sheet Date

Contract awarded in pan-European tender for green electricity

In mid-April 2008, MVV Energie AG and a Hamburg-based company were awarded the contract to supply all municipal buildings and properties of the City of Mannheim with 100 % green electricity, for which tenders had been invited from across the whole of Europe. The supply agreement, which will take effect from July 2008, has a term of three and a half years. MVV Energie AG will supply a volume of around 25 GWh per annum. By converting all of its electricity requirements to renewable energies, the City of Mannheim will reduce its carbon dioxide emissions by an annual total of around 23 000 tonnes. Both providers have to ensure that their green electricity generation facilities are in fact "physically" connected to the mains grid.

MVV Energiedienstleistungen acquires second biogas plant

In April 2008, MVV Energiedienstleistungen GmbH, Mannheim, a wholly-owned subsidiary of MVV Energie AG, signed a contract to purchase a biogas plant in Mecklenburg-Vorpommern from EPURON GmbH, a subsidiary of Conergy AG. The biogas, which is generated in part using cow dung, will be converted into electrical and heating energy. The annual electricity volume of 5,000 MWh to be generated from summer 2008 onwards is sufficient to supply 1 200 households with CO_2-neutral energy. The surplus heat arising from the electricity generation is to be used to heat a neighbouring hotel. The two companies are reviewing further possibilities of cooperation in the field of bioenergy. MVV Energiedienstleistungen GmbH entered the biogas business in October 2007 with the acquisition of a plant in the state of Sachsen-Anhalt.

Outlook

Future economic framework

In spite of the international financial crisis and the current weakness of the US economy, economic research institutes do not expect to see any downturn in the German economy. In their spring survey, they have forecast economic growth of 1.8 % in Germany for 2008 and of 1.4 % for 2009. The current rise in consumer prices is nevertheless viewed as harbouring risks for the economy, as it could subsequently be reflected in higher wage demands. However, the earnings performance of the MVV Energie Group is basically less dependent on economic factors than on weather conditions and the development in primary energy prices.

In our sector, following the new record levels seen in April 2008 we expect crude oil and coal prices to remain high for the rest of 2008. There will be a further increase in regulatory pressure in the electricity and gas markets. The strict efficiency requirements resulting from the incentive regulation due to come into effect on 1 January 2009 will lead to a corresponding rise in cost pressure at grid operators. Over and above this, all companies in our sector are feeling the effects of increased competition. Having reached the industrial and commercial customer segments, competition is now also gaining momentum in the private customer market. The growing willingness of household customers to change supplier shows that the traditional links between private consumers and their local municipal utility companies are gradually becoming less significant. The customer bases of local energy supply companies will in future become ever less dependent on the actual grid regions of those companies.

This progressive transformation in the underlying framework presents municipal energy suppliers and municipal utility companies with new challenges. Competitive and regulatory pressure will promote consolidation in our sector and lead to increasing numbers of mergers and strategic partnerships between municipal utility companies.

Strategic alignment in the coming years

The MVV Energie Group prepared at an early stage for the new phase of regulated competition. In view of our successful business model, which involves horizontally networking and integrating municipal utility companies, and strengthened by the successful capital increase in October 2007 and our new partnership with RheinEnergie AG, Cologne, we see this development as harbouring more opportunities for us than risks. We intend to acquire further municipal utility companies should the opportunity arise and to offer partnerships and cooperations, such as those at the shared service companies now successfully established, in the interests of jointly enhancing efficiency and reducing costs.

Expansion of nationwide electricity sales

We are drawing on the experience gained in our nationwide business with industrial and commercial customers to exploit the market opportunities available outside our region with an attractive product in the private customer business as well. Since March 2008, SECURA Energie GmbH, a wholly-owned subsidiary of MVV Energie AG, has been active on the national market with its green electricity product "SECURA-Ökostrom". The new product aims to meet the rising demand for electricity which is generated using environmentally-friendly means but which is nevertheless inexpensive, as well as satisfying customers' need for a secure and reliable electricity supply.

We will step up the marketing of "SECURA-Ökostrom" in the coming months and will be focusing in this respect on sales cooperations. The cooperation agreed with Bertelsmann Media Club in April 2008 will soon be followed by further nationwide sales partners.

Energieversorgung Offenbach and Stadtwerke Ingolstadt are set to acquire shareholdings in the new company SECURA Energie GmbH. RheinEnergie AG, Cologne, has now also announced its intention to acquire a 25.1 % shareholding in SECURA Energie GmbH and to launch nationwide private customer electricity sales activities in the coming months. Following the acquisition of a 16.1 % shareholding in MVV Energie AG, this represents an initial specific result of the cooperation between the two energy suppliers.

Marketing activities were launched on 1 March 2008 for the nationwide gas fund specially designed for medium-sized customers and chain store companies. The Gas Fund will pool customers' needs and procure the required volumes on the wholesale market. In January 2008, Gasversorgung Offenbach GmbH, a subsidiary of our shareholding Energieversorgung Offenbach AG (EVO), began supplying customers outside its grid region for the first time. We aim to offer a nationwide gas product for the private customer market starting in October 2008.

We are building on environmental and climate protection

Today already, 20 % of the electricity generated at our plants comes from renewable energy sources (especially biomass and biogenous waste). Around 27 % is generated on the basis of cogeneration. These figures are far above the national average, namely 14 % in the case of renewable energies and 9 % for cogeneration.

In view of the climate protection efforts on the part of the Federal Government and the European Commission, we see the field of environmental and climate protection as harbouring good opportunities for growth and investment. Our group of companies already accords high priority to climate protection, technologies promoting energy saving and efficiency, and resource-saving processes. Pollution is a particularly severe problem in cities and conurbations due to their concentration of industrial and commercial companies, population density and traffic volumes. Accordingly, it is precisely these areas which offer highly promising opportunities for effective climate protection, thus providing municipal utility companies with their decentralised strategies with new growth opportunities in their local markets.

Expansion of cogeneration

The Rhine/Neckar metropolitan region already has one of the largest and most modern district heating grids in Germany. Based on the findings of a district heating study, the share of the region's heating market covered by district heating and renewable energies is to be raised over the next 20 years from its current level of 13 % to more than 40 %. It should be possible to reduce heating energy consumption by 21 % over the same period, even though the surface to be heated is set to rise by 20 %. Cooperation with external partners, such as the technical and municipal utility companies in Ludwigshafen, Heidelberg, Schwetzingen, Speyer, Viernheim, Weinheim and the large power plant in Mannheim (GKM), will open up great opportunities for expanding the use of seminal energy technologies in a way which makes economic sense, thus also promoting climate protection in the metropolitan region (please also see Research and Development, Page 11).

The energy-efficient, environmentally-friendly and resource-saving supply of district heating in the Rhine/Neckar metropolitan region will be secured by the planned construction of a modern generating block at the large power plant in Mannheim (GKM), which will have an electricity output of 910 MW and a district heating output of 500 MWth (Block 9). The new block, which will work with cogeneration technology, will be around 20 % more efficient. By 2013, it should replace two blocks which will then be taken from the grid due to their age. The investments to be made in this project by MVV Energie correspond to the level of the shareholding it holds in GKM (28 %).

Market opportunities in the generation of energy from waste and biomass

Following the launch of operations at the second non-recyclable waste incineration line operated by MVV Umwelt GmbH in Leuna (Leuna II), the MVV Energie Group now has an annual incineration capacity of 1.6 million tonnes of waste and biomass and is thus one of the market leaders in the field of waste incineration in Germany. The construction of waste-fired boiler 6 at the Mannheim location, which will replace two older waste-fired boilers, is progressing on schedule. Operations are planned to commence at the end of 2009. By making acquisitions and entering cooperations, we aim to exploit new market opportunities for generating energy from waste and biomass.

Growth and investment opportunities in the energy-related business

MVV Energiedienstleistungen GmbH is already one of the largest players in the field of energy-related services in Germany. The promising high-growth fields in which it operates include energy-efficient contracting solutions for municipalities, innovative energy concepts for large industrial locations and the housing industry and international consulting projects. In expanding our market position, we will be relying even more heavily in future on a regional company structure. We have pooled our activities in the state of Nordrhein-Westfalen, one of Germany's most attractive markets for energy efficiency and energy optimisation, at MVV Energiedienstleistungen GmbH West, Solingen.

We also see energy-related services as harbouring potential in the field of decentralised renewable energy generation, potential which we aim to access via our regional company locations. Construction work is progressing on schedule on the power plant driven by refuse-derived fuel in Korbach, Hessen. From September 2008 already, this plant will supply electricity and, in particular, steam to the production site of the automotive supplier Continental.

Earnings position and outlook for the remainder of the 2007/08 financial year

District heating and gas sales volumes, which are dependent on weather conditions, developed more or less on target in the 1st half of 2007/08. Due to weather conditions, we reported substantial volume growth compared with the unusually mild first half of the previous year. Those business segments which do not depend on weather conditions are also developing on budget. In view of this, we have not amended our outlook or expected earnings performance for the current 2007/08 financial year compared with the statements made in the previous group management report.

Based on the information currently available, we expect to achieve double-digit year-on-year growth in the sales (excluding energy taxes) and operating earnings before interest and taxes (EBIT before IAS 39) of the MVV Energie Group in the overall 2007/08 financial year.

Research and Development

The great success of our "Model City Mannheim" project within the framework of the "E-Energy" technology competition organised by the Federal Ministry of Economics and Technology will account for a major share of our activities in the coming months. Within this project, we will initially create the best possible conditions for a large-scale trial involving up to 3 000 participants. Work will continue in parallel on the long-term development of our "Energy Butler" project. Together with a European consortium managed by SAP AG, we will use up to 100 next-generation energy butlers in Mannheim-Wallstadt and elsewhere to demonstrate how a new energy marketplace can be jointly structured by private households, businesses and decentralised energy plants. Customers can then actively determine the origin of their electricity and exploit differences in the value of the electricity at various times to their own advantage. We have successfully acquired subsidies worth millions from both national and European sources to develop the energy butler.

Future risks

As outlined in the opportunity and risk report (Page 12), there are currently no indications of any risks which could threaten the continued existence of the company in the further course of the 2007/08 financial year.

Financial support to promote upcoming talent

As part of a sponsorship agreement, MVV Energie AG is providing financial support for a new lecture theatre at the Mannheim Business School at Mannheim University. Within a very short period, Mannheim Business School has developed into a nationally and internationally acknowledged management training institution. For growth-oriented companies such as MVV Energie, the promotion of upcoming talent represents an important means of securing suitable upcoming management staff in an increasingly competitive environment.

Business Segments

Developments in the Segments

Electricity Segment **1st Half, 1. 10. – 31. 3.**	**2007/2008**	2006/2007	% change
Electricity turnover in kWh million	11 580	11 713	– 1
of which wholesale	6 310	6 700	– 6
of which retail	5 270	5 013	+ 5
External sales in Euro million	667	514	+ 30
EBIT in Euro million	83	19	+ 337
EBIT before IAS 39 in Euro million	39	26	+ 50

Electricity segment – success in nationwide market

The reduction in electricity turnover compared with the first half of the previous year was attributable to downturns in the wholesale electricity and secondary distribution business, which accounts for 54 % of total electricity turnover. Since spring 2007, all new energy trading transactions at our group of companies have been pooled at 24/7 Trading GmbH.

Sales volumes in our end customer business, which makes up 46 % of total electricity turnover, rose by 5 %. This growth was due to a 7 % increase in volumes in the industrial and commercial customer business. This substantial growth was supported by success on the market outside our grid region. Our Electricity Fund models, which we offer nationwide to industrial and commercial customers with annual consumption of 300 000 kWh upwards, continued to develop positively. We extended the Electricity Fund product as of 1 March 2008 to include a green electricity option. This provides customers with the opportunity for the first time of combining the benefits of structured procurement with the supply of electricity from regenerative energy plants. Electricity Fund volumes of 3.9 billion kWh have been acquired to date for the 2008 calendar year. Volumes of 4.4 billion kWh have already been acquired for the subsequent 2009 and 2010 calendar years. The new balancing energy pool product we have introduced offered balancing energy in the balancing region managed by EnBW for the first time in February 2008.

The electricity turnover of our group of companies in the private customer business fell slightly by 1 % to 1 070 million kWh. We are thus confronting the tangible increase in dynamism in the electricity market by enhancing our electricity products to better meet customers' requirements. All companies in our municipal utility network are making efforts to raise the attractiveness of their electricity products for private and business customers by offering additional services.

The external sales of the electricity segment (excluding electricity tax) rose year-on-year by Euro 153 million to Euro 667 million in the first half of the year. This 30 % growth is chiefly the result of price increases in the electricity trading business, as well as of substantial growth in the interregional business.

The operating earnings (EBIT) of the electricity segment for the 1st half of 2007/08 include a positive valuation item of Euro 44 million in connection with IAS 39. Following adjustment for this extraordinary non-cash item, the EBIT of the electricity segment rose year-on-year by Euro 13 million to Euro 39 million in the first half. This improvement was attributable in particular to the Kiel and Offenbach subgroups.

Earnings at the Kiel subgroup benefited in particular from non-period income resulting from the accrual of consumption for the previous year and to the discontinuation of prorated charges in connection with personnel provisions stated in the previous year. The shareholdings in Solingen and Ingolstadt also reported improved earnings contributions. Overall, we more than made up for the decline in margins resulting from the reduction in grid utilisation fees and from our moderate overall pricing policies.

District Heating Segment 1st Half, 1.10. – 31.3.	2007/2008	2006/2007	% change
District heating turnover in kWh million	4 292	3 966	+ 8
External sales in Euro million	211	184	+ 15
EBIT in Euro million	60	62	– 3

Gas Segment 1st Half, 1.10. – 31.3.	2007/2008	2006/2007	% change
Gas turnover in kWh million	6 212	6 261	– 1
of which wholesale[1]	1 096	1 695	– 35
of which retail	5 116	4 566	+ 12
External sales in Euro million	243	245	– 1
EBIT in Euro million	39	22	+ 77

[1] including secondary distributors

District heating – high sales growth

Sales volumes in the district heating segment rose year-on-year by 8 % in the first half of the year. This growth was chiefly due to cooler weather conditions in the 2007/08 heating period compared with unusually mild outdoor temperatures in the 2006/07 heating period. The growth in volumes would have been even higher had it not been for the loss of volumes at the Polish subgroup due to the transitional consolidation of Bydgoszcz (KPEC). In addition to the impact of weather conditions, the 1st half of 2007/08 also benefited from new sales volumes at the district heating shareholdings acquired at the Czech subgroup in the previous year (January 2007).

Together with price factors, largely involving clause-related price adjustments, this volume growth led district heating sales to rise by 15 % (Euro + 27 million) compared with the first half of the previous year. The unexpected extension of inspection downtime for a turbine at the cogeneration plant in Offenbach, as well as increased procurement costs which could not be passed on in full on the sales side, nevertheless led operating earnings (EBIT) in the district heating segment to fall year-on-year by Euro 2 million to Euro 60 million (– 3 %).

Gas segment – weather-related and competitive influences

The cooler weather conditions compared with the very mild temperatures in the previous year led to increased heating energy turnover in our end customer business in the gas segment as well. The expansion of trading activities in the natural gas business also resulted in substantial volume growth. These two positive influences on volumes were more than offset by the downturn in volumes suffered in the highly competitive secondary distribution business. At 6.2 billion kWh, total gas turnover was therefore marginally lower than in the first half of the previous year. Following the deduction of natural gas tax charged on to customers, external sales showed a year-on-year decline of 1 % to Euro 243 million.

Operating earnings (EBIT), by contrast, rose to Euro 39 million, an improvement of Euro 17 million on the same period in the previous year. This substantial growth was principally due to synergy effects and cost savings generated by optimising procurement activities, notably via the activities of our trading company 24/7 Trading GmbH. Moreover, the figures also benefited year-on-year from clause-related price increases on the sales side and the discontinuation of prorated personnel provisions stated at the Kiel subgroup and at MVV Energie AG in the previous year.

Since 1 March 2008, we have been marketing our Gas Fund product, which is specifically targeted at medium-sized customers and chain store companies, on a nationwide basis across the whole of Germany. Similar to the Electricity Fund product, the Gas Fund will pool customers' requirements and procure the necessary volumes on the wholesale market.

Water Segment 1st Half, 1.10. – 31.3.	2007/2008	2006/2007	% change
Water turnover in m³ million	27.2	27.1	—
External sales in Euro million	51	51	—
EBIT in Euro million	5	7	– 29

Value-added Services Segment 1st Half, 1.10. – 31.3.	2007/2008	2006/2007	% change
Electricity turnover in kWh million	183	175	+ 5
Heating water turnover in kWh million	262	125	+ 110
Steam turnover in kWh million	223	225	– 1
Gas turnover in kWh million	269	231	+ 16
Water turnover in m³ million	—	0.4	– 100
External sales in Euro million	137	123	+ 11
EBIT in Euro million	7	12	– 42

Water segment – sales at previous year's level

The development of turnover and sales in the water business primarily depends on weather conditions in the high-volume second half of the financial year. In the 1st half of 2007/08, sales and sales volumes were at the same level as in the previous year.

Operating earnings (EBIT) in the water segment fell by Euro 2 million to Euro 5 million in the 1st half of 2007/08. This decline was due to reduced earnings contributions from the MVV Energie parent company, as well as from the Offenbach and Kiel subgroups. Cost structures in the water business are characterised at all companies by a high share of fixed costs. These have a disproportionate influence in periods of low sales volumes. Moreover, the impact of the reduction in water prices at Energieversorgung Offenbach as of 1 July 2007 has also made itself felt.

Value-added services segment – one-off factor in previous year

Segment sales rose to Euro 137 million in the 1st half of 2007/08, an increase of Euro 14 million (+ 11 %) compared with the previous year. This growth was chiefly driven by the MVV Energiedienstleistungen subgroup, which significantly increased its sales, largely due to developments in the municipal contracting division, from Euro 85 million in the previous year to Euro 122 million. This growth was principally due to external sales growth, and in particular to MVV Energiedienstleistungen Wohnen GmbH & Co. KG, Berlin, a company fully consolidated since the 4th quarter of 2006/07.

Operating earnings (EBIT) in the value-added services segment fell year-on-year by Euro 5 million to Euro 7 million. This decline is chiefly due to one-off income in the previous year due to the release of the debit difference in connection with the initial consolidation of IGS Industriepark Gersthofen Service mbH & Co. KG (Euro 6 million). Following adjustment for this item, the half-year operating earnings (EBIT) posted by the value-added services segment are slightly better than in the previous year.

Environmental Energy Segment 1st Half, 1. 10. – 31. 3.	**2007/2008**	2006/2007	% change
Combustible waste delivered in tonnes 000s	770	676	+ 14
Electricity turnover in kWh million	199	198	+ 1
Steam turnover in kWh million	225	213	+ 6
External sales in Euro million	97	93	+ 4
EBIT in Euro million	43	38	+ 13

During the quarter under report, our energy-related services business acquired further orders in the housing industry, international consulting and biogas markets. Not only that, we also made considerable progress with our two refuse-derived fuel power plant projects at the Korbach location of the automobile supplier Continental and at Industriepark Gersthofen.

Parallel to our success on the market, one particular focus in the past months involved enhancing and optimising internal structures and operating processes at MVV Energiedienstleistungen GmbH to provide a solid foundation for managing the growth in our energy-related services business. The merging of all companies in the eastern region of MVV Energiedienstleistungen GmbH at the Berlin location in the 1st quarter of 2007/08 was followed on 1 April 2008 by the pooling of our activities in Nordrhein-Westfalen at MVV Energiedienstleistungen GmbH West based in Solingen.

Environmental energy segment – sales and earnings growth

Sales in the environmental energy segment rose year-on-year by 4 % to Euro 97 million in the first half of the year. The price-related decline in waste revenues was more than compensated for, mainly as a result of initial sales at the second incineration line of the Leuna non-recyclable waste incineration plant (Leuna II), where operations commenced in September 2007. Of total segment sales in the 1st half of 2007/08, Euro 79 million related to the incineration of non-recyclable waste at our locations in Mannheim, Offenbach and Leuna (previous year: Euro 75 million). As in the previous year, we posted first-half sales of Euro 18 million from decentralised energy generation. Of this total, Euro 15 million (previous year: Euro 13 million) related to the biomass power plants in Mannheim and Königs Wusterhausen

Operating earnings (EBIT) in the environmental energy segment rose to Euro 43 million in the first half of the 2007/08 financial year, an improvement of Euro 5 million on the first half of the previous year. This growth was principally the result of initial earnings contributions from the new Leuna II non-recyclable waste incineration plant, to an improved earnings contribution from the biomass power plant in Mannheim and to cost savings achieved by means of optimisation measures.

Interim Consolidated Financial Statements

Balance Sheet

as of 31. 3. 2008

Balance Sheet of the MVV Energie Group Euro 000s	**31. 3. 2008**	30. 9. 2007	Notes
Assets			
Non-current assets			
Intangible assets	318 957	325 077	
Property, plant and equipment	1 924 754	1 935 903	
Investment property	6 718	6 853	
Other financial assets	157 802	165 883	1
Other receivables and assets	61 109	42 784	2
Deferred tax assets	2 529	2 529	
	2 471 869	**2 479 029**	
Current assets			
Inventories	37 737	53 758	3
Accounts receivable	627 665	429 604	4
Other receivables and assets	203 430	155 817	2
Tax receivables	27 633	45 400	5
Securities	10 832	529	6
Cash and cash equivalents	59 839	99 583	7
Assets held for sale	68 600	13 839	8
	1 035 736	**798 530**	
	3 507 605	**3 277 559**	

Balance Sheet of the MVV Energie Group Euro 000s	**31. 3. 2008**	30. 9. 2007	Notes
Equity and liabilities			
Equity			10
Share capital	168 721	142 764	
Capital reserve	455 232	255 523	
Retained earnings	241 921	236 604	
Net earnings	233 907	163 450	
Capital of the MVV Energie Group	**1 099 781**	**798 341**	
Minority interests	118 555	115 361	
	1 218 336	**913 702**	
Non-current debt			
Provisions	127 877	131 232	
Financial liabilities	1 028 441	1 044 781	13
Other liabilities	47 486	42 164	
Deferred tax liabilities	165 765	159 015	
	1 369 569	**1 377 192**	
Current debt			
Other provisions	164 746	206 992	11
Tax provisions	58 926	40 049	12
Financial liabilities	240 111	368 332	13
Accounts payable	246 251	203 737	14
Other liabilities	156 730	143 927	
Tax liabilities	36 934	23 628	
Liabilities held for sale	16 002	—	15
	919 700	**986 665**	
	3 507 605	**3 277 559**	

Income Statement

from 1.10. to 31.3.

Income Statement of the MVV Energie Group[1] Euro 000s	2nd Quarter 1.1.2008 to 31.3.2008	2nd Quarter 1.1.2007 to 31.3.2007	1st Half cumulative 1.10.2007 to 31.3.2008	1st Half cumulative 1.10.2006 to 31.3.2007	Notes
Sales	798 530	667 289	1 503 451	1 286 713	17
less electricity and natural gas taxes	48 849	38 596	91 233	75 656	
Sales after electricity and natural gas taxes	**749 681**	628 693	**1 412 218**	1 211 057	
Changes in inventories	2 678	– 520	– 1 708	– 740	
Capitalised own-account services	2 520	7 129	4 414	11 311	
Other operating income	28 083	15 635	128 397	42 433	18
Cost of materials[2]	513 392	403 224	942 174	767 149	19
Personnel expenses	73 558	77 251	147 501	158 518	20
Other operating expenses[2]	48 126	45 763	145 853	109 856	18
Income from shareholdings measured at equity	—	– 307	—	– 707	
Other income from shareholdings	1 312	545	2 506	1 160	
EBITDA	**149 198**	124 937	**310 299**	228 991	
Depreciation	35 759	34 959	72 733	69 763	
EBITA	**113 439**	89 978	**237 566**	159 228	
Goodwill amortisation	—	—	—	—	
EBIT	**113 439**	89 978	**237 566**	159 228	
Financing income	1 992	2 038	4 362	3 380	
Financing expenses	15 713	17 353	42 125	44 743	
EBT	**99 718**	74 663	**199 803**	117 865	
Taxes on income	32 676	31 420	65 935	48 182	21
Net surplus for the period	**67 042**	43 243	**133 868**	69 683	
Minority interests	5 392	5 637	14 277	11 029	
Share of earnings allocable to shareholders in MVV Energie AG (net surplus for the period after minority interests)	**61 650**	37 606	**119 591**	58 654	
Basic and diluted earnings per share (Euro)	**0.94**	0.67	**1.85**	1.05	22

[1] Changes in the first half of the previous year have been outlined under "Accounting policies"

[2] To ensure that proprietary electricity activities are reported consistently, the comparative figures for the previous year have been adjusted. An amount of Euro 27 million has been reclassified from cost of materials to other operating income. This amendment has not impacted on earnings.

Statement of Changes in Equity

from 1.10. to 31.3.

Statement of Changes in Equity Euro 000s	Share capital of MVV Energie AG	Capital reserve of MVV Energie AG	Retained earnings: Statutory reserve and other retained earnings/ consolidation	Retained earnings: Differential amount from currency translation	Retained earnings: Fair value valuation of financial instruments	Net earnings	**Capital of the MVV Energie Group**	Minority interests	**Total**
Balance at 1.10.2006	142 764	255 523	226 451	9 364	722	97 240	**732 064**	104 912	**836 976**
Earnings recognised directly in equity	—	—	—	1 490	604	—	2 094	558	2 652
Net surplus for the period	—	—	—	—	—	58 654	58 654	11 029	69 683
	—	—	—	1 490	604	58 654	**60 748**	11 587	**72 335**
Distribution of dividend	—	—	—	—	—	– 44 614	– 44 614	– 11 547	– 56 161
Change in retained earnings	—	—	– 708	—	—	708	—	—	—
Change in scope of consolidation	—	—	– 1 445	—	—	—	– 1 445	4 792	3 347
Balance at 31.3.2007	142 764	255 523	224 298	10 854	1 326	111 988	**746 753**	109 744	**856 497**
Balance at 1.10.2007	142 764	255 523	219 947	13 170	3 487	163 450	**798 341**	115 361	**913 702**
Earnings recognised directly in equity	—	—	—	7 995	913	—	8 908	107	9 015
Net surplus for the period	—	—	—	—	—	119 591	119 591	14 277	133 868
	—	—	—	7 995	913	119 591	**128 499**	14 384	**142 883**
Distribution of dividend	—	—	—	—	—	– 52 725	– 52 725	– 11 190	– 63 915
Capital increase	25 957	199 709	—	—	—	—	225 666	—	225 666
Change in retained earnings	—	—	– 3 591	—	—	3 591	—	—	—
Balance at 31.3.2008	168 721	455 232	216 356	21 165	4 400	233 907	**1 099 781**	118 555	**1 218 336**

Segment Report

from 1.10. to 31.3.

Income Statement by Segment	External sales after electricity and natural gas taxes		Intercompany sales after electricity and natural gas taxes		EBIT	
Euro 000s	**1.10.2007 to 31.3.2008**	1.10.2006 to 31.3.2007	**1.10.2007 to 31.3.2008**	1.10.2006 to 31.3.2007	**1.10.2007 to 31.3.2008**	1.10.2006 to 31.3.2007
Electricity	667 275	513 839	5 153	20 902	83 355	18 526
District heating	211 130	183 747	16 229	18 940	60 091	61 992
Gas	242 835	245 379	23 951	15 504	38 680	21 712
Water	50 419	51 029	148	5 120	4 483	7 518
Value-added services	137 084	123 174	49 889	21 833	7 048	11 838
Environmental energy	97 194	92 720	20 384	14 665	42 932	38 295
Other/consolidation	6 281	1 169	– 115 754	– 96 964	977	– 653
MVV Energie Group	**1 412 218**	1 211 057	**—**	—	**237 566**	159 228

Cash Flow Statement

from 1.10.
to 31.3.

Cash Flow Statement of the MVV Energie Group[1] Euro 000s	**1.10.2007 to 31.3.2008**	1.10.2006 to 31.3.2007
Net surplus for the period before taxes on income	199 803	117 865
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	72 733	69 763
Net interest expenses	37 763	41 363
Interest received	2 679	3 037
Change in non-current provisions	– 3 887	8 390
Other non-cash income and expenses	– 42 013	1 967
Result generated from disposal of non-current assets	243	– 1 681
Cash flow before working capital and taxes	**267 321**	240 704
Change in other assets	– 239 407	– 232 038
Change in other liabilities	78 625	51 318
Change in current provisions	– 39 170	44 416
Income taxes paid	– 16 280	– 16 740
Cash flow from operating activities	**51 089**	**87 660**
Investments in intangible assets, property, plant and equipment and investment property	– 84 057	– 96 666
(Free cash flow)	**(– 32 968)**	**(– 9 006)**
Proceeds from disposal of intangible assets, property, plant and equipment and investment property	2 144	9 820
Proceeds from subsidy payments	4 013	4 675
Proceeds from sale of fully and proportionately consolidated companies	—	14 400
Proceeds from sale of other financial assets	21 040	2 154
Payments for acquisition of fully and proportionately consolidated companies[2]	237	– 31 484
Payments for other financial assets	– 8 859	– 3 994
Cash flow from investing activities	**– 65 482**	– 101 095
Proceeds from taking up of loans	99 432	194 939
Payments for redemption of loans	– 245 239	– 128 257
Proceeds from capital increases	225 666	—
Dividend payment	– 63 915	– 56 161
Interest paid	– 36 117	– 35 513
Cash flow from financing activities	**– 20 173**	**– 24 992**
Cash-effective changes in cash and cash equivalents	– 34 566	– 38 427
Change in cash and cash equivalents due to currency translation	2 297	1 020
Cash and cash equivalents at 1.10.2007 (2006)	99 583	127 975
Cash and cash equivalents at 31.3.2008 (2007)[3]	**67 314**	90 568

Cash flow – aggregate depiction Euro 000s	**1. 10. 2007** **to 31. 3. 2008**	1. 10. 2006 to 31. 3. 2007
Cash and cash equivalents at 1. 10. 2007 (2006)	**99 583**	127 975
Cash flow from operating activities	51 089	87 660
Cash flow from investing activities	– 65 482	– 101 095
Cash flow from financing activities	– 20 173	– 24 992
Change in cash and cash equivalents due to currency translation	2 297	1 020
Cash and cash equivalents at 31. 3. 2008 (2007)[3]	**67 314**	90 568

[1] Changes in the first half of the previous year have been outlined under "Accounting policies"

[2] See notes under "Change in scope of consolidation"

[3] See Note 24 "Cash flow statement"

Notes to the Interim Consolidated Financial Statements

for the 1st Half of 2007/2008

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 and value-added services. Its activities in the field of environmental energy focus on the incineration of non-recyclable waste.

These abridged interim consolidated financial statements were compiled by the Executive Board and approved on 8 May 2008. The abridged interim consolidated financial statements and interim group management report have not been subject to any audit review.

Accounting policies

The abridged interim consolidated financial statements for the period from 1 October 2007 to 31 March 2008 have been compiled in accordance with IFRS accounting requirements as applicable in the EU, and in particular with IAS 34 "Interim Financial Reporting". These interim consolidated financial statements do 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 2007. 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 policies applied in the interim consolidated financial statements as of 31 March 2008 therefore correspond to those applied in the consolidated financial statements as of 30 September 2007.

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 consolidated financial statements. The MVV Energie Group has applied the following standards and interpretations for the first time in the 2007/08 financial year:

IAS 1	2005 amendment "Presentation of Financial Statements"
IFRS 7	Financial Instruments: Disclosures
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	IFRS 2 Group and Treasury Share Transactions

The disclosures concerning IFRS 7 are not relevant for the compilation of the abridged interim consolidated financial statements for the 1st half of the 2007/08 financial year. However, extended disclosures concerning the type and scope of risks associated with financial instruments can be expected in the 2007/08 consolidated financial statements of the MVV Energie Group.

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

The comparative period has been adjusted retrospectively. The impact on the interim consolidated financial statements for the 1st half of 2006/07 can be depicted as follows:

Income statement	Change in Euro 000s
Cost of materials	– 27 657
Other operating expenses	27 657

To ensure that proprietary electricity trading activities are reported consistently, a reclassification has been undertaken between cost of materials and other operating expenses. Moreover, capitalised own-account services and changes in inventories have been reported as separate items in the income statement. The comparative period has been adjusted accordingly. The amendments to the reporting structure have no impact on earnings.

Cash flow statement	Change in Euro 000s
Cash flow from operating activities	35 513
Cash flow from financing activities	– 35 513

The reporting structure in the cash flow statement has been amended compared with the 1st half of the 2006/07 financial year and the financial statements at the end of the financial year as of 30 September 2007. From the 1st quarter of the 2007/08 financial year, interest received, interest paid, net interest expenses and income taxes paid have been reported as separate line items. Furthermore, the statement of the cash flow as per DVFA/SG has been omitted. The cash flow before working capital and taxes has been reported for the first time within the cash flow from operating activities.

The method of calculating deferred and actual taxes has been amended compared with the abridged interim consolidated financial statements for the 1st half of the 2006/07 financial year. Pursuant to the requirements of IAS 34, tax expenses have been recorded on the basis of a current estimate made at the half-year reporting date of the income tax rate expected for the individual units for the entire 2007/08 financial year. This estimate amounts to 33.0 %.

The compilation of the interim consolidated financial statements in some cases requires the use of assumptions and estimates which could impact on the values stated for the assets, liabilities, income and expenses thereby reported. 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 scope of consolidation

In addition to MVV Energie AG, 53 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 consolidated financial statements of the MVV Energie Group (30 September 2007: 52). 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.

In the 1st quarter of the 2007/08 financial year, Köthen Energie Netz GmbH, Köthen, a newly founded company, was included in the interim consolidated financial statements by means of full consolidation. The inclusion of this company did not have any major implications for the net asset, financial and earnings position of the Group.

In the 2006/07 financial year, the Czech subgroup had acquired companies including Teplárna Liberec a.s., Liberec. Within the framework of the integration, the purchase price was reduced by Euro 237 thousand during the half year under report. This factor is reflected in other operating income and the cash flow statement.

Currency translation

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

1 Euro	Rate on reporting date		Average rate	
	31. 3. 2008	30. 9. 2007	**1. 10. 2007 to 31. 3. 2008**	1. 10. 2006 to 31. 3. 2007
Polish zlotys (PLN)	3.522	3.773	3.618	3.867
Czech crowns (CZK)	25.335	27.532	26.205	28.041

(Source: European Central Bank)

Seasonal influences on business activities

The seasonal nature of business activities at the companies in the MVV Energie Group means that a higher level of sales and operating earnings is regularly generated in the first half of the year than in the second half of the year.

Notes on the Balance Sheet

1 Other financial assets

The decline in other financial assets compared with 30 September 2007 is largely due to the reclassification of the shareholding KPEC Komunalne Przedsiebiorstwo Energetyki Cieplnej Sp. z o. o., Bydgoszcz, Poland. This shareholding has been classified as available for sale. Reference is made to the notes under "Assets held for sale". This factor has been compensated in part by the addition of SECURA Energie GmbH, Mannheim, as an affiliated non-consolidated company, and by additions to loans in connection with finance leases.

2 Other receivables and assets

The rise in other current and non-current receivables and assets is chiefly due to higher market prices and to increased volumes of energy trading transactions requiring measurement under IAS 39. The substantial increase seen in the latter item in the previous quarter had slowed somewhat as of 31 March 2008.

3 Inventories

The decline in inventories was caused by increased energy turnover during the winter months and the resultant sale of oil and gas stocks. Moreover, inventory management at the Czech subgroup has been converted to a just-in-time policy.

4 Accounts receivable

The increase in accounts receivable in the 1st half of the 2007/08 financial year is a customary seasonal phenomenon. As a result of increased energy turnover during the winter months, the corresponding accrual of consumption leads to increased volumes of accounts receivable.

5 Tax receivables

The decline in tax receivables was principally due to lower amounts of input tax.

6 Securities

The increase in securities results from the acquisition of a short-term federal bond.

7 Cash and cash equivalents

The decline in cash and cash equivalents is chiefly attributable to the repayment of financial debt and the acquisition of a short-term federal bond. As a result of the reclassification of the Polish subgroup to the items "Assets held for sale" and "Liabilities held for sale", the figures reported for cash and cash equivalents in the balance sheet and the cash flow statement are not identical. The cash and cash equivalents at the Polish subgroup, amounting to Euro 7 475 thousand, have been reported under "Assets held for sale" (please also see Note 24 "Cash flow statement").

8 Assets held for sale

The asset held for sale reported as of 30 September 2007 included Energy Innovations Portfolio AG & Co. KGaA, Mannheim. The purchase option was exercised in December 2007 and the sale price of Euro 14 000 thousand thereby realised.

The Executive Board of MVV Energie AG decided on 27 December 2007 to dispose of KPEC Komunalne Przedsiebiorstwo Energetyki Cieplnej Sp. z o. o., Bydgoszcz, Poland. This shareholding was reclassified from financial assets to assets held for sale. The shares in the company had previously been recognised at fair value under other financial assets. Negotiations are currently underway concerning the disposal. The sale price has thus not yet been finally determined.

In the current quarter, the Executive Board of MVV Energie AG decided to part with all of its activities in Poland. The assets of the Polish subgroup have therefore been classified as available for sale (please also see Note 15 “Liabilities held for sale”).

9 Distribution of dividend

The Annual General Meeting on 14 March 2008 approved the distribution of a dividend of Euro 0.80 per share for the 2006/07 financial year (total distribution: Euro 52 725 thousand). Moreover, a total of Euro 11 190 thousand was distributed to minority shareholders on a subgroup level.

10 Equity

A capital increase involving 10 139 506 ordinary registered shares was undertaken in October 2007. The new shares were offered to existing shareholders at a subscription price of Euro 22.50 per individual share. This has increased the share capital by Euro 25 957 thousand and the capital reserve by Euro 199 709 thousand. The costs of Euro 2 551 thousand incurred for the capital increase have been deducted from the allocation to the capital reserve. The new shares already enjoyed full dividend entitlement for the dividend distribution in March 2008.

11 Other provisions

The decline in other current provisions was mainly due to the utilisation of provisions for services and supplies not yet invoiced.

12 Tax provisions

The rise in tax provisions mainly involves corporate income tax resulting from the increase in half-year earnings.

13 Financial liabilities

It has been possible to repay current liabilities to banks largely as a result of the funds received from the capital increase undertaken at MVV Energie AG in October 2007.

14 Accounts payable

The increase in accounts payable is a customary seasonal phenomenon. As a result of the increased energy procurement of the MVV Energie Group during the winter months, the corresponding accrual of consumption leads to increased volumes of accounts payable.

15 Liabilities held for sale

The Executive Board of MVV Energie AG decided in the current quarter to part with all of its activities in Poland. The provisions and liabilities of the Polish subgroup have therefore been classified as available for sale (please also see Note 8 “Assets held for sale”).

16 Contingent liabilities

There have been no material changes in contingent liabilities since 30 September 2007.

Notes on the Income Statement

17 Sales

A depiction of sales broken down into their respective segments has been provided in the segment report. The growth in sales compared with the equivalent period in the previous year is largely attributable to weather-related volume factors. In individual cases, price adjustments have also contributed to the increase in sales.

18 Other operating income and other operating expenses

The rise in other operating income and other operating expenses is primarily due to the recognition of energy trading derivatives measured pursuant to IAS 39.

19 Cost of materials

The year-on-year rise in cost of materials is mainly due to weather-related volume factors and price factors.

20 Personnel expenses

The decline in personnel expenses is largely the result of provisions stated in the first half of the previous year in connection with part-time early retirement agreements. There has been a slight decline in personnel totals compared with 30 September 2007.

21 Taxes on income

Taxes on income Euro 000s	**1. 10. 2007 to 31. 3. 2008**	1. 10. 2006 to 31. 3. 2007
Taxes on income	65 935	48 182
Effective tax rate in %	33.0	40.8

The decline in the effective tax burden compared with the previous year is principally due to the reduction in corporate income and trade tax rates in Germany to around 30 % as a result of the 2008 corporate tax reform (2006/07 financial year 39 %).

Pursuant to IAS 34.30 (c), tax expenses for the period under report have been calculated using the tax rate of 33.0 % expected for the overall 2007/08 financial year.

22 Earnings per share

Earnings per share	2nd Quarter		1st Half cumulative	
	1.1.2008 to 31.3.2008	1.1.2007 to 31.3.2007	**1.10.2007 to 31.3.2008**	1.10.2006 to 31.3.2007
Share of earnings allocable to shareholders in MVV Energie AG (Euro 000s)	61 650	37 606	119 591	58 654
No. of shares in 000s (weighted average)	65 907	55 767	64 688	55 767
Earnings per share (Euro)	0.94	0.67	1.85	1.05

It was not necessary to account for any dilution effects.

23 Segment reporting

The electricity segment includes the value creation steps involved in the generation, trading, distribution and sales 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, the value-added services segment also includes the value-added services businesses at the municipal utility companies. The shared service companies 24/7 Metering GmbH, 24/7 United Billing GmbH and 24/7 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.

Segment revenues have been reported net of energy taxes in the abridged interim consolidated financial statements.

Intercompany 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 intercompany and external sales.

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

24 Cash flow statement

In contrast to the depiction in the 2006/07 financial year, in the 1st half of 2007/08 interest paid has been reported as a separate line item within the cash flow from financing activities. Furthermore, interest received, net interest expenses and income taxes paid have been reported as separate line items within the cash flow from operating activities.

The cash flow as per DVFA/SG was calculated for the last time at the end of the financial year as of 30 September 2007. The cash flow before working capital and taxes has been calculated for the first time in the 2007/08 financial year.

The cash flow from operating activities is characterised by the sharp increase in accounts receivable and other assets. This factor was countered by the increase in the net surplus for the period compared with the equivalent period in the previous year. Overall, this resulted in a lower level of cash flow from operating activities than in the comparative period.

In spite of the capital increase undertaken in the 1st quarter of 2007/08, the cash flow from financing activities is negative on account of the dividend payment in the 2nd quarter of 2007/08 and of the significant rise in loan repayments. Due to the sale of shareholdings, by contrast, the negative cash flow from investing activities is lower than in the comparative period in the previous year, which included company acquisitions.

Reconciliation of cash and cash equivalents

Euro 000s

Cash and cash equivalents at 31. 3. 2008 as reported in balance sheet	59 839
Cash and cash equivalents at the Polish subgroup classified as held for sale	7 475
Cash and cash equivalents at 31. 3. 2008 as reported in cash flow statement	**67 314**

25 Relationships to related companies, individuals and entities

	Goods and services provided Income	
Euro 000s	**1. 10. 2007 to 31. 3. 2008**	1. 10. 2006 to 31. 3. 2007
Abfallwirtschaft Mannheim	39	532
ABG Abfallbeseitigungs-gesellschaft mbH	9 633	18 475
GBG Mannheimer Wohnungsbau-gesellschaft mbH	9 743	5 548
m:con - Mannheimer Kongress- und Touristik GmbH	1 692	2 441
MVV GmbH	437	468
MVV OEG AG	225	204
MVV Verkehr AG	1 011	954
Rhein-Neckar-Verkehr GmbH	3 204	4 287
Stadtentwässerung Mannheim	1 893	1 062
City of Mannheim	7 163	10 355
Proportionately consolidated companies	36 994	29 141
Other companies controlled by the City of Mannheim	5 462	2 854
	77 496	76 321

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.

Goods and services provided Expenses		Receivables		Liabilities	
1.10.2007 to 31.3.2008	1.10.2006 to 31.3.2007	**31.3.2008**	30.9.2007	**31.3.2008**	30.9.2007
3520	—	—	34	4153	—
2176	—	2967	3230	—	—
20	—	2570	778	180	—
2622	—	5793	7	—	2846
1136	1675	132	140	39556	41533
—	—	16	52	—	—
24	—	754	1143	1	—
—	142	1751	802	—	—
335	340	968	291	27	—
11349	11232	1030	14559	—	10509
7344	2819	1577	1278	7906	10207
29	2	1166	309	358	—
28555	16210	**18724**	22623	**52181**	65095

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.

26 Events after the balance sheet reporting date

No events requiring report here have occurred since the balance sheet reporting date.

Mannheim, 8 May 2008
MVV Energie AG
Executive Board

Dr. Schulten Brückmann Dr. Dub Farrenkopf

Responsibility Statement

"To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net asset, financial and earnings position of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group up to the end of the 2007/08 financial year."

Mannheim, 8 May 2008
MVV Energie AG
Executive Board

Dr. Schulten Brückmann Dr. Dub Farrenkopf

Financial Calendar

15. 8. 2008	Financial Report 3rd Quarter of 2007/2008
20.11. 2008	Publication of Preliminary Results for the 2007/2008 Financial Year
27. 1. 2009	Annual Results Press Conference and Analysts' Conference
13. 3. 2009	Annual General Meeting
16. 3. 2009	Payment of Dividend

Imprint

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